AECON GROUP INC.

ANNUAL REPORT 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION ("MD&A")

DECEMBER 31, 2009

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. ("Aecon") should be read in conjunction with the Company's December 31, 2009 Consolidated Financial Statements and Notes. This MD&A has been prepared as of March 2, 2010. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and includes the Company's Annual Information Form and other securities and continuous disclosure filings.

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INTRODUCTION

Aecon operates in four principal segments within the construction and infrastructure development industry – Infrastructure, Buildings, Industrial and Concessions.

The Infrastructure segment includes all aspects of the construction of both public and private infrastructure, including roads and highways, as well as dams, tunnels, bridges, airports, marine facilities, transit systems and hydroelectric power projects, primarily in Canada and, on a selected basis, internationally. This segment also includes the mining, manufacture and supply of asphalt and aggregate products, and the construction and/or installation of utility distribution systems for natural gas, telecommunications and electrical networks, as well as water and sewer mains, traffic signals and highway lighting. The design and construction of the Quito airport project is included in the Infrastructure segment.

On January 15, 2009, Aecon acquired South Rock Ltd. ("South Rock"), an integrated construction and materials business headquartered in Medicine Hat, Alberta focusing primarily on the southern Alberta roadbuilding market. Aecon reports South Rocks' operations within its Infrastructure segment.

The Buildings segment specializes in the construction and renovation of commercial, institutional and multi-family residential buildings, including hospitals, educational facilities, office buildings, industrial buildings, airport terminals, entertainment facilities, retail complexes and high-rise condominium buildings among others. Work in this segment is concentrated primarily in Canada and the northwestern United States. Services include general contracting, fee for service construction management, design build services, building renovation, tenant fit up and facilities management.

The Industrial segment encompasses all of Aecon's industrial construction and manufacturing activities including in-plant construction, fabrication and module assembly in the energy, manufacturing, petrochemical, steel and automotive sectors. Activities in this segment include the construction of alternative, fossil fuel and cogeneration power plants, in-plant construction at nuclear power plants, the fabrication and module assembly of small diameter specialty pipe, and the design and manufacture of "once-through" heat recovery steam generators ("HRSGs") for industrial and power plant applications. Although activities in this segment are concentrated primarily in Canada, Aecon, through its subsidiary Innovative Steam Technologies Inc. ("IST"), sells HRSGs throughout the world.

On April 1, 2009, Aecon acquired Lockerbie & Hole Inc. ("Lockerbie"). Lockerbie was founded in 1877 and is one of the largest industrial and mechanical construction contractors in Canada. Lockerbie is a multi-disciplined contractor providing mechanical, electrical, instrumentation, pipe fabrication, module assembly, boiler erection, insulation and civil construction services primarily to the oilsands, mining, institutional, municipal and commercial market sectors. Aecon reports Lockerbie's operations within its Industrial segment.

Activities within the Concessions segment include the development, financing and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures. This segment focuses primarily on the operation, management, maintenance and enhancement of investments held by Aecon in infrastructure concessions, which currently comprises investments in the Cross Israel Toll Highway and Quito airport concession companies. This segment also includes the operations of the Highway 104 Toll Plaza in Atlantic Canada. In addition, this segment has a development function whereby it monitors and, where appropriate, brings together the unique capabilities and strengths of Aecon for the development of public sector infrastructure projects in which Aecon can play a role beyond just contractor, as developer, operator or investor.

The construction industry in Canada is seasonal in nature for companies like Aecon, who do a significant portion of their work outdoors (particularly road construction and utilities work) and, as a result, less work is performed in the winter and early spring months than in the summer and fall months. Accordingly, Aecon has historically experienced a seasonal pattern in its operating results with the first half of the year typically reflecting lower revenues and profits than the second half of the year. Therefore, results in any one quarter are not necessarily indicative of results in any other quarter, or for the year as a whole.

NON-GAAP MEASURES

The MD&A presents certain non-GAAP (Canadian generally accepted accounting principles) financial measures to assist readers in understanding the Company's performance. Non-GAAP financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP.

Throughout this MD&A, the following terms, which are not found in the Handbook of the Canadian Institute of Chartered Accountants and which do not have a standardized meaning under GAAP, are used:

- **"EBITDA"** represents earnings or loss before net interest expense, income taxes, depreciation and amortization, and non-controlling interests.
- **"Operating profit (loss)"** represents the profit (loss) from operations, before net interest expense, income taxes and non-controlling interests.
- **"Gross profit"** represents revenues less direct costs and expenses. Marketing, general and administrative expenses, depreciation and amortization, foreign exchange, interest, gains or losses on sale of assets, income taxes, and non-controlling interests are not included in the calculation of gross margin.
- **"Earnings before taxes"** represent income before income taxes and non-controlling interests.
- **"Operating profit margin"** represents operating profit as a percentage of revenues.

The above terms are not recognized performance measures under GAAP and do not have a standardized meaning prescribed by GAAP. Aecon believes these terms are useful complementary measures of pre-tax profitability commonly used by the financial and investment community for valuation purposes. The most directly comparable measure calculated in accordance with GAAP is net income.

- "Backlog" means the total value of work that has not yet been completed that: (a) is assessed by Aecon as having a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Aecon, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and with the finalization of a formal contract respecting such work assessed by Aecon as being reasonably assured.

Backlog is not a recognized performance measure under GAAP and does not have any standardized meaning prescribed by GAAP. Aecon believes that backlog is a useful complementary measure commonly used by management to evaluate its projected activity in future periods. There is no direct comparable measure to backlog in GAAP.

CONSOLIDATED FINANCIAL HIGHLIGHTS

Year Ended December 31 $ millions (except per share amounts)	2009	2008
Revenues	**$2,261.0**	$1,877.0
Gross profit	**243.7**	211.1
EBITDA	**124.7**	116.6
Depreciation and amortization	**(48.4)**	(27.5)
Operating profit	**76.2**	89.1
Interest expense, net	**(6.1)**	(1.2)
Earnings before taxes	**70.1**	87.9
Income tax expense	**(22.3)**	(26.8)
Net income for the year	**44.4**	59.3
Earnings per share – diluted	**$0.80**	$1.20
Operating profit margin	**3.4%**	4.7%
Backlog – December 31	**$2,183**	$1,254

Revenues in 2009 were $2,261 million, representing an increase of $384 million, or 21%, over the previous year. Revenues increased in the Infrastructure, Buildings, Industrial and Concessions segments by $198 million, $17 million, $135 million and $35 million, respectively. The acquisitions of Lockerbie and South Rock in 2009 combined to contribute $495 million to the year-over-year increase in revenues.

Gross profit increased from $211 million or 11.2% of revenues in 2008 to $244 million or 10.8% of revenues in 2009. Of the $33 million increase in gross profit in 2009, the Infrastructure and Concessions segments reported improvements of approximately $49 million and $6 million, respectively, while the Buildings and Industrial segments reported decreases of $18 million and $5 million, respectively. The acquisition of South Rock in the first quarter of 2009 was the principal contributor to the improvement in Infrastructure gross profit in 2009. Gross profit in the Buildings segment was negatively impacted by losses on two projects. In the Industrial segment, the gross profit contribution from Lockerbie, acquired in the second quarter of 2009, was offset by reduced gross profit contributions from the balance of operations in western Canada, where both revenues and margin levels decreased. In the Concessions segment, gross profit improvements occurred in both the operator of the Cross Israel Highway and in the Quito airport concessionaire. See the "Quito Airport Project Recent Developments" section of this MD&A for further details.

Marketing, general and administrative expenses ("MG&A") as a percentage of revenues were 5.1% in both 2009 and 2008. In the Buildings and Concessions segments, MG&A as a percentage of revenues dropped, while the MG&A percentage was unchanged in the Infrastructure segment. However, in the Industrial segment, the MG&A percentage increased as revenues decreased in many of the Industrial operating units.

Foreign exchange losses of $4.1 million in 2009 compares with foreign exchange gains of $1.5 million in 2008. The majority of the $5.6 million increase in foreign exchange losses occurred in the international operations of the Infrastructure segment.

Depreciation and amortization expense of $48.4 million in 2009 was $20.9 million higher than in 2008. The increase occurred mainly in the Infrastructure and Industrial segments and resulted primarily from the amortization of intangible assets resulting from the South Rock and Lockerbie acquisitions, as well as from higher depreciation charges on property, plant and equipment. In accounting for the South Rock and Lockerbie acquisitions, Aecon was required to fair value the backlog revenue acquired on closing. The impact of amortizing this intangible asset as the backlog is worked off resulted in amortization charges for 2009 of $10 million. The unamortized balance of this intangible asset as of December 31, 2009 was $15 million of which approximately $8 million is expected to be amortized in 2010.

Interest expense of $17.8 million in 2009 was $8.5 million higher than in 2008. The increase resulted from higher levels of non-recourse project debt, primarily related to three Infrastructure Ontario "build-finance" projects that are currently in progress, as well as from cash interest and non-cash interest accretion costs related to the issuance of convertible debentures in the third quarter of 2009.

Interest income of $11.7 million in 2009 was $3.6 million higher than the amount earned in 2008. In 2009, higher interest from funds on deposit in build finance special purpose vehicles was partially offset by a drop in interest income because of lower cash balances on hand during most of 2009. Cash used to fund the acquisition of Lockerbie early in the second quarter, offset in part by the proceeds from a convertible debenture issue at the end of the third quarter, was the largest contributor to the lower average cash balances during 2009.

Earnings before taxes for the year ended December 31, 2009 were $70.1 million, representing a $17.8 million decrease over 2008.

Set out in note 5 of the 2009 Consolidated Financial Statements is a reconciliation between the expected income tax recovery/(expense) in 2009 and 2008 based on statutory income tax rates and the actual income tax recovery/(expense) reported for both these years. In 2009, there was income tax of $22.3 million on pre-tax income of $70.1 million, resulting in an effective tax rate of 31.8%, whereas in 2008 there was income tax of $26.8 million on pre-tax income of $87.9 million, resulting in an effective tax rate of 30.5%. The lower effective tax rate in 2008 was primarily due to the $3.4 million reversal of tax valuation allowances recorded in that year.

Aecon's non-controlling interests in consolidated entities represents the minority owners' share of the income or loss of Aecon's consolidated subsidiaries/joint ventures, primarily the operator of the Cross Israel Highway and the Quito airport concessionaire. The non-controlling interests' share of profits of $3.4 million for 2009 (2008 – $1.8 million) was primarily due to higher earnings from the operator of the Cross Israel Highway.

Overall, net income for the year ended December 31, 2009 of $44.4 million or $0.80 per share on a fully diluted basis, compares with net income of $59.3 million or $1.20 per share in 2008. The fully diluted weighted average number of shares outstanding increased from 49,805,700 in 2008 to 58,510,761 in 2009 with the increase resulting primarily from the issuance of shares as part of the Lockerbie acquisition and from the dilutive effect of convertible debentures issued in September 2009. (See note 18 to the Consolidated Financial Statements.)

Further details for each of the segments are included in the discussion below under Reporting Segments.

Backlog at December 31, 2009 of $2,183 million was $929 million higher than the amount on hand at December 31, 2008. The 2009 year end backlog was favourably impacted by $948 million of backlog on hand in the Lockerbie and South Rock operations. New contract awards of $2,603 million were booked in 2009, which compares with $1,897 million in 2008. Further details of backlog for each of the segments are included in the discussion below under Reporting Segments.

It is important to note that Aecon does not report as backlog the significant and increasing number of contracts and arrangements in hand where the exact amount of work to be performed cannot be reliably quantified or where a minimum number of units at the contract specified price per unit is not guaranteed. Examples include time and material, and some cost-plus and unit priced contracts where the extent of services to be provided is undefined or where the number of units cannot be estimated with reasonable certainty. Other examples include the value of construction work managed under construction management advisory contracts, concession agreements, multi-year operating and maintenance service contracts, general contracts, supplier of choice arrangements and alliance agreements where the client requests services on an as-needed basis. None of the expected revenues from these types of contracts and arrangements are included in backlog. Therefore, Aecon's effective backlog at any given time is greater than what is reported.

Quito Airport Project Recent Developments

Aecon holds a 42.3% economic interest in Corporacion Quiport S.A. ("Quiport JV"), an Ecuadorian company, whose main operations consist of managing and operating the existing Quito airport, and the development, construction, operations and maintenance of the new Quito airport under a concession arrangement.

On July 29, 2009, the Quito Airport Project (the "Project") suffered a legal setback following the issuance by the Ecuadorian Constitutional Court (the "Court") of a ruling (the "Airports Ruling") whereby, among other things, pursuant to Ecuador's new constitution: (i) the majority of airport revenues collected by Quiport JV were declared to be public in nature; and (ii) the Court ordered all relevant stakeholders to amend their contracts to align with the new constitution and the Airports Ruling.

Following the issuance of the Airports Ruling, a formal contractual dispute was declared, the Project's financing was suspended and the various stakeholders immediately initiated a consultation process to resolve all issues. In order to permit the various parties involved in the project to engage in talks to resolve the dispute, a supplemental ruling was issued by the Court on September 29, 2009, which clarified that the Airports Ruling could be implemented over an undefined transition period. The supplemental ruling effectively established a transition and negotiation period during which discussions could continue without implementation of the Airports Ruling and during which operations and collections could continue as normal. However, while operations were to continue, the Project lenders advised that they would not approve any further funds for the construction of the Project until the issues surrounding the Airports Ruling were resolved.

Because the Airports Ruling represented an event of default under the Quiport JV's finance agreements, Project debt, which is non-recourse to Aecon, became potentially callable by the Project lenders. As a result, Project debt was re-classified as a current liability in Aecon's 2009 third quarter consolidated financial statements, notwithstanding the fact that the Project lenders have not demanded repayment of this debt.

Because of the uncertainty at the time of issuance of its 2009 third quarter consolidated financial statements as to the outcome of the negotiations and their financial impact on the Project, management concluded it would be appropriate to fully reserve against the concession profits that, absent the Airports Ruling, would otherwise have been recorded by Aecon in its 2009 third consolidated quarter financial statements. The net result was that no profits were recorded in the third quarter from Aecon's participation in Quiport JV.

On November 24, 2009, a preliminary agreement was reached with the Municipality of Quito regarding the Airports Ruling, including a new commercial arrangement which was subject to various closing conditions and approvals, including approvals from the Constitutional Court and the Project's senior lenders. Since that time, significant progress has been made in reaching a final commercial agreement substantively consistent with the preliminary agreement reached in November. Commercial and financial close of that agreement is expected during the second quarter of 2010.

As a result of this progress and Aecon's confidence that the new commercial agreement will be executed, there is now greater clarity around the economic impact the Airports Ruling is expected to have on Quiport JV. Consequently, management now believes it is appropriate to recognize Aecon's share of Quiport JV's profits. Thus, included in Aecon's 2009 fourth quarter results is the third quarter profit from Quiport JV that was not previously recognized as well as Aecon's fourth quarter profits from Quiport JV.

Since the event of default under the Quiport JV's financing agreements continues and has not been waived by the Project lenders, this debt continues to be classified as a current liability in Aecon's consolidated balance sheet as at December 31, 2009.

As at December 31, 2009, the Quito airport construction project was approximately 67% complete.

REPORTING SEGMENTS

INFRASTRUCTURE

Financial Highlights
Year Ended December 31

$ millions	**2009**	2008
Revenues	**$937.1**	$739.4
Segment operating profit [1]	**51.8**	23.7
Capital charges and allocations of corporate overhead [2]	**(33.7)**	(22.7)
Segment profit before income taxes	**18.1**	1.0
Segment operating profit margin [3]	**5.5%**	3.2%
Backlog – December 31 [4]	**$546**	$470

(1) Segment operating profit (loss) represents the profit or loss from operations, before net interest expense, income taxes, non-controlling interests, and corporate allocations of overhead costs and capital charges.
(2) Corporate allocations represent charges from the Corporate segment to each division for Corporate overhead costs and capital charges related to the cash, working capital and long-term capital invested in each segment.
(3) Segment operating profit margin is calculated as segment operating profit (loss) as a percentage of revenues.
(4) Included in backlog at December 31, 2009 is $44 million (2008 – $100 million) related to the Quito airport project. Although Aecon's 50% share of the remaining construction revenues from this project is estimated at $76 million (2008 – $174 million), the amount reported as backlog has been reduced by $32 million (2008 – $74 million) or 42.3%. This reduction is to reflect the fact that since Aecon has a 42.3% interest in the concession joint venture for which the Quito airport is being constructed, it cannot report revenue, and therefore does not report backlog, that effectively arises from transacting with itself.

Infrastructure segment revenues of $937 million in 2009 were $198 million, or 27%, higher than in 2008. Revenues from materials, utilities and international operations increased by $132 million, $53 million and $48 million, respectively, while revenues from civil operations decreased by $35 million.

The majority of the increase in revenues from materials operations occurred in Alberta and resulted from the acquisition of South Rock in the first quarter of 2009 (South Rock is considered part of this segment's "materials" operations). The increase in revenues from utilities operations occurred primarily in Ontario, reflecting mostly higher volumes of gas pipeline and communications installation work. The revenue increase in international operations occurred primarily because of higher revenues from construction of the Quito airport project, while the revenue decline in civil operations occurred mostly in Ontario heavy civil operations where revenues from projects completed in the prior year were not replaced in 2009.

The Infrastructure segment operating profit of $51.8 million in 2009 represents a $28.1 million, or 119%, increase over 2008. The segment results include a $5 million non-cash charge for the amortization of intangible assets resulting from the South Rock acquisition. Operating profit increased in the materials, civil and international operations by $15 million, $4 million and $10 million, respectively, and decreased in the utilities operations by $1 million.

The improvement in operating profits from materials occurred primarily as a result of the South Rock acquisition. The majority of the improvement in civil operating profits was the result of stronger margin performance by Ontario construction operations and a reduction in losses in Quebec civil operations. Partially offsetting these improvements were lower volumes of heavy civil work in Ontario. The increase in operating profits from international operations results primarily from the final settlement of outstanding claims in respect of the Nathpa Jhakri hydroelectric project in India. In 2009, the impact on operating profit from claim settlements and other recoveries on the India project totaled $8 million. The decrease in utilities profits reflects higher volumes and profits in western Canada offset by lower results in Ontario.

After deducting capital charges and allocations of corporate overheads, which increased by $11.0 million in 2009, the Infrastructure segment's operating profit before income taxes in 2009 was $18.1 million compared to $1.0 million in 2008. The higher capital charges in 2009 relate primarily to higher investments in working capital and long-term capital employed as a result of the South Rock acquisition.

Backlog at December 31, 2009 was $546 million, which represents a $76 million increase over the same time last year. The year-over-year change results primarily from higher backlog in the materials operations as a result of the acquisition of South Rock, offset by lower backlog in international operations as construction continues on the Quito airport project. New contract awards totalled $862 million in 2009, compared to $838 million in the prior year. Materials operations in Alberta was the largest contributor to the increase in new awards in 2009.

As discussed in the Consolidated Financial Highlights section, Aecon is a party to significant contracts and arrangements based on time and material, cost-plus, unit prices, and supplier of choice and alliance agreements, which do not show up as backlog when the number of units or volume of work cannot be estimated with reasonable certainty. Therefore, the Infrastructure segment's effective backlog at any given time is greater than what is reported.

BUILDINGS

Financial Highlights
Year Ended December 31

$ millions	**2009**	2008
Revenues	**$478.1**	$461.0
Segment operating profit (loss)	**(15.5)**	0.4
Capital charges and allocations of corporate overhead	**(4.9)**	(0.1)
Segment profit (loss) before income taxes	**(20.4)**	0.2
Segment operating profit margin	**(3.2)%**	0.1%
Backlog – December 31	**$737**	$534

For the year ended December 31, 2009, the Buildings segment reported revenues of $478 million compared to revenues of $461 million in 2008. The $17 million, or 4%, increase resulted primarily from an $99 million increase in Ontario operations, partly offset by decreases in Seattle and Montreal of $45 million and $27 million, respectively. The increase in Ontario reflects the impact of several large projects, including three Infrastructure Ontario projects, underway during the year. The decline in Seattle revenues was primarily caused by peak production work on a large project in 2008 that is now winding down as the project nears completion. Montreal operations experienced a reduction in volumes as part of a downsizing and ongoing restructuring initiative in order to return this unit to expected performance levels.

Segment operating loss of $15.5 million in 2009 compares with a profit of $0.4 million in 2008. Most of the $15.9 million reduction in operating profits occurred in Ontario operations where losses on two projects resulted in a $17.1 million decline in operating profits from this operation. Opportunities to recover some of the cost overruns are being pursued with the owner. Partially offsetting the profit decline in Ontario was an improvement in Montreal operations of $3.7 million. The improvement in Montreal operations reflects the benefit of fewer project write downs compared to 2008 and the absence of restructuring costs and goodwill impairment charges recorded in 2008.

After deducting capital charges and allocations of corporate overheads, the Buildings segment operating loss before income taxes for 2009 was $20.4 million compared to a profit of $0.2 million in 2008.

Backlog of $737 million at the end of 2009 was $203 million higher than at the same time last year with increases in the segment's Ontario operations offsetting a decrease in Seattle. New contract awards totaling $681 million were recorded in 2009, which compares with awards of $516 million in 2008. The majority of the new awards in 2009 occurred in the segment's Ontario operations and included a $196 million contract for the refurbishment of the Union Station train shed in Toronto, an $82 million award from Infrastructure Ontario related to the redevelopment of the Lakeridge Health Oshawa hospital project, and a $79 million contract for a new social science building at the University of Ottawa.

As discussed in the Consolidated Financial Highlights section, contracts awarded to Aecon based on supplier of choice and alliance agreements, as well as the value of construction work managed under construction management advisory agreements, do not show up as firm backlog. Therefore, the Buildings segment's effective backlog at any given time is greater than what is reported.

INDUSTRIAL

Financial Highlights

Year Ended December 31

$ millions	**2009**	2008
Revenues	**$747.7**	$612.4
Segment operating profit	**50.5**	75.0
Capital charges and allocations of corporate overheads	**(13.0)**	(3.8)
Segment profit before income taxes	**37.5**	71.3
Segment operating profit margin	**6.7%**	12.3%
Backlog – December 31	**$900**	$250

Revenues in 2009 of $748 million in the Industrial segment were $135 million or 22% higher than in 2008. Following the acquisition of Lockerbie, an initiative was launched to consolidate the segment's heavy industrial operations in Western Canada into a single operating unit by combining its Western Canada industrial operations, as it existed prior to the acquisition of Lockerbie, with Lockerbie's Western Canada industrial operations. Revenues in this newly combined Western Canada operation increased by only $6 million year-over-year as the contribution from Lockerbie's operations was almost completely offset by significant declines in new capital spending in the oilsands and related businesses in 2009, both of which negatively impacted module assembly and pipe fabrication projects in the region. The newly acquired Lockerbie Mechanical ("Mechanical") unit contributed $119 million of the increase in annual revenues. In addition, revenues increased in Ontario by $16 million as higher revenues from the addition of Lockerbie's Ontario operations offset declines in construction operations, primarily in the power, gas and automotive sectors. Revenues decreased in IST by $10 million to $66 million reflecting the impact of a decline in new orders received.

In 2009, the Industrial segment generated an operating profit of $50.5 million compared to $75.0 million in the prior year. The segment results include a $4 million non-cash charge for the amortization of intangible assets resulting from the Lockerbie acquisition. The $25 million decline reflects a $39 million reduction in operating profits in Western Canada which was only partially offset by operating profit increases in Ontario, Mechanical, Eastern Canada and IST operations of $3 million, $4 million, $4 million and $2 million, respectively. In Western Canada, operating profits decreased because of a significant reduction in margins particularly from module assembly and pipe fabrication projects. The higher operating profits in Ontario were a function of improved results from its fabrication operations, strong contract margins mostly on a small number of construction projects, as well as the addition of Lockerbie Ontario. Results in Eastern Canada improved because of higher margins, and results in IST improved because of a combination of higher margins and a favourable change in foreign exchange gains and losses year-over-year.

After deducting capital charges and allocations of corporate overheads, the Industrial segment's operating profit before income taxes was $37.5 million compared to $71.3 million in 2008.

