

Aecon Group Inc.

Consolidated Financial Statements
December 31, 2005 and 2004

Aecon Group Inc.
 Consolidated Balance Sheets
 As at December 31, 2005 and 2004

(in thousands of dollars)

	2005		2004
Assets			
Current assets			
Cash and cash equivalents (note 3)	\$ 27,002	\$	50,139
Restricted cash (note 3 (c))	7,500		-
Restricted marketable securities and term deposits (note 3)	15,318		15,583
Accounts receivable (note 4)	135,005		140,878
Holdbacks receivable	66,583		43,255
Deferred contract costs and unbilled revenue	82,058		55,242
Inventories	7,186		8,754
Prepaid expenses	1,763		1,545
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	342,415		315,396
Property, plant and equipment (note 6)	56,116		58,983
Future income tax assets (note 5)	20,100		12,095
Long-term investment (note 7)	41,273		36,925
Other assets (note 8)	44,518		31,928
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	\$ 504,422	\$	<hr/> 455,327

Aecon Group Inc.

Consolidated Balance Sheets ... *continued*

As at December 31, 2005 and 2004

(in thousands of dollars)

	2005		2004
Liabilities			
Current liabilities			
Bank indebtedness (note 3)	\$ 8,312	\$	11,905
Accounts payable and accrued liabilities (note 4)	166,594		149,603
Holdbacks payable	38,021		29,719
Deferred revenue	29,274		45,891
Income taxes payable	1,779		4,752
Future income tax liabilities (note 5)	26,275		13,790
Loan from a related party (note 20(f))	2,500		-
Current portion of long-term debt (note 9)	6,228		4,477
Convertible debenture (note 11)	7,676		-
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	286,659		260,137
Long-term debt (note 9)	35,671		40,352
Other liabilities (notes 12 and 17)	2,971		2,965
Other income tax liabilities (note 5)	13,634		13,274
Convertible debentures (note 11)	59,159		35,643
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	398,094		352,371
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Commitments and contingencies (note 13)			
Shareholders' Equity			
Capital stock (note 14)	95,985		93,829
Contributed surplus (note 14)	361		190
Convertible debentures (note 11)	4,982		2,826
Retained earnings	5,000		6,111
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	106,328		102,956
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	\$ 504,422	\$	455,327
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Approved by the Board of Directors

(signed) "John M. Beck"

John M. Beck, Director

(signed) "Scott C. Balfour"

Scott C. Balfour, Director

Aecon Group Inc.

Consolidated Statements of Operations

For the years ended December 31, 2005 and 2004

(in thousands of dollars, except per share amounts)

	2005	2004
Revenues	\$ 1,120,244	\$ 1,002,480
Costs and expenses	1,053,413	969,965
Marketing, general and administrative expenses	49,648	52,809
Depreciation and amortization	7,626	7,933
Impairment of goodwill and other intangible assets (note 18)	-	1,130
Foreign exchange losses (gains)	2,996	(2,043)
Gain on sale of assets	(629)	(228)
Interest expense, net (note 16)	9,307	4,309
	<u>1,122,361</u>	<u>1,033,875</u>
Loss before income taxes, discontinued operations and extraordinary items	<u>(2,117)</u>	<u>(31,395)</u>
Income taxes (recovery) (note 5)		
Current	(1,335)	5,453
Future	3,802	17,832
	<u>2,467</u>	<u>23,285</u>
Loss before discontinued operations and extraordinary items	(4,584)	(54,680)
Income from discontinued operations (note 15)	-	13,054
Loss before extraordinary items	(4,584)	(41,626)
Extraordinary gain, net of income taxes (note 18)	3,444	-
Net loss for the year	<u>\$ (1,140)</u>	<u>\$ (41,626)</u>
Loss per share before discontinued operations and extraordinary items (note 14)		
Basic	\$ (0.16)	\$ (1.98)
Diluted	\$ (0.16)	\$ (1.98)
Net loss per share (note 14)		
Basic	\$ (0.04)	\$ (1.51)
Diluted	\$ (0.04)	\$ (1.51)
Average number of shares outstanding (note 14)		
Basic	29,444,844	27,567,476
Diluted	33,136,178	31,530,935

Aecon Group Inc.

