

Aecon Group Inc.

Consolidated Financial Statements
December 31, 2008 and 2007

March 3, 2009

Auditors' Report

To the Shareholders of Aecon Group Inc.

We have audited the consolidated balance sheets of **Aecon Group Inc.** (the Company) as at December 31, 2008 and 2007 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, 2008 and 2007 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

Aecon Group Inc.
 Consolidated Balance Sheets
 As at December 31, 2008 and 2007

(in thousands of dollars)

	2008	2007
Assets		
Current assets		
Cash and cash equivalents (note 3)	\$ 292,873	\$ 134,606
Restricted cash (note 3)	28,194	34,628
Accounts receivable	259,431	228,438
Holdbacks receivable	92,584	71,523
Deferred contract costs and unbilled revenue	119,170	111,937
Inventories	23,582	15,702
Prepaid expenses	8,158	6,415
	823,992	603,249
Property, plant and equipment (note 7)	102,333	97,105
Future income tax assets (note 6)	20,622	36,140
Concession rights (note 5)	167,996	109,283
Long-term concession investment (note 8)	32,685	32,685
Other assets (note 9)	41,236	32,190
	\$ 1,188,864	\$ 910,652

Approved by the Board of Directors

(signed) "John M. Beck"

John M. Beck, Director

(signed) "Michael A. Butt"

Michael A. Butt, Director

Aecon Group Inc.

Consolidated Balance Sheets ... *continued*

As at December 31, 2008 and 2007

(in thousands of dollars)

	2008	2007
Liabilities		
Current liabilities		
Bank indebtedness (note 3)	\$ 2,631	\$ 6,986
Accounts payable and accrued liabilities	319,840	266,693
Holdbacks payable	60,506	38,499
Deferred revenue	91,948	68,175
Income taxes payable	4,015	1,191
Future income tax liabilities (note 6)	48,512	40,907
Current portion of long-term debt (note 10)	16,387	17,533
	543,839	439,984
Non-recourse project debt (note 10)	118,665	68,622
Other long-term debt (note 10)	45,160	64,088
Other liabilities (note 13)	3,375	3,077
Other income tax liabilities (notes 6 and 15(d))	15,537	14,733
Concession related deferred revenue (note 14)	77,574	63,692
Convertible debentures (note 12)	-	30,114
	804,150	684,310
Non-controlling interests	2,449	933
Commitments and contingencies (note 15)		
Shareholders' Equity		
Capital stock (note 16)	262,644	162,691
Contributed surplus (note 16)	2,828	1,592
Convertible debentures (note 12)	-	2,101
Retained earnings	110,903	61,525
Accumulated other comprehensive income (loss) (note 16)	5,890	(2,500)
	382,265	225,409
	\$ 1,188,864	\$ 910,652

Aecon Group Inc.

Consolidated Statements of Income

For the years ended December 31, 2008 and 2007

(in thousands of dollars, except per share amounts)

	2008	2007
Revenues	\$ 1,876,986	\$ 1,492,747
Direct costs and expenses	(1,665,924)	(1,350,311)
	211,062	142,436
Marketing, general and administrative expenses	(96,010)	(71,896)
Foreign exchange gains (losses)	1,481	(1,646)
Gain on sale of assets (note 25)	104	7,840
Depreciation and amortization (note 9)	(27,493)	(21,915)
Interest expense (note 17)	(9,275)	(11,234)
Interest income (note 17)	8,080	5,972
	(123,113)	(92,879)
Income before income taxes and non-controlling interests	87,949	49,557
Income tax (expense) recovery (note 6)		
Current	(3,696)	223
Future	(23,123)	(653)
	(26,819)	(430)
Income before non-controlling interests	61,130	49,127
Non-controlling interests	(1,788)	(824)
Net income for the year	\$ 59,342	\$ 48,303
Earnings per share (note 16)		
Basic	\$ 1.23	\$ 1.28
Diluted	\$ 1.20	\$ 1.16
Average number of shares outstanding (note 16)		
Basic	48,065,421	37,673,208
Diluted	49,805,700	46,922,459

Aecon Group Inc.

For the years ended December 31, 2008 and 2007

(in thousands of dollars)

Consolidated Statements of Comprehensive Income

	2008		2007
Net income for the year	\$ 59,342	\$	48,303
Other comprehensive income (loss), net of tax			
Currency translation adjustments	8,446		(2,311)
Mark-to-market adjustments on available-for-sale investments	145		-
Cash flow hedges			
Net change in fair value of derivatives	(201)		201
Comprehensive income for the year	\$ 67,732	\$	46,193

Consolidated Statements of Retained Earnings

	2008		2007
Retained earnings - beginning of year	\$ 61,525	\$	16,543
Net income for the year	59,342		48,303
Change in accounting treatment for financial instruments	-		(400)
Dividends (note 16)	(9,968)		(2,977)
Redemption of convertible debentures (note 12)	-		18
Interest received on share purchase loans (note 16)	4		38
Retained earnings - end of year	\$ 110,903	\$	61,525

Consolidated Statements of Accumulated Other Comprehensive Income (Loss)

	2008		2007
Accumulated other comprehensive loss - beginning of year	\$ (2,500)	\$	(390)
Currency translation adjustments	8,446		(2,311)
Mark-to-market adjustments on available-for-sale investments	145		-
Cash flow hedges (note 22)	(201)		201
Accumulated other comprehensive income (loss) - end of year	\$ 5,890	\$	(2,500)

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2008 and 2007

(in thousands of dollars)

	2008	2007
Cash provided by (used in)		
Operating activities		
Net income for the year	\$ 59,342	\$ 48,303
Items not affecting cash		
Depreciation and amortization	27,493	21,915
Gain on sale of assets	(104)	(7,840)
Amortization of commitment fees	162	462
Unrealized loss on foreign exchange	142	218
Non-cash interest on other income tax liabilities	804	739
Notional interest representing accretion (notes 12 and 13)	822	2,632
Defined benefit pension (note 20)	(3,126)	(339)
Future income taxes	23,123	653
Stock-based compensation	1,690	454
Others	-	8
	110,348	67,205
Change in other balances relating to operations (note 18)	33,565	30,277
	143,913	97,482
Investing activities		
Decrease (increase) in restricted cash balances (note 3)	9,768	(23,509)
Decrease in restricted marketable securities and term deposits	-	15,257
Purchase of property, plant and equipment	(13,553)	(6,273)
Proceeds on sale of property, plant and equipment	1,062	8,025
Acquisitions (note 19)	(1,175)	(33,229)
Investment in concession rights (note 5)	(43,130)	(21,721)
Repayment of long-term concession investment (note 8)	-	10,048
Increase in other assets (note 9)	(7,660)	(1,575)
Increase in non-controlling interests	1,348	973
	(53,340)	(52,004)
Financing activities		
Decrease in bank indebtedness	(5,199)	(6,823)
Issuance of long-term debt	34,294	75,784
Repayments of long-term debt	(25,867)	(24,533)
Issuance of capital stock (note 16)	70,729	1,261
Repurchase of capital stock (note 16)	(4,145)	(2,204)
Repayment of share purchase loans (note 16)	552	532
Redemption of convertible debentures	-	(500)
Dividends paid (note 16)	(10,400)	-
Interest received on share purchase loans (note 16)	4	38
	59,968	43,555
Increase in cash and cash equivalents during the year	150,541	89,033
Effects of foreign exchange on cash balances	7,726	(4,536)
Cash and cash equivalents - beginning of year	134,606	50,109
Cash and cash equivalents - end of year	\$ 292,873	\$ 134,606

Supplementary disclosures (note 18)

Aecon Group Inc.

Notes to Consolidated Financial Statements December 31, 2008 and 2007

(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.

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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 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 amortization. Amortization 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	20 to 40 years
Machinery and equipment	2 to 15 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 and intangible assets are reviewed for impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An

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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.