Backlog at December 31, 2009 of $900 million was $650 million higher than the corresponding amount last year as higher backlog resulting from the Lockerbie acquisition exceeded backlog declines in the segment's Western and Ontario operations. Overall, new contract awards of $962 million in 2009 were $483 million higher than in 2008. Most of the increase in new awards occurred in Western Canada.

As discussed in the Consolidated Financial Highlights section, significant contracts made to Aecon based on time and material, cost-plus, and unit priced contracts, including supplier of choice and alliance agreements do not show up as firm backlog when the number of units or volume of work cannot be estimated with reasonable certainty. Therefore, the Industrial segment's effective backlog at any given time is greater than what is reported.

CONCESSIONS

Financial Highlights
Year Ended December 31

$ millions	**2009**	2008
Revenues	**$107.0**	$72.1
Segment operating profit	**14.0**	10.6
Capital charges and allocations of corporate overheads	**(13.8)**	(9.9)
Segment profit before income taxes	**0.2**	0.7
Segment operating profit margin	**13.1%**	14.7%

Revenues in 2009 of $107 million in the Concessions segment were up $35 million, or 49%, compared to the same period in 2008. The majority of the increase in revenues came from Aecon's interest in the operator of the Cross Israel Highway whose operations are being carried out on a fee for service basis by a company in which Aecon holds a 30.6% interest.

Segment operating profit of $14.0 million in 2009 compares to a profit of $10.6 million in 2008, with improvements in operating profits from both Aecon's interest in the operator of the Cross Israel Highway and from the Quito airport concessionaire, which includes the results from operating the existing Quito airport while the new airport is being constructed.

Nearly 4.6 million passengers passed through the existing Quito airport in 2009, a 2% increase over 2008. Operating profits from the operations of the existing Quito airport are required to be invested to finance the development and construction costs of the new airport. Refer to the "Quito Airport Project Recent Developments" section of this MD&A for further information on the Quito airport project.

Unlike the operator of the Cross Israel Highway which is discussed above and whose revenues and operating profits are included in Aecon's reported results, Aecon's long-term concession investment in the Cross Israel Highway, through its 25% interest in Derech Eretz Highways (1997) Ltd. ("Derech Eretz"), is carried at cost and, as a result, income is only recognized to the extent of dividends received (i.e. a profit distribution) or when a portion of this investment is sold. As such, even though the Cross Israel Highway continues to perform well, and is generating strong operating cash flow, Aecon has not reported any revenues and profits from its concession investment. Average weekday traffic on the highway in December 2009 surpassed 119,000 vehicles, a 22% increase over 2008. The project remains on track to deliver an expected 14% after-tax internal rate of return on Aecon's investment.

After deducting capital charges and allocations of corporate overheads, the Concessions segment had an operating profit before income taxes in 2009 of $0.2 million, which compared to an operating profit before income taxes of $0.7 million in 2008.

Aecon does not include in its reported backlog expected revenues from operations management contracts and concession agreements. As such, while Aecon expects future revenues from its concession assets, no concession backlog is reported.

CORPORATE AND OTHER

Financial Highlights
Year Ended December 31

$ millions	**2009**	2008
MG&A	**$(21.8)**	$(20.5)
Other income (expense)[1]	**(2.7)**	(0.1)
Segment operating loss	**(24.6)**	(20.6)
Capital charges and allocations of corporate overheads	**65.4**	36.6
Segment profit before income taxes	**40.8**	16.0

(1) Other income (expense) in the Corporate and Other segment includes gains and losses on sales of assets, foreign exchange gains and losses, and depreciation and amortization expense.

The Corporate segment operating loss in 2009 was higher than in 2008 by $4.0 million. Contributing to these costs in 2009 was a $1.3 million increase in marketing, general and administrative expenses ("MG&A"), mostly due to higher training and employee compensation costs, including higher pension plan expenses. Also contributing to the higher loss was a $1.3 million decline in foreign exchange gains and higher depreciation charges of $1.4 million, mainly for IT equipment.

Capital charges and allocations of corporate overheads to the segments increased by $29 million in 2009. The higher capital charges in 2009 relate primarily to higher investments in working capital and long-term capital employed as a result of the South Rock and Lockerbie acquisitions.

Quarterly Financial Data

Set out below are revenues, EBITDA, earnings (loss) before income taxes, net income (loss) and earnings (loss) per share for each of the most recent eight quarters (in millions of dollars, except per share amounts).

(Unaudited)	2009				2008			
	Quarter 4	**Quarter 3**	**Quarter 2**	**Quarter 1**	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	$	**$**	**$**	**$**	$	$	$	$
Revenues	**599.8**	**707.1**	**613.2**	**340.9**	602.7	534.7	437.7	302.0
EBITDA	**40.1**	**46.3**	**31.4**	**6.9**	40.3	42.5	31.1	2.7
Earnings (loss) before income taxes	**25.1**	**29.7**	**15.2**	**0.1**	31.4	35.7	24.3	(3.5)
Net income (loss)	**15.4**	**19.6**	**9.9**	**(0.6)**	20.4	23.1	15.6	0.3
Earnings (loss) per share:								
Basic	**0.28**	**0.36**	**0.18**	**(0.01)**	0.41	0.46	0.32	0.01
Diluted	**0.26**	**0.35**	**0.18**	**(0.01)**	0.40	0.45	0.31	0.01

Due to the impact of share issuances throughout the periods, the sum of the quarterly earnings (losses) per share will not equal the total for the year. The total of the quarterly earnings (losses) per share from continuing operations, compared with the amounts for the full year are as follows:

	2009		2008	
	Quarterly Total	**Annual Amount**	Quarterly Total	Annual Amount
	$	**$**	$	$
Earnings per share:				
Basic	**0.81**	**0.82**	1.20	1.23
Diluted	**0.78**	**0.80**	1.17	1.20

The analysis of operating results for each of the first three quarters of 2009 is included in the Management Discussion and Analysis incorporated in the Interim Reports to Shareholders for each quarter.

For the fourth quarter of 2009, revenues totaled $600 million, which is $3 million, or 0.5%, lower than the same period in 2008, as revenues increased in the Industrial and Concessions segments by $4 million and $3 million, respectively, and decreased in the Infrastructure and Buildings segments by $7 million and $1 million, respectively.

Gross profit of $71 million in the last quarter of 2009 was $1 million lower than the same quarter in 2008. Gross profit improved in the Infrastructure and Concessions segments and decreased in the Buildings and Industrial segments.

MG&A as a percentage of revenues decreased from 5.6% in the fourth quarter of 2008 to 5.1% in the same quarter of 2009, primarily as a result of lower Corporate segment MG&A costs including lower performance-related incentive costs.

Operating profit in the fourth quarter of 2009 was $29.1 million compared to $32.2 million during the same period in 2008. The $3.1 million, or 10%, decline was primarily a function of the lower gross profit noted above and $2 million of non-cash charges for the amortization of intangible assets resulting from the Lockerbie and South Rock acquisitions.

Revenues and operating profit (loss) by segment for the fourth quarters of 2009 and 2008 are set out in the table below.

	Quarter 4 2009		Quarter 4 2008	
	Revenue	**Operating profit (loss)[1]**	Revenue	Operating profit (loss)[1]
	$	**$**	$	$
Infrastructure	**251.0**	**37.7**	258.2	9.1
Buildings	**133.8**	**(16.4)**	134.5	(1.0)
Industrial	**191.0**	**7.3**	186.9	29.2
Concessions	**28.3**	**6.5**	25.4	3.5
Corporate	**(4.3)**	**(6.0)**	(2.4)	(8.6)
Consolidated	**599.8**	**29.1**	602.7	32.2

(1) Operating profit or loss represents the profit or loss from operations, before net interest expense, income taxes, non-controlling interests, and corporate allocations of overhead costs and capital charges.

In the Infrastructure segment, fourth quarter 2009 revenues were $7 million lower than in 2008. The majority of the revenue decline occurred in the Ontario and Alberta civil operating units, offset in part by increases in materials operations in Alberta and in international operations.

The Infrastructure segment earned an operating profit of $37.7 million in the fourth quarter of 2009 compared to $9.1 million in the fourth quarter last year. The segment's operating results were favourably impacted by the acquisition of South Rock, the settlement of outstanding claims related to the India project of $7 million, and improved results in civil operations.

Revenues in the Buildings segment of $134 million declined by $1 million compared to the fourth quarter of 2008. Continuing the revenue trends experienced throughout the year, revenues increased in Ontario and declined in Montreal and Seattle.

The Buildings segment produced an operating loss of $16.4 million in the fourth quarter of 2009, compared to an operating loss of $1 million in the same quarter last year. Most of the increased loss resulted from project writedowns in the segment's Ontario operations.

The Industrial segment's revenues in the fourth quarter of 2009 were $191 million or $4 million higher than in 2008 as the revenue contribution from Lockerbie's Mechanical operations was only partially offset by revenue decreases in Western Canada, Ontario and IST. The reasons for the increases in revenues from these units are similar to those cited above in the section on the Industrial segment's results for all of 2009.

The Industrial segment recorded an operating profit of $7.3 million in the fourth quarter of 2009, which compares with an operating profit of $29.2 million in the last quarter of 2008. Lower volumes and gross profit margins in Ontario and Western Canada caused most of the decline in operating profit.

Revenues in the Concessions segment of $28 million in the last quarter of 2009 were up $3 million from the same quarter in 2008, with higher revenues reported from the operator of the Cross Israel Highway. An operating profit of $6.5 million for the fourth quarter of 2009 represents a $3.0 million increase over the same quarter in the prior year with improvements in the Quito airport concessionaire and the operator of the Cross Israel Highway. As noted in the Quito Airport Project Recent Developments section of this MD&A, no profits were recorded in the third quarter from Aecon's participation in Quiport JV following the Airports Ruling by the Ecuadorian Constitutional Court. However, with a new commercial agreement expected to be executed in the second quarter of 2010, Aecon's 2009 fourth quarter results include the third quarter profit from Quiport JV that was not previously recognized as well as Aecon's fourth quarter profits from Quiport JV.

The Corporate segment operating loss in the fourth quarter of 2009 was lower than in the same quarter of 2008 by $2.6 million. A reduction in employee compensation costs, including lower incentive costs, was the primary reason for the quarter-over-quarter change.

Overall, net income for the fourth quarter of 2009 amounted to $15.4 million or $0.26 per share on a fully diluted basis, which compares with $20.4 million or $0.40 per share in the fourth quarter of 2008.

SELECTED ANNUAL INFORMATION

Set out below is selected annual information for each of the last three years.

($ millions, except per share amounts)

	2009	2008	2007
	$	$	$
Total revenues	**2,261.0**	1,877.0	1,492.7
Net earnings	**44.4**	59.3	48.3
Per share:			
Basic	**0.82**	1.23	1.28
Diluted	**0.80**	1.20	1.16
Total assets	**1,689.3**	1,188.9	910.7
Total long-term financial liabilities	**315.8**	182.7	180.6
Cash dividends declared per common share	**0.20**	0.20	0.07

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Aecon's investment in its joint ventures, including Quiport JV, are accounted for by the proportionate consolidation method, whereby the Consolidated Financial Statements reflect, line by line, Aecon's pro-rata share of each of the assets, liabilities, revenues, expenses and cash flows of Quiport JV. Aecon is also involved in three build finance hospital projects with Infrastructure Ontario. Each of these hospital projects is being financed by non-recourse project financing during the construction period through the use of individual build finance special purpose vehicles ("Build Finance SPVs").

Cash and Debt Balances

Cash balances at December 31, 2009 and 2008 are as follows:

($ millions)		**2009**		
	Consolidated Balance excluding Joint ventures and Build Finance SPVs	**Joint ventures**	**Build Finance SPVs**	**Consolidated Balance**
	$	**$**	**$**	**$**
Cash and cash equivalents[1]	**261**	**31**	**48**	**341**
Restricted cash[2]	**8**	**46**	**–**	**54**
Term deposits[3]	**–**	**–**	**20**	**20**

		2008		
	Consolidated Balance excluding Joint ventures and Build Finance SPVs	Joint ventures	Build Finance SPVs	Total
	$	$	$	$
Cash and cash equivalents[1]	223	62	8	293
Restricted cash[2]	20	8	–	28

(1) Cash and cash equivalents at December 31, 2009 includes cash on deposit in joint venture bank accounts which Aecon cannot access directly, as well as cash held by Build Finance SPVs, which was advanced by lenders to finance the construction of three Infrastructure Ontario hospital projects.

(2) Restricted cash at December 31, 2009 includes $14 million of cash that was deposited as collateral for borrowings and letters of credit issued by Aecon and $40 million of cash held in Quiport JV.

(3) Term deposits at December 31, 2009 represents short-term investments held by Build Finance SPVs using cash which was advanced by lenders to finance the construction by Aecon of Infrastructure Ontario hospital projects. These funds are being invested in term deposits until such time as the cash is required to fund construction costs.

Total debt of $526 million at December 31, 2009 compares to $183 million at December 31, 2008, the composition of which is as follows:

($ millions)	**Dec. 31, 2009**	Dec. 31, 2008
	$	$
Bank indebtedness	**–**	2.6
Current portion of long-term debt – recourse	**16.5**	10.9
Current portion of long-term debt – non-recourse[1]	**217.5**	5.5
Long-term debt – recourse	**63.0**	45.2
Long-term debt – non-recourse	**70.0**	118.7
Convertible debentures	**158.6**	–
Total debt	**525.6**	182.8
Debt held directly	**238.1**	56.0
Debt held by Build Finance SPVs	**166.6**	30.7
Debt of joint ventures	**120.9**	96.1
Total debt	**525.6**	182.8

(1) The current portion of long-term debt – non-recourse includes Quito airport project debt which has been reclassified as current following the Constitutional Court of Ecuador's Airports Ruling in the third quarter of 2009. See the Quito Airport Project Recent Developments section of this MD&A for further details.

At December 31, 2009 total debt outstanding amounted to $526 million compared to $183 million at December 31, 2008. Of the $343 million net increase in debt, $163 million relates to an increase in non-recourse project financing, $159 million results from the issuance of convertible debentures, and $23 million relates to a net increase in recourse debt.

The $163 million increase in non-recourse debt (current and long-term) includes an increase of $27 million resulting from the proportionate consolidation of Aecon's share of non-recourse borrowings to finance the Quito airport project, and an increase of $136 million in non-recourse project debt related to three Infrastructure Ontario hospital projects.

In September 2009, the Company issued convertible debentures in the principal amount of $173 million. For accounting purposes, the conversion rights were assigned a value of $7 million, which is included in shareholders' equity, and $166 million (less transaction costs of $8 million) was assigned to the debt component of the debentures.

Recourse debt (current and long term) increased by $23 million during 2009 mostly as a result of an increase in debt of $28 million to finance equipment acquired as part of the South Rock acquisition. Under the share purchase deal, Aecon also assumed South Rock's existing debt of approximately $8 million and, subject to certain post closing adjustments, paid approximately $33 million net of cash acquired for all the outstanding shares of South Rock.

On April 1, 2009, Aecon acquired all of the issued and outstanding common shares of Lockerbie for a total consideration of approximately $213 million. This transaction was financed through the payment of $153 million in cash, offset by cash acquired of $68 million, and the issuance to Lockerbie shareholders of 5,510,942 common shares of Aecon representing approximately 10% of Aecon's pro forma diluted shares after the transaction.

Although Aecon's liquidity position continued to be strong despite the large cash outflow to fund the Lockerbie acquisition, it was significantly bolstered by the $165 million of net proceeds from the September 2009 convertible debenture financing. In addition to a significant cash balance, Aecon's liquidity position is further strengthened by its ability to draw on a committed bank operating line of $100 million which, except for supporting letters of credit amounting to $39 million, is otherwise undrawn as of December 31, 2009. This credit facility expires on June 15, 2011. Further details relating to Aecon's operating lines are described in note 12 to the 2009 Consolidated Financial Statements.

An annual dividend of $0.20 per share was paid in 2009 consisting of quarterly payments of $0.05 per share.

Aecon's remaining equity to be invested in the Quito airport concessionaire was US$2 million as at December 31, 2009, with an additional US$12 million to be required under the terms of the preliminary agreement reached with the Municipality of Quito regarding the Airports Ruling. As of December 31, 2009, Aecon's total investment in the Quito airport concessionaire was approximately US$54 million. Of this amount, US$32 million was invested through cash equity contributions and the balance, US$22 million, through the reinvestment of Aecon's share of the earnings of the existing airport. Aecon has also deposited US$3.7 million with Export Development Canada ("EDC") to support letters of credit issued by EDC on the Quito airport project. Also, in accordance with an agreement with EDC, Aecon has US$3.1 million in a segregated account to secure future equity investment requirements in the Quito airport concessionaire. These EDC deposits are included in restricted cash on the Consolidated Balance Sheet at December 31, 2009.

Summary of Cash Flows

Consolidated Cash Flows
Year Ended December 31

$ millions	**2009**	2008
	$	$
Cash provided by (used in):		
Operating activities	**(6.1)**	143.9
Investing activities	**(278.3)**	(53.3)
Financing activities	**335.6**	60.0
Increase in cash and cash equivalents	**51.3**	150.5
Effects of foreign exchange on cash balances	**(3.2)**	7.7
Cash and cash equivalents – beginning of year	**292.9**	134.6
Cash and cash equivalents – end of year	**340.9**	292.9

Operating Activities
Cash used by operating activities of $6 million in 2009 compares with cash provided by operating activities of $144 million in the previous year. Of the $150 million increase in cash usage, $129 million relates to higher investments in working capital of which $74 million is attributable to the increase in working capital within build-finance projects where the customer is billed only when the project is complete. Aecon finances this investment in the working capital of build-finance projects through non-recourse debt financing (see discussion under Financing Activities below).

Investing Activities
For 2009, investing activities resulted in a use of cash of $278 million, which compares with cash used of $53 million in 2008. Of the cash used in 2009, $121 million, net of cash acquired, was used to fund the acquisitions of Lockerbie and South Rock, and $94 million represents Aecon's proportionately consolidated share of the investment made by Quiport JV in the construction of the Quito airport (i.e. increase in concession rights). These Quiport JV related cash outlays were, for the most part, financed by non-recourse project debt (see Financing Activities below). In addition, $23 million of cash used represents increases in restricted cash balances, most of which were held in Quiport JV, while $20 million was used by Build Finance SPVs to invest in short term deposits. Capital expenditures on property, plant and equipment used $30 million of cash. During 2008, Aecon used $43 million to finance its share of the cash used by Quiport JV for construction of the Quito airport.

Financing Activities
In 2009, cash provided by financing activities amounted to $336 million, compared to cash provided of $60 million in the previous year. A principal source of cash from financing activities was $165 million in net proceeds from the issuance of convertible debentures in the third quarter of 2009. Also during 2009, issuances of long-term debt amounted to $215 million, while repayments totalled $27 million, for a net change of $188 million. This compares to net borrowings of long-term debt totalling $8 million in 2008. Of the increase in long-term debt in 2009, $42 million related to Aecon's proportionately consolidated share of additional non-recourse financing for the Quito airport project, $136 million related to non-recourse project financing for Build Finance SPVs related to various Infrastructure Ontario hospital projects, and $35 million related to debt incurred in relation to South Rock's operations. Repayments of long-term debt in 2009 included a $4 million scheduled principal repayment on a note payable issued in connection with the acquisition of Karson and a repayment of $12 million of debt in South Rock. Also, $9 million was used in 2009 to purchase Aecon common shares by the Long-Term Incentive Plan compared to $4 million in 2008, and dividends of $11 million and $10 million were paid in each of 2009 and 2008, respectively.

NEW ACCOUNTING STANDARDS

Several new Canadian accounting standards adopted in 2009 are described in note 2 to the 2009 Consolidated Financial Statements.

In addition, note 2 to the 2009 Consolidated Financial Statements includes new CICA Handbook sections which became effective on or after January 1, 2010 for Aecon. Aecon does not anticipate any significant impact in 2010 on the Company's financial position or on the results of its operations from adoption of these new standards. The impacts from adopting International Financial Reporting Standards are discussed below.

International Financial Reporting Standards ("IFRS")

Background, project structure and project progress

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian public entities will have to adopt IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will issue consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") for the first quarter ended March 31, 2011, with comparative information.

The Company's project and governance structure for its transition to IFRS, as detailed in prior MD&A disclosures, will remain in place through 2010.

The Company has completed the detailed assessment phase of its conversion project for all standards that affect the transition. The Company will focus its effort throughout 2010 on the solutions development and implementation phases of IFRS that will have an impact on Aecon's financial statements. To date, the project is progressing according to plan.

Potential accounting changes as a result of transition to IFRS

The table below provides a brief summary of select IFRS that may impact Aecon, their differences from current Canadian Generally Accepted Accounting Principles ("GAAP") and their potential impact to the Company. The table is not comprehensive and does not include all of the differences from GAAP for the standards noted. Also, the table does not include all the standards that may require changes for the transition to IFRS.

Standards	Difference from GAAP	Potential Impact
Presentation and disclosure	IFRS requires significantly more disclosure than GAAP for certain standards. In some cases, IFRS also requires different presentation on the balance sheet and income statement.	This will be the most significant impact to the organization. The other differences and impacts noted throughout this table will cause measurement differences, but their impact on earnings is not expected to be significant. The increased disclosure requirements will cause the company to change current processes and implement new financial reporting processes (discussed below) to ensure the appropriate data is collected for disclosure purposes.
Construction contracts	IFRS provides more explicit guidance than GAAP on revenue recognition for construction contracts. The criteria for combining and separating contracts are different under IFRS than current GAAP. Borrowing costs are to be treated as a contract cost in calculating percentage of completion.	Current accounting policies are in-line with the requirements of IFRS. The analysis performed by the Company did not reveal any situations where contracts were being combined or separated in a manner inconsistent with IFRS and therefore the Company does not expect to have any measurement differences as a result of the transition to IFRS with respect to combining or separating contracts. However, in the future, the potential exists for more contracts to be combined and accounted for as single contracts under IFRS. Percentage completion calculations on projects with project-specific debt will change as borrowing costs are treated as a contract cost.

Standards	Difference from GAAP	Potential Impact
Joint arrangements	An IASB exposure draft proposes to eliminate the use of the proportionate consolidation method in favour of the equity method for joint ventures, as defined by the exposure draft. Aecon expects the final standard issued for joint arrangements will be in effect for its transition to IFRS.[1]	Based on the current exposure draft, the Company will report reduced amounts of assets, liabilities, revenues and expenses relating to joint ventures, but there is no expected impact on net income.
Property, plant and equipment	Major asset components must be depreciated separately. This accounting treatment is sometimes referred to as "component accounting".	The financial impact of this change will be minimal as many of the Company's assets where "component accounting" is required are already being accounted for in accordance with IFRS.
Impairment of assets	IFRS requires the assessment of asset impairment to be based on discounted future cash-flows. IFRS allows the reversal of impairment losses, other than for goodwill and indefinite life intangible assets.	The Company does not expect any impairment losses as at the transition date. The potential for more frequent impairment losses or reversals of previously recognized impairments on assets other than goodwill as compared to GAAP will continue to exist.
Lease accounting	With respect to classifying a lease as either finance[2] or operating, IFRS does not have quantitative guidelines, such as those that currently exist in GAAP.	The Company currently leases many of its fleet vehicles. Some of these are accounted for as operating leases under GAAP, and will be accounted for as finance leases under IFRS. This will increase the amount of "on balance sheet" assets and liabilities reported in the financial statements. Going forward, there is a potential for more of Aecon's leases to be treated as finance leases under IFRS.
Service concession arrangements	IFRS has specific guidance on service concession arrangements. GAAP does not explicitly address these arrangements.	The Company does not anticipate any changes as a result of this standard.
Business combinations	IFRS requires that all transaction costs of a business combination be expensed and that contingent consideration be recognized on acquisition rather than only when probable.	Aecon will have to apply these changes as a difference between GAAP and IFRS to any business combinations post January 1, 2010 unless it elects to early adopt CICA Handbook Section 1582: Business Combinations. The Company will make a decision on early adoption of Section 1582 if a business combination takes place in 2010.
First-time adoption	IASB has issued explicit guidance on first-time adoption of IFRS. IFRS contains several elections to ease transition and some mandatory exemptions with respect to retrospective application.	Aecon has selected the available elections the Company wishes to make and will apply these to its Opening Balance Sheet scheduled for preparation in the spring of 2010.