Consolidated Statements of Retained Earnings For the years ended December 31, 2005 and 2004

(in thousands of dollars)

	2005		2004
Retained earnings - beginning of year	\$ 6,111	\$	47,712
Add (deduct):			
Net loss for the year	(1,140)		(41,626)
Interest received on share purchase loans (note 14)	29		25
Retained earnings - end of year	\$ 5,000	\$	6,111

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2005 and 2004

(in thousands of dollars)

	2005		2004
Cash provided by (used in)			
Operating activities			
Loss from continuing operations (note 17)	\$ (1,140)	\$	(54,680)
Items not affecting cash:			
Depreciation and amortization	7,626		7,933
Impairment of goodwill and other intangible assets (note 18)	-		1,130
Gain on sale of assets	(629)		(228)
Deferred financing charges amortization	869		634
Extraordinary gain (note 18)	(4,122)		-
Loss (gain) on foreign exchange	2,646		(507)
Non-cash interest on other income tax liabilities	360		360
Notional interest representing accretion (notes 11 and 12)	859		196
Defined benefit pension expense (note 19)	1,682		1,595
Defined benefit pension contributions (note 19)	(2,826)		(2,393)
Future income taxes (note 5)	4,480		17,832
	9,805		(28,128)
Change in other balances relating to operations (note 17)	(37,718)		7,084
Discontinued operations (note 15)	-		5,423
	(27,913)		(15,621)
Investing activities			
Increase in restricted cash (note 3)	(7,500)		-
Decrease (increase) in restricted marketable securities and term deposits	(614)		7,252
Purchase of property, plant and equipment	(3,528)		(3,809)
Proceeds on sale of property, plant and equipment	2,070		2,430
Acquisitions (note 18)	(192)		(1,175)
Proceeds on sale of discontinued operations (notes 4 and 15)	-		13,625
Increase in long-term investment (note 7)	(4,348)		(14,296)
Increase in other assets (note 8)	(9,656)		(7,713)
Proceeds from disposition of other assets (note 17)	-		4,326
Cash acquired on acquisition of a subsidiary, net of consideration paid (note 18)	1,896		-
Discontinued operations (note 15)	-		12
	(21,872)		652
Financing activities			
Decrease in bank indebtedness	(3,325)		(17,415)
Short-term loan from a related party (note 20(f))	2,500		-
Issuance of long-term debt	45,948		80,873
Repayments of long-term debt	(51,370)		(80,966)
Issuance of capital stock (note 14)	2,156		25,613
Interest received on share purchase loans (note 14)	29		25
Net proceeds from issuance of convertible debentures (note 11)	31,016		28,576
Discontinued operations (note 15)	-		28
	26,954		36,734
(Decrease) increase in cash and cash equivalents	(22,831)		21,765
Effects of foreign exchange on cash balances	(306)		(1,077)
Cash and cash equivalents - beginning of year	50,139		29,451
Cash and cash equivalents - end of year	\$ 27,002	\$	50,139

Supplementary disclosures (note 17)

Aecon Group Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(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 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 reported 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. Included in deferred contract costs and unbilled revenues is \$23,000 relating to various unpriced change orders on a large civil contract. If, ultimately, there are disputes with clients on the pricing of change orders or disputes regarding additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions, 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.

Aecon Group Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(in thousands of dollars, except per share amounts)

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.

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
Roadways and leaseholds	5 to 10 years
Construction equipment and vehicles	2 to 15 years
Computer hardware and software	3 to 5 years
Furniture and fixtures	5 to 8 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 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 share of income or loss to date less dividends received.

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

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Notes to Consolidated Financial Statements December 31, 2005 and 2004

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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 an 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 balance sheet 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 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 services rendered by the employees. 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. Amounts below the 10% threshold are not recognized in expense.

Asset retirement obligations

The fair value of the estimated future legal obligations for rehabilitation costs associated with the retirement of pits and a quarry 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.

Stock-based compensation plans

The Company has stock-based compensation plans, as described in note 14. 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.

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Translation of foreign currencies

The accounts of the Company, its foreign subsidiaries and joint ventures stated in foreign currencies have been translated into Canadian dollars using:

- the fiscal year-end exchange rates for monetary items, which include cash, amounts receivable, accounts payable, income taxes and long-term debt;
- exchange rates in effect at the time of the transaction for non-monetary assets and liabilities; and
- average exchange rates prevailing during the year for revenue and expenses, except for depreciation, which has been translated at rates pertaining to the related assets.

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

Earnings (loss) per share

Basic earnings (loss) 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 period (or at time of issuance, if later), regardless of the price of the Company’s stock.

2) Change in accounting policies

Effective October 1, 2005, the Company adopted Emerging Issues Committee Abstract EIC-155 (“The effect of contingently convertible instruments on the computation of diluted earnings per share”). This EIC impacts the calculation of diluted earnings per share when debt, which is contingently convertible, exists. Contingently convertible instruments are instruments that have embedded conversion features that are contingently convertible or exercisable based on a market price trigger. A market price trigger is a market condition that is based at least in part on the issuer's own share price. Under EIC 155, the effect of contingently convertible instruments should, if dilutive, be included in the computation of earnings per share regardless of whether the market price trigger has been met. Since the Company’s debentures are not contingently convertible, adoption of this abstract had no impact on the Company’s financial statements.