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 contribution pension plans and defined benefit pension plans (which had their membership frozen as of January 1, 1998) 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.

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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 16. 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).

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Interest capitalization

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

2) Change in accounting policies

Effective January 1, 2008, the Company adopted the following new accounting standards that were issued by The Canadian Institute of Chartered Accountants (“CICA”):

Capital Disclosures

CICA Handbook Section 1535 “Capital Disclosures”: This section establishes criteria for disclosure of: (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements to which it is subject; and (iv) if it has not complied, the consequences of such non-compliance. See note 24 for further details.

Financial Instruments – Disclosures and Presentation

CICA Handbook Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation”: Section 3862 modifies the disclosure requirements of Section 3861 and requires entities to provide disclosures in their consolidated financial statements that enable users to evaluate the significance of financial instruments on the entity’s consolidated financial position and performance, and the nature and extent of risks arising from financial instruments and non-financial derivatives. Section 3863 “Financial Instruments - Presentation” carries forward unchanged the presentation requirements for financial instruments of Section 3861 “Financial Instruments - Disclosures and Presentation.” See note 22 for further details.

Inventory

CICA Handbook Section 3031 “Inventory,” which replaced Section 3030: The new section specifies the cost formula to be used in the valuation of inventories and defines the treatment of other costs eligible for inclusion in the calculation of inventory values.

There were no significant impacts on the Company’s consolidated financial position or on the results of its operations from adoption of the above new standards.

Financial Instruments – Recognition and Measurement

Effective January 1, 2007, the Company adopted CICA Handbook Section 3855 “Financial Instruments - Recognition and Measurement.” 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

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been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. The Company recorded the following transition adjustment effective January 1, 2007 in the consolidated financial statements: accounts receivable holdbacks and accounts payable holdbacks have been fair valued with a resulting net charge after tax to retained earnings of \$400.

Future accounting changes

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 will be effective on January 1, 2009 for the Company. The Company does not anticipate that the adoption of this standard will significantly impact its financial results.

The CICA has also issued Handbook Section 1582, "Business Combinations," which replaces Section 1581 and Section 1601, "Consolidated Financial Statements," and Section 1602, "Non-Controlling Interests," which together replace Section 1600. 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 will be expensed which currently are capitalized as part of the purchase price. Contingent liabilities are to be recognized at fair value at the acquisition date and remeasured at fair value through earnings for each period until settled. Currently, only the contingent liabilities that are resolved and payable are included in the cost to acquire the business. In addition, negative goodwill will be recognized immediately in earnings, unlike the current requirement to eliminate it by deducting 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 impact of the adoption of IFRS on the consolidated financial statements of the Company will likely be significant and, as such, the Company has begun to develop its convergence plan in order to transition its financial statement reporting, presentation and disclosure for IFRS to meet the January 1, 2011 deadline. The Company continues the process of evaluating the potential impact of IFRS on its consolidated financial statements. The process will be on going as new standards and recommendations are issued by the International Accounting Standards Board and AcSB. It is not the Company's intention to early adopt IFRS prior to January 1, 2011.

3) Cash and cash equivalents, restricted cash, marketable securities and term deposits, and bank indebtedness

- (a) Cash and cash equivalents as at December 31, 2008 include \$62,003 (2007 - \$42,658) on deposit in joint venture and affiliate bank accounts which the Company cannot access directly. Restricted cash of \$28,194 at December 31, 2008 (2007 - \$34,628) represents cash that was deposited as collateral for borrowings and

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letters of credit issued by the Company, and as such, this cash was not available for general operating purposes.

- (b) Bank indebtedness at December 31, 2008 includes \$2,631 (2007 - \$6,986) representing the Company's proportionate share of bank loans of the joint venture that built the Nathpa Jhakri hydroelectric project in India, which bears interest at a weighted average rate of 11.84% (2007 - 9.3%). The full amount of the joint venture operating line and borrowings, amounting to \$5,846 (2007 - \$15,524), is secured by letters of credit that are guaranteed by the Company.

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 (loss) and cash flows of these joint ventures. Included in expenses in the determination of net income (loss) 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 \$3,469 (2007 - income tax recovery of \$399).

	<u>2008</u>	<u>2007</u>
Assets		
Current	\$ 146,536	\$ 118,594
Property, plant and equipment	1,720	2,643
Other	173,568	114,335
	<u>\$ 321,824</u>	<u>\$ 235,572</u>
Liabilities		
Current	\$ 84,098	\$ 66,572
Long-term	162,514	126,110
Venturers' equity	75,212	42,890
	<u>\$ 321,824</u>	<u>\$ 235,572</u>
Revenues	\$ 213,847	\$ 179,188
Expenses	199,086	183,510
Net income (loss)	<u>\$ 14,761</u>	<u>\$ (4,322)</u>
Cash provided by (used in)		
Operating activities	\$ 39,863	\$ 16,068
Investing activities	(35,489)	(15,894)
Financing activities	8,491	4,336
	<u>\$ 12,865</u>	<u>\$ 4,510</u>

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- (b) The Company is either contingently or directly liable for obligations of its unincorporated joint ventures (notes 11 and 15). 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, being the amount of consideration established and agreed to by the parties involved. During the year, the Company recognized revenues of \$84,717 (2007 - \$42,130) from its joint venture partners. At December 31, 2008, the Company has included in accounts receivable \$13,284 (2007 - \$4,275) owing from its joint ventures and has included in accounts payable and accrued liabilities \$2,433 (2007 - \$2,359) owing to its joint ventures.
- (d) See note 27 for additional supplementary information.

5) Concession rights

The Company has recorded concession rights as follows:

	2008		2007
Concession rights to operate the Existing Quito Airport, net of accumulated amortization of \$39,251 (2007 - \$18,704)	\$ 30,585	\$	38,135
Concession rights to operate the New Quito Airport	137,411		71,148
	\$ 167,996	\$	109,283

(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. Once the concession period expires, 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

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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 (being 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, the then equivalent of US\$57,337 following a valuation by an independent international accounting firm of the consideration received. Quiport JV amortizes these Concession Rights over the remaining term of the right to operate the Existing Quito Airport, and amortization is based on usage (estimated traffic volumes). 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, 2008, \$137,411 (2007 - \$71,148) 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. As a result, there is no amortization expense recorded in the current or prior period results.

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 10).

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6) 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:

	<u>2008</u>	<u>2007</u>
Income before income taxes and non-controlling interests	\$ 87,949	\$ 49,557
Statutory income tax rate	33.5%	36.1%
Expected income tax expense	<u>(29,463)</u>	<u>(17,900)</u>
Effect on income tax of:		
Reduction in the valuation allowance	3,404	14,631
Impact of change in substantively enacted tax rates on future tax balances	96	3,958
Provincial and foreign rate differentials	2,206	1,310
Non-deductible notional interest	(412)	(919)
Non-deductible stock-based compensation expenses	(1,011)	(164)
Other non-deductible expenses	(639)	(733)
Foreign exchange translation gains (losses)	142	(844)
Tax-exempt portion of capital gains (losses)	(826)	270
Other	(316)	(39)
	<u>2,644</u>	<u>17,470</u>
Income tax expense	<u>\$ (26,819)</u>	<u>\$ (430)</u>

The Company and certain subsidiaries have accumulated non-capital income tax loss carry-forwards of approximately \$65,317 (2007 - \$113,164), which may be used to reduce future taxable income and expire in the following years:

2009	\$ 65
2010	131
2014	3,855
2015	7,169
2026	2,874
2027	22,156
2028	29,067
	<u>\$ 65,317</u>

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The components of future income taxes are as follows:

	2008	2007
Canadian components:		
Net operating and capital losses carried forward	\$ 21,289	\$ 37,646
Reserves expensed for financial statement purposes and deducted for income tax purposes when paid	2,940	2,353
Property, plant and equipment:		
Net book value in excess of tax basis	(7,265)	(4,897)
Long-term contracts, including joint ventures ⁽¹⁾	(40,676)	(38,458)
Other temporary differences	412	46
Other long-term differences	1,026	6,794
Total future income tax assets, before valuation allowance	(22,274)	3,484
Valuation allowance:		
Balance beginning of year	(3,404)	(26,210)
Drawdown from current year operations	3,404	14,631
Drawdown to offset net future tax liability arising on the acquisition of a subsidiary company	-	8,175
Valuation allowance, end of year	-	(3,404)
Total Canadian future income tax (liabilities) assets	(22,274)	80
Foreign components:		
Long-term contracts, including joint ventures	(5,616)	(4,847)
Total foreign future income tax liabilities	(5,616)	(4,847)
Total future income tax liabilities, net	\$ (27,890)	\$ (4,767)
Classified as:		
Long-term future income tax assets	\$ 20,622	\$ 36,140
Current future income tax liabilities	(48,512)	(40,907)
Total future income tax liabilities	\$ (27,890)	\$ (4,767)

- (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 that 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 also note 15(d)).