(1) The IASB expects to issue a final standard on Joint Arrangements in the first quarter of 2010, as per the IASB website. The AcSB anticipates that this IFRS will be effective for 2011 as per their document "Which IFRSs are Expected to Apply for Canadian Changeover in 2011?" published in September 2008.
(2) IFRS uses the term "finance lease" to describe what is called a "capital lease" under GAAP.

At this time, the Company can not quantify the impact of IFRS to its financial statements. The Company has finalized and will report throughout 2010 on its conclusions and accounting policy choices on the standards noted above. The Company will meet a project milestone of preparing the first draft of the IFRS Opening Balance Sheet, and explanatory notes, in the spring of 2010. The first quarter restatement is scheduled for June of 2010. After both of those milestones have been met, the Company expects to be in a position to disclose directional qualitative analysis on the impacts of the transition to IFRS, with quantitative information disclosed in the third quarter of 2010. While the Company believes it has done an appropriate level of analysis in selecting its IFRS accounting policies, actual quantitative results may reveal additional impacts to the Company. IASB projects, discussed below, may also force changes or adjustments to the Opening Balance Sheet and quarterly restatements.

Impact of IASB projects

The IASB has several projects slated for completion in 2010 and 2011 that may significantly impact the transition to IFRS and the financial statements of the Company. The Company continues to monitor the IASB's progress on these projects and their impact on the Company's transition to IFRS.

Impact on information systems and technology

The Company is testing its ability to track IFRS adjustments throughout 2010 as well as implementing the modifications required to existing reports and new reports created to facilitate preparation of the increased note disclosure required by IFRS. All three of these items are producing the intended results in the testing phase and will be launched near the end of the first quarter of 2010 in line with preparation of the Opening Balance Sheet. Minor adjustments to the tracking tool and the report changes are anticipated as the year progresses and the reports are put to use.

As noted in prior communications about the Company's transition to IFRS, report requirements have required modifications to existing general ledger account structures. The Company has implemented those changes necessary to begin tracking data from the start of 2010 at a more detailed level for disclosure requirements. At this time, the transition is expected to have minimal impact on the Company's other information systems.

Impact on internal controls

The Company's transaction-level controls will not be affected by the transition to IFRS in any material way. As noted, the transition to IFRS for the Company mainly affects the presentation and disclosure of its financial statements. This may lead to significant presentation and process changes to report more detailed information in the notes of the financial statements, but it is not currently expected to lead to many measurement or fundamental differences in the accounting processes used by the Company.

Financial reporting controls will change due to the transition to IFRS, but the impact will be minimal. The majority of change surrounds new processes, or modified processes, due to the fact that IFRS requires more judgement with respect to various accounting treatments. Processes and controls will be put in place to ensure the company is making the appropriate judgements and following the IFRS accounting policies selected. Ongoing processes required to properly apply some of the Company's IFRS accounting policies from the start of 2010 for comparative purposes have been put in place and are being applied by all divisions. Processes that center on period end reporting will be rolled out for preparation of first quarter financial statements.

The Company rolled out the first phase of training for the wider finance group of the organization in the fourth quarter of 2009. The training focused on the above noted process changes for 2010. The Company's finance group will continue to receive training on a regular basis to ensure they have the required understanding of new processes, policies and technical knowledge.

SUPPLEMENTAL DISCLOSURES

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") evaluated the design and operating effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2009. Based on that evaluation and subject to the limitation described under "Limitation on Scope of Design", the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2009 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities and that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation was recorded, processed, summarized and reported within the periods specified in securities legislation.

Internal Controls over Financial Reporting

The CEO and CFO evaluated the design and operating effectiveness of the Company's internal controls over financial reporting as at the financial year ended December 31, 2009. Based on that evaluation and subject to the limitation described under "Limitation on Scope of Design", the CEO and the CFO concluded that the design and operation of internal controls over financial reporting were effective as at December 31, 2009 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting except for the acquisition of South Rock during the first quarter of 2009 and the acquisition of Lockerbie during the second quarter of 2009.

See also the section on "Internal and Disclosure Controls" in the Risk Factors section of this MD&A.

Limitation on Scope of Design

The CEO and CFO limited the scope of their design of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of South Rock and Lockerbie which were acquired by the Company in 2009. Summary financial information about these two newly acquired entities is as follows:

($ millions)	$
From acquisition date to December 31, 2009:	
Revenue	495
Segment profit before taxes	11
As at December 31, 2009:	
Current assets	188
Non-current assets	134
Current liabilities	164
Non-current liabilities	25

Further details related to the acquisitions of South Rock and Lockerbie are disclosed in note 21 to the 2009 Consolidated Financial Statements. South Rock and Lockerbie will be included within the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting within one year of their respective dates of acquisition.

Contractual Obligations

Aecon has commitments for equipment and premises under operating leases and has principal repayment obligations under long-term debt as follows:

($ millions)	Lease Payments	Long-term Debt Repayments
	$	$
2010	24.3	233.9
2011	18.2	94.3
2012	13.3	24.2
2013	9.1	5.6
2014	5.3	3.7
Beyond	13.4	5.3
	83.6	367.0

At December 31, 2009, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was $2,215 million. This consists of the reported backlog of $2,183 million plus an additional $32 million representing Aecon's share of the Quito project revenues not included in reported backlog revenues.

Off-Balance Sheet Arrangements

In connection with its joint venture operations in Quito, India and Israel, Aecon has provided various financial and performance guarantees and letters of credit, which are described in note 13 to the 2009 Consolidated Financial Statements.

Aecon's defined benefit pension plans (the "Pension Plans") had a combined deficit of $7.1 million at December 31, 2009 (2008 - $2.0 million). As a result of the significant decrease in "AA" bond yields over the past year, the reported pension obligation amount and future service cost of the Pension Plans have increased. This increase in estimated pension obligations was partially offset by an increase in investment market values experienced by the Pension Plans in the past year. The net effect of these changes has contributed to a $5.1 million year-over-year decrease in the funded position of the Company's Pension Plans. Aecon's pension expense in 2010 is expected to increase by approximately $0.7 million when 2009 experience and other actuarial losses begin to be amortized into income. These deficits include experience and other actuarial gains and losses which, in accordance with Canadian generally accepted accounting principles, are not immediately recognized in the accounts of the Company but are amortized over the average remaining service life of employees. At December 31, 2009, unrecognized liabilities amounted to $11.2 million (2008 – $7.2 million). Details relating to Aecon's defined benefit plans are set out in note 22 to the 2009 Consolidated Financial Statements.

The current actuarial valuation of the Pension Plans for statutory and contribution purposes was completed as at December 31, 2007. Under current pension benefits regulations, the next actuarial valuation of the Pension Plans must be performed with a valuation date of no later than December 31, 2010. No change in contributions will be required before 2011 and any change thereafter will reflect December 31, 2010 market conditions.

The accounting for pension plans involves a number of assumptions including those that are disclosed in note 22 to the Consolidated Financial Statements. As a result of the uncertainty associated with these estimates, there is no assurance that the plans will be able to earn the assumed rate of return on plan assets, and furthermore, market driven changes may result in changes to discount rates and other variables which would result in Aecon being required to make contributions to the plans in the future that may differ significantly from estimates. As a result, there is a significant amount of measurement uncertainty involved in the actuarial valuation process. This measurement uncertainty may lead to potential fluctuations in financial results attributable to the selection of actuarial assumptions and other accounting estimates involved in the determination of pension expense and obligations. Two of the more significant actuarial and accounting assumptions impacting the reporting of pension plans are the discount rate assumption and the expected return on assets assumption. As at December 31, 2009, Aecon has used a discount rate of 5% and an expected return on assets of 6.25% in its pension plan calculations for financial statement purposes. The impact of a 0.5% decrease in both the discount rate and the expected return on assets assumptions would have resulted in an increase in the Pension Benefit Obligation of approximately $2.2 million at December 31, 2009 and an increase in the estimated 2009 pension expense of approximately $0.6 million.

From time to time Aecon enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. At December 31, 2009, the Company had outstanding contracts to buy and/or sell U.S. dollars or euros on which there was a net unrealized exchange gain of $0.3 million. The net unrealized exchange gain represents the estimated net amount the Company would have received if it terminated its foreign exchange contracts at December 31, 2009. Financial instruments are discussed in note 24 to the 2009 Consolidated Financial Statements.

Related Party Transactions
There were no significant related party transactions in 2009.

Critical Accounting Estimates
By its nature, accounting for construction contracts requires the use of estimates. Revenue and income from fixed price construction contracts, including contracts in which Aecon participates through joint ventures, are determined on the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. Aecon has a process whereby progress on jobs is reviewed by management on a regular basis and estimated costs to complete are updated. However, due to unforeseen changes in the nature or cost of the work to be completed or performance issues, contract profit can differ significantly from earlier estimates.

Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. For such change orders, contract revenues are recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Therefore, to the extent that actual costs recovered are different from expected cost recoveries, significant swings in revenue and profitability can occur from one reporting period to another.

Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that Aecon seeks to collect from clients or others for client-caused delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. In accordance with Aecon's accounting policy, claims are recognized in revenue only when resolved. Therefore, it is possible for Aecon to have substantial contract costs recognized in one accounting period with associated revenue recognized only in a later period.

In the preparation of the Consolidated Financial Statements, various other estimates are required, which are either subjective, could be materially different under different conditions or using different assumptions, or which require complex judgments. The more significant estimates are related to the accounting for income taxes, concession rights to operate the existing Quito airport, employee benefit plans and the accounting for pension expense, and the allocation of the purchase price to the fair value of assets acquired and liabilities assumed on acquisitions. The Company's accounting for income taxes is described in note 5 to the 2009 Consolidated Financial Statements and under Tax Accrual Risks in the following section of the MD&A, entitled Risks and Uncertainties. The significant actuarial assumptions used in accounting for pension expense are set out in note 22 to the 2009 Consolidated Financial Statements and are discussed above in the Off-Balance Sheet Arrangements section of the MD&A.

RISK FACTORS

The following risk factors, (and the information incorporated by reference herein), should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Large Project Risk
A substantial portion of Aecon's revenues are derived from large projects, some of which are conducted through joint ventures. These projects provide opportunities for large revenue and profit contributions but by their nature carry significant risk and as a result can occasionally result in significant losses. As a result of the existing infrastructure deficit throughout Canada an increasing number of large projects are expected to be tendered over the next several years. Aecon is also increasingly active in the growing public private partnership market in Canada. The public private partnerships procurement model typically involves a transfer of certain risks to a contractor beyond those contained in a conventional fixed price contract. As such, a failure to properly execute and complete a public private partnerships project may subject Aecon to significant losses.

Joint ventures are often formed to undertake a specific project, jointly controlled by the partners and are dissolved upon completion of the project. Aecon selects its joint venture partners based on a variety of criteria including relevant expertise, past working relationships as well as analysis of prospective partners' financial and construction capabilities. Joint venture agreements spread risk between the partners and they generally state that companies supply their proportionate share of operating funds and that they share profits and losses in accordance with specified percentages. Nevertheless, each participant in a joint venture is usually liable to the client for completion of the entire project in the event of a default by any of its partners. Therefore, in the event that a joint venture partner fails to perform its obligations due to financial or other difficulties, Aecon may be required to make additional investments or provide additional services which may reduce or eliminate profit, or even subject Aecon to significant losses with respect to the joint venture.

The contract price on large projects is based on cost estimates based on a number of assumptions. Given the size of these projects, if these assumptions prove incorrect, whether due to faulty estimates, unanticipated circumstances, or a failure to properly assess risk, profit may be materially lower than anticipated or in a worse case scenario result in a significant loss.

The recording of the results of large project contracts, where income is not recognized until progress reaches a stage of completion (generally 20%) that is sufficient to reasonably determine the project's results, can distort revenues and earnings on both a quarterly and an annual basis and can, in some cases,

make it difficult to compare the financial results between reporting periods.

As described more fully in Notes 13 and 17 to the 2009 Consolidated Financial Statements, Aecon has a number of commitments and contingencies. If Aecon was called upon to honour these contingent obligations, its financial results would be adversely affected.

In connection with the Cross Israel Highway Project, the Company has provided two joint and several guarantees: (i) a continuous guarantee, which guarantees the performance of the concessionaire in which the Company has a 25% interest; and (ii) a leakage guarantee, which is a guarantee by the operator of the toll highway (in which the Company has a 30.6% interest) to the concessionaire and covers toll capture and collection rates generated from users of the highway during the operating period. These guarantees extend to the end of the concession period which ends in 2029. If such guarantees were to be called upon, the financial results and the financial position of Aecon would be adversely affected.

In addition, a significant portion of Aecon's capital (approximately $42 million as at December 31, 2009) is invested, directly or indirectly, in the Cross Israel Highway Project. As a result, any material diminution in the value of the Cross Israel Highway Project would adversely affect the financial results and condition of the Company.

The Company holds a 42.3% effective economic interest in the Quiport JV, an Ecuadorian company whose main operations consist of the Quito Airport Project, specifically: (a) managing and operating the existing Quito airport until its operations are transferred to a new airport; and (b) the development, financing, construction, operation and maintenance of the new Quito Airport under a concession arrangement with CORPAQ.

On January 27, 2006, Quiport JV assumed control of the Existing Quito Airport operations and on June 28, 2006 financial close was achieved and the first tranche of financing was advanced by the senior lenders to the project. The construction contract for the Quito airport was signed on June 22, 2005, and the formal construction commencement date was July 12, 2006. The Quito airport is being constructed under a 51-month fixed-price Engineer-Procure-Construct contract signed between CORPAQ and CCC, a Crown agency of the Canadian government. CORPAQ assigned the construction contract to Quiport JV. CCC subcontracted 100% of the construction work to the Company as its Canadian supplier, which then subcontracted 100% of the construction work to a 50/50 joint venture consisting of the Company and Brazil's Construtora Andrade Gutierrez (the "Construction JV"). The Company is the managing partner of the Construction JV.

In connection with the Quito airport project, the Company has made equity investments and provided letters of credit in support of its remaining equity obligations and for various project contingencies. These letters of credit are supported by guarantees issued on behalf of the Company to the issuing banks by EDC and will remain in place until its equity obligations are fulfilled and the conditions giving rise to the contingencies are satisfied or cleared. Refer to Note 13 in the 2009 Consolidated Financial Statements. In addition, the Company and Andrade Gutierrez have provided surety bonds, guaranteed joint and severally, to cover construction and concession related performance obligations, an advance payment bond and a retention release bond; in each case, the Company's share is supported by guarantees issued by EDC. If Aecon was called upon to honour these obligations, or should the project incur significant cost overruns, its financial results and position would be adversely impacted. For further information on the Quito airport project, refer to the "Quito Airport Project Recent Developments" section of the MD&A, Note 17 in the 2009 Consolidated Financial Statements, and "Concessionaire Risk" and "Insurance Risk" herein.

Furthermore, as discussed in "Quito Airport Project Recent Developments", following the Airports Ruling by Ecuador's Constitutional Court on July 29, 2009, a preliminary agreement was reached with the Municipality of Quito, including a new commercial arrangement which is subject to various closing conditions and approvals, including approvals from the Constitutional Court and the Project's senior lenders.

However, in the event that final conditions and approvals are not achieved, the parties may proceed to international arbitration, in which event:

- Aecon's directly invested equity and its committed contingent equity in the Quiport JV would be exposed. However, 90% of such equity would be covered by its political risk insurance policy currently in place (see "Insurance Risk" below);
- Aecons's recorded but reinvested income from operations of the existing Quito airport may not be recovered;
- the unamortized advance payment bond for the project would need to be reimbursed; and
- there would be cost implications for construction, including settlement of all currently outstanding obligations to suppliers and subcontractors, employee termination costs, contract cancellation payments and demobilizing costs. However, in the current circumstances the Company expects there would not be a prolonged period prior to project termination and that Quiport JV would not be required to continue building the Quito airport and incurring significant costs over a protracted period, so those costs would be accordingly minimized.

The failure to replace the revenue generated from these large projects on a going forward basis could adversely affect Aecon.

Concessionaire Risk

In addition to its work providing design, construction, procurement, operation and other services on a given project, Aecon will sometimes also invest in the infrastructure asset itself as a concessionaire. In such instances, Aecon assumes a degree of risk (essentially equity risk) associated with the financial performance of the asset during the concession period. The Cross Israel Highway Project and the Quito airport project are two current examples of such projects. For additional information regarding the Quito airport project, see "Large Project Risk".

The financing arrangements on concession projects such as these are typically based on a set of projections regarding the cash flow to be generated by the asset during the life of the concession. The ability of the asset to generate the cash flows required to provide a return to the concessionaire can be influenced by a number of factors, some of which are partially

beyond the concessionaire's control, such as, among others, political or legislative changes, traffic demand and thus operating revenues, collection success and operating cost levels.

While project concession agreements often provide a degree of risk mitigation (for example, through minimum traffic guarantees in the case of the Cross Israel Highway Project), and insurance products are available to limit some of the concession risks, the value of Aecon's investment in these infrastructure assets can be impaired, and certain limited risk guarantees can be called, if the financial performance of the asset does not meet certain requirements.

On a going forward basis, a sustained global economic slump may, directly or indirectly, impact the ability of Aecon to make the necessary financing arrangements to pursue all of the concession opportunities it would otherwise be interested in.

Oilsands

Over the last twelve to eighteen months delays, scope reductions and/or cancellations in previously announced or anticipated projects in the Alberta oilsands demonstrated that economic activity in the oilsands could be impacted by a variety of factors including: the impact of global economic conditions on demand; the fluctuation in world oil prices; cost overruns on announced projects; fluctuations in the availability of skilled labour; lack of sufficient governmental infrastructure to support growth; the potential introduction of new "green" legislation; negative perception of the Alberta oilsands and its potential environmental impact; as well as a shortage of sufficient pipeline capacity to transport production to major markets. A sustained period of low world oil prices may result in material differences in previously projected oilsands development. Postponements or cancellations of investment in existing and new projects could have an adverse impact on Aecon's business and financial condition.

Integration Risk

Over the last several years Aecon has acquired several businesses, including the acquisition on April 1, 2009 of Lockerbie, a large mechanical infrastructure contractor. The integration of any acquisition raises a variety of issues including, without limitation, identification and execution of synergies, elimination of cost duplication, systems integration (including accounting and information technology), execution of the pre-deal business strategy in an uncertain economic market, development of common corporate culture and values, integration and retention of key staff, retention of current clients as well as a variety of issues that may be specific to Aecon and the industry in which it operates. There can be no assurance that Aecon will maximize or realize the full potential of any of its recent acquisitions. A failure to successfully integrate these acquisitions and execute a combined business plan could materially impact the future financial results of Aecon.

International/Foreign Jurisdiction Factors

Aecon is from time to time engaged in large international projects in foreign jurisdictions. International projects such as the Quito Airport Project in Ecuador, and the Cross Israel Highway Project in Israel can expose Aecon to risks beyond those typical for its activities in its home market, including without limitation economic, geopolitical, geotechnical, military, repatriation of undistributed profits, currency and foreign exchange risks, and other risks beyond the Company's control including the duration and severity of the impact of the recent global economic downturn. For additional information regarding the Quito Airport Project, see "Large Project Risk". Aecon on a smaller scale is also exposed to similar risks through its subsidiary IST, which has projects in more than twenty countries across the world.

Aecon continually evaluates its exposure to unusual risks inherent in international projects and, where deemed appropriate in the circumstances, mitigates these risks through specific contract provisions, insurance coverage and forward exchange agreements. However, there are no assurances that such measures would offset or materially reduce the effects of such risks.

Foreign exchange risks are actively managed and hedged where possible and considered cost effective, when directly tied to quantifiable contractual cash flows accruing directly to Aecon within periods of one or two years. Major projects executed through joint ventures generally have a longer term and result in foreign exchange translation exposures that Aecon has not hedged. Such translation exposure will have an impact on Aecon's consolidated financial results. Practical and cost effective hedging options to fully hedge this longer term translational exposure are not generally available to Aecon.

Aecon's investment in Derech Eretz is denominated in New Israeli Shekels ("NIS") and, as such, the value of this investment fluctuates with changes in the relationship between the Canadian dollar and NIS. Similarly, although much less significant, Aecon's investments in India and Israel (other than its investment in Derech Eretz), which primarily represent undistributed profits from its now completed construction projects in these countries, are denominated in foreign currencies (mostly NIS, Rupees and United States dollars) and the value of these investments fluctuates as the value of the Canadian dollar changes relative to the values of these foreign currencies. For further information on currency risk, refer to note 24 in the 2009 Consolidated Financial Statements.

Contractual Factors

Aecon performs construction activities under a variety of contracts including lump-sum, fixed price, guaranteed maximum price, cost reimbursable and design build. Some forms of construction contracts carry more risk than others.

Historically, a substantial portion of Aecon's revenue is derived from lump sum contracts pursuant to which a commitment is provided to the owner of the project to complete the project at a fixed price ("Lump Sum") or guaranteed maximum price ("GMP"). In Lump Sum and GMP projects, in addition to the risk factors of a unit price contract (as described below), any errors in quantity estimates or schedule delays or productivity losses, for which contracted relief is not available must be absorbed within the Lump Sum or GMP, thereby adding a further risk component to the contract.

Aecon is also involved in fixed unit price construction contracts under which the Company is committed to provide services and materials at a fixed unit price (e.g. dollars per tonne of asphalt or aggregate). While this shifts the risk of estimating the quantity of

units to the contract owner, any increase in Aecon's cost over the unit price bid, whether due to estimating error, inefficiency in project execution, inclement weather, inflation or other factors, will negatively affect Aecon's profitability.

In certain instances, Aecon guarantees to a customer that it will complete a project by a scheduled date or that the facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or performance standards, Aecon could incur additional costs or penalties commonly referred to as liquidated damages. Although Aecon attempts to negotiate waivers of consequential or liquidated damages, on some contracts the Company is required to undertake such damages for failure to meet certain contractual provisions. Such penalties may be significant and could impact Aecon's financial position or results of future operations. Furthermore, schedule delays may also reduce profitability because staff may be prevented from pursuing and working on new projects. Project delays may also reduce customer satisfaction which could impact future awards.

Aecon is also involved in design-build contracts or certain contracts for owners such as Infrastructure Ontario where, in addition to the responsibilities and risks of a unit price or lump sum construction contract, Aecon is responsible for certain aspects of the design of the facility being constructed. This form of contract adds the risk of Aecon's liability for design errors as well as additional construction costs that might result from such design errors.

Certain of Aecon's contractual requirements may also involve financing elements, where Aecon is required to provide one or more letters of credit, performance bonds, financial guarantees or equity investments. There can be no assurance that on a go forward basis Aecon will be able to obtain the necessary financing on favourable or commercially reasonable terms and conditions for such equity investments, nor that its available working capital and bonding facilities will be adequate in order to issue the required letters of credit and performance bonds. See "Access to Bonding, Pre-qualification Rating and Letters of Credit".

Change orders, which modify the nature or quantity of the work to be completed, are frequently issued by clients. Final pricing of these change orders is often negotiated after the changes have been started or completed. Until pricing has been agreed, these change orders are referred to as "unpriced change orders." Revenues from unpriced change orders are recognized to the extent of the costs incurred on executing the change order, or if lower, to the extent to which recovery is probable. Only when pricing is agreed is any profit on such change orders recognized. If, ultimately, there are disputes with clients on the pricing of change orders or disputes regarding additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions, Aecon's accounting policy is to record all costs for these changes but not to record any revenues anticipated from these disputes until actually resolved, even though the Company may believe that full compensation from clients is probable. The timing of the resolution of such events can have a material impact on income and liquidity and thus can cause fluctuations in the revenue and income of Aecon in any one reporting period.

Economic Factors

Aecon's profitability is closely tied to the general state of the economy in those geographic areas in which it operates. More specifically, the demand for infrastructure, which is the principal component of Aecon's operations, is perhaps the largest single driver of the Company's growth and profitability.