Effective January 1, 2005 the Company adopted Accounting Guideline (“AcG”) 15 issued by The Canadian Institute of Chartered Accountants (“CICA”), which modifies the principles used in determining when and by whom entities are consolidated. Existing consolidation rules are considered to be unsatisfactory as they do not properly address Special Purpose Entities or other structures where control is pre-arranged and voting control doesn’t reflect the underlying economic risks and rewards. In general, if a company is exposed to more than 50% of the economic risks of a variable interest entity, it is presumed to control the entity and must consolidate it, notwithstanding that its voting interest may be minimal. Two consolidation “models” are established under AcG 15 – a Voting Interest Model (“VOI”) and a Variable Interest Model (“VIE”). The VOI model has been

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(in thousands of dollars, except per share amounts)

the standard for purposes of determining control and in order to continue to use the VOI model it must be demonstrated that equity holders as a group control the entity and that they are truly at risk. One of the tests is that there must be a minimum amount of equity, as it appears in the financial statements of the entity being assessed. If the VOI tests are not met, the VIE model must be used. Proportionate consolidation is not permitted under the VIE model. AcG 15 has not, thus far, resulted in any change to the manner in which the Company currently consolidates its operations.

Effective January 1, 2004, the Company adopted AcG 13, "Hedging Relationships" issued by the CICA. This guideline sets out the conditions that must be met in order to apply hedge accounting. Each hedging relationship is also subject to an effectiveness test on a regular basis to determine whether there is reasonable assurance that the hedge will continue to be effective. Any derivative financial instrument that does not qualify for hedge accounting will be accounted for on a mark-to-market basis. The impact of not applying hedge accounting is that gains or losses on a derivative financial instrument that is marked-to-market may not be recorded in the same accounting period as gains or losses on the hedged item. During the year ended December 31, 2005, the Company recorded net unrealized losses of \$394 (2004 - \$582) on foreign currency transactions which did not qualify for hedge accounting. The Company did not enter into any transactions during the year that qualified for hedge accounting.

Effective January 1, 2004, the Company adopted CICA Handbook Section 1100, "Generally Accepted Accounting Principles," which establishes standards for financial reporting in accordance with Canadian generally accepted accounting principles (GAAP), defines primary sources of GAAP and requires that an entity apply every relevant primary source. Since the Company believes it was already in full compliance with these standards, this new standard did not have an impact on the Company's financial position, results of operations, cash flows or on the Company's business operations.

Effective January 1, 2004, the Company adopted CICA Handbook Section 3110, "Asset Retirement Obligations." This standard focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for the accretion of discount and any changes in the underlying cash flows. The asset retirement cost is capitalized to the related asset and amortized into earnings in a systematic and rational basis.

Also effective January 1, 2004, the Company adopted CICA Handbook Section 3063, "Impairment of Long-lived Assets." This guideline establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets.

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

(a) Cash and cash equivalents as at December 31, 2005 include \$10,235 (2004 - \$19,114), which is on deposit in joint venture and affiliate bank accounts, which the Company cannot access directly. Issued but uncleared cheques of \$8,152 at December 31, 2005 (2004 - \$12,512) have been deducted from cash and cash equivalents. Restricted marketable securities and term deposits of \$15,318 (2004 - \$15,583) are held within joint ventures and cannot be accessed directly by the Company. These securities, which include holdback funds of \$12,452 (2004 - \$14,351) released by the owner on the Nathpa Jhakri hydro-electric project and are pledged as collateral for letters of credit, are held in various interest bearing term deposits

Aecon Group Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(in thousands of dollars, except per share amounts)

that mature in 2006. Also included in restricted marketable securities are term deposits of \$2,866 (2004 - \$1,232) pledged as security for a bank guarantee issued by the operator of the Cross Israel Highway to the company owning the concessionaire rights to the Cross Israel highway.