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7) Property, plant and equipment

	2008		
	Cost	Accumulated depreciation and amortization	Net
Land and improvements	\$ 6,106	\$ -	\$ 6,106
Buildings	21,693	6,050	15,643
Aggregate properties	38,736	6,138	32,598
Machinery and equipment	100,421	52,435	47,986
	\$ 166,956	\$ 64,623	\$ 102,333

	2007		
	Cost	Accumulated depreciation and amortization	Net
Land and improvements	\$ 6,106	\$ -	\$ 6,106
Buildings	18,223	4,823	13,400
Aggregate properties	36,950	5,095	31,855
Machinery and equipment	92,741	46,997	45,744
	\$ 154,020	\$ 56,915	\$ 97,105

Included in property, plant and equipment is equipment of \$8,793 (2007 - \$10,755) held under capital leases, with accumulated depreciation of \$5,532 (2007 - \$4,724).

8) Long-term concession investment

The long-term concession investment in the amount of \$32,685 at December 31, 2008 (2007 - \$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 concessionaire 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, existing shareholders have a right of first refusal to acquire this investment in the event of a sale and also are entitled to participate on a pro rata basis in the event of a sale to a third party. Pursuant to an agreement with the State of Israel, the Company's interest in Derech Eretz would be diluted to approximately 12% if options granted to the State of Israel are exercised.

In July 2007, Derech Eretz redeemed a portion of its subordinated debt of which the Company's share was

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\$10,048. For accounting purposes, this repayment was treated as a return of capital and, as such, had no impact on the Company's reported earnings. After the partial redemption, the carrying value of this investment at December 31, 2008 is \$32,685 and the Company's ownership interest remains at 25%.

9) Other assets

		<u>2008</u>		<u>2007</u>
Goodwill	(a)	\$ 9,804	\$	12,451
Long-term receivables	(b)	8,903		7,019
Share investments	(c)	7,972		-
Income tax deposit (note 15(d))		5,414		5,414
Pension assets (note 20)		5,253		2,127
Commitment fees	(d)	883		871
Other	(e)	3,007		4,308
		<u>\$ 41,236</u>	<u>\$</u>	<u>32,190</u>

- (a) In 2008, goodwill was reduced by \$1,735 reflecting an adjustment to the purchase price equation related to the acquisition of Leo Alarie and Sons Limited in late 2007. The reduction in goodwill was offset by increases in property, plant and equipment and working capital of \$1,489 and \$354, respectively. The net impact was an increase in the consideration paid of \$108.

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

- (b) Long-term receivables of \$8,903 (2007 - \$7,019) include \$7,409 (2007 - \$5,877) 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 \$1,494 (2007 - \$1,142) 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 and full payment must be made no later than December 31, 2009.

- (c) Share investments of \$7,972 represents investments in common shares that are classified as available-for-sale for accounting purposes.
- (d) Commitment fees of \$883 (2007 - \$871) include \$244 that relates to the Company's three-year revolving operating line facility described in note 10(f) and \$639 related to non-recourse project financing for the Rouge Valley Health System and the Toronto Rehabilitation Hospital projects described in note 10(c) and (d). These charges are being amortized as interest expense over the term of the respective facilities.

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- (e) Other includes definite life intangible assets of \$528 (2007 - \$618). Also included in other are loans to directors, senior officers and employees in the amount of \$nil (2007 - \$520). These loans were unsecured and bore interest, which was payable quarterly, at Canada Revenue Agency's prescribed quarterly rates. These loans plus accrued interest were fully repaid during 2008. Loans advanced to directors, senior officers and employees for the purchase of the Company's shares are netted against capital stock (see note 16).

10) Long-term debt

	2008	2007
Non-recourse project debt		
Quiport JV project financing (a) \$	87,931	\$ 64,490
Quiport JV CORPAQ debt (b)	5,542	5,191
Rouge Valley Health System project debt (c)	24,723	3,213
Toronto Rehabilitation Hospital project debt (d)	6,011	-
	124,207	72,894
Other long-term debt		
Capital leases and equipment loans (e)	28,807	33,933
Term loan (f)	-	13,402
Note payable (g)	15,091	18,192
Mortgages (h)	6,226	6,633
Loans from Derech Eretz partners (i)	5,462	3,787
Investment loan (j)	419	1,402
	56,005	77,349
Total long-term debt	180,212	150,243
Less: Amounts due within one year		
- Non-recourse project debt	5,542	4,272
- Other long-term debt	10,845	13,261
	\$ 163,825	\$ 132,710

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, 2008, senior project financing advanced to Quiport JV by the Project Senior Lenders at 100% was US\$164,593 (2007 - US\$148,490). Included in the Company's consolidated balance sheets at December 31, 2008, is debt, net of transaction costs, of US\$72,193 (CA\$87,931) (2007 - US\$65,055 or CA\$64,490) 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.

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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 17).

- (b) Quiport JV CORPAQ debt of US\$4,550 (CA\$5,542) (2007 – US\$5,237 or CA\$5,191) 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 2009. 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, 2008, was \$24,723 (2007 - \$3,213). 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. 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.
- (c) Project financing for the Toronto Rehabilitation Hospital project at December 31, 2008, was \$6,011 (2007 - \$nil). 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. 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) At December 31, 2008, capital leases and equipment loans bore interest at fixed and floating rates averaging 6.03% (2007 - 5.91%) per annum, with specific equipment provided as security. Included in these amounts are the following equipment loans:

On February 1, 2007, the Company entered into an equipment loan facility and borrowed \$12,699, which was used to partially finance its acquisition of The Karson Group (see note 19). The term loan is secured by certain equipment of The Karson Group and bears interest at a fixed rate of 6.4%. The term loan will be repaid over a period of seven years with monthly payments. At December 31, 2008, the balance outstanding under the term loan net of transaction costs was \$9,853 (2007 - \$11,408).

On December 20, 2007, the Company entered into an equipment loan facility and borrowed \$15,535 which was used to partially finance the acquisition of the assets of Leo Alarie and Sons Limited (see note 19). The term loan is secured by certain of the acquired equipment and bears interest at a fixed rate of 6.5%. The term loan will be repaid over a period of seven years with monthly payments. At December 31, 2008, the balance outstanding under the term loan net of transaction costs was \$13,659 (2007 - \$15,428).

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- (f) On August 13, 2008, the Company signed a new three-year senior credit facility with a syndicate of lenders. The new \$100,000 revolving operating line of credit replaces the Company's previous facility, which included a \$15,000 three-year term loan and a \$50,000 three-year revolving operating line. The new facility, which expires June 15, 2011, also extends by one year (until December 15, 2009) the expiry date of a special \$25,000 letter of credit facility used in connection with certain financial and performance obligations of the Nathpa Jhakri joint venture in India. 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. During the year ended December 31, 2008, the Company recorded interest expense in relation to these standby fees of \$64 (2007 - \$nil).