In North America, which tends to have relatively sophisticated infrastructure, Aecon's profitability is dependent both on the development, rehabilitation and expansion of basic infrastructure (such as, among others, highways, airports, dams and hydroelectric plants) and on the type of infrastructure that flows from commercial and population growth. Commercial growth demands incremental facilities for the movement of goods within and outside of the community, along with water and sewer systems and heat, light and power supplies. Population growth creates a need to move people to and from work, schools and other public facilities, and demands similar services to new homes. Since growth in both these areas, with the possible exception of road maintenance and construction, is directly affected by the general state of the local economy, a prolonged economic crisis in the markets in which Aecon operates or related constraints on public sector funding, including as a result of government deficits, may have a significant impact on Aecon's operations.

Ongoing Financing Availability

Aecon's business strategy involves the selective growth of its operations through internal growth and acquisitions. Certain of Aecon's operating segments, particularly its Infrastructure and Industrial segments, require substantial working capital during their peak busy periods. As these businesses grow, Aecon is continually seeking to enhance its access to funding in order to finance the higher working capital associated with this growth. However, given the expected demand for infrastructure services over the next several years and the size of many of these projects, Aecon may be constrained in its ability to capitalize on growth opportunities to the extent that financing is either insufficient or unavailable.

Access to Bonding, Pre-qualification Rating and Letters of Credit

Many of Aecon's construction contracts require either sufficient bonding, pre-qualification rating or letters of credit. The surety industry has undergone significant consolidation in recent years, which has constrained overall industry capacity. The surety industry has also endured a certain degree of instability and uncertainty arising from the economic crisis, the long-term effects of which, if any, are difficult to predict. Furthermore, the issuance of bonds under surety facilities is at the sole discretion of the surety company. Although the Company believes it will be able to continue to maintain surety capacity adequate to satisfy its requirements, should those requirements be materially greater than anticipated, or should sufficient surety capacity not be available to Aecon or its joint venture partners (See "Large Project Risks") for reasons related to an economic downturn or otherwise or should the cost of bonding rise substantially (whether Aecon specific or industry wide), this may have an adverse effect on the ability of Aecon to operate its business or take advantage of all market opportunities. The Company also

believes that it has sufficient capacity with respect to letters of credit to satisfy its requirements, but should these requirements be materially greater than anticipated or should industry capacity be materially impacted by domestic or international conditions unrelated to Aecon, this may have an adverse effect on the ability of Aecon to operate its business.

Insurance Risk

Aecon maintains insurance in order to both satisfy the requirements of its various construction contracts as well as a corporate risk management strategy. Insurance products from time to time experience market fluctuations that can impact pricing and availability. Therefore, senior management, through Aecon's insurance broker, monitors developments in the insurance markets to ensure that the Company's insurance needs are met. Although Aecon has been able to meet its insurance needs, there can be no assurances that Aecon will be able to secure all necessary or appropriate insurance on a going forward basis. Failure to do so could lead to uninsured losses or limit Aecon's ability to pursue some construction contracts, both of which could impact results.

Although the Company believes that its currently in place political risk insurance policy would cover 90% of any direct equity and/or contingent equity exposure of the Company in respect of the Quiport JV arising as a result of the Airports Ruling, a claim has not yet been made under such policy and, in the event a claim is made by the Company, coverage could be denied, in whole or in part. If a claim was required and subsequently denied, the Company estimates that it could experience a negative impact of up to approximately $20 million on its current cash position. See "Large Project Risk".

Environmental and Safety Factors

Unfavourable weather conditions represent one of the most significant uncontrollable risks for Aecon. Construction projects are susceptible to delays as a result of extended periods of poor weather, which can have an adverse effect on profitability arising from either late completion penalties imposed by the contract or from the incremental costs arising from loss of productivity, compressed schedules, or from overtime work utilized to offset the time lost due to adverse weather.

During its history, Aecon has experienced a number of incidents, emissions or spills of a non-material nature in the course of its construction activities. Although none of these environmental incidents to date have resulted in a material liability to the Company, there can be no guarantee that any future incidents will also be of a non-material nature.

Aecon is subject to and complies with federal, provincial and municipal environmental legislation in all of its manufacturing and construction operations. Aecon recognizes that it must conduct all of its business in such a manner as to both protect and preserve the environment in accordance with this legislation. At each place where work is performed, Aecon develops and implements a detailed quality control plan as the primary tool to demonstrate and maintain compliance with all environmental regulations and conditions of permits and approvals. Management is not aware of any pending environmental legislation that would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position, although there can be no guarantee that future legislation (including without limitation the introduction of "green" legislation that may impact segments of Aecon's business such as work in Alberta's oilsands) will not be proposed, and if implemented, it may have an impact on the Company and its financial results.

Aecon is also subject to and complies with health and safety legislation in all of its operations in the jurisdictions in which it operates. The Company recognizes that it must conduct all of its business in such a manner as to ensure the protection of both its workforce and the general public. Aecon has developed a comprehensive health and safety plan and is proud of its record in this regard. Nevertheless, given the nature of the industry, accidents will inevitably occur from time to time. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or accidents.

Litigation Risk

Disputes are common in the construction industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. In view of the quantum of the amounts claimed and the insurance coverage maintained by the Company in respect of these matters, management of the Company does not believe that any of the legal actions or proceedings that are presently known or anticipated by the Company is likely to have a material impact on the Company's financial position. However, there is no assurance that the Company's insurance arrangements will be sufficient to cover any particular claim or claims that may arise in the future. Furthermore, the Company is subject to the risk of claims and legal actions for various commercial and contractual matters, primarily arising from construction disputes, in respect of which insurance is not available. Although as of the date hereof, Aecon has not seen a material shift, there can be no guarantee that one of the by-products of the recent economic crisis will not be a rise in litigation which, depending on the nature of the litigation, could impact Aecon's results.

Risk of Non-Payment

Credit risk of non-payment with private owners under construction contracts is to a certain degree minimized by statutory lien rights which give contractors a high priority in the event of foreclosures as well as progress payments based on percentage completion. However, there is no guarantee that these measures will in all circumstances mitigate the risk of non-payment from private owners and a significant default or bankruptcy by a private owner may impact results. A greater incidence of default (including cash flow problems) or corporate bankruptcy amongst clients, subcontractors or suppliers related to current or future economic conditions could also impact results.

Credit risk is typically less with public (government) owners, who generally account for a significant portion of Aecon's business, as funds have generally been appropriated prior to the award or commencement of the project. Refer to "Dependence on the Public Sector" in the "Risk Factors" section for additional discussion of the risks associated with this type of contract.

Internal and Disclosure Controls
Inadequate disclosure controls or ineffective internal controls over financial reporting could result in an increased risk of material misstatements in the financial reporting and public disclosure record of Aecon. Inadequate controls could also result in system downtime, give rise to litigation or regulatory investigation, fraud or the inability of Aecon to continue its business as presently constituted. Aecon has designed and implemented a system of internal controls and a variety of policies and procedures to provide reasonable assurance that material misstatements in the financial reporting and public disclosures are prevented and detected on a timely basis and other business risks are mitigated. In accordance with the guidelines adopted in Canada, Aecon assesses the effectiveness of its internal and disclosure controls using a top-down, risk-based approach in which both qualitative and quantitative measures are considered. An internal control system, no matter how well conceived and operated, can provide only reasonable – not absolute - assurance to management and the Board regarding achievement of intended results. Aecon's current system of internal and disclosure controls places reliance on key personnel across the Company to perform a variety of control functions including key reviews, analysis, reconciliations and monitoring. The failure of individuals to perform such functions or properly implement the controls as designed could adversely impact results.

Labour Factors
A significant portion of Aecon's labour force is unionized and accordingly, Aecon is subject to the detrimental effects of a strike or other labour action, in addition to competitive cost factors.

The Company's future prospects depend to a significant extent on its ability to attract sufficient skilled workers. The construction industry is faced with an increasing shortage of skilled labourers in some areas and disciplines. The resulting competition for labour may limit the ability of the Company to take advantage of opportunities otherwise available or alternatively may impact the profitability of such endeavours on a going forward basis. The Company believes that its union status, size and industry reputation will help mitigate this risk but there can be no assurance that the Company will be successful in identifying, recruiting or retaining a sufficient number of skilled workers.

Cyclical Nature of the Construction Industry
Fluctuating demand cycles are common in the construction industry and can have a significant impact on the degree of competition for available projects. As such, fluctuations in the demand for construction services or the ability of the private and/or public sector to fund projects in the current economic climate could adversely affect backlog and margin and thus Aecon's results.

Given the cyclical nature of the construction industry, the financial results of Aecon, similar to others in the industry, may be impacted in any given period by a wide variety of factors beyond its control (as outlined herein), and as a result there may be from time to time, significant and unpredictable variations in Aecon's quarterly financial results.

Dependence on the Public Sector
A significant portion of Aecon's revenues is derived from contracts with various governments or their agencies. Consequently, any reduction in demand for Aecon's services by the public sector whether from traditional funding constraints, the long term impact of the recent economic crisis (including future budgetary constraints, concerns regarding deficits or an eroding tax base), changing political priorities, change in government or delays in projects caused by the election process would likely have an adverse effect on the Company if that business could not be replaced from within the private sector.

Large government sponsored projects typically have long and often unpredictable lead times associated with the government review and political assessment process. The time delays and pursuit costs incurred as a result of this lengthy process, as well as the often unknown political considerations that can be part of any final decision, constitute a significant risk to those pursuing such projects.

Loss of Key Management; Inability to Attract and Retain Key Staff
The Company's future prospects depend to a significant extent on the continued service of its key executives and staff. Furthermore, the Company's continued growth and future success depends on its ability to identify, recruit, assimilate and retain key management, technical, project and business development personnel. The competition for such employees, particularly during periods of high demand in certain sectors, is intense and there can be no assurance that the Company will be successful in identifying, recruiting or retaining such personnel.

Adjustments in Backlog
There can be no assurance that the revenues projected in Aecon's backlog at any given time will be realized, or if realized, that they will perform as expected with respect to margin. Projects may from time to time remain in backlog for an extended period of time prior to contract commencement, and after commencement may occur unevenly over current and future earnings periods. Project suspensions, terminations or reductions in scope do occur from time to time in the construction industry due to considerations beyond the control of a contractor such as Aecon and may have a material impact on the amount of reported backlog with a corresponding impact on future revenues and profitability. A variety of factors outlined in these "Risk Factors" including, without limitation, conditions in the oilsands and the impact of the recent economic crisis could lead to project delays, reductions in scope and/or cancellations which could, depending on severity, negatively affect the ability of the Company to replace its existing backlog which may adversely impact results.

Tax Accrual Risks

Aecon is subject to income taxes in both Canada and numerous foreign jurisdictions. Significant judgment is required in determining the Company's worldwide provision for income taxes. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although Aecon believes its tax estimates are reasonable, there can be no assurance that the final determination of any tax audits and litigation will not be materially different from that reflected in historical income tax provisions and accruals. Although management believes it has adequately provided for any additional taxes that may be assessed as a result of an audit or litigation, the occurrence of either of these events could have an adverse effect on the Company's current and future results and financial condition.

Reputation in the Construction Industry

Reputation and goodwill play an important role in the long-term success of any company in the construction industry. Negative opinion may impact long-term results and can arise from a number of factors including competence, questions concerning business ethics and integrity, corporate governance, the accuracy and quality of financial reporting and public disclosure as well as the quality and timing of the delivery of key products and services. Aecon has implemented various procedures and policies to help mitigate this risk including the adoption of a comprehensive Code of Conduct which all employees are expected to review and abide by.

Aecon Operates in a Highly Competitive Industry

Aecon operates businesses in highly competitive product and geographic markets in Canada, the United States and internationally. Aecon competes with other major contractors as well as many mid-size and smaller companies across a range of industry segments. Each has its own advantages and disadvantages relative to Aecon. New contract awards and contract margin are dependent on the level of competition and the general state of the markets in which the Company operates. Fluctuations in demand in the segments in which the Company operates may impact the degree of competition for work. Competitive position is based on a multitude of factors including pricing, ability to obtain adequate bonding, backlog, financial strength, appetite for risk, and reputation for quality, timeliness and experience. Aecon has little control over and cannot otherwise affect these competitive factors. If the Company is unable to effectively respond to these competitive factors, results of operations and financial condition will be adversely impacted. In addition, a prolonged economic slump or slower than anticipated recovery may affect one or more of Aecon's competitors or the markets in which it operates, resulting in increased competition in certain market segments, price or margin reductions or decreased demand for services, which may adversely affect results.

Increases in the Cost of Raw Materials

The cost of raw materials represents a significant component of Aecon's operating expenses. As contractors are not always able to pass such risks on to their customers, unexpected increases in the cost of raw materials may negatively impact the Company's results. At times during the last several years, the global availability of basic construction materials such as cement and steel has been impacted by the massive requirements of the Asian market which has resulted in price fluctuations, price escalation and periodic supply shortages. Periods of high demand or the failure to anticipate or mitigate demand fluctuations may add a significant risk to many vendors and subcontractors, some of whom have responded by no longer guaranteeing price or availability on long-term contracts which has in turn increased the risk for contractors who are not always able to pass this risk on to its customers.

Subcontractor Performance

The profitable completion of some contracts, primarily within Aecon's Buildings segment, depends to a large degree on the satisfactory performance of the subcontractors as well as design and engineering consultants who complete different elements of the work. If these subcontractors do not perform to accepted standards, Aecon may be required to hire different subcontractors to complete the tasks, which may add costs to a contract, may impact profitability on a specific job, and in certain circumstances, lead to significant losses. A major subcontractor default or failure to properly manage subcontractor performance could materially impact results.

Protection of Intellectual Property and Proprietary Rights

The Company, particularly through its subsidiary IST, depends, in part, on its ability to protect its intellectual property rights. Aecon relies primarily on patent, copyright, trademark and trade secret laws to protect its proprietary technologies. The failure of any patents or other intellectual property rights to provide protection to Aecon's technologies would make it easier for competitors to offer similar products, which could result in lower sales or gross margins.

The Company's trademarks and trade names are registered in Canada and the United States and the Company intends to keep these filings current and seek protection for new trademarks to the extent consistent with business needs. The Company relies on trade secrets and proprietary know-how and confidentiality agreements to protect certain of its technologies and processes.

In addition, IST holds a number of patents on its once-through heat recovery system. Nevertheless, there remains a threat of others attempting to copy IST's proprietary technology and processes. To mitigate this risk, the normal business practice of IST includes the signing of confidentiality agreements with all parties to which confidential information is supplied including all customers and licensees.

Risk Inherent in an Investment in the Debentures

For a discussion of the risks of an investment in Aecon debentures please see the Prospectus dated September 22, 2009 available on SEDAR at www.sedar.com.

Outstanding Share Data

Aecon is authorized to issue an unlimited number of common shares. The following are details of common shares outstanding and securities that are convertible into common shares.

(in thousands of dollars, except share amounts)	**Dec. 31, 2009**	Mar. 2, 2010
	$	$
Number of common shares outstanding[1]	**56,744,232**	56,814,232
Paid-up capital of common shares outstanding[2]	**304,946**	305,384
Outstanding securities exchangeable or convertible into common shares:		
Number of stock options outstanding	**1,942,817**	1,872,817
Number of common shares issuable on exercise of stock options	**1,942,817**	1,872,817
Increase in paid-up capital on exercise of stock options	**23,319**	22,881
Principal amount of convertible debentures outstanding *(see note 14 to the 2009 Consolidated Financial Statements)*	**158,054**	158,054
Number of common shares issuable on conversion of convertible debentures	**9,078,947**	9,078,947
Increase in paid-up capital on conversion of convertible debentures	**158,054**	158,054

(1) The number of common shares outstanding as per the above table at December 31, 2009 includes 1,642,222 shares (March 2, 2010 – 1,642,222 shares) held by the trustee of Aecon's Long-Term Incentive Plan ("LTIP").
The number of common shares outstanding at December 31, 2009 for financial statement purposes, after deducting the above LTIP shares, was 55,102,010 shares (March 2, 2010 – 55,172,010 shares) (see note 18 to the 2009 Consolidated Financial Statements).

(2) As described in note 18 to the 2009 Consolidated Financial Statements, and in accordance with the recommendations of The Canadian Institute of Chartered Accountants, share capital at December 31, 2009 has been reduced by $17.0 million to reflect shares held by the trustee of the LTIP plan.

OUTLOOK

Generally, Canada's public sector infrastructure markets have come through the recession as strong as ever, while the private sector commercial and industrial construction markets continue to feel the effects of the downturn.

This simplified summary of the construction market in Canada also tends to apply, at least directionally, to Aecon's construction operations. Those segments most exposed to public infrastructure such as roads, transit, hospitals and water infrastructure, are facing strong markets, healthy backlog and a robust bidding pipeline over the next 12 to 24 months, while those most exposed to commercial building, industrial construction and private development tend to enter 2010 with lower backlog and more uncertain short term growth prospects.

The Company's expectations are that these two trends will begin to reverse to some extent in the medium term. Although Canada still faces a significant infrastructure deficit that will take many years to correct, once the current stimulus funding works its way through the system and governments begin to tackle the fiscal deficits left behind by the recession, public sector appetite for significant growth in infrastructure investment may wane somewhat, with spending increases returning to more moderate levels. For diversified companies such as Aecon, this trend would be offset by an anticipated re-emergence of significant capital spending in the commercial and industrial sectors.

In this respect, 2010 and 2011 can be characterized as a time of recovery in private sector investment (likely to be stronger in the latter half of the period) combined with a return to more traditional levels of bidding activity in the public infrastructure sector (which today is as strong as the market has ever seen). As such, based on these expectations, 2011 and 2012 would be the period where results are most likely to reflect strength in both the private sector and public sector elements of the business.

Infrastructure

As noted above, the infrastructure construction market in Canada has emerged from the recession in healthy shape, with bidding pipelines as strong as ever. The short term boost provided by the injection of stimulus spending, along with the current wave of larger projects with longer development cycles (some of which are not yet "shovel ready" but are in the bidding pipeline) should positively impact Aecon's Infrastructure segment for at least the next three years.

Many years of underinvestment in the transportation, power distribution and water treatment sectors has created an underlying demand that should buttress the sector somewhat as fiscal pressures begin to impact public sector investment decisions. In addition, the emergence of alternative funding models (such as public private partnerships and the growing number of programs designed to attract investment to alternative power generation) along with Aecon Infrastructure's increased scale and growing national footprint, will all provide significant growth opportunities over the next 12 to 24 months.

Buildings

Although commercial construction in Canada is expected to remain weak in 2010 due to the combined effects of a weak economy and overbuilding in the period leading up to the recession, institutional construction (especially in the healthcare sector) is expected to pick up the slack, generating a number of opportunities over the next 12 to 24 months.

The candid question facing Aecon, however, following the operating results it has posted in this segment in recent years, is whether it can profitably take advantage of these opportunities – a question the Company has once again had to face head-on as significant operating losses on two of the segment's Ontario projects became apparent in the fourth quarter of 2009.

Following a detailed strategic and operational review of the business, where all options were fully explored, management has concluded that the Buildings business remains a core part of Aecon's operations, and is committed to turning this operation around. While much work remains on the process, controls and people elements of the business to deliver on this potential, successful execution and turnaround in Aecon Buildings business provides an opportunity for significant upside.

Industrial

Early signs of recovery are clearly present in the oilsands, with a number of important projects 'back off the shelf', including Suncor's Firebag 3 and 4, Husky's Sunrise project, Conoco Phillips' Surmont II, and Imperial Oil's Kearl project. Clients are now focusing increasingly on lump sum contracting strategies, creating an increasingly price certain bidding environment for larger, complex industrial construction projects, which Aecon is well positioned to manage. The addition last year of Lockerbie and Hole's significant site construction capabilities has served to 'round out' Aecon's capabilities in the oilsands. Although site construction work traditionally carries somewhat lower margins than fabrication and module assembly work, Aecon's increased strength in site construction makes the company a more competitive bidder for clients looking for full service, one stop contractors.

While work on Suncor's Firebag 3 project will positively impact Aecon's financial results in 2010, Aecon continues to believe that the most significant impact of the strengthening oilsands market will begin to be felt in 2011.

Notwithstanding a relatively strong gas-fired power market in Ontario, which should continue to provide new opportunities in the segment, nuclear power may represent the best medium term market in the power generation sector. Although there was not much detail provided in the recent announcement by the Ontario government and Ontario Power Generation that approximately $6–10 billion would be spent to refurbish the Darlington generating station near Toronto, Aecon's experience in the building and refurbishment of nuclear stations positions it well to capture significant work from this initiative over the medium term.

In Atlantic Canada, the combined capabilities of Aecon Fabco and Lockerbie & Hole Eastern opens up a substantial market that Aecon has not historically been in a position to pursue. Significant new opportunities exist for Aecon's Industrial segment in the

power, oil and gas, mining, and marine repair sectors, from New Brunswick to Newfoundland and Labrador. In addition, there are significant opportunities in Saskatchewan's potash market, as well as power generation opportunities in Western Canada, and growing energy-from-waste and alternative power sectors, all of which represent markets that hold significant potential for Aecon, especially in the medium term.

Concessions

As outlined earlier in this MD&A, significant progress has been made in resolving issues surrounding Aecon's concession interest in the Quito International Airport project, significantly solidifying the future of this project and allowing for a return to the booking of segment operating profits from the project. This project remains an important one for Aecon, with a robust financial model notwithstanding the costs inherent in the recent project agreements.

In the Canadian public private partnerships market, where Aecon Concessions' business development focus lies, project financing constraints seem to be easing from the very tight market seen over the past 18 months. Although a return to the kind of financial dynamics we saw in 2007 and the first part of 2008 is not expected (at least in the short or medium term) the fundamentals driving the public private partnerships market in Canada remain sound, with stakeholders on both the public and private sides of the equation continuing to express an appetite for new projects.

In fact, as Canada emerges from the recession to find its governments deeply in debt, but with years of underinvestment in public infrastructure still needing to be addressed, public private partnerships are expected to become an increasingly attractive tool for the delivery of public infrastructure across a broadening array of sectors falling within Aecon's core construction competencies. Evidence of this trend is likely to strengthen in 2010 and 2011.

Aecon's strong balance sheet, financial liquidity and substantial bonding/surety capacity, each of which are among the strongest in the Canadian industry, position the Company well to exploit the many growth opportunities, including potential public private partnerships and acquisition opportunities that may require significant equity investment. Management believes that, over time, Aecon's growth potential in these areas will enable it to more than offset the added interest cost the business is carrying as a result of the convertible debenture financing completed late in 2009.

Overall, management believes that its record year end backlog, the strength, depth and durability of its Infrastructure markets, and the expected return to strength of its oilsands and industrial power markets, combine to signal continued strong financial performance throughout 2010 and even more so into 2011.

FORWARD-LOOKING INFORMATION

In various places in Management's Discussion and Analysis and in other sections of this document, management's expectations regarding future performance of Aecon were discussed. These "forward-looking" statements, including statements about the Company's conversion to IFRS, are based on currently available competitive, financial and economic data and operating plans but are subject to risks and uncertainties. Recent events in global financial and credit markets have resulted in abnormally high market volatility and a level of uncertainty not seen in decades. The high level of uncertainty arising from this crisis may continue to impact the global, North American and Canadian economies in unpredictable ways and may impact the results of Aecon in a manner which is currently impossible to ascertain with any degree of certainty. In addition, factors could cause Aecon's actual results, performance or achievements to vary from those expressed or inferred herein, including without limitation, the successful integration of recent acquisitions, the failure to achieve the targets associated with the construction of the Quito airport or operation of the existing Quito airport as well as the associated political risk in Ecuador. Forward-looking statements include information concerning possible or assumed future results of operations or financial position of Aecon, as well as statements preceded by, followed by, or that include the words "believes," "expects," "anticipates," "estimates," "projects," "intends," "should" or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause those results to differ materially from those expressed in any forward-looking statements.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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AUDITORS' REPORT

MARCH 2, 2010

To the Shareholders of Aecon Group Inc.