In 2007, the full amount of the term loan was borrowed under the previous facility agreement and subsequently converted into a US dollar denominated loan. This three-year US dollar term loan bore interest at LIBOR plus 2.75% with interest payable monthly in arrears on the first day of each month. Commencing October 1, 2007, principal repayments of US\$500 were due quarterly with the remaining balance outstanding due on maturity. During 2008, the Company repaid the term loan in full and as such the balance outstanding at December 31, 2008 was \$nil (2007 - US\$13,520 or CA\$13,402).

- (g) 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 2008, the Company recorded interest expense representing interest accretion on the note payable of \$1,144 (2007 - \$1,243).
- (h) Mortgages are secured by certain of the Company's real estate assets. Amounts outstanding are at a fixed rate averaging 7.3% (2007 - 7.2%) per annum and require monthly principal and interest payments amortized over a period ranging from 5 to 25 years.
- (i) At December 31, 2008, loans from the Company's partners in Derech Eretz totaled NIS16,858 (CA\$5,462) (2007 - NIS14,777 or CA\$3,787). 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 by October 31, 2009. At December 31, 2008, the loan balance was US\$344 (CA\$419) (2007 - US\$1,414 or CA\$1,402).

The weighted average interest rate on long-term debt outstanding at the end of the year was 6.0% (2007 - 6.9%).

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

2009	\$	16,387
2010		36,592
2011		31,517
2012		16,281
2013		18,988
Thereafter		60,447
		<hr/>
	\$	180,212

11) Guarantees

The Company has outstanding guarantees amounting to \$11,968 (2007 - \$24,208) 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 (see note 10(f)).

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, which ends in 2029. The continuous guarantee (at 100%) is in the amount of US\$32,400 (CA\$39,463) (2007 - US\$32,400 or CA\$32,118) and is renewed annually to its full amount, irrespective of any drawings made thereunder. The Company has issued a letter of credit in the amount of US\$8,100 (CA\$9,866) (2007 - US\$8,100 or CA\$8,030) to support its share of the continuous guarantee, and its partners have similarly issued letters of credit to support their respective shares. 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\$15,601) (2007 - NIS33,000 plus escalation or CA\$11,990) 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\$778) (2007 - NIS2,400 or CA\$615) 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 NIS27,351 (CA\$8,862) (2007 - NIS31,577 or CA\$8,093) 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\$14,325 (CA\$17,448) (2007 - US\$16,800 or CA\$16,654) in support of its remaining equity obligations and a letter of credit of US\$29,393 (CA\$35,801) (2007 - US\$30,203 or CA\$29,940) for various project contingencies. These letters of credit are supported by guarantees issued on behalf of the Company to the issuing banks by Export Development Canada ("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,

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the Company was required to place on deposit with EDC the sum of US\$1,500 (CA\$1,827) (2007 - US\$1,500 or CA\$1,487), which is classified as restricted cash on the consolidated balance sheets. The Company has also issued a corporate guarantee in the amount of US\$3,129 (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 to support the 50% balance share.

The Company has also issued letters of credit to secure advances received from the Quito construction joint venture in the sum of US\$10,500 (CA\$12,789) (2007 - US\$16,150 or CA\$16,009). The cash received was used as collateral for the letters of credit.

In addition, the Company and its joint venture partner have provided surety bonds, guaranteed joint and severally, to cover construction and concession related performance obligations of US\$67,055 (CA\$81,673) (2007 - US\$67,055 or CA\$66,472), an advance payment bond of US\$74,466 (CA\$90,700) (2007 - US\$74,466 or CA\$73,818) and a retention release bond of US\$20,685 (CA\$25,194) (2007 - US\$20,685 or CA\$20,505). 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\$2,436) (2007 - US\$2,000 or CA\$1,983), which is classified as restricted cash on the consolidated balance sheets.

The Company has also issued performance guarantees of \$10,898 (2007 - \$7,640), 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 \$37,210 (2007 - \$14,867) 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. The Company has also provided a guarantee of the obligations of the project company under a \$5,000 contingency loan facility established to finance additional costs 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 capped at the lesser of \$12,000 and 10% of the guaranteed construction price.

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, 2008, 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 \$418,004 (2007 - \$311,058), 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.

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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.

12) Convertible debentures

Convertible subordinated debentures consist of:

	<u>2008</u>	<u>2007</u>
Debt component:		
Debenture maturing March 17, 2010	\$ -	\$ 30,114
Reported as:		
Long-term liability	\$ -	\$ 30,114
Equity component:		
Debenture maturing March 17, 2010	\$ -	\$ 2,101

In March 2005, the Company issued \$32,500 in unsecured, subordinated convertible debentures maturing March 17, 2010. The debentures bore interest at the rate of 8.25% per annum payable on a semi-annual basis. During 2008, \$31,675 of these convertible debentures was converted into 4,167,795 common shares. During 2007, \$825 of these debentures was converted into 108,552 common shares.

In November 2004, the Company issued \$30,000 in unsecured, subordinated convertible debentures maturing November 2, 2009. The debentures bore interest at the rate of 8.25% per annum payable on a semi-annual basis. During 2007, \$29,500 of these convertible debentures was converted into 3,933,252 common shares and \$500 was redeemed for cash.

Interest expense on the debentures was composed of the interest calculated on the face value of the debentures, and an annual notional interest representing the accretion of the carrying value of the debentures. Interest recorded was as follows:

	<u>2008</u>	<u>2007</u>
Interest expense on face value	\$ 520	\$ 4,690
Notional interest representing accretion	147	1,295
	<u>\$ 667</u>	<u>\$ 5,985</u>

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The liability portion of the debentures is as follows:

	<u>2008</u>	<u>2007</u>
Financial liability component	\$ -	\$ 29,574
Notional interest representing accretion	-	540
	<u>\$ -</u>	<u>\$ 30,114</u>

13) Other liabilities

	<u>2008</u>	<u>2007</u>
Leasehold inducements	\$ 1,719	\$ 1,900
Asset retirement obligations	1,656	1,177
	<u>\$ 3,375</u>	<u>\$ 3,077</u>

Asset retirement obligations

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

	<u>2008</u>	<u>2007</u>
Asset retirement obligation liability, beginning of year	\$ 1,177	\$ 982
Increase in obligation	408	136
Accretion expense	71	59
	<u>\$ 1,656</u>	<u>\$ 1,177</u>

The total undiscounted amount of the estimated cash flows required for rehabilitating the pits and quarry is approximately \$14,243. Rehabilitation costs are expected to be settled between 2012 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.

14) Concession related deferred revenue

As part of acquiring, in 2006, the rights to operate the Existing Quito Airport (see note 5(b)), the Company recorded US\$57,337 or Canadian equivalent of \$69,837 at December 31, 2008 exchange rates (2007 - US\$57,337 or CA\$56,838) 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.

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As at June 28, 2006, CORPAQ also provided Quiport JV with net assets of US\$3,897 or Canadian equivalent of \$4,747 at December 31, 2008 exchange rates (2007 - US\$3,897 or CA\$3,864), 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, 2008, also includes \$2,990 (2007 - \$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.

15) Commitments and contingencies

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

2009	\$	20,094
2010		15,483
2011		11,633
2012		6,999
2013		3,785
Beyond		10,012
		<hr/>
	\$	68,006
		<hr/>

- (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 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. To-date, Canada Revenue Agency has not responded to the Notices of Objection. The total potential federal and provincial reassessments, including income taxes, interest and penalties could be up to \$19,329. The Company believes it has adequate income tax provisions to cover the ultimate outcome of these reassessments.

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- (e) In June 2005, Continental Foundation Joint Venture (“CFJV”), the joint venture involved in the construction of the Nathpa Jhakri project in India, in which the Company has a 45% interest, was advised by the owner, Satluj Jal Vidyut Nigam Ltd. (“SJVN”) (formerly Nathpa Jhakri Power Corporation Limited) of its intention to levy liquidated damages against CFJV for alleged delay damages resulting from not completing the contract on time. Since the delay in the completion of the project was caused by numerous items outside of the joint venture’s control and contractual responsibility, including, among many other things, a catastrophic flood in 2002, the joint venture believes that these claims for liquidated damages are unsubstantiated, unwarranted and without legal merit. The joint venture had previously submitted for arbitration two claims to cover the joint venture’s cost of extra work and delays related to these same matters.

In 2008, the arbitration panel considering the first of two major claims launched by CFJV in respect of the Nathpa Jhakri hydroelectric project in India ruled substantially in CFJV’s favour. In its ruling, the panel dismissed the counter-claim for liquidated damages filed against CFJV. The panel also awarded CFJV full extension of time as well as related indirect costs and interest resulting from project delays that the panel agreed were beyond CFJV’s control and contractual responsibility. CFJV expects to receive \$10,000 in claim settlement net of expenses, of which \$4,000 was received in 2008, with a further \$6,000 expected to be received in the first quarter of 2009. The net amounts received from the arbitration process in 2008 were applied to reduce the carrying values of the unbilled work-in-process balances of the joint venture.

A second claim by CFJV for approximately \$56,800 and a counter-claim for liquidated damages by SJVN in the amount \$12,970, both in respect of an adjacent and concurrent project to the one that was settled, remains with the arbitration panel and is expected to be resolved in 2009. No provision has been made for the liquidated damages nor has any amount been recognized for potential recoveries under this claim. This treatment is in accordance with the Company’s accounting policy, which is to recognize revenues from claims only when resolved.

It should be noted that all amounts quoted in the preceding paragraph are based on foreign currency amounts that have been translated into Canadian dollars at exchange rates effective on December 31, 2008.

- (f) 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 amounting to, according to the plaintiffs, CA\$6,800. 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 counter claim alleging various grounds including misrepresentation and breach of contract. The Company believes it has a sound position to defend this claim and believes that the liability that 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.
- (g) The Company is a partner with Hochtief Construction AG in a joint venture that constructed a hydroelectric 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

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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 that it has adequate reserves included in the carrying value of its accounts to cover potential non-recoveries that may arise from this project.

- (h) The Quito Airport concessionaire, as with other private concessions in Ecuador came under heightened scrutiny by the new federal administration. Along with this scrutiny came a series of public criticisms by the administration against the Municipality of Quito, primarily directed at the lack of contribution by the Municipality, through the airport project, toward a national airport modernization program, as well as a recommendation by the State Comptroller's office that the Municipality should renegotiate the Quito Airport concession contract. While there is no indication thus far that the administration intends to take any unilateral action that would run contrary to the contracts that the Company and its partners have in place, the political environment reconfirms that the project and related investments are occurring in a country in which there is elevated political risk and uncertainty generally. Therefore, political risk may adversely impact the project's financial performance and its overall financial viability, and the value of the Company's investment in the Quito Airport concessionaire (Quiport JV) could ultimately be impaired.

The Company is committed to investing US\$33,670 in the Quito Airport project. As at December 31, 2008, the Company has invested cash of US\$30,189 (2007 – US\$18,382) for a total investment in the Quito Airport concessionaire of approximately US\$45,000, 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.

During previous years, Quiport JV exercised its right under its concession contract to increase tariffs for services rendered to the airlines using the Existing Quito Airport. These increased tariffs have on previous occasions been challenged by certain airlines. Should Quiport JV's rights to recent or future tariff increases be restricted or reduced, the reported value of concession rights related to the Existing Quito Airport could ultimately be impaired.

With respect to other commitments and contingencies relating to the Company's investment in the Quito Airport project, see notes 10 and 11.

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16) Capital stock

	2008		2007	
	Number of shares	Amount	Number of shares	Amount
Balance - beginning of year	42,079,119	\$ 162,691	38,069,829	\$ 131,975
Common shares issued on exercise of options	201,000	1,562	205,516	1,451
Common shares issued on conversion of debentures (i)	4,167,795	32,362	4,041,804	30,937
Repayment of share purchase loans (ii)	-	552	-	532
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)	(239,990)	(4,145)	(238,030)	(2,204)
Balance - end of year (ii and iv)	50,207,924	\$ 262,644	42,079,119	\$ 162,691

- (i) During 2008, convertible debentures with a face value \$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 12). 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.

During 2007, convertible debentures with a face value of \$30,325 and a carrying value of \$28,926 were converted into 4,041,804 common shares at conversion prices ranging from \$7.50 to \$7.60 per share (see note 12). In addition, share capital was increased by \$2,009 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. Accordingly, loans totalling \$nil (2007 - \$552) were presented as a deduction from capital stock. Interest received on such loans, after provision for income taxes, amounted to \$4 (2007 - \$38) and was accounted for as a capital transaction in shareholders' equity. During 2008, \$552 of these loans was repaid (2007 - \$532).
- (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 administering the Company's Long-Term Incentive Plan. As at December 31, 2008, the Trust held 691,366 shares (2007 - 451,376 shares) with a cost basis of \$7,615 (2007 - \$3,470).

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

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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 such 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:

	2008		2007	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Balance outstanding at beginning of year	1,044,484	\$ 6.08	1,200,000	\$ 6.06
Granted	1,150,000	14.95	50,000	6.75
Exercised	(201,000)	5.51	(205,516)	6.13
Balance outstanding at end of year	1,993,484	11.26	1,044,484	\$ 6.08
Options exercisable at end of year	897,651	8.99	561,150	\$ 5.95

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

Options granted in	Number of shares	Exercise price	Expiry date
2004	40,000	\$6.30	August 3, 2009
2004	16,667	\$6.20	November 30, 2009
2005	66,667	\$5.51	November 7, 2010
2006	670,150	\$6.25	March 27, 2011
2007	50,000	\$6.75	January 16, 2012
2008	1,150,000	\$14.95	August 5, 2013
	1,993,484		

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All option grants, except for options granted in 2006 and 2008, 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. The options granted in 2006 and 2008 have a term of five years from the date of grant and 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:

	<u>2008</u>	<u>2007</u>
Dividend yield	1.4%	-%
Expected volatility	32.0%	29.0%
Risk free interest rate	3.5%	4%
Weighted average expected life (years)	3.25	3.5

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 \$1,690 (2007 - \$454) on account of options granted.

As options are exercised, the corresponding values previously charged to contributed surplus are reclassified to capital stock. In 2008, contributed surplus was decreased by \$454 (2007 - \$191) 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 2008, the Company recorded LTIP compensation charges of \$2,911 (2007 - \$1,379).

The LTIP Trust (the "Trust") currently holds 691,366 shares at December 31, 2008 (2007 - 451,376 shares).

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The Company has determined that 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, 2008, share capital was reduced by \$7,615 (2007 - \$3,470) and accrued liabilities increased by the same amount.

Earnings per share

Details of the calculations of earnings per share are set out below. For purposes of calculating basic earnings per share, the number of common shares has been reduced by nil (2007 - 941,166) on account of share purchase loans receivable from employees. For purposes of calculating diluted earnings per share, these shares have been treated as options.

	<u>2008</u>		<u>2007</u>
Net income for the year	\$ 59,342	\$	48,303
Interest on convertible debentures	444		5,985
	<u>\$ 59,786</u>	\$	<u>54,288</u>
Average number of common shares outstanding	48,065,421		37,673,208
Effect of dilutive securities ⁽ⁱ⁾			
Options	460,302		1,474,444
Convertible debentures	853,756		7,527,441
Shares held in a trust account in respect of a long-term incentive plan	426,221		247,366
	<u>49,805,700</u>		<u>46,922,459</u>
Basic earnings per share	\$ 1.23	\$	1.28
Diluted earnings per share	\$ 1.20	\$	1.16

- (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.