We have audited the consolidated balance sheets of Aecon Group Inc. (the Company) as at December 31, 2009 and 2008, and the consolidated statements of income, comprehensive income, retained earnings, accumulated other comprehensive income (loss) and cash flows for the years then ended. These financial statements are the responsibility of the Company'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 Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

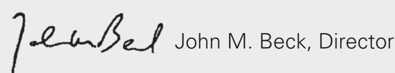
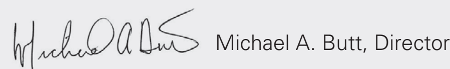
PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2009 AND 2008

(In thousands of dollars)	**2009**	2008
	$	$
ASSETS		
Current assets		
Cash and cash equivalents *(note 3)*	**340,893**	292,873
Restricted cash *(note 3)*	**54,045**	28,194
Marketable securities and term deposits *(note 3)*	**19,509**	–
Accounts receivable	**325,836**	259,431
Holdbacks receivable	**126,709**	92,584
Deferred contract costs and unbilled revenue	**218,645**	119,170
Inventories	**33,377**	23,582
Prepaid expenses	**9,597**	7,655
	1,128,611	823,489
Property, plant and equipment *(note 6)*	**200,883**	97,969
Future income tax assets *(note 5)*	**11,993**	20,622
Concession rights *(note 7)*	**215,697**	167,996
Long-term concession investment *(note 8)*	**32,685**	32,685
Goodwill *(note 9)*	**50,961**	9,804
Other intangible assets *(note 10)*	**24,137**	5,395
Other assets *(note 11)*	**24,371**	30,904
	1,689,338	1,188,864
LIABILITIES		
Current liabilities		
Bank indebtedness *(note 3)*	**–**	2,631
Accounts payable and accrued liabilities	**389,196**	319,840
Holdbacks payable	**73,385**	60,506
Deferred revenue	**88,005**	91,948
Income taxes payable	**9,272**	4,015
Future income tax liabilities *(note 5)*	**50,043**	48,512
Current portion of non-recourse project debt *(note 12)*	**217,436**	5,542
Current portion of long-term debt *(note 12)*	**16,489**	10,845
	843,826	543,839
Non-recourse project debt *(note 12)*	**70,000**	118,665
Other long-term debt *(note 12)*	**63,037**	45,160
Other liabilities *(note 15)*	**7,851**	3,375
Other income tax liabilities *(note 17(d))*	**16,341**	15,537
Concession related deferred revenue *(note 16)*	**67,348**	77,574
Convertible debentures *(note 14)*	**158,614**	–
	1,227,017	804,150
Non-controlling interests	**4,929**	2,449
Commitments and contingencies *(note 17)*		
SHAREHOLDERS' EQUITY		
Capital stock *(note 18)*	**304,946**	262,644
Contributed surplus *(note 18)*	**4,097**	2,828
Convertible debentures *(note 14)*	**6,887**	–
Retained earnings	**144,237**	110,903
Accumulated other comprehensive (loss) income *(note 18)*	**(2,775)**	5,890
	457,392	382,265
	1,689,338	1,188,864

Approved by the Board of Directors  John M. Beck, Director  Michael A. Butt, Director

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(In thousands of dollars, except per share amounts)	**2009**	2008
	$	$
Revenues	**2,260,986**	1,876,986
Direct costs and expenses	**(2,017,306)**	(1,665,924)
	243,680	211,062
Marketing, general and administrative expenses	**(115,509)**	(96,010)
Foreign exchange (losses) gains	**(4,104)**	1,481
Income from investments accounted for using the equity method	**419**	–
Gain on sale of assets	**182**	104
Depreciation and amortization *(note 20)*	**(48,431)**	(27,493)
Interest expense *(note 19)*	**(17,809)**	(9,275)
Interest income *(note 19)*	**11,705**	8,080
	(173,547)	(123,113)
Income before income taxes and non-controlling interests	**70,133**	87,949
Income tax (expense) recovery *(note 5)*		
Current	**(28,607)**	(3,696)
Future	**6,301**	(23,123)
	(22,306)	(26,819)
Income before non-controlling interests	**47,827**	61,130
Non-controlling interests	**(3,441)**	(1,788)
Net income for the year	**44,386**	59,342
Earnings per share *(note 18)*		
Basic	**0.82**	1.23
Diluted	**0.80**	1.20
Weighted average number of shares outstanding *(note 18)*		
Basic	**53,861,298**	48,065,421
Diluted	**58,510,761**	49,805,700

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of dollars)	2009	2008
	$	$
Net income for the year	**44,386**	59,342
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments of self-sustaining foreign subsidiaries, net of related hedging activities	**(8,520)**	8,446
Mark-to-market adjustments on available-for-sale investments	**(145)**	145
Cash flow hedges		
Net change in fair value of derivatives	**–**	(201)
Comprehensive income for the year	**35,721**	67,732

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(In thousands of dollars)	2009	2008
	$	$
Retained earnings – beginning of year	**110,903**	61,525
Net income for the year	**44,386**	59,342
Dividends *(note 18)*	**(11,052)**	(9,968)
Interest received on share purchase loans *(note 18)*	**–**	4
Retained earnings – end of year	**144,237**	110,903

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(In thousands of dollars)	2009	2008
	$	$
Accumulated other comprehensive income (loss) – beginning of year	**5,890**	(2,500)
Foreign currency translation adjustments of self-sustaining foreign subsidiaries, net of related hedging activities	**(8,520)**	8,446
Mark-to-market adjustments on available-for-sale investments	**(145)**	145
Cash flow hedges	**–**	(201)
Accumulated other comprehensive (loss) income – end of year	**(2,775)**	5,890

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(In thousands of dollars)	**2009**	2008
	$	$
CASH PROVIDED BY (USED IN)		
Operating activities		
Net income for the year	**44,386**	59,342
Items not affecting cash		
Depreciation and amortization	**48,431**	27,493
Income from investments accounted for using the equity method	**(419)**	–
Gain on sale of assets	**(182)**	(104)
Amortization of commitment fees	**825**	162
Unrealized foreign exchange losses	**1,365**	142
Non-cash interest on other income tax liabilities	**804**	804
Notional interest representing accretion *(notes 14 and 15)*	**(2,563)**	822
Defined benefit pension *(note 22)*	**1,136**	(3,126)
Future income taxes	**(6,301)**	23,123
Stock-based compensation	**1,808**	1,690
	89,290	110,348
Change in other balances relating to operations *(note 20)*	**(95,383)**	33,565
	(6,093)	143,913
Investing activities		
(Increase) decrease in restricted cash balances *(note 3)*	**(22,588)**	9,768
Increase in marketable securities and term deposits	**(19,509)**	–
Purchase of property, plant and equipment	**(30,147)**	(13,553)
Proceeds on sale of property, plant and equipment	**10,968**	1,062
Acquisitions *(note 21)*	**(120,815)**	(1,175)
Investment in concession rights	**(93,653)**	(43,130)
Increase in other intangible assets and other assets	**(5,179)**	(7,660)
Increase in non-controlling interests	**2,671**	1,348
	(278,252)	(53,340)
Financing activities		
Decrease in bank indebtedness	**(2,687)**	(5,199)
Issuance of long-term debt	**215,281**	34,294
Repayments of long-term debt	**(27,073)**	(25,867)
Increase in other liabilities *(note 15)*	**3,406**	–
Issuance of capital stock *(note 18)*	**2,105**	70,729
Repurchase of capital stock *(note 18)*	**(9,425)**	(4,145)
Repayment of share purchase loans *(note 18)*	**–**	552
Dividends paid *(note 18)*	**(10,759)**	(10,400)
Interest received on share purchase loans *(note 18)*	**–**	4
Net proceeds from issuance of convertible debentures *(note 14)*	**164,759**	–
	335,607	59,968
Increase in cash and cash equivalents during the year	**51,262**	150,541
Effects of foreign exchange on cash balances	**(3,242)**	7,726
Cash and cash equivalents – beginning of year	**292,873**	134,606
Cash and cash equivalents – end of year	**340,893**	292,873

Supplementary disclosures *(note 20)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008
(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, as well as its pro rata share of assets, liabilities, revenues, expenses, net income and cash flows of its joint ventures. Note 4 summarizes the effect of the joint ventures on these consolidated financial statements.

USE OF SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. A certain amount of uncertainty is inherent in estimating the costs of completing construction projects and estimating amounts ultimately realizable on unpriced change orders. The impact on the consolidated financial statements of future changes in these estimates could be material.

CASH AND CASH EQUIVALENTS

The Company considers investments purchased with original maturities of three months or less to be cash equivalents. Cash held by joint ventures is for the sole use of joint venture activities.

ACCOUNTING FOR CONTRACTS

Revenue and income from fixed price construction contracts, including contracts in which the Company participates through joint ventures, are determined on the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. This method is used because management considers expended costs to be the best available measure of progress on these contracts. Contract costs include all direct material and labour costs and those indirect costs relating to contract performance such as indirect labour and supplies, tools and repairs. For large multi-year fixed price contracts, income is recognized when progress reaches a stage of completion sufficient to reasonably determine the probable results, which is generally when the contract is 20% complete. Consulting contracts to manage or supervise construction activity of others are recognized only to the extent of the fee revenue. Revenues from cost plus fee contracts are recognized on the basis of costs incurred. Provision is made for anticipated contract losses as soon as they are evident. Contract revenues and costs are adjusted to reflect change orders that have been approved as to both price and scope. For change orders that have not been approved as to price, contract revenues are recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Profit on unpriced change orders is not recognized until pricing has been agreed. If there are disputes regarding additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions, the Company's accounting policy is to record all costs for these change orders but not to record any revenues anticipated from these disputes until actually resolved, even though the Company may believe that full compensation from clients is probable.

Deferred contract costs and unbilled revenues represent costs incurred and revenues earned in excess of amounts billed on uncompleted contracts. Deferred revenue represents the excess of amounts billed over costs incurred and revenue earned on uncompleted contracts. Contract advances are included in deferred revenue and represent advance payments received from clients for mobilization of project staff, equipment and services.

The operating cycle, or duration, of many of the Company's contracts exceeds one year. All contract related assets and liabilities of such contracts are classified as current as they are expected to be realized or satisfied within the operating cycle of the contract.

ACCOUNTING FOR OPERATIONS OF THE EXISTING QUITO AIRPORT AND THE QUITO CONSTRUCTION JOINT VENTURE

The Company holds a 42.3% effective interest in Corporacion Quiport S.A. ("Quiport JV") which holds the concession contract for the Quito Airport, and the Company also holds a 50% interest in the joint venture ("Construction JV") constructing the new Quito Airport. The Company accounts for these investments using the proportionate consolidation method, whereby the Company recognizes on its consolidated balance sheets its share of the assets and liabilities of both Quiport JV and Construction JV, and includes in its consolidated statements of income, its share of the revenues and expenses of these joint ventures. For foreign currency translation purposes, Quiport JV is reported as a self-sustaining operation with a measurement currency of US dollars, and Construction JV is reported as a fully integrated operation.

In accordance with GAAP, the Company's share of Construction JV's revenue and profits is reduced by the Company's proportionate ownership interest in Quiport JV. The profits eliminated will be effectively recognized over the life of the new Quito Airport concession period.

INVENTORIES

Inventories are recorded at the lower of cost and net realizable value, with the cost of materials and supplies determined on a first-in, first-out basis and aggregate inventories determined at weighted average cost.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at historical cost less accumulated depreciation. Depreciation of aggregate properties is calculated using the unit of extraction method. Depreciation of other property, plant and equipment is provided on a straight-line basis using annual rates that approximate the estimated useful lives of the assets as follows:

Buildings and leasehold improvements	10 to 40 years
Machinery and equipment	2 to 15 years
Office equipment, furniture and fixtures, and computer equipment	3 to 5 years
Vehicles	1 to 5 years

When joint ventures are established to perform single contracts and equipment is acquired for use during the contract and disposed of upon completion of the contract, the cost of such equipment, net of estimated salvage value, is treated as a contract cost and is not included in property, plant and equipment.

Property, plant and equipment are reviewed for impairment on a regular basis or whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the projected undiscounted future net cash flows and is measured as the amount by which the carrying value exceeds fair value.

INVESTMENTS

Investments in entities where the Company exercises significant influence are accounted for using the equity method. These investments are recorded at cost plus the Company's share of income or loss to date less dividends received.

Other investments, where the Company exercises neither significant influence nor control or joint control, are carried at cost. If there is other than a temporary decline in value, investments carried at cost are written down to provide for the loss.

INTANGIBLE ASSETS

Purchased intangible assets are recorded at cost less accumulated amortization and any impairment in value. Intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition.

Intangible assets are amortized over their estimated useful lives, except goodwill which management regards as having an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows.

Estimated useful lives are determined as the period over which the Company expects to use the asset and for which the Company retains control over benefits derived from use of the asset.

For intangible assets with a finite useful life, the amortization method and period are reviewed annually and impairment testing is undertaken when circumstances indicate the carrying amounts may not be recoverable.

Amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income statement as an expense item.

Where an intangible asset is disposed of, the difference between its carrying value and the net sales proceeds is reported as other income (loss) on disposal in the consolidated statements of income in the financial year the disposal occurs.

Intangible assets are reviewed for impairment on a regular basis or whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the projected undiscounted future net cash flows and is measured as the amount by which the carrying value exceeds fair value.

GOODWILL

Goodwill represents the excess of the cost of acquisitions over the fair value of net identifiable assets acquired. Goodwill is not amortized but is subject to an annual impairment test, or earlier when circumstances indicate impairment may exist. When the estimated fair value of goodwill is lower than its carrying amount, the difference is charged against income.

INCOME TAXES

The Company follows the asset and liability method of tax accounting for future income taxes. Temporary differences between the tax basis of an asset or liability and its carrying amount on the consolidated balance sheets are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using substantively enacted tax rates anticipated to apply in the periods when the temporary differences are expected to reverse. A valuation allowance is provided against future tax assets to the extent that recoverability cannot be considered to be more likely than not.

EMPLOYEE BENEFIT PLANS

The Company recognizes the cost of retirement benefits over the periods in which employees are expected to render services in return for the benefits. The Company sponsors defined benefit pension plans (which had their membership frozen as of January 1, 1998) and defined contribution pension plans for its salaried employees. The Company matches employee contributions to the defined contribution plans, which are based on a percentage of earnings. For the defined benefit pension plans, current service costs are charged to operations as they accrue based on services rendered by employees during the year. Pension benefit obligations are determined by independent actuaries using management's best estimate assumptions, with accrued benefits pro-rated on service. Adjustments arising from plan amendments are amortized over the expected average remaining service life of the employee group. Actuarial gains and losses are amortized over the expected average remaining service life of the employee group if the adjustment is more than 10% of the greater of plan assets or benefit obligations. Actuarial gains and losses below the 10% threshold are not recognized in income.

ASSET RETIREMENT OBLIGATIONS

The fair value of the estimated future legal obligations for rehabilitation costs associated with the retirement of pits and quarries utilized in aggregate mining operations is recognized as a liability when incurred. A corresponding increase in the carrying amount of the related asset is recorded and depreciated over the life of the asset. The liability is accreted over time through annual charges to earnings and is reduced by actual rehabilitation costs. The amount of the liability is subject to remeasurement at each reporting period and is subject to changes in regulatory requirements and cost estimates.

LEASEHOLD INDUCEMENTS

Leasehold inducements are amortized on a straight-line basis over the term of the lease.

STOCK-BASED COMPENSATION PLANS

The Company has stock-based compensation plans, as described in note 18. Stock options are issued at an exercise price no less than the market value of the Company's shares at the date of issuance. The Company uses fair value accounting for stock-based compensation.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities of the Company, its foreign operations and joint ventures, except those of self-sustaining foreign operations, are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in net income for the year.

The assets and liabilities of the Company's self-sustaining foreign operations that have a measurement currency that is not in Canadian dollars are translated into Canadian dollars using the exchange rate in effect at the consolidated balance sheet date, and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these operations are recorded as a separate component of accumulated other comprehensive income (loss).

All other foreign exchange gains or losses are included in the consolidated statements of income.

EARNINGS PER SHARE

Basic earnings per share is calculated based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method to compute the dilutive effect of stock options and the "if converted" method to compute the dilutive effect of convertible securities. Under the treasury stock method, options are assumed to be exercised only when the exercise price is below the average price of the Company's stock, whereas under the "if converted" method, convertible securities are assumed to be converted at the beginning of the year (or at time of issuance, if later).

INTEREST CAPITALIZATION

Interest on funds used to finance the construction of concession assets is capitalized for periods preceding the dates that the assets are available-for-use.

VARIABLE INTEREST ENTITIES

The Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15 ("AcG 15") modifies the principles used in determining when and by whom entities are consolidated. In general, if a company is exposed to more than 50% of the economic risks of a variable interest entity, it is presumed to control the entity and must consolidate it, notwithstanding that its voting interest may be minimal. Two consolidation "models" are established under AcG 15 – a Voting Interest Model ("VOI") and a Variable Interest Model ("VIE"). The VOI model has been the standard for purposes of determining control and in order to continue to use the VOI model it must be demonstrated that equity holders as a group control the entity and that they are truly at risk. One of the tests is that there must be a minimum amount of equity, as it appears in the financial statements of the entity being assessed. If the VOI tests are not met, the VIE model would be used. Proportionate consolidation is not permitted under the VIE model.

FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the consolidated balance sheets when the Company becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition. Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, being recognized in Other Comprehensive Income ("OCI"). Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. Derivative instruments are recorded on the consolidated balance sheets at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recognized in net income with the exception of derivatives designated in effective cash flow hedges or hedges of foreign currency exposure of a net investment in a self-sustaining foreign operation.

CICA Handbook Section 3855 includes the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost, and the recognition of the inception fair value of the obligation undertaken in issuing a guarantee that meets the definition of a guarantee pursuant to AcG 14 "Disclosure of Guarantees." No subsequent remeasurement at fair value is required unless the financial guarantee qualifies as a derivative. If the financial guarantee meets the definition of a derivative it is remeasured at fair value at each consolidated balance sheet date and reported as a derivative in other assets or other liabilities, as appropriate.

HEDGES

CICA Handbook Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self-sustaining foreign operations. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item. In a fair value hedging relationship, the carrying value of the hedged item is adjusted for unrealized gains or losses attributable to the hedged risk and recognized in net income. Changes in the fair value of the hedged item, to the extent that the hedging relationship is effective, are offset by changes in the fair value of the hedging derivative, which is also recorded in net income. When hedge accounting is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to net income over the remaining term of the original hedging relationship. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in OCI while the ineffective portion is recognized in net income. When hedge accounting is discontinued, the amounts previously recognized in Accumulated Other Comprehensive Income ("AOCI") are reclassified to net income during the periods when the variability in the cash flows of the hedged item affects net income. Gains and losses on derivatives are reclassified immediately to net income when the hedged item is sold or terminated early. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, the effective portion of foreign exchange gains and losses on the hedging instruments is recognized in OCI and the ineffective portion is recognized in net income. The amounts previously recognized in AOCI are recognized in net income when there is a reduction in the hedged net investment as a result of a dilution or sale of the net investment; or reduction in equity of the foreign operation as a result of dividend distributions.

FINANCIAL INSTRUMENTS – FAIR VALUES

Cash and cash equivalents, marketable securities, accounts receivable, and accounts payable and accrued liabilities approximate their fair values on a discounted cash flow basis because of the short-term nature of these instruments. The Company considers all highly liquid interest earning investments with a maturity of three months or less at the date of purchase to be cash equivalents. In general, investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. All cash equivalents and short-term investments are classified as available-for-sale and are recorded at market value; unrealized gains and losses (excluding other-than-temporary impairments) are reflected in other comprehensive income.

Other financial instruments held or issued by the Company include holdbacks receivable, non-interest bearing project advances payable or holdbacks payable, which are amounts directly related to construction contracts. These amounts, by their nature, do not bear interest and consideration for the time value of money is thus negotiated into the price of the contracts. The Company does not have plans to sell these financial instruments to third parties and will realize or settle them in the normal course of business. No quoted market price exists for these instruments because they are not traded in an active and liquid market. Accordingly, the fair values of

holdbacks receivable, non-interest bearing project advances payable or holdbacks payable, which are due within one year, are considered to approximate their carrying values. For those financial instruments that are due beyond one year, the Company has fair valued them to reflect the time value of money and the credit risk or the borrowing risk associated with these financial instruments.

The Company employs a systematic methodology on a periodic basis that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and the Company's intent and ability to hold the investment. The Company also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other than temporary, an impairment charge is recorded and a new cost basis in the investment is established. The Company's long-term investment in Derech Eretz, the company that owns the concessionaire rights to the Cross Israel Highway is carried at cost. There is not a liquid or quoted market value for the Company's investment in Derech Eretz, and as a result fair value information has not been disclosed in the consolidated financial statements. The investment in Derech Eretz would be considered to be impaired if a decline in fair value is judged to be other than temporary.

Long-term notes receivable included in other assets have been discounted at interest rates that result in the carrying value approximating their fair value.

The carrying values of long-term debt approximate their fair value on a discounted cash flow basis because the majority of these obligations bear interest at market rates.

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. The net unrealized exchange gain (loss) represents the estimated amount the Company would have received (paid) if it terminated the contracts at the end of the respective periods. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For a derivative instrument designated as a fair value hedge, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. For a derivative instrument designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and is subsequently recognized in earnings when the hedged exposure affects earnings. The ineffective portion of the gain or loss is recognized in earnings. For options designated either as fair value or cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness and are recognized in earnings. Gains and losses from changes in fair values of derivatives that are not designated as hedges for accounting purposes are recognized in earnings. While the Company considers the above contracts to be economic hedges, none of the above contracts were designated as accounting hedges, and as such the unrealized gains (losses) were recognized in net income in the period.

The Company may use foreign currency debt to hedge its exposure to foreign currency volatility in connection with investments in certain foreign operations. The realized and unrealized fair value of these hedges are included in shareholders' equity in the foreign currency translation component of accumulated other comprehensive income and offset translation adjustments on the underlying net assets of foreign operations, which are also recorded in accumulated other comprehensive income. If the debt is no longer considered effective in offsetting changes in the value of the hedged item, or if management determines that designation of the debt as a hedge instrument is no longer appropriate, the fair value of these hedges are included in the consolidated statements of income in foreign exchange gains (losses). At December 31, 2009, the Company does not have any designated hedges of its foreign operations.

CICA Handbook Section 3862 enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs. The first two levels are considered observable and the last unobservable. These levels are used to measure fair values as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 – Inputs, other than Level 1 inputs that are observable for assets and liabilities, either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

For the fair value of derivatives by level of fair value measurement inputs, see note 24.

2) CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2009, the Company adopted the following new accounting standards that were issued by the CICA.

The CICA issued Handbook Section 3064, "Goodwill and Intangible Assets," which clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. Section 1000, "Financial Statement Concepts," was also amended to provide consistency with this new standard. The new and amended standards are effective on January 1, 2009 for the Company.

The adoption of Handbook Section 3064 did not impact the Company's consolidated financial statements other than certain balance sheet reclassifications.

FUTURE ACCOUNTING CHANGES

The CICA has also issued Handbook Section 1582, "Business Combinations," Section 1601, "Consolidated Financial Statements," and Section 1602, "Non-controlling Interests." These sections replace Section 1581, "Business Combinations," and Section 1600, "Consolidated Financial Statements." Under Section 1582, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of exchange. Furthermore, virtually all acquisition costs, which are currently capitalized as part of the purchase price, will be expensed. Contingent liabilities are to be recognized at fair value at the acquisition date and remeasured at fair value for each period until settled. Changes in fair value are to be included in earnings. Currently, only contingent liabilities that are resolved and payable are included in the cost to acquire a business. In addition, negative goodwill is to be recognized immediately in earnings, unlike the current requirement to deduct it from assets in the purchase price allocation. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination. All three sections come into effect for financial periods beginning January 1, 2011 with prospective application.

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian public entities will have to adopt International Financial Reporting Standards ("IFRS") effective for fiscal years beginning on or after January 1, 2011 (the "changeover date"). The Company will issue consolidated financial statements in accordance with IFRS commencing in the first quarter ended March 31, 2011, with comparative information. The Company is in the process of transitioning its financial statement reporting, presentation and disclosure to IFRS in time to meet the January 1, 2011 deadline. The process will be ongoing as new standards and recommendations are issued by the International Accounting Standards Board and AcSB. Further details regarding the Company's transition to IFRS are included in the Company's 2009 Management's Discussion and Analysis filed on The System for Electronic Document Analysis and Retrieval ("SEDAR").

3) CASH AND CASH EQUIVALENTS, RESTRICTED CASH, MARKETABLE SECURITIES AND TERM DEPOSITS, AND BANK INDEBTEDNESS

					2009
		Consolidated balance excluding joint ventures and Build Finance SPVs	**Joint ventures**	**Build Finance SPVs**	**Total**
		$	**$**	**$**	**$**
Cash and cash equivalents	**(a)**	**261,425**	**31,113**	**48,355**	**340,893**
Restricted cash	**(b)**	**7,802**	**46,243**	**–**	**54,045**
Marketable securities and term deposits	**(c)**	**–**	**–**	**19,509**	**19,509**

					2008
		Consolidated balance excluding joint ventures and Build Finance SPVs	Joint ventures	Build Finance SPVs	Total
		$	$	$	$
Cash and cash equivalents	(a)	222,836	62,003	8,034	292,873
Restricted cash	(b)	20,448	7,746	–	28,194
Bank indebtedness	(d)	–	2,631	–	2,631

(a) Cash and cash equivalents as at December 31, 2009 of $340,893 (2008 – $292,873) include $31,113 (2008 – $62,003) on deposit in joint venture and affiliate bank accounts, which the Company cannot access directly. Also included in cash and cash equivalents was $48,355 (2008 – $8,034) of cash advanced by lenders to finance the construction by Build Finance SPVs of three Infrastructure Ontario hospital projects.

(b) Restricted cash of $54,045 at December 31, 2009 (2008 – $28,194) includes $14,409 (2008 – $28,194) that was deposited as collateral for borrowings and letters of credit issued by the Company and was not available for general operating purposes. The restricted cash balance at December 31, 2009 also includes $39,636 (2008 – $nil) held in Quiport JV.

(c) Marketable securities and term deposits of $19,509 at December 31, 2009 (2008 – $nil) consisted of highly liquid interest bearing securities with maturities up to one year and were all held by Build Finance SPVs.

(d) Bank indebtedness of $2,631 at December 31, 2008 represented the Company's proportionate share of amounts borrowed in connection with the Nathpa Jhakri hydroelectric project in India. This bank indebtedness was fully repaid in 2009.

4) JOINT VENTURES

The Company participates in several incorporated and unincorporated joint ventures and the consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, expenses, net income and cash flows of these joint ventures.

(a) The following table sets out the Company's proportionate share of the assets, liabilities, venturers' equity, revenues, expenses, net income and cash flows of these joint ventures. Included in expenses in the determination of net income of joint ventures are income taxes for those entities that are separately liable for the payment of taxes. Income taxes are not included for joint ventures where income taxes are the responsibility of the joint venture partners. Income taxes included in joint venture expenses amounted to an income tax expense of $8,903 (2008 – $3,469).

	2009	2008
	$	$
Assets		
Current	**162,503**	146,536
Property, plant and equipment	**2,905**	1,720
Other	**220,287**	173,568
	385,695	321,824
Liabilities		
Current	**226,684**	84,098
Long-term	**64,357**	162,514
Venturers' equity	**94,654**	75,212
	385,695	321,824
Revenues	**320,667**	213,847
Expenses	**275,863**	199,086
Net income	**44,804**	14,761
Cash provided by (used in)		
Operating activities	**83,512**	39,863
Investing activities	**(135,681)**	(35,489)
Financing activities	**23,812**	8,491
	(28,357)	12,865

(b) The Company is either contingently or directly liable for obligations of its unincorporated joint ventures (notes 13 and 17). The assets of the joint ventures are available for the purpose of satisfying such obligations.

(c) The Company enters into transactions in the normal course of operations with its joint ventures, which are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties involved. During the year, the Company recognized revenues of $67,175 (2008 – $84,717) from its joint venture partners. At December 31, 2009, the Company has included in accounts receivable $38,490 (2008 – $13,284) owing from its joint ventures and has included in accounts payable and accrued liabilities $1,600 (2008 – $2,433) owing to its joint ventures.

5) INCOME TAXES

The provision for income taxes differs from the result that would be obtained by applying combined Canadian federal and provincial (Ontario) statutory income tax rates to income before income taxes. This difference results from the following:

	2009	2008
	$	$
Income before income taxes and non-controlling interests	**70,133**	87,949
Statutory income tax rate	**33.0%**	33.5%
Expected income tax expense	**(23,144)**	(29,463)
Effect on income tax of:		
Reduction in the valuation allowance	**–**	3,404
Impact of change in substantively enacted tax rates on future tax balances	**1,259**	96
Provincial and foreign rate differentials	**2,662**	2,206
Non-deductible notional interest	**(444)**	(412)
Non-deductible stock-based compensation expenses	**(558)**	(1,011)
Other non-deductible expenses	**(842)**	(639)
Foreign exchange translation (losses) gains	**(1,169)**	142
Tax-exempt portion of capital gains (losses)	**45**	(826)
Other	**(115)**	(316)
	838	2,644
Income tax expense	**(22,306)**	(26,819)

The Company and certain subsidiaries have accumulated non-capital income tax loss carry-forwards of approximately $60,118 (2008 – $65,317), which may be used to reduce future taxable income and expire in the following years:

	$
2010	128
2014	3,169
2015	3,019
2026	267
2027	5,449
2028	25,211
2029	22,875
	60,118

The components of future income taxes are as follows:

	2009	2008
	$	$
Canadian components:		
Net operating and capital losses carried forward	**17,886**	21,289
Reserves expensed for financial statement purposes and deducted for income tax purposes when paid	**3,631**	2,940
Property, plant and equipment:		
Net book value in excess of tax basis	**(15,841)**	(7,265)
Long-term contracts, including joint ventures[1]	**(33,393)**	(40,676)
Other temporary differences	**(4,851)**	412
Other long-term differences	**2,750**	1,026
Total future income tax assets, before valuation allowance	**(29,818)**	(22,274)
Valuation allowance:		
Balance beginning of year	**–**	(3,404)
Drawdown from current year operations	**–**	3,404
Valuation allowance, end of year	**–**	–
Total Canadian future income tax liabilities	**(29,818)**	(22,274)
Foreign components:		
Long-term contracts, including joint ventures	**(8,232)**	(5,616)
Total future income tax liabilities, net	**(38,050)**	(27,890)
Classified as:		
Long-term future income tax assets	**11,993**	20,622
Current future income tax liabilities	**(50,043)**	(48,512)
Total future income tax liabilities	**(38,050)**	(27,890)

(1) Results from the difference between the use of the percentage of completion method of reporting for financial statement purposes and use of the uncompleted contracts and billings less costs, excluding contractual holdbacks, for tax purposes.

The operations of the Company are complex and related tax interpretations, regulations and legislation are subject to change. The Company believes the amounts reported as future income tax liabilities and as other income tax liabilities adequately reflect management's current best estimate of its income tax exposures (see note 17(d)).

6) PROPERTY, PLANT AND EQUIPMENT

			2009
	Cost	**Accumulated depreciation**	**Net**
	$	**$**	**$**
Land and improvements	**27,396**	**–**	**27,396**
Buildings and leasehold improvements	**59,263**	**13,568**	**45,695**
Aggregate properties	**48,701**	**6,963**	**41,738**
Machinery and construction equipment	**131,322**	**58,727**	**72,595**
Office equipment, furniture and fixtures, and computer equipment	**22,619**	**13,094**	**9,525**
Vehicles	**5,875**	**1,941**	**3,934**
	295,176	**94,293**	**200,883**

			2008
	Cost	Accumulated depreciation	Net
Land and improvements	6,105	–	6,105
Buildings and leasehold improvements	21,613	6,226	15,387
Aggregate properties	37,773	6,138	31,635
Machinery and construction equipment	86,204	43,787	42,417
Office equipment, furniture and fixtures, and computer equipment	5,059	3,048	2,011
Vehicles	862	448	414
	157,616	59,647	97,969

Included in property, plant and equipment is equipment of $12,121 (2008 – $8,793) held under capital leases, with accumulated depreciation of $6,802 (2008 – $5,532).

Depreciation expense during 2009 amounted to $21,284 (2008 – $11,406).

7) CONCESSION RIGHTS

The Company has recorded concession rights as follows:

	2009	2008
	$	$
Concession rights to operate the Existing Quito Airport, net of accumulated amortization of $48,448 (2008 – $39,251)	**11,813**	30,585
Concession rights to operate the New Quito Airport	**203,884**	137,411
	215,697	167,996

(a) Background information

The Company holds a 42.3% effective economic interest in Corporacion Quiport S.A., an Ecuadorian company, whose main operations consist of: (a) managing and operating the existing Mariscal Sucre International Airport (the "Existing Quito Airport") until its operations are transferred to a new airport; and (b) the development, financing, construction, operation and maintenance of the new Quito International Airport ("New Quito Airport") under a concession arrangement with Corporacion Aeropuerto y Zona Franca del Distrito Metropolitano de Quito ("CORPAQ"). The Company's 42.3% effective economic interest reflects a 45.5% investment in Quiport JV less the impact of the Company's share of a 7% carried interest given to one of the other partners for its participation in the project. Under the concession contract with CORPAQ, Quiport JV was awarded a 35-year concession from January 27, 2006. At the end of the concession period, all the facilities will be returned to CORPAQ. Income earned from operating the Existing Quito Airport must be reinvested in the New Quito Airport.

(b) Accounting for operations of the Existing Quito Airport

As consideration to develop and finance the New Quito Airport, Quiport JV was awarded the right to operate and to benefit from the operations of the Existing Quito Airport while the New Quito Airport is being constructed. In accordance with GAAP, an entity acquiring an "in-kind" asset must measure the asset at fair value as at the date of acquisition. Therefore, in accounting for the right to operate the Existing Quito Airport, Quiport JV fair valued this right and recorded an intangible asset (the "Concession Rights") on its consolidated balance sheet. As at the date of financial close in 2006, the Company's proportionate share of this asset was assigned a value of $64,000, which is being amortized over the remaining term of the right to operate the Existing Quito Airport. Amortization charges in 2009 amounted to $15,763 (2008 – $14,313). The offsetting concession related deferred revenue balance (which is the value of the consideration received by Quiport JV to develop and finance the New Quito Airport) will be amortized to earnings over the term of the New Quito Airport concession period. Consequently, income earned from the operation of the Existing Quito Airport, which is being recognized in the normal fashion, is being reduced by the amount of the annual amortization charge related to the Existing Quito Airport Concession Rights.

(c) Accounting for the costs of the New Quito Airport

At December 31, 2009, $203,884 (2008 – $137,411) representing the Company's proportionate share of the costs to construct the New Quito Airport has been recorded as Concession Rights to operate the New Quito Airport. Amortization of these Concession Rights will commence after construction of the New Quito Airport is completed.

The Company's investment in the Quito Airport concession is accounted for by the proportionate consolidation method, whereby the consolidated financial statements reflect, line by line, the pro rata share of each of the assets, liabilities, revenues and expenses of the Quito Airport concession. As a result, the consolidated financial statements include the Company's proportionate share of the non-recourse project debt used to finance the construction of the new airport (see note 12).

8) LONG-TERM CONCESSION INVESTMENT

The long-term concession investment in the amount of $32,685 at December 31, 2009 (2008 – $32,685) represents the Company's 25% investment, which is carried at cost, in Derech Eretz Highways (1997) Ltd. ("Derech Eretz"), the company that owns the concession rights to the Cross Israel Highway. Under the terms of the concession contract with the State of Israel and lender agreements, the Company is required to obtain approvals in order to sell all or a portion of this investment. In addition, in the event of a contemplated sale of equity to a third party, existing shareholders have a right of first refusal to acquire a pro rata portion of the equity offered for sale or to participate in such sale on a pro rata basis. Pursuant to an agreement with the State of Israel, the Company's interest in Derech Eretz would be diluted to approximately 12% if the State exercises options to acquire 49% of Derech Eretz.

9) GOODWILL

		2009	2008
		$	$
Balance – beginning of year		**9,804**	12,451
Changes resulting from business combinations	(a)	**41,157**	(1,496)
Impairment losses	(b)	**–**	(1,151)
Balance – end of year		**50,961**	9,804

(a) In 2009, goodwill increased by $30,084 as a result of the acquisition of Lockerbie & Hole Inc. and by $11,073 as a result of the acquisition of South Rock Ltd.

In 2008, goodwill was reduced reflecting an adjustment to the purchase price equation related to the acquisition of Leo Alarie and Sons Limited in late 2007.

(b) In 2008, goodwill was reduced by $1,151 as a result of an impairment charge against the goodwill related to the acquisition of the Cegerco (Montreal) operations in the Buildings segment. This goodwill impairment charge has been included in depreciation and amortization expense on the consolidated statement of income during 2008.

10) OTHER INTANGIBLE ASSETS

				2009
		Cost	**Accumulated amortization**	**Net**
		$	**$**	**$**
Acquired customer backlog	**(a)**	**24,631**	**9,747**	**14,884**
Computer software		**5,567**	**1,887**	**3,680**
Licences		**4,990**	**967**	**4,023**
Other		**1,987**	**437**	**1,550**
		37,175	**13,038**	**24,137**

			2008
	Cost	Accumulated amortization	Net
	$	$	$
Computer software	5,968	4,019	1,949
Licences	3,319	401	2,918
Other	830	302	528
	10,117	4,722	5,395

(a) Acquired customer backlog of $24,631 represents the value assigned to backlog acquired as part of the acquisitions of Lockerbie & Hole Inc. and South Rock Ltd. as described in note 21 below. This asset is amortized on a pro rata basis as the related backlog revenue is included in income.

For the years ended December 31, 2009 and 2008, the Company recorded related amortization expense as follows:

	2009	2008
	$	$
Acquired customer backlog	**9,747**	–
Other	**1,637**	623
	11,384	623

11) OTHER ASSETS

		2009	2008
		$	$
Long-term receivables	(a)	**9,189**	8,903
Share investments	(b)	**–**	7,972
Income tax deposit		**5,414**	5,414
Pension assets *(note 22)*		**4,117**	5,253
Investments accounted for using the equity method		**2,671**	–
Commitment fees		**513**	883
Other		**2,467**	2,479
		24,371	30,904

(a) Long-term receivables include $8,027 (2008 – $7,409) representing an amount due from Derech Eretz. This receivable is collectible by June 30, 2029 and accrues interest at 8% per annum.

Also included in long-term receivables is $1,119 (2008 – $1,494) due from Derech Eretz Telecom Ltd., a wholly owned subsidiary of Derech Eretz. The receivable is payable in annual instalments including compounded interest at 6% annually. The payment amounts are not fixed and are based on the net cash flow of the borrower. Loan and interest payments are to be made on December 31 of each year with full payment to be made no later than July 1, 2029.

(b) Share investments of $7,972 at December 31, 2008 represent common shares of Lockerbie & Hole Inc. that were acquired by the Company prior to its acquisition. The cost of these shares is now included as part of the total consideration paid by the Company for Lockerbie & Hole Inc. (see note 21).

12) LONG-TERM DEBT

		2009	2008
		$	$
Non-recourse project debt			
Quiport JV project financing	(a)	**115,682**	87,931
Quiport JV CORPAQ debt	(b)	**4,782**	5,542
Rouge Valley Health System project debt	(c)	**45,935**	24,723
Toronto Rehabilitation Hospital project debt	(d)	**50,607**	6,011
Lakeridge Health Oshawa Hospital project debt	(e)	**70,000**	–
Other joint venture project debt		**430**	–
		287,436	124,207
Other long-term debt			
Capital leases and equipment loans	(f)	**50,619**	28,807
Notes payable	(g)	**17,742**	15,091
Mortgages	(h)	**5,791**	6,226
Loans from Derech Eretz partners	(i)	**5,178**	5,462
Investment loan	(j)	**196**	419
		79,526	56,005
Total long-term debt		**366,962**	180,212
Less: Amounts due within one year			
- Non-recourse project debt		**217,436**	5,542
- Other long-term debt		**16,489**	10,845
		133,037	163,825

The following describes the components of long-term debt:

(a) The total financing commitment made by the Project Senior Lenders to Quiport JV is US$376,388. As at December 31, 2009, senior project financing advanced to Quiport JV by the Project Senior Lenders was US$248,284 (2008 – US$164,593). Included in the Company's consolidated balance sheets at December 31, 2009, is debt, net of transaction costs, of US$110,069 (CA$115,682) (2008 – US$72,193 or CA$87,931) representing the Company's proportionate share of Quiport JV debt. This debt is secured by the assets of Quiport JV and is otherwise without recourse to the Company.

The financing is denominated in US dollars and is provided for a term of fifteen years from June 28, 2006 using a mix of rates of interest, both variable (some of which can be converted into fixed rates) and fixed, as follows:

- US 91-day treasury bill rate plus 4% (53% of the total financing commitment);
- six-month LIBOR rate plus 4.5% (20% of the total financing commitment);
- 4.9% plus exposure fee of 26.51% on disbursed amounts (17% of the total financing commitment); and
- 10.32% (10% of total financing commitment).

No debt repayments are scheduled to be made during the construction period and all interest costs are capitalized during construction (see note 19).

As a result of a recent political event in Ecuador and a related event of default under the project finance agreements as described in note 17(g), the Quiport JV project debt, although not due to mature within one year, has been reclassified as a current liability.

(b) Quiport JV CORPAQ debt of US$4,550 (CA$4,782) (2008 – US$4,550 or CA$5,542) represents the Company's proportionate share of an amount due to CORPAQ by Quiport JV and related to construction of the Quito Airport project. This balance is expected to be paid in 2010. This non-interest bearing debt, which is denominated in US dollars, has been discounted at the rate of 10.65%.

(c) Project financing for the Rouge Valley Health System project at December 31, 2009, was $45,935 (2008 – $24,723). The total amount available to be borrowed over the construction period is $57,034 and repayment of the loan is due at the end of the project in 2010. Repayment will be entirely funded from a lump sum payment by Infrastructure Ontario upon completion of construction. This debt is secured by the assets of the project and is non-recourse to the Company. Interest on this debt, at an annual rate of 5.3%, is capitalized to the loan balance.

(d) Project financing for the Toronto Rehabilitation Hospital project at December 31, 2009, was $50,607 (2008 – $6,011). The total amount available to be borrowed over the construction period is $101,848. An interim repayment of $53,177 on the loan is scheduled for May 19, 2010, with final repayment due at the end of the project in 2011. Repayments will be entirely funded from two lump sum payments by Infrastructure Ontario. This debt is secured by the assets of the project and is non-recourse to the Company. Interest on this debt at an annual rate of 5.567% is capitalized to the loan balance.

(e) Project financing for the Lakeridge Health Oshawa Hospital project at December 31, 2009, was $70,000 (2008 – $nil), and represents an advance of the full amount expected to be required to construct the project. Full repayment of the debt is scheduled at the end of the project in 2011. Repayment will be entirely funded from a lump sum payment by Infrastructure Ontario upon completion of construction. This debt is secured by the assets of the project and is non-recourse to the Company. Interest on this debt at an annual rate of 5.744% is paid on a monthly basis.

(f) At December 31, 2009, capital leases and equipment loans bore interest at fixed and floating rates averaging 6.48% (2008 – 6.03%) per annum, with specific equipment provided as security. Included in these amounts are the following equipment loans:

On April 30, 2009, the Company, under an equipment loan agreement, borrowed $24,000 which was used, in part, to replace loans assumed as part of the acquisition of South Rock Ltd. and bears interest at a fixed rate of 6.79%. The term loan will be repaid over a period of three years with monthly payments of $418 and a balloon payment of $13,200 at the end of the three-year term. At December 31, 2009, the balance outstanding on the term loan, net of transaction costs, was $21,700 (2008 – $nil).

(g) Notes payable at December 31, 2009 include $11,742 (2008 – $15,091) relating to the acquisition of The Karson Group. As partial consideration for the acquisition of The Karson Group in 2007, the Company issued a note payable in the amount of $21,225 to the vendor. This note payable, which is non-interest bearing and is secured by certain equipment of The Karson Group, was discounted at 8% to arrive at a fair value of $16,949 at the date of the acquisition. Commencing January 31, 2008, the note was payable in equal annual installments over a five-year period. During 2009, the Company recorded interest expense representing interest accretion on the note payable of $896 (2008 – $1,144).

(h) Mortgages are secured by certain of the Company's real estate assets. Amounts outstanding are at a fixed rate averaging 7.3% (2008 – 7.3%) per annum and require monthly principal and interest payments amortized over a period ranging from 5 to 25 years.

(i) At December 31, 2009, loans from the Company's partners in Derech Eretz totaled NIS18,727 (CA$5,178) (2008 – NIS16,858 or CA$5,462). These loans bear interest at 8% and are generally repayable as distributions from Derech Eretz are received.

(j) In 2006, the Company borrowed US$1,650 (CA$1,923) from Airport Development Corporation, a joint venture partner in the Quito Airport project. This loan, which is non-interest bearing, was used to fund a portion of the Company's equity contributions in the project and will be fully repaid in 2010. At December 31, 2009, the loan balance was US$186 (CA$196) (2008 – US$344 or CA$419).

The weighted average interest rate on long-term debt outstanding at the end of the year was 6.04% (2008 – 6.0%).

Repayments of long-term debt required within the next five years and thereafter are as follows:

	$
2010	233,925
2011	94,254
2012	24,151
2013	5,646
2014	3,718
Thereafter	5,268
	366,962

Included in the amount due in 2010 is Quiport JV project debt of $115,682 which, as noted above, although not due to mature within one year, has been classified as a current liability payable in 2010.

The Company's senior credit facility with a syndicate of lenders expires on June 15, 2011 and includes a $100,000 revolving operating line of credit which, except for supporting letters of credit amount to $39,021, is otherwise undrawn as of December 31, 2009. The operating line of credit bears interest at prime plus 1.35% per annum. Standby fees are payable quarterly on the unused operating line balance at 25 basis points per year.

13) GUARANTEES

The Company has outstanding guarantees amounting to $3,937 (2008 – $11,968) in support of financial and performance related obligations for the Nathpa Jhakri hydroelectric project in India. These guarantees are backed by letters of credit issued by the Company.

In connection with the Cross Israel Highway project, the Company has provided two joint and several guarantees, a continuous guarantee, which guarantees the performance of the concessionaire in which the Company has a 25% interest, and a leakage guarantee, which is a guarantee by the operator of the toll highway, in which the Company has a 30.6% interest, to the concessionaire and covers toll capture and collection rates generated from users of the highway during the operating period. These guarantees extend to the end of the concession period in 2029. The continuous guarantees (at 100%) in the total amount of US$41,600 (CA$43,720) (2008 – US$32,400 or CA$39,463) are renewed annually to their full amount, irrespective of any drawings made thereunder. The Company has issued letters of credit in the amount of US$10,400 (CA$10,930) (2008 – US$8,100 or CA$9,866) to support its share of the continuous guarantee, backed by guarantees issued on behalf of the Company to the issuing banks by Export Development Canada ("EDC"). The Company's partners have similarly issued letters of credit to support their respective share. The leakage guarantee (at 100%) came into effect when construction was completed and is renewable annually for the lesser of NIS33,000 plus escalation to date (CA$13,973) (2008 – NIS33,000 plus escalation or CA$15,601) or 6% of the annual toll revenue.

In addition to the above, the Company has provided letters of credit in the amount of NIS2,400 (CA$664) (2008 – NIS2,400 or CA$778) to support a performance bond that was required of the concessionaire in connection with the construction of an extension to the Cross Israel Highway. This letter of credit is secured by cash. Furthermore, the operator of the Cross Israel Highway project, in which the Company has a 30.6% interest, has provided letters of credit to the concessionaire in support of performance obligations related to the operations of the highway and to secure advances from the concessionaire. These letters of credit totaling NIS30,126 (CA$8,330) (2008 – NIS27,351 or CA$8,862) are issued utilizing the credit facilities of the operator and are partially secured by cash.