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Contributed surplus

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

	<u>2008</u>	<u>2007</u>
Balance - beginning of year	\$ 1,592	\$ 1,329
Increase (decrease) in contributed surplus resulting from:		
Granting of stock options	1,690	454
Exercise of stock options	(454)	(191)
	<u>2,828</u>	<u>1,592</u>
Balance - end of year	\$ 2,828	\$ 1,592

Dividends

In 2008, the Company's Board of Directors approved an increase in annual dividends to \$0.20 per share, to be paid in four quarterly payments of \$0.05 per share. In 2008, the Company recorded dividends declared of \$9,968 (2007 - \$2,977) of which \$7,423 (2007 - \$nil) was paid during the year, and \$2,545 (2007 - \$2,977) was paid after year-end.

Accumulated other comprehensive income (loss)

Components of accumulated other comprehensive income (loss) included:

	<u>2008</u>	<u>2007</u>
Currency translation adjustments, net of tax	\$ 5,745	\$ (2,701)
Mark-to-market adjustments on available-for-sale investments	145	-
Cash flow hedges, net of tax	-	201
	<u>5,890</u>	<u>(2,500)</u>
Accumulated other comprehensive income (loss)	\$ 5,890	\$ (2,500)

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17) Interest

Interest expense (income) is comprised of:

	<u>2008</u>		<u>2007</u>
Interest on long-term debt and debentures	\$ 5,998	\$	9,415
Interest on capital leases	391		286
Interest on short-term debt	2,886		1,533
Interest income	<u>(8,080)</u>		<u>(5,972)</u>
	<u>\$ 1,195</u>	\$	<u>5,262</u>

Quiport JV capitalizes interest during the construction period until the project opening date. The amount of interest capitalized to concession rights in 2008 was \$5,486 (2007 - \$4,736).

18) Cash flow information

Change in other balances relating to operations:

	<u>2008</u>		<u>2007</u>
Decrease (increase) in:			
Accounts receivable	\$ (25,422)	\$	(13,630)
Holdbacks receivable	(20,011)		(16,198)
Deferred contract costs and unbilled revenue	(4,849)		(22,246)
Inventories	(7,486)		(1,108)
Prepaid expenses	(1,577)		(545)
(Decrease) increase in:			
Accounts payable and accrued liabilities	46,041		72,358
Holdbacks payable	21,088		10,259
Deferred revenue	23,288		3,946
Income taxes payable	<u>2,493</u>		<u>(2,559)</u>
	<u>\$ 33,565</u>	\$	<u>30,277</u>

Other supplementary information:

	<u>2008</u>		<u>2007</u>
Cash interest paid	\$ 12,065	\$	12,932
Cash income taxes paid	1,049		1,039

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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 \$1,663 in the year (2007 - \$1,398).

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 notes 12 and 16). 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.

During 2007, convertible debentures with a face value of \$30,325 and a carrying value of \$28,926 were converted into 4,041,804 common shares (see notes 12 and 16).

19) Acquisitions

On December 20, 2007, the Company acquired the assets of Leo Alarie and Sons Limited, a construction company in northern Ontario. The acquisition was accounted for using the purchase method and the results of operations are included from the date of the acquisition.

As part of the asset purchase deal, the Company paid \$18,919 and assumed \$1,050 of debt. The acquisition was partly financed by an equipment term loan facility as described in note 10(e).

In the first quarter of 2007, the Company acquired The Karson Group, a major aggregate, asphalt and civil construction company in eastern Ontario. The acquisition was accounted for using the purchase method and the results of operations are included from the date of the acquisition.

Under the share purchase deal, the Company assumed The Karson Group's then existing debt of \$4,663 and paid \$32,416, of which \$21,225 was financed by the vendor and payable over a five-year term. The vendor take-back note is non-interest bearing and has been discounted at 8% to arrive at a fair value of \$16,949 at the date of the acquisition.

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The following is a summary of the above acquisitions:

Net assets acquired		
Cash	\$	1,520
Working capital		8,251
Property, plant and equipment		45,988
Goodwill		1,289
Current portion of long-term debt		(1,901)
Long-term debt		(3,812)
		<hr/>
	\$	51,335
		<hr/>
Consideration		
Cash	\$	34,386
Note payable		16,949
		<hr/>
	\$	51,335
		<hr/>

20) 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.

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

	2008	2007
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	\$ 32,978	\$ 35,643
Actual return on plan assets	(6,470)	621
Company contributions	4,201	1,682
Plan participant contributions	128	141
Benefits paid	(1,573)	(5,109)
	\$ 29,264	\$ 32,978
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 33,685	\$ 39,658
Current service cost	1,216	1,307
Interest cost	1,955	1,848
Benefits paid	(1,573)	(5,109)
Actuarial gains	(4,044)	(4,019)
	\$ 31,239	\$ 33,685
Funded status		
Excess of benefit obligation over plan assets	\$ (1,975)	\$ (707)
Unrecognized net actuarial loss	7,234	2,780
Unrecognized transitional (liability) asset	(6)	54
	\$ 5,253	\$ 2,127
Amounts recognized in consolidated balance sheets		
Other assets	\$ 5,253	\$ 2,127
Weighted average assumptions to calculate benefit obligation		
Discount rate	7.0%	5.75%
Rate of increase in future compensation	3.5%	3.5%
Asset categories of pension assets		
Cash and short-term notes	12.6%	7.7%
Debt securities	34.1%	34.9%
Equity securities	53.3%	57.4%

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Details of the pension expense are as follows:

	<u>2008</u>	<u>2007</u>
Pension benefit expense		
Current service cost, net of employee contributions	\$ 1,088	\$ 1,166
Interest cost	1,955	1,848
Amortization of actuarial loss ⁽¹⁾	21	225
Amortization of transitional liability	67	84
Expected return on plan assets	<u>(2,056)</u>	<u>(1,980)</u>
Defined benefit pension expense	1,075	1,343
Defined contribution pension expense	2,517	2,155
Multi-employer pension plan expense	<u>32,048</u>	<u>26,768</u>
Pension benefit expense	<u>\$ 35,640</u>	<u>\$ 30,266</u>
Defined benefit pension expense incurred		
Defined benefit pension expense recognized, above	\$ 1,075	\$ 1,343
Difference between expected and actual return on plan assets	8,526	1,359
Difference between actuarial losses amortized and actuarial losses arising	(4,065)	(4,244)
Amortization of transitional liability	<u>(67)</u>	<u>(84)</u>
Defined benefit pension expense (income) incurred	<u>\$ 5,469</u>	<u>\$ (1,626)</u>
Weighted average assumptions to calculate pension benefit expense		
Discount rate	5.75%	5.00%
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.

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Details of cash flows are as follows:

	<u>2008</u>		<u>2007</u>
Cash flows			
Total cash contributions for employee pension plans:			
Defined benefit plans	\$ 4,201	\$	1,682
Defined contribution plans	2,517		2,155
Multi-employer pension plan	<u>32,048</u>		<u>26,768</u>
Total cash contributions	<u>\$ 38,766</u>	\$	<u>30,605</u>

21) Related party transactions and balances

In addition to related party transactions described elsewhere in the notes to these consolidated financial statements, the following summarizes additional transactions during the year. Related party transactions are recorded at their exchange amounts, which is the consideration agreed to by the parties. During 2008, the Company paid professional fees in the amount of \$38 (2007 - \$34) to a consulting company in which a director of the Company is a partner.

22) 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 fair 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.

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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 is considered to be impaired when a decline in fair value is judged to be other than temporary. 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.