In connection with the Quito Airport project, the Company has provided letters of credit of US$8,515 (CA$8,949) (2008 – US$14,325 or CA$17,448) in support of its remaining equity obligations and a letter of credit of US$29,393 (CA$30,892) (2008 – US$29,393 or CA$35,801) for various project contingencies. These letters of credit are supported by guarantees issued on behalf of the Company to the issuing banks by EDC and will remain in place until its equity obligations are fulfilled and the conditions giving rise to the contingencies are satisfied or cleared. As a result of EDC issuing these guarantees, the Company was required to place on deposit with EDC the sum of US$1,500 (CA$1,577) (2008 – US$1,500 or CA$1,827), which is classified as restricted cash on the consolidated balance sheets. The Company has also issued a corporate guarantee in the amount of US$10,886 (CA$11,441) (2008 – US$3,129 or CA$3,811) as security to cover 50% of a credit facility set up to assist in the partial release of holdback funds to the Quito construction joint venture with its partner issuing a corporate guarantee as security to support the remaining 50% of the credit facility.

In addition, the Company and its joint venture partner have provided surety bonds, guaranteed jointly and severally, to cover construction and concession related performance obligations of US$67,055 (CA$70,475) (2008 – US$67,055 or CA$81,673), an advance payment bond of US$36,118 (CA$37,960) (2008 – US$74,466 or CA$90,700) and a retention release bond of US$20,685 (CA$21,740) (2008 – US$20,685 or CA$25,194). In each case, the Company's share is supported by guarantees issued by EDC. As a result of EDC issuing these guarantees, the Company was required to place on deposit with EDC the sum of US$2,000 (CA$2,102) (2008 – US$2,000 or CA$2,436), which is classified as restricted cash on the consolidated balance sheets.

The Company has also issued performance guarantees of $6,020 (2008 – $10,898), which are supported by guarantees issued to the Company by EDC in respect of certain international contracts for the manufacture and supply of equipment by its subsidiary, Innovative Steam Technologies Inc.

In addition, the Company has also issued, in the normal conduct of operations, letters of credit amounting to $39,021 (2008 – $37,210) in support of financial and performance related obligations of its North American operations.

In connection with the project financing for the Rouge Valley Health System project, the Company has provided a guarantee of additional financing costs (interest and fees) incurred by a wholly owned project company in the event of delays in the completion of construction. This guarantee is capped at $5,000 (2008 – $5,000). The Company has also provided a guarantee of the obligations of the project company under a $5,000 (2008 – $5,000) contingency loan facility established exclusively to finance additional costs, if any, associated with delays and working capital requirements due to delayed payments or schedule changes.

In connection with the project financing for the Toronto Rehabilitation Hospital project, the Company has provided a guarantee of additional financing costs (interest and fees) incurred in the event of delays in the completion of construction or due to default under the construction contract or the project agreement. This guarantee is currently capped at $11,225 (2008 – $11,225).

In connection with the project financing for the Lakeridge Health Oshawa Hospital project, the Company has provided a limited cost overrun guarantee in the event of cost overruns in excess of the guaranteed maximum price. This guarantee is currently capped at $8,500.

Under the terms of many of the Company's joint venture contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. At December 31, 2009, the value of uncompleted work for which the Company's joint venture partners are responsible, and which the Company could be responsible for assuming, amounted to approximately $279,292 (2008 – $418,004), a substantial portion of which is supported by performance bonds. In the event the Company assumed this additional work, it would have the right to receive the partner's share of billings to the project owners pursuant to the joint venture contract.

The Company has, over time, sold portions of its business. Pursuant to the sale agreements, the Company may have had to indemnify the purchaser against liabilities related to events that occurred prior to the sale, such as tax, environmental, litigation, employment matters, or related to representations made by the Company. The Company is unable to estimate the potential liability for these types of indemnification guarantees as the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. However, the maximum guarantee is not to exceed the proceeds from disposal. Historically, the Company has not made any significant indemnification payments under such agreements.

14) CONVERTIBLE DEBENTURES

Convertible subordinated debentures consist of:

	2009	2008
	$	$
Debt component reported as long-term liability:		
Debenture maturing September 30, 2014	**158,614**	–
Equity component:		
Debenture maturing September 30, 2014	**6,887**	–

On September 29, 2009, the Company issued $172,500 of unsecured subordinated convertible debentures maturing September 30, 2014. The debentures bear interest at a rate of 7.0% per annum payable on a semi-annual basis. At the holder's option, the convertible debentures may be converted into common shares of the Company at any time up to the maturity date at a conversion price of $19.00 for each common share, subject to adjustment in certain circumstances. The convertible debentures will not be redeemable before September 30, 2012. From September 30, 2012 through to the maturity date, the Company may, at its option, redeem the convertible debentures, in whole or in part, at par plus accrued and unpaid interest provided the weighted average closing price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price. At December 31, 2009, the face value of these convertible debentures, which remain outstanding, is $172,500.

Subject to specified conditions, the Company has the right to repay the outstanding principal amount of the convertible debentures, on maturity or redemption, through the issuance of common shares of the Company. The Company also has the option to satisfy its obligation to pay interest through the issuance and sale of additional common shares of the Company. Additionally, the Company will have the option, subject to the prior agreement of the holders, to settle its obligations on conversion by way of a cash payment of equal value.

In determining the amount of the debt and equity components of the convertible debentures, the carrying amount of the financial liability is first determined by discounting the stream of future principal and interest payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The equity component equals the amount determined by deducting from the carrying amount of the compound instrument the amount of the debt component. For accounting purposes, the debt component was assigned a value of $165,613 (less transaction costs of $7,741) and the conversion rights were assigned a value of $6,887.

Interest expense on the debentures is composed of the interest calculated on the face value of the debentures, which amounted to $172,500 at December 31, 2009, and an annual notional interest representing the accretion of the carrying value of the debentures. For the year ended December 31, 2009, interest expense and notional interest recorded were $3,085 and $742, respectively.

15) OTHER LIABILITIES

	2009	2008
	$	$
Leasehold inducements	**1,905**	1,719
Asset retirement obligations	**2,540**	1,656
Warranties and other long-term liabilities	**3,406**	–
	7,851	3,375

Asset retirement obligations

The Company recognizes asset retirement obligations and associated long-lived assets related to the rehabilitation costs of pits and quarries engaged in aggregate mining operations in Ontario and Alberta.

	2009	2008
	$	$
Asset retirement obligation liability, beginning of year	**1,656**	1,177
Increase in obligation	**755**	408
Accretion expense	**129**	71
Asset retirement obligation liability, end of year	**2,540**	1,656

The total undiscounted amount of the estimated cash flows required for rehabilitating the pits and quarries is approximately $16,579. Rehabilitation costs are expected to be settled between 2011 and 2108. A 3% inflation factor has been applied to obtain the future value of the rehabilitation costs, which has then been discounted at 6% to obtain the present value of the obligation.

16) CONCESSION RELATED DEFERRED REVENUE

As part of acquiring, in 2006, the rights to operate the Existing Quito Airport (see note 7(b)), the Company recorded US$57,337 or Canadian equivalent of $60,261 at December 31, 2009 exchange rates (2008 – US$57,337 or CA$69,837) of concession related deferred revenue representing the estimated value of the "inducement" received by Quiport JV to develop, finance and operate the New Quito Airport. This deferred revenue amount will be amortized to earnings over the term of the New Quito Airport concession period.

As at June 28, 2006, CORPAQ also provided Quiport JV with net assets of US$3,897 or the Canadian equivalent of $4,096 at December 31, 2009 exchange rates (2007 – US$3,897 or CA$4,747), representing net assets received by Quiport JV between the date the concession went into effect (January 27, 2006) and the date of financial close (June 28, 2006). This amount represents an additional inducement and has been classified as concession related deferred revenue in the consolidated balance sheets. As with the other concession related deferred revenue amounts noted above, this balance will be amortized to earnings over the term of the New Quito Airport concession period.

Concession related deferred revenue at December 31, 2009, also includes $2,990 (2008 – $2,990) received in 2006 as development funds and cost reimbursements related to the Quito Airport project. This deferred revenue balance will be amortized to earnings over the term of the New Quito Airport concession period.

17) COMMITMENTS AND CONTINGENCIES

(a) The Company has commitments for equipment and premises under operating leases, which require the following future minimum payments:

	$
2010	24,271
2011	18,190
2012	13,280
2013	9,094
2014	5,267
Beyond	13,479
	83,581

(b) The Company is involved in various claims and litigation both as plaintiff and defendant. In the opinion of management, the resolution of claims against the Company will not result in a material effect on the consolidated financial position of the Company. Any settlements or awards will be reflected in the consolidated statements of income, as the matters are resolved.

(c) The Company is contingently liable for the usual contractor's obligations relating to performance and completion of construction contracts and for the obligations of its venturers in unincorporated joint ventures, the assets of which are available to settle any claims that may arise in the joint ventures.

(d) During 2001, the Company received federal income tax reassessments relating to deductions claimed by predecessor companies between 1993 and 1999. The reassessments, which disallow the previously claimed Canadian development expense ("CDE") deductions, amounted to $10,581. Provincial income tax reassessments related to the disallowed CDE and received to date amount

to $804. Although the Company has filed Notices of Objection, it was required to pay 50% of the federally assessed amounts and 100% of the Ontario provincial assessments pending resolution of the objections. The Company has paid $5,414 resulting from these assessments. The total potential federal and provincial reassessments, including income taxes, interest and penalties could be up to $20,133. The Company believes it has adequate income tax provisions to cover the ultimate outcome of these reassessments.

(e) The Company is a party to a lawsuit related to its prior involvement in the construction of a grain terminal in Gdansk, Poland whereby the Company guaranteed the payment of a promissory note for US$2,500. The note was originally due on July 12, 2001. As a result of certain alleged contractual breaches and misrepresentations by the other parties involved, the Company has taken the position that the guarantee is not enforceable. The lawsuit seeks to enforce the guarantee and other damages. The Company disputes the validity of the guarantee and the obligation to pay thereunder and is vigorously defending the litigation. The Company has filed a Canadian $30,000 counterclaim alleging various grounds including misrepresentation and breach of contract. The Company believes it has a sound position to defend this claim and believes the liability it has recorded in its accounts should be sufficient to cover the net liability, if any, to the Company upon ultimate resolution of this litigation.

(f) The Company is a partner with Hochtief Construction AG in a joint venture that constructed a hydro electric facility in northern Quebec for Société d'énergie de la Baie James, a subsidiary of Hydro-Quebec (the "Eastmain Project"). To date, the Eastmain Project has incurred cost overruns, primarily because of customer changes to the original contract scope. The Company is currently in litigation with Hydro-Quebec seeking recovery of these extra costs. The Company believes it has adequate reserves included in the carrying value of its accounts to cover potential non-recoveries that may arise from this project.

(g) The Company holds a 42.3% economic interest in Quiport JV, an Ecuadorian company, whose main operations consist of managing and operating the Existing Quito Airport, and the development, construction, operations and maintenance of the New Quito Airport under a concession arrangement.

On July 29, 2009, the Quito Airport Project (the "Project") suffered a legal setback following the issuance by the Ecuadorian Constitutional Court (the "Court") of a ruling (the "Airports Ruling") whereby, among other things, pursuant to Ecuador's new constitution: (i) the majority of airport revenues collected by Quiport JV were declared to be public in nature; and (ii) the Court ordered all relevant stakeholders to amend their contracts to align with the new constitution and the Airports Ruling.

Following the issuance of the Airports Ruling, a formal contractual dispute was declared, the Project's financing was suspended and the various stakeholders immediately initiated a consultation process to resolve all issues. In order to permit the various parties involved in the project to engage in talks to resolve the dispute, a supplemental ruling was issued by the Court on September 29, 2009, which clarified that the Airports Ruling could be implemented over an undefined transition period. The supplemental ruling effectively established a transition and negotiation period during which discussions could continue without implementation of the Airports Ruling and during which operations and collections could continue as normal. However, while operations were to continue, the Project lenders advised they would not approve any further funds for the construction of the Project until the issues surrounding the Airports Ruling were resolved.

Because the Airports Ruling represented an event of default under Quiport JV's financing agreements, Project debt, which is non-recourse to the Company, became potentially callable by the Project lenders. As a result, Project debt was reclassified as a current liability in the Company's 2009 third quarter consolidated financial statements, notwithstanding the fact that the Project lenders have not demanded repayment of this debt.

Because of the uncertainty at the time of issuance of its 2009 third quarter consolidated financial statements as to the outcome of the negotiations and their financial impact on the Project, management concluded it would be appropriate to fully reserve against the concession profits that, absent the Airports Ruling, would otherwise have been recorded by the Company in its 2009 third quarter consolidated financial statements. The net result was that no profits were recorded in the third quarter from the Company's participation in Quiport JV.

On November 24, 2009, a preliminary agreement was reached with the Municipality of Quito regarding the Airports Ruling, including a new commercial arrangement, which was subject to various closing conditions and approvals, including approvals from the Constitutional Court and the Project's senior lenders. Since that time, significant progress has been made in reaching a final commercial agreement substantively consistent with the preliminary agreement reached in November. Commercial and financial close of that agreement is expected during the second quarter of 2010.

As a result of this progress and the Company's confidence that the new commercial agreement will be executed, there is now greater clarity around the economic impact the Airports Ruling is expected to have on Quiport JV. Consequently, management now believes it is appropriate to recognize the Company's share of Quiport JV's profits. Thus, included in the Company's 2009 fourth quarter results is the third quarter profit from Quiport JV that was not previously recognized as well as the Company's fourth quarter profits from Quiport JV.

Since the event of default under Quiport JV's financing agreements continues and has not been waived by the Project lenders, this debt continues to be classified as a current liability in the Company's consolidated balance sheets as at December 31, 2009.

The Company's remaining equity to be invested in the Quito Airport project was US$1,888 as at December 31, 2009, with an additional US$12,300 to be required under the terms of the preliminary agreement with the Municipality of Quito. As at December 31, 2009, the Company has invested cash of US$31,782 (2008 – US$30,189) for a total investment in the Quito Airport concessionaire of approximately US$54,303, which includes the Company's share of the earnings of the existing airport, all of which is being directly invested in the cost of constructing the new airport.

With respect to other commitments and contingencies relating to the Company's investment in the Quito Airport project, see notes 12 and 13.

18) CAPITAL STOCK

	2009		2008	
	Number of shares	**Amount**	Number of shares	Amount
		$		$
Balance – beginning of year	**50,207,924**	**262,644**	42,079,119	162,691
Common shares issued as part consideration for the Lockerbie & Hole Inc. acquisition *(see note 21)*	**5,510,941**	**49,083**	–	–
Common shares issued on exercise of options	**334,001**	**2,644**	201,000	1,562
Common shares issued on conversion of debentures (i)	**–**	**–**	4,167,795	32,362
Repayment of share purchase loans (ii)	**–**	**–**	–	552
Common shares issued, less expenses of $3,378 (iii)	**–**	**–**	4,000,000	69,622
Common shares purchased by the Trust of the long-term incentive plan (iv)	**(950,856)**	**(9,425)**	(239,990)	(4,145)
Balance – end of year (ii and iv)	**55,102,010**	**304,946**	50,207,924	262,644

(i) During 2008, convertible debentures with a face value of $31,675 and carrying value of $30,261 were converted into 4,167,795 common shares at a conversion price of $7.60 per share. In addition, share capital was increased by $2,101 representing the equity portion of the convertible debentures that was previously classified as a separate component of shareholders' equity.
(ii) In accordance with the recommendations of the CICA on accounting for share purchase loans receivable from employees, such loans, except in certain circumstances, are required to be presented as deductions from shareholders' equity. During 2008, $552 of these loans was fully repaid. Interest received on such loans, after provision for income taxes, amounted to $4 and was accounted for as a capital transaction in shareholders' equity.
(iii) On April 17, 2008, the Company issued 4,000,000 common shares at $18.25. Net proceeds, after deducting agents' fees and expenses of the issue, were $69,622.
(iv) In accordance with the recommendations of the CICA Accounting Guideline No. 15 "Consolidation of Variable Interest Entities," share capital and shares outstanding have been reduced to reflect shares purchased by the Trust administrating the Company's Long-Term Incentive Plan.

The Company is authorized to issue an unlimited number of common shares.

Stock option plans

On June 21, 2005, the Company's shareholders approved a new stock option plan (the "2005 Stock Option Plan") to replace the previous 1998 Stock Option Plan. However, this new plan did not affect the rights granted to the holders of options that were previously issued and remain outstanding under the 1998 Stock Option Plan. The aggregate number of common shares that can be issued under the 2005 Stock Option Plan shall not exceed 2,500,000. Similar to the 1998 Stock Option Plan, each option issuance under the 2005 Stock Option Plan specifies the period for which the option thereunder is exercisable (which in no event shall exceed ten years from the date of grant) and shall provide that the option shall expire at the end of that period. The Company's Board of Directors will determine the vesting period on the dates of option grants.

Details of common shares issued upon the exercise of options as well as details of changes in the balance of options outstanding are detailed below:

	2009		2008	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
		$		$
Balance outstanding at beginning of year	**1,993,484**	**11.26**	1,044,484	6.08
Granted	**450,000**	**10.68**	1,150,000	14.95
Exercised	**(334,001)**	**6.31**	(201,000)	5.51
Cancelled	**(166,666)**	**6.89**	–	–
Balance outstanding at end of year	**1,942,817**	**12.00**	1,993,484	11.26
Options exercisable at end of year	**1,092,817**	**10.81**	897,651	8.99

Options currently outstanding have the following exercise prices and expiry dates:

Options granted in	Number of shares	Exercise price	Expiry date
		$	
2005	66,667	5.51	November 7, 2010
2006	426,150	6.25	March 27, 2011
2008	1,100,000	14.95	August 5, 2013
2009	50,000	9.12	March 4, 2014
2009	300,000	11.29	May 14, 2014
	1,942,817		

All option grants have a term of five years from the date of grant and vest on the anniversary date of the grant at the rate of one-third per annum of the total number of share options granted, or vested one-quarter immediately and one-quarter per annum thereafter on the anniversary date of the grant.

The Company has adopted fair value accounting for options granted after 2001 to employees and records compensation expense upon the issuance of stock options under its 1998 and 2005 Stock Option Plans. For options granted, the fair value is estimated on the date of grant using the Black-Scholes fair value option pricing model and the following assumptions:

	2009	2008
Dividend yield	**1.77% – 2.19%**	1.4%
Expected volatility	**54%**	32%
Risk free interest rate	**1.19% – 1.65%**	3.5%
Weighted average expected life (years)	**3.25 – 3.50**	3.25

The resulting fair value is charged to compensation expense over the vesting period of the options.

During the year, compensation expense and contributed surplus were increased by $1,808 (2008 – $1,690) on account of options granted.

As options are exercised, the corresponding values previously charged to contributed surplus are reclassified to capital stock. In 2009, contributed surplus was decreased by $539 (2008 – $454) and capital stock was increased by the same amount upon the exercise of options under the stock option plans. Cash proceeds arising from the exercise of these options are credited to capital stock.

Long-Term Incentive Plan

In 2005, the Company adopted a Long-Term Incentive Plan ("LTIP") to provide a financial incentive for its senior executives to devote their efforts to the long-term success of the Company's business. The LTIP provides that shares of the Company shall be purchased by the trustee and held in trust for the future benefit of the participants until such time as awards made to participants under the LTIP have vested and as a result, the participants become eligible to have such shares transferred to them.

Awards to participants are based on the financial results of the Company and are made in the form of Deferred Share Units ("DSUs") or in the form of restricted shares. Awards made in the form of DSUs will vest only upon the retirement or termination of the participant. Awards made in the form of restricted shares will vest annually over three years. Compensation charges related to the LTIP are expensed over the estimated vesting period of the awards. Awards made to individuals who are eligible to retire are assumed for accounting purposes to vest immediately. In 2009, the Company recorded LTIP compensation charges of $3,975 (2008 – $2,911).

The LTIP Trust (the "Trust") currently holds 1,642,222 shares at December 31, 2009 (2008 – 691,366 shares) with a cost basis of $17,040 (2008 – $7,615).

The Company has determined it holds a variable interest in the residual equity of the Trust upon dissolution of the Trust and, as such, the Trust meets the criteria of a variable interest entity that requires consolidation by the Company in accordance with CICA Accounting Guideline No. 15 "Consolidation of Variable Interest Entities." Accordingly, at December 31, 2009, share capital was reduced by $17,040 (2008 – $7,615) and accrued liabilities increased by the same amount.

Earnings per share

Details of the calculations of earnings per share are set out below:

	2009	2008
Net income for the year	**$44,386**	$59,342
Interest on convertible debentures	**2,679**	444
Diluted net earnings	**$47,065**	$59,786
Weighted average number of common shares outstanding	**53,861,298**	48,065,421
Effect of dilutive securities (i)		
Options	**–**	460,302
Convertible debentures	**3,506,769**	853,756
Shares held in a trust account in respect of a long-term incentive plan	**1,142,694**	426,221
Weighted average number of diluted common shares outstanding	**58,510,761**	49,805,700
Basic earnings per share	**$0.82**	$1.23
Diluted earnings per share	**$0.80**	$1.20

(i) When the impact of dilutive securities would be to increase the earnings per share or decrease the loss per share, they are excluded for purposes of the calculation of diluted earnings per share.

Contributed surplus

Changes in contributed surplus for the years ended December 31 were as follows:

	2009	2008
	$	$
Balance – beginning of year	**2,828**	1,592
Increase (decrease) in contributed surplus resulting from:		
Granting of stock options	**1,808**	1,690
Exercise of stock options	**(539)**	(454)
Balance – end of year	**4,097**	2,828

Dividends

Annual dividends in the amount of $0.20 per share are paid in four quarterly payments of $0.05 per share. In 2009, the Company recorded dividends declared of $11,052 (2008 – $9,968) of which $8,214 (2008 – $7,423) was paid during the year, and $2,838 (2008 – $2,545) was paid after year end.

Accumulated other comprehensive income (loss)

Components of accumulated other comprehensive income (loss) included:

	2009	2008
	$	$
Foreign currency translation adjustments of self-sustaining foreign subsidiaries, net of related hedging activities	**(2,775)**	5,745
Mark-to-market adjustments on available-for-sale investments	**–**	145
Accumulated other comprehensive income (loss)	**(2,775)**	5,890

19) INTEREST

Interest expense (income) is comprised of:

	2009	2008
	$	$
Interest on long-term debt and debentures	**7,849**	5,998
Interest on capital leases	**790**	391
Interest on short-term debt	**9,170**	2,886
Interest income	**(11,705)**	(8,080)
	6,104	1,195

Quiport JV capitalizes interest during the construction period until the project opening date. The amount of interest capitalized to concession rights in 2009 was $3,679 (2008 – $5,486).

20) CASH FLOW INFORMATION

Change in other balances relating to operations:

	2009	2008
	$	$
Decrease (increase) in:		
Accounts receivable	**96,323**	(25,422)
Holdbacks receivable	**(12,975)**	(20,011)
Deferred contract costs and unbilled revenue	**(94,193)**	(4,849)
Inventories	**(5,098)**	(7,486)
Prepaid expenses	**(909)**	(1,577)
(Decrease) increase in:		
Accounts payable and accrued liabilities	**(67,280)**	46,041
Holdbacks payable	**6,190**	21,088
Deferred revenue	**(23,848)**	23,288
Income taxes payable	**6,407**	2,493
	(95,383)	33,565

Other supplementary information:

	2009	2008
	$	$
Cash interest paid	**14,893**	12,065
Cash income taxes paid	**20,832**	1,049

Depreciation and amortization are comprised of:

	2009	2008
	$	$
Property, plant and equipment *(note 6)*	**21,284**	11,406
Concession rights *(note 7)*	**15,763**	14,313
Other intangible assets *(note 10)*	**11,384**	623
Goodwill *(note 9)*	**–**	1,151
	48,431	27,493

Excluded from the consolidated statements of cash flows are the following transactions that did not require a use of cash:

Property, plant and equipment acquired and financed by means of capital leases amounted to $5,433 in the year (2008 – $1,663).

In connection with the acquisition of Lockerbie & Hole Inc., common shares with a value of $49,083 were issued in 2009 (see note 21).

During 2008, convertible debentures with a face value of $31,675 and a carrying value of $30,261 were converted into 4,167,795 common shares at a conversion price of $7.60 per share (see note 18). In addition, share capital was increased by $2,101 representing the equity portion of the convertible debentures that was previously classified as a separate component of shareholders' equity.

21) ACQUISITIONS

On April 1, 2009, the Company acquired all of the issued and outstanding common shares of Lockerbie & Hole Inc. ("Lockerbie") for total consideration of $212,533. This transaction was financed by the Company through the payment of $152,517 in cash to Lockerbie shareholders and the issuance to Lockerbie shareholders of 5,510,942 common shares of the Company. See note 25 for a description of this operation.

On January 15, 2009, the Company acquired South Rock Ltd., an infrastructure construction company in Alberta focusing primarily on the southern Alberta civil market. The acquisition was financed by the payment of $36,651 in cash, and the assumption of existing debt of $7,732.

These acquisitions were accounted for using the purchase method and the results of operations are included from the date of the acquisition.

The following is a summary of the above acquisitions:

	Lockerbie	**South Rock**
	$	$
Net assets acquired		
Cash	68,055	3,653
Restricted cash	–	8,333
Other current assets	181,152	18,694
Property, plant and equipment	54,949	44,661
Amortizable intangible assets	19,232	6,022
Other assets	–	43
Goodwill	30,084	11,073
Current portion of long-term debt	(968)	(951)
Other current liabilities	(130,278)	(41,303)
Long-term debt	(500)	(6,781)
Other liabilities	(9,193)	(6,543)
	212,533	36,901
Consideration		
Cash consideration paid	152,517	36,651
Issuance of shares to Lockerbie shareholders	49,083	–
Investment in Lockerbie shares previously owned	7,827	–
Transaction costs	3,106	250
	212,533	36,901

22) EMPLOYEE BENEFIT PLANS

The Company has defined benefit pension plans including supplementary executive retirement plans and defined contribution plans covering substantially all employees, other than union employees who are covered by multi-employer pension plans administered by the unions. Benefits under the defined benefit plans are generally based on the employee's years of service and level of compensation near retirement. Benefits are not indexed for inflation, except for a supplementary executive retirement plan, which is fully indexed for changes in the consumer price index. The Company does not provide post-employment benefits other than pensions.

The measurement date used for financial reporting purposes of the pension plan assets and benefit obligation is December 31. The most recent actuarial valuation filed for funding purposes for the principal defined benefit pension plan was completed as at December 31, 2007 and the next required actuarial valuation will be prepared as of December 31, 2010.

The financial position and other selected information related to the employee defined benefit pension plans is presented in the tables below:

	2009	2008
	$	$
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	**29,264**	32,978
Actual return on plan assets	**4,268**	(6,470)
Company contributions	**691**	4,201
Plan participant contributions	**103**	128
Benefits paid	**(1,679)**	(1,573)
Fair value of plan assets at end of year	**32,647**	29,264
Change in benefit obligation		
Benefit obligation at beginning of year	**31,239**	33,685
Current service cost	**608**	1,216
Interest cost	**2,163**	1,955
Benefits paid	**(1,679)**	(1,573)
Actuarial losses (gains)	**7,410**	(4,044)
Benefit obligation at end of year	**39,741**	31,239
Funded status		
Excess of benefit obligation over plan assets	**(7,094)**	(1,975)
Unrecognized net actuarial loss	**11,211**	7,234
Unrecognized transitional liability	**–**	(6)
Pension asset at December 31	**4,117**	5,253
Amounts recognized in consolidated balance sheets		
Other assets	**4,117**	5,253
Weighted average assumptions to calculate benefit obligation		
Discount rate	**5.0%**	7.0%
Rate of increase in future compensation	**3.5%**	3.5%
Asset categories of pension assets		
Cash and short-term notes	**10.5%**	12.6%
Debt securities	**33.1%**	34.1%
Equity securities	**56.4%**	53.3%

Details of the pension expense are as follows:

	2009	2008
	$	$
Pension benefit expense		
Current service cost, net of employee contributions	**480**	1,088
Interest cost	**2,163**	1,955
Amortization of actuarial loss[1]	**841**	21
Amortization of transitional liability	**–**	67
Expected return on plan assets	**(1,682)**	(2,056)
Defined benefit pension expense	**1,802**	1,075
Defined contribution pension expense	**2,946**	2,517
Multi-employer pension plan expense	**39,067**	32,048
Pension benefit expense	**43,815**	35,640
Defined benefit pension expense incurred		
Defined benefit pension expense recognized, above	**1,802**	1,075
Difference between expected and actual return on plan assets	**(2,585)**	8,526
Difference between actuarial losses amortized and actuarial losses arising	**6,568**	(4,065)
Amortization of transitional liability	**–**	(67)
Defined benefit pension expense incurred	**5,785**	5,469
Weighted average assumptions to calculate pension benefit expense		
Discount rate	**7.00%**	5.75%
Assumed long-term rate of return on plan assets	**6.25%**	6.25%
Rate of increase in future compensation	**3.50%**	3.50%

(1) At the beginning of each year, it is determined whether the unrecognized actuarial loss is more than 10% of the greater of plan assets or benefit obligations. The amount of unrecognized actuarial losses in excess of this 10% threshold is recognized in expense over the remaining service period of active employees. Amounts below the 10% threshold are not recognized in expense.

Details of cash flows are as follows:

	2009	2008
	$	$
Cash flows		
Total cash contributions for employee pension plans:		
Defined benefit plans	**691**	4,201
Defined contribution plans	**2,946**	2,517
Multi-employer pension plan	**39,067**	32,048
Total cash contributions	**42,704**	38,766

23) RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions are recorded at their exchange amounts, which is the consideration agreed to by the parties.
During 2009, the Company paid professional fees in the amount of $nil (2008 – $38) to a consulting company in which a director of the Company is a partner.

24) FINANCIAL INSTRUMENTS

FAIR VALUES

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. At December 31, 2009, the Company had net outstanding contracts to sell euro 939, sell US$4,345, and buy US$4,576 (2008 – sell euro 3,310, sell US$16,016, buy euro 70, and buy US$696) on which there was a net unrealized exchange gain of $330 (2008 – net loss of $1,920). The net unrealized exchange gain (loss) represents the estimated amount the Company would have received (paid) if it terminated the contracts at the end of the respective periods.

The following table summarizes the fair value hierarchy (as described in note 1) under which the Company's financial instruments are valued.

Assets (Liabilities) Measured at Fair Value As at December 31, 2009	Total	Level 1	Level 2
	$	$	$
Financial assets (liabilities) measured at fair value through net income			
Cash and cash equivalents	340,893	340,893	–
Restricted cash	54,045	54,045	–
Marketable securities and term deposits	19,509	–	19,509
Holdbacks receivable	126,709	–	126,709
Holdbacks payable	(73,385)	–	(73,385)
Forward contracts mark-to-market adjustments	(330)	–	(330)

CREDIT RISK

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, short-term deposits and marketable securities, accounts receivable, deferred contract costs and unbilled revenues, and foreign exchange hedges.

Credit risk associated with cash and short-term deposits is minimized by ensuring these financial assets are placed with financial institutions with high credit ratings.

With respect to accounts receivable, deferred contract costs and unbilled revenue, concentration of credit risk is limited by the Company's diversified customer base and its dispersion across different business and geographic areas. Allowances are provided for potential losses that have been incurred at the consolidated balance sheet date; however, these allowances are not significant.

The credit risk associated with foreign exchange contracts arises from the possibility that the counterparty to one of these contracts fails to perform according to the terms of the contract. Counterparties to the Company's foreign exchange contracts are major Canadian financial institutions.

Under the terms of many of the Company's joint venture contracts, each of the partners is jointly and severally liable for performance under the contracts. The counterparty risk associated with the Company's joint venture partners is discussed in note 9.

LIQUIDITY RISK

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed quarterly by management and the Board of Directors to ensure a sufficient continuity of funding. Long-term debt maturities are spread over a range of dates thereby ensuring that the Company is not exposed to excessive refinancing risk in any one year.

The Company's cash and cash equivalents, short-term investments and restricted cash are invested in highly liquid interest bearing investments.

The following are the contractual maturities of the Company's long-term debt including capital lease obligations at December 31, 2009. Included in the "Next 12 months" column, is Quiport JV debt of $115,682 which, although not due to mature within one year, has been classified as a current liability payable in 2010:

	Next 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Beyond 5 years	Total
	$	$	$	$	$	$	$
Non-recourse project debt	217,436	70,000	–	–	–	–	287,436
Capital leases and equipment loans	10,889	11,383	20,151	5,646	3,718	90	51,877
Other long-term debt	5,600	12,871	4,000	–	–	5,178	27,649
	233,925	**94,254**	**24,151**	**5,646**	**3,718**	**5,268**	**366,962**
Convertible debentures	**–**	**–**	**–**	**–**	**172,500**	**–**	**172,500**

INTEREST RATE RISK

The Company is exposed to interest rate risk on its short-term deposits and its long-term debt to the extent that its investments or credit facilities are based on floating rates of interest. At December 31, 2009, the interest rate profile of the Company's long-term debt was as follows:

	2009
	$
Fixed rate instruments held by joint ventures	**60,254**
Variable rate instruments held by joint ventures	**60,726**
Fixed rate instruments	**239,982**
Variable rate instruments	**6,000**
Total long-term debt	**366,962**
Fixed rate convertible debentures	**158,614**

Long-term debt held by joint ventures relates to project financing for the Quito Airport project (see note 12), and because interest is capitalized while the new airport is being constructed, changes in interest rates would not have impacted net earnings or comprehensive income in the current period.

Changes in interest rates related to fixed rate long-term debt instruments and convertible debentures would not have impacted net earnings or comprehensive income in the current period.

For the year ended December 31, 2009, an increase of 1% in interest rates applied to the Company's variable rate long-term debt would not have any significant impact on net earnings or comprehensive income.

Cash and cash equivalents, restricted cash and short-term deposits have limited interest rate risk due to their short-term nature.

CURRENCY RISK

The Company operates internationally and is exposed to risk from changes in foreign currency rates. The Company is mainly exposed to fluctuations in the US dollar, Israel new shekel, Indian rupee and euro.

The Company's currency exposure to US dollars arises primarily from its investments in the Quito Airport concessionaire and from its US operating unit within the Buildings segment. As these two investments are treated as self-sustaining foreign operations for accounting purposes, the impact of changes in currency rates for these operations does not impact net earnings but is instead reported as currency translation adjustments in other comprehensive income. For these two investments, the Company's sensitivity to a 10% strengthening of the US dollar against the Canadian dollar at December 31, 2009, would have been an increase in comprehensive income of approximately $6,600. The Company also has currency exposure to US dollars arising from its investment in the Quito construction joint venture. For this investment, the Company's sensitivity to a 10% strengthening of the US dollar against the Canadian dollar on net earnings and comprehensive income at December 31, 2009 would have been a decrease of approximately $600.

The Company's exposure to Israel new shekels arises primarily from its cost-accounted for investment in Derech Eretz, while the Company's exposure to Indian rupees relates to its net investment in the Nathpa Jhakri hydroelectric project in India. Because the Derech Eretz investment is accounted for at cost, changes in currency rates would not impact net earnings or comprehensive income unless impairment in value arose as discussed above. For the net investment in the Nathpa Jhakri hydroelectric project in India, the Company's sensitivity to a 10% strengthening of the Indian rupee against the Canadian dollar on net earnings and comprehensive income at December 31, 2009 would have been an increase of approximately $1,100.

The Company's currency exposure on foreign currency debt that is used to hedge its exposure to foreign currency volatility in connection with investments in certain foreign operations is discussed above in the fair value section of this financial instruments note.

For currency exposures other than those discussed elsewhere in this note, the following table details the Company's sensitivity to a 10% strengthening of the US dollar, Israel new shekel and euro on net earnings and comprehensive income against the Canadian dollar. The sensitivity analysis includes foreign currency denominated monetary items but excludes all investments in joint ventures, self-sustaining foreign operations, hedges and Derech Eretz, and adjusts their translation at year end for a 10% change in foreign currency rates.

	US dollar impact	**Shekel impact**	**Euro impact**
	$	$	$
Net earnings	900	200	100
Comprehensive income	900	200	100

For a 10% weakening of the US dollar, Israel new shekel and euro against the Canadian dollar, there would be an equal and opposite impact on net earnings and comprehensive income.

25) SEGMENTED INFORMATION AND BUSINESS CONCENTRATION

The Company operates in four principal segments within the construction and infrastructure development industry: Infrastructure, Buildings, Industrial and Concessions. The Corporate and Other category in the summary below includes corporate costs and other activities not directly allocable to segments and also includes inter-segment eliminations.

INFRASTRUCTURE

This segment includes all aspects of the construction of both public and private infrastructure, including roads and highways, as well as toll highways, dams, tunnels, bridges, airports, marine facilities, transit systems and hydroelectric power projects, primarily in Canada, and on a selected basis, internationally. This segment includes the mining, manufacture and supply of asphalt and aggregate products, and the construction and/or installation of utility distribution systems for natural gas, telecommunications and electrical networks, as well as water and sewer mains, traffic signals and highway lighting. The design and construction of the New Quito Airport project is included in the Infrastructure segment.

On January 15, 2009, the Company acquired South Rock Ltd., an integrated construction and materials business headquartered in Medicine Hat, Alberta focusing primarily on the southern Alberta road building market. The Company reports South Rocks' operations within its Infrastructure segment.

BUILDINGS

The Buildings segment specializes in the construction and renovation of commercial, institutional and multi-family residential buildings, including hospitals, educational facilities, office buildings, industrial buildings, airport terminals, entertainment facilities, retail complexes, and high-rise condominium buildings among others. Work in this segment is concentrated primarily in Canada and the northwestern United States. Services include general contracting, fee for service construction management, design build services, building renovation, tenant fit up and facilities management.

INDUSTRIAL

The Industrial segment encompasses all of the Company's industrial construction and manufacturing activities including in-plant construction and module assembly in the energy, manufacturing, petrochemical, steel and automotive sectors. Activities in this segment include the construction of alternative, fossil fuel and cogeneration power plants, in-plant construction at nuclear power plants, the fabrication and module assembly of small diameter specialty pipe, and the design and manufacture of "once-through" heat recovery steam generators ("HRSGs") for industrial and power plant applications. Although activities in this segment are concentrated primarily in Canada, the Company, through its subsidiary, Innovative Steam Technologies Inc., sells HRSGs throughout the world.

On April 1, 2009, the Company acquired Lockerbie. Lockerbie was founded in 1877 and is one of the largest industrial and mechanical construction contractors in Canada. Lockerbie is a multi-disciplined contractor providing mechanical, electrical, instrumentation, pipe fabrication, module assembly, boiler erection, insulation and civil construction services primarily to the oilsands, mining, institutional, municipal and commercial market sectors. The Company reports the Lockerbie operations within its Industrial reporting segment.

CONCESSIONS

This segment includes the development, financing and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures. This segment focuses primarily on the operation, management, maintenance and enhancement of investments held by the Company in infrastructure concessions, which currently comprise investments in the Cross Israel Toll Highway and the Quito Airport concession companies. This segment also includes the operations of the Highway 104 toll plaza in Atlantic Canada. In addition, this segment has a development function whereby it monitors and, where appropriate, brings together the unique capabilities and strengths of the Company for the development of public sector infrastructure projects in which the Company can play a role beyond just contractor, as developer, operator or investor.

(a) Industry segments

						2009
	Infrastructure	Buildings	Industrial	Concessions	Corporate and Other	Total
	$	$	$	$	$	$
Revenues	937,128	478,080	747,721	107,024	(8,967)	2,260,986
EBITDA (i)	69,484	(14,759)	62,791	29,768	(22,616)	124,668
Depreciation and amortization	(17,639)	(739)	(12,325)	(15,763)	(1,965)	(48,431)
Segment operating profit (loss) (i)	51,845	(15,498)	50,466	14,005	(24,581)	76,237
Capital charges and allocations of corporate overheads	(33,697)	(4,876)	(12,990)	(13,803)	65,366	–
Segment profit (loss) before income taxes	18,148	(20,374)	37,476	202	40,785	76,237
Interest expense (net), income taxes and non-controlling interests						(31,851)
Net income						44,386
Total assets	454,038	319,233	324,638	331,448	259,981	1,689,338
Concession rights, goodwill and other intangible assets	8,885	1,931	49,739	227,653	2,587	290,795
Capital expenditures	21,679	672	7,526	–	270	30,147
Cash flows from (used in) operating activities (i)	70,746	(14,752)	62,809	25,607	(55,120)	89,290

						2008
	Infrastructure	Buildings	Industrial	Concessions	Corporate and Other	Total
	$	$	$	$	$	$
Revenues	739,374	461,039	612,388	72,081	(7,896)	1,876,986
EBITDA (i)	31,859	2,254	77,619	24,912	(20,007)	116,637
Depreciation and amortization	(8,143)	(1,860)	(2,590)	(14,321)	(579)	(27,493)
Segment operating profit (loss) (i)	23,716	394	75,029	10,591	(20,586)	89,144
Capital charges and allocations of corporate overheads	(22,738)	(146)	(3,779)	(9,932)	36,595	–
Segment profit before income taxes	978	248	71,250	659	16,009	89,144
Interest expense (net), income taxes and non-controlling interests						(29,802)
Net income						59,342
Total assets	392,488	156,257	138,206	248,874	253,039	1,188,864
Concession rights, goodwill and other intangible assets	6,828	1,872	4,479	168,416	1,600	183,195
Capital expenditures	4,939	2,475	4,145	–	1,994	13,553
Cash flows from (used in) operating activities (i)	29,095	2,315	79,750	24,281	(25,093)	110,348

(i) EBITDA represents earnings or loss before net interest expense, income taxes, depreciation and amortization, and non-controlling interests. Segment operating profit (loss) represents net income (loss) before net interest expense, income taxes, and non-controlling interests. Cash flows from (used in) operating activities is before the change in other balances related to operations. EBITDA, operating profit (loss), and cash flows from (used in) operating activities are not measures that have any standardized meaning prescribed by Canadian GAAP and are considered non-GAAP measures. Therefore, these measures may not be comparable to similar measures presented by other companies. These measures have been described and presented in the manner in which the chief operating decision maker makes operating decisions and assesses performance.

(b) Geographic segments

	2009	2008
	$	$
Revenues		
Canada	**2,026,606**	1,655,732
Ecuador	**87,493**	61,265
United States	**26,782**	82,644
Israel, India and others	**120,105**	77,345
	2,260,986	1,876,986
Property, plant and equipment, concession rights, goodwill and other intangible assets		
Canada	**273,540**	112,309
Ecuador	**215,696**	167,996
United States	**1,908**	859
Others	**534**	–
	491,678	281,164

26) CAPITAL DISCLOSURE

For capital management purposes, the Company defines capital as the aggregate of its shareholders' equity and total debt, excluding non-recourse debt. Debt includes bank indebtedness, loans from a related party, the current and non-current portions of long-term debt (excluding non-recourse debt), and the current and non-current long-term debt components of convertible debentures.

The Company's principal objectives in managing capital are:

- to ensure it will continue to operate as a going concern;
- to be flexible in order to take advantage of contract and growth opportunities that are expected to provide satisfactory returns to shareholders;
- to maintain a strong capital base so as to maintain client, investor, creditor and market confidence;
- to provide an adequate rate of return to its shareholders; and
- to comply with financial covenants required under its various borrowing facilities.

The Company manages its capital structure and adjusts it in the light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new debt or repay existing debt, issue new shares, issue convertible debt, or adjust the amount of dividends paid to shareholders. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company's needs, capital markets and economic conditions at the time of the transaction.

Although the Company monitors capital on a number of basis including liquidity and working capital, total debt (excluding non-recourse debt) as a percentage of shareholders' equity (debt to equity percentage) is considered to be the most important metric in measuring the true strength and flexibility of its consolidated balance sheets. While the cumulative impact of unsatisfactory operating results during the 2003 - 2004 periods negatively impacted liquidity and drove up the Company's debt to equity percentage, reaching a high of 112% at the end of 2005, this percentage had dropped to 51% at the end of 2007. This significant improvement was achieved through a return to profitability in 2006, the issuance of common shares in 2006 and the conversion of convertible debt to equity in 2007. The further conversion of all of the Company's remaining convertible debt to equity in the first quarter of 2008, the issuance of 4,000,000 common shares, and the repayment of the long-term debt in the second quarter of 2008 were the primary drivers in bringing the debt to equity percentage down to 15.3% as at December 31, 2008. Additional loans incurred and the issuance of convertible debentures in 2009 as discussed in notes 12 and 14, respectively, drove the debt to equity percentage up to 52.1% as at December 31, 2009. If the convertible debentures were to be excluded from the debt to equity percentage on the basis that they could be redeemed for equity, either at the Company's option or at the holder's option, then the adjusted debt to equity percentage would be 17.4% as at December 31, 2009. While the Company believes this debt to equity percentage is acceptable, because of the cyclical nature of its business and market expectations concerning prudent capitalization, the Company will continue its current efforts to maintain a conservative capital position.

At December 31, 2009, except as disclosed in note 17 regarding the Quito Airport Project, the Company complied with all of its financial debt covenants. Although remaining compliant with its debt covenants is an important consideration in managing the Company's capital structure, the Company's current strong operating performance and its conservative debt to equity percentage have significantly lessened the restrictive impact of debt covenants in capital management decisions.

27) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

CORPORATE INFORMATION

BOARD OF DIRECTORS

John M. Beck
Chairman and Chief Executive Officer
Aecon Group Inc.

Scott C. Balfour
President

Austin C. Beutel
Chairman
Oakwest Corporation Limited

Michael A. Butt
Chairman and Chief Executive Officer
Buttcon Limited

Anthony P. Franceschini
Retired President and
Chief Executive Officer
Stantec Inc.

J.D. Hole
President
J.D. Hole Investments Inc.

Rolf Kindbom
President
Kindbom Consulting Inc.

The Hon. Brian V. Tobin, P.C.
Senior Business Advisor
Fraser Milner Casgrain LLP

Robert P. Wildeboer
Executive Chairman
Martinrea International Inc.

SENIOR LEADERSHIP TEAM

John M. Beck
Chairman and Chief Executive Officer

Scott C. Balfour
President

David Smales
Executive Vice-President
and Chief Financial Officer

Bruce Fleming
Vice-President
Information Technology
and Chief Information Officer

Gerard A. Kelly
Senior Vice-President
Finance

Paul P. Koenderman
Executive Vice-President
and Chief Executive Officer
Aecon Industrial Group

Terrance L. McKibbon
Executive Vice-President
and Chief Executive Officer
Aecon Infrastructure Group

Steven N. Nackan
President
Aecon Concessions

J. Mitchell Patten
Senior Vice-President
Corporate Affairs

Frank J. Ross
President
Aecon Buildings Group

L. Brian Swartz
Senior Vice-President
Legal and Commercial Services
and Corporate Secretary

ONE OF CANADA'S BEST PLACES TO WORK

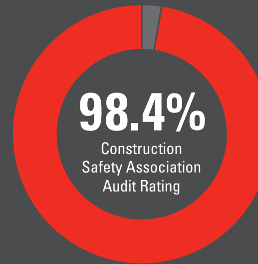
Talented, passionate people are naturally drawn to Aecon because they want to be a part of the great projects we deliver. Employees quickly learn they've joined a company that rewards achievement with opportunity in a culture that cares about them and their families. Aecon is recognized as one of Canada's best employers by Report on Business magazine. At Aecon, people matter.

REGISTRAR AND TRANSFER AGENT

The Registrar and Transfer Agent for Aecon Group Inc. shares is Computershare Investor Services Inc. They can be reached at 514-982-7555, 1-800-564-6253 or at service@computershare.com.

AN INDUSTRY LEADING SAFETY PROGRAM

At Aecon, we believe that positive results can only be achieved by providing safe, healthy working conditions and impeccably maintained equipment. Our zero injury culture has a positive impact on everyone we work with and for – our employees, our subcontractors and our clients. Safety. Every day, everywhere.



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ANNUAL AND SPECIAL MEETING

The Annual and Special Meeting of Shareholders of Aecon Group Inc. will be held at the Winspear Centre, 4 Sir Winston Churchill Square, Edmonton, Alberta, Canada on June 15, 2010 at 11:00 a.m. (Edmonton time).

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