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 trading purposes. At December 31, 2008, the Company had net outstanding contracts to sell euro 3,310, sell US\$16,016, buy euro 70, and buy US\$696 (2007 - sell euro 6,652, sell US\$23,970, and buy US\$11,978) on which there was a net unrealized exchange loss of \$1,920 (2007 - net gain of \$951). 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

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the debt as a hedge instrument is no longer appropriate, the fair value of these hedges is included in the consolidated statements of income in foreign exchange gains (losses). At December 31, 2008, the Company does not have any designated hedges of its foreign operations. Previously, the Company had designated its US dollar dominated term loan in the amount of US\$13,520 at December 31, 2007 as a hedge of its net investment in certain foreign operations. At December 31, 2007, the unrealized gain resulting from fair valuing this investment of \$989, net of taxes, had been included in currency translation adjustments within accumulated other comprehensive loss in shareholders' equity. With the repayment of the term loan during the second quarter of 2008 (see note 10), the unrealized gain resulting from fair valuing this instrument at the date of repayment was \$436, net of taxes, and is included in currency translation adjustments within accumulated other comprehensive income in shareholders' equity at December 31, 2008.

The Company enters into cash flow hedges to reduce its exposure to variability in certain expected future cash flows. In connection with the US dollar denominated term loan facility noted above, the Company entered into an interest rate swap with a financial institution on October 1, 2007 to help manage its exposure to interest rate volatility. By entering into the interest rate swap, the Company converted the floating rate on its US dollar term loan, which was based on LIBOR plus 2.75%, to a fixed rate of 7.42%. The unrealized gain, net of taxes, of \$201 that resulted from fair valuing this contract as of December 31, 2007, was reported in the cash flow hedges component of accumulated other comprehensive income in shareholders' equity. With the repayment of the term loan during the second quarter of 2008, the cumulative unrealized loss resulting from fair valuing this contract of \$274, net of taxes, was realized and is included in the consolidated statements of income.

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, foreign exchange hedges, and interest rate swap agreements.

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 and interest rate swap agreements 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 and interest rate swap agreements are major Canadian financial institutions.

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Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure that 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 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, 2008:

	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	\$ 5,542	\$ 26,809	\$ 15,398	\$ 11,472	\$ 13,976	\$ 51,010	\$ 124,207
Capital leases and equipment loans	6,040	5,387	5,145	4,809	5,012	3,975	30,368
Other long-term debt	4,805	4,396	10,974	-	-	5,462	25,637
	\$ 16,387	\$ 36,592	\$ 31,517	\$ 16,281	\$ 18,988	\$ 60,447	\$ 180,212

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, 2008, the interest rate profile of the Company's long-term debt was as follows:

	2008
Debt held by joint ventures	\$ 93,473
Fixed rate instruments	86,699
Variable rate instruments	40
Total long-term debt	\$ 180,212

Long-term debt held by joint ventures relates to project financing for the Quito Airport project (see note 10), 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 would not have impacted net earnings or comprehensive income in the current period.

For the year ended December 31, 2008, 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.

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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, 2008, would have been an increase in comprehensive income of approximately \$6,100. 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, 2008 would have been a decrease of approximately \$200.

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 an impairment in value arises 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, 2008 would have been an increase of approximately \$1,000.

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 period-end for a 10% change in foreign currency rates.

	US dollar impact	Shekel impact	Euro impact
Net earnings	\$ 900	\$ 100	\$ 100
Comprehensive income	\$ 900	\$ 100	\$ 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.

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23) 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.

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, schools, embassies, 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.

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 Highway and the Quito Airport project concession companies. This segment includes the operations of the Highway 104 toll plaza in Atlantic Canada. This segment also has a development function whereby it monitors and, where appropriate, brings together the unique capabilities and strengths of the Company and its strategic

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partners for the development of domestic and international public-private partnership concession projects in which the Company may play a role as an investor, constructor and/or operator.

(a) Industry segments

	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	\$ (11,927)	\$ 124,717
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	(12,506)	97,224
Capital charges and allocations of Corporate overheads (ii)	(22,738)	(146)	(3,779)	(9,932)	36,595	-
Segment profit before income taxes	\$ 978	\$ 248	\$ 71,250	\$ 659	\$ 24,089	97,224
Interest expense, income taxes and non-controlling interests						(37,882)
Net income						\$ 59,342
Total assets	\$ 392,488	\$ 156,257	\$ 138,206	\$ 248,874	\$ 253,039	\$ 1,188,864
Intangible assets and goodwill	\$ 4,271	\$ 1,783	\$ 3,750	\$ 168,153	-	\$ 177,957
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

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	2007					
	Infrastructure	Buildings	Industrial	Concessions	Corporate and Other	Total
Revenues	\$ 688,907	\$ 385,946	\$ 398,148	\$ 57,544	\$ (37,798)	\$ 1,492,747
EBITDA (i)	\$ 28,407	\$ 4,806	\$ 38,357	\$ 17,593	\$ (6,457)	\$ 82,706
Depreciation and amortization	(4,949)	(422)	(2,165)	(13,631)	(748)	(21,915)
Segment operating profit (loss) (i)	23,458	4,384	36,192	3,962	(7,205)	60,791
Capital charges and allocations of Corporate overheads (ii)	(18,574)	(1,187)	(7,518)	(7,947)	35,226	-
Segment profit (loss) before income taxes	\$ 4,884	\$ 3,197	\$ 28,674	\$ (3,985)	\$ 28,021	60,791
Interest expense, income taxes and non-controlling interests						(12,488)
Net income						\$ 48,303
Total assets	\$ 354,272	\$ 107,593	\$ 146,613	\$ 180,157	\$ 122,017	\$ 910,652
Intangible assets and goodwill	\$ 5,767	\$ 2,949	\$ 3,750	\$ 109,448	-	\$ 121,914
Capital expenditures	\$ 3,335	\$ 524	\$ 1,997	-	\$ 417	\$ 6,273
Cash flows from (used in) operating activities (i)	\$ 25,019	\$ 4,803	\$ 37,395	\$ 17,352	\$ (17,364)	\$ 67,205

- (i) EBITDA represents earnings or loss before interest expense, income taxes, depreciation and amortization, and non-controlling interests. Segment operating profit (loss) represents net income (loss) before 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.

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- (ii) Commencing in 2007, management prospectively began measuring divisional performance based on segment operating profit or loss after capital charges and corporate allocations (i.e., segment profit (loss) before income taxes). Corporate allocations represent charges from the Corporate segment to each division for indirect Corporate marketing, general and administrative costs and capital charges relate to the cash, working capital, and long-term debt capital invested in each segment.

(b) Geographic segments

	2008	2007
Revenues		
Canada	\$ 1,655,732	\$ 1,342,534
United States	82,644	55,348
Ecuador	61,265	46,769
Israel, India and others	77,345	48,096
	<u>\$ 1,876,986</u>	<u>\$ 1,492,747</u>
Property, plant and equipment, intangible assets and goodwill		
Canada	\$ 111,435	\$ 109,443
Ecuador	167,996	109,283
United States	859	293
	<u>\$ 280,290</u>	<u>\$ 219,019</u>

24) 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 that 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.

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Although the Company monitors capital on a number of bases, 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 sheet. While the cumulative impact of unsatisfactory operating results during the 2003 - 2004 periods drove up this 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 (as discussed in notes 10(f) and 16) were the primary drivers in bringing the debt to equity percentage down to 15.3% as at December 31, 2008. While the Company believes that this debt to equity percentage is conservative, 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, 2008, 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.

25) Gain on sale of assets

In the second quarter of 2007, the Company recorded a \$3,356 pre-tax gain as a result of a sale by the Company of its right to participate in the construction joint venture that is constructing an extension of the Cross Israel Highway.

In the fourth quarter of 2007, the Company recorded a \$4,250 pre-tax gain as a result of a fee received by the Company in return for agreeing to amendments to a co-operation agreement negotiated in 2006 with Hochtief in connection with the sale of its interest in the Company.

26) Subsequent events

On January 15, 2009, the Company acquired South Rock Ltd., an infrastructure construction company in Alberta focusing primarily on the southern Alberta road building market. Under the share purchase deal, the Company assumed South Rock Ltd.'s existing debt of approximately \$9,000 and, subject to certain post closing adjustments, paid cash of approximately \$35,000 for all outstanding shares of South Rock Ltd.

On February 2, 2009, the Company and Lockerbie & Hole Inc. ("Lockerbie") announced an agreement that contemplates the Company will acquire, by plan of arrangement, all of the issued and outstanding common shares of Lockerbie for total consideration of approximately \$220,000. Under the terms of the proposed transaction, Lockerbie shareholders will receive \$8.00 in value for each Lockerbie common share, comprised of, at the election of each shareholder, cash or common shares of the Company or a combination thereof, subject to pro-rata such that 75% of the total consideration will be paid in cash and 25% of the total consideration will be paid in the Company's common shares. Closing is expected to occur in early April 2009,

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subject to regulatory approval, approval of Lockerbie's shareholders, court approval and certain other conditions.

This transaction will be financed by the Company without any additional debt through the payment of cash and the issuance of approximately \$55,000 worth of the Company's shares, which subject to adjustment at closing will involve the issuance of approximate 5.4 million shares from treasury representing approximately 9% of the Company's pro forma diluted shares.

27) Joint ventures – additional information (unaudited)

In accordance with the recommendations of the CICA, the Company's investments in joint ventures are 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 joint ventures. Given the significant effect of joint ventures on the Company's consolidated financial statements, the Company provides the following supplemental worksheets as additional information about its accounts, thereby enabling the reader to have a greater understanding of the Company's underlying assets, earnings base and financial resources.

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Consolidating Balance Sheet

	Unaudited			
	As at December 31, 2008		As at December 31, 2007	
	Consolidated Balance Sheet excluding joint ventures	Joint ventures	Consolidated Balance Sheet	Consolidated Balance Sheet excluding joint ventures
Assets				
Current assets				
Cash and cash equivalents	\$ 230,870	\$ 62,003	\$ 292,873	\$ 91,948
Restricted cash	20,448	7,746	28,194	22,379
Accounts receivable	205,821	53,610	259,431	195,502
Holdbacks receivable	79,035	13,549	92,584	58,583
Deferred contract costs and unbilled revenue	113,256	5,914	119,170	96,984
Inventories	23,582	-	23,582	15,702
Prepaid expenses	4,444	3,714	8,158	3,557
	677,456	146,536	823,992	484,655
Property, plant and equipment	100,613	1,720	102,333	94,462
Future income tax assets	15,050	5,572	20,622	31,088
Concession rights	-	167,996	167,996	-
Long-term concession investment	32,685	-	32,685	32,685
Other assets	41,236	-	41,236	32,190
	\$ 867,040	\$ 321,824	\$ 1,188,864	\$ 675,080
Liabilities				
Current liabilities				
Bank indebtedness	\$ -	\$ 2,631	\$ 2,631	\$ -
Accounts payable and accrued liabilities	275,775	44,065	319,840	236,957
Holdbacks payable	56,751	3,755	60,506	35,084
Deferred revenue	78,419	13,529	91,948	57,319
Income taxes payable (recoverable)	708	3,307	4,015	(4,411)
Future income tax liabilities	37,243	11,269	48,512	35,202
Current portion of long-term debt	10,845	5,542	16,387	13,261
	459,741	84,098	543,839	373,412
Non-recourse project debt	30,734	87,931	118,665	3,213
Other long-term debt	45,160	-	45,160	64,088
Other liabilities	3,375	-	3,375	3,077
Other income tax liabilities	15,537	-	15,537	14,733
Concession related deferred revenue	2,991	74,583	77,574	2,991
Convertible debentures	-	-	-	30,114
	557,538	246,612	804,150	491,628
Non-controlling interests	2,449	-	2,449	933
Shareholders' Equity	307,053	75,212	382,265	182,519
	\$ 867,040	\$ 321,824	\$ 1,188,864	\$ 675,080

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Consolidating Statement of Income For the years ended December 31, 2008 and 2007

	Unaudited			2007
	2008		Consolidated Statement of Income	
	Consolidated Statement of Income excluding joint ventures	Joint ventures		Consolidated Statement of Income
Revenues	\$ 1,663,139	\$ 213,847	\$ 1,876,986	\$ 1,313,559
Direct costs and expenses	(1,523,872)	(142,052)	(1,665,924)	(1,191,137)
	139,267	71,795	211,062	122,422
Marketing, general and administrative expenses	(57,975)	(38,035)	(96,010)	(67,919)
Foreign exchange gains	791	690	1,481	3,799
Gain on sale of assets	104	-	104	7,840
Depreciation and amortization	(13,105)	(14,388)	(27,493)	(8,205)
Interest expense	(7,443)	(1,832)	(9,275)	(9,631)
Interest income	8,080	-	8,080	5,972
	(69,548)	(53,565)	(123,113)	(68,144)
Income before income taxes and non-controlling interests	69,719	18,230	87,949	54,278
Income tax expense	(23,350)	(3,469)	(26,819)	(829)
Income before non-controlling interests	46,369	14,761	61,130	53,449
Non-controlling interests	(1,788)	-	(1,788)	(824)
Net income for the year	\$ 44,581	\$ 14,761	\$ 59,342	\$ 52,625

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Consolidating Statement of Cash Flows

For the years ended December 31, 2008 and 2007

	Unaudited			2007
	2008		Consolidated	
	Consolidated Statement of Cash Flows excluding joint ventures	Joint ventures	Statement of Cash Flows	Consolidated Statement of Cash Flows excluding joint ventures
Cash provided by (used in):				
Operating activities				
Net income for the year	\$ 44,581	\$ 14,761	\$ 59,342	\$ 52,625
Items not affecting cash:				
Depreciation and amortization	13,105	14,388	27,493	8,205
Gain on sale of assets	(104)	-	(104)	(7,840)
Amortization of commitment fees	162	-	162	462
Unrealized loss (gain) on foreign exchange	2,530	(2,388)	142	(567)
Non-cash interest on other income tax liabilities	804	-	804	739
Notional interest representing accretion	822	-	822	2,632
Defined benefit pension	(3,126)	-	(3,126)	(339)
Future income taxes	18,078	5,045	23,123	5,713
Stock-based compensation	1,690	-	1,690	454
Others	-	-	-	8
	78,542	31,806	110,348	62,092
Change in other balances relating to operations	25,508	8,057	33,565	19,322
	104,050	39,863	143,913	81,414
Investing activities				
Decrease (increase) in restricted cash balances	1,930	7,838	9,768	(9,184)
Purchase of property, plant and equipment	(13,259)	(294)	(13,553)	(5,775)
Proceeds on sale of property, plant, and equipment	1,062	-	1,062	8,025
Acquisitions	(1,175)	-	(1,175)	(33,229)
Investments in concession rights	-	(43,130)	(43,130)	-
Repayment of long-term concession investment	-	-	-	10,048
(Increase) decrease in other assets	(7,757)	97	(7,660)	(6,968)
Increase in non-controlling interests	1,348	-	1,348	973
	(17,851)	(35,489)	(53,340)	(36,110)
Financing activities				
Decrease in bank indebtedness	-	(5,199)	(5,199)	(6,823)
Issuance of long-term debt	27,521	6,773	34,294	60,373
Repayments of long-term debt	(24,688)	(1,179)	(25,867)	(24,533)
Issuance of capital stock, net of issuance costs	70,729	-	70,729	1,261
Repurchase of capital stock	(4,145)	-	(4,145)	(2,204)
Repayment of share purchase loans	552	-	552	532
Redemption of convertible debentures	-	-	-	(500)
Dividends paid	(10,400)	-	(10,400)	-
Interest received on share purchase loans	4	-	4	38
Decrease (increase) in investment in joint ventures	(8,096)	8,096	-	11,075
	51,477	8,491	59,968	39,219
Increase in cash and cash equivalents during the year	137,676	12,865	150,541	84,523
Effects of foreign exchange on cash balances	1,246	6,480	7,726	(472)
Cash and cash equivalents - beginning of year	91,948	42,658	134,606	7,897
Cash and cash equivalents - end of year	\$ 230,870	\$ 62,003	\$ 292,873	\$ 91,948