- (b) On March 14, 2005, the Company amended the credit agreement with its bankers. The \$35,000 facility, which was to expire on June 4, 2005, was reduced to \$17,950, a waiver of certain financial covenants was obtained and the expiry date was changed to April 30, 2005. The Company used proceeds from the issuance of the convertible debentures to replace all borrowings under this credit agreement.
- (c) On September 29, 2005, the Company entered into a credit agreement with The Toronto Dominion Bank for a \$15,000 revolving operating line of credit of which \$7,500 is secured by cash collateral. The remaining \$7,500 line is secured by general security agreements that include assignments of accounts receivable, holdbacks receivable and pledges of inventory and equipment and is also secured by second position fixed and floating charge debentures over certain assets of the Company. Utilization amounted to \$10,616 (2004 - \$6,956) and included letters of credit of \$10,616 (2004 - \$6,956). Amounts outstanding generally bear interest at Canadian or U.S. prime plus 1.25%. The facility has certain covenants to be calculated quarterly, and matures on September 28, 2006. In addition, the Company has a revolving term loan facility in the amount of \$21,851 (2004 - \$22,974), which was fully utilized (2004 - \$21,850) (note 9(a)). In total, the Company had access to \$4,384 (2004 - \$29,168) in unused committed credit facilities as at December 31, 2005.
- (d) Bank loans outstanding during 2005 generally bore interest at Canadian or US prime rates plus 1.25% (2004 - plus 1%).
- (e) Included in bank indebtedness is \$8,196 (2004 - \$9,790) representing the Company's proportionate share of bank loans of the joint venture that built the Nathpa Jhakri hydro-electric project in India, which bears interest at a weighted average rate of 6.8% (2004 - 5.9%). The full amount of the joint venture operating line and borrowings, amounting to \$18,213 (2004 - \$21,756), is secured by letters of credit that are jointly and severally guaranteed by the Company and by Hochtief AG ("Hochtief"), the parent of the Company's largest shareholder. The Company and Hochtief have signed an indemnity agreement whereby the Company has agreed to pay Hochtief any amounts Hochtief is required to pay pursuant to this guarantee.

4) Joint ventures

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

- (a) The following table sets out the Company's proportionate share of the assets, liabilities, venturers' equity, revenues, expenses, net income and cash flows of these joint ventures. This table excludes joint ventures reported as discontinued operations. Included in expenses in the determination of net income of joint ventures are income taxes for those entities that are separately liable for the payment of taxes. Income taxes are not included for joint ventures where income taxes are the responsibility of the joint venture partners. Income taxes included in joint venture expenses amounted to \$552 (2004 - \$8,026).

Aecon Group Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(in thousands of dollars, except per share amounts)

	2005	2004
Assets		
Current	\$ 84,055	\$ 90,655
Property, plant and equipment	2,049	976
Other	18,153	47,529
	<u>\$ 104,257</u>	<u>\$ 139,160</u>
Liabilities		
Current	\$ 43,595	\$ 58,201
Long-term	1,282	397
Venturers' equity	59,380	80,562
	<u>\$ 104,257</u>	<u>\$ 139,160</u>
Revenues	\$ 124,678	\$ 150,714
Expenses	120,040	138,432
	<u>\$ 4,638</u>	<u>\$ 12,282</u>
Net income		
Cash provided by (used in)		
Operating activities	\$ (6,392)	\$ (6,464)
Investing activities	(5,958)	(4,506)
Financing activities	6,470	4,310
	<u>\$ (5,880)</u>	<u>\$ (6,660)</u>

- (b) The Company is either contingently or directly liable for obligations of its unincorporated joint ventures (notes 10 and 13). 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 \$4,804 (2004 - \$2,183) from its joint venture partners. At December 31, 2005, the Company has included in accounts receivable \$2,785 (2004 - \$1,516) owing from its joint ventures and has included in accounts payable and accrued liabilities \$323 (2004 - \$114) owing to its joint ventures.
- (d) During 2004, the Company received proceeds of \$12,173 and realized a pre-tax gain of \$7,309 from the sale of joint venture interests (note 15).
- (e) The Company's proportionate share of revenues, expenses and net income of joint ventures, which are reported as discontinued operations, is set out in note 15.

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5) Income taxes

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

	2005		2004
Loss before income taxes, extraordinary items and discontinued operations	\$ 2,117	\$	31,395
Statutory income tax rate	36.1%		36.1%
Expected income tax recovery	(765)		(11,340)
Effect on income tax of			
Valuation allowance against prior years' future tax assets	-		19,341
Valuation allowance provision against current year's future tax assets	219		13,314
Provincial and foreign rate differentials	(29)		300
Foreign exchange translation losses	1,156		458
Other foreign exchange losses (gains)	957		(38)
Large corporations tax	325		448
Other	604		802
Income tax expense	\$ 2,467	\$	23,285

The Company and certain subsidiaries have accumulated non-capital income tax loss carry-forwards, the benefit of which has been recognized in these consolidated financial statements, of approximately \$152,467 (2004 - \$126,841), which may be used to reduce future taxable income and expire in the following years:

2006	\$ 8,285
2007	21,941
2008	11,032
2009	12,477
2010	37,527
2014	32,573
2015	28,632
	\$ 152,467

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The components of future income taxes are as follows:

	<u>2005</u>	<u>2004</u>
Net operating and capital losses carried forward	\$ 54,830	\$ 47,020
Reserves expensed for financial statement purposes and deducted for income tax purposes when paid	1,230	2,158
Property, plant and equipment:		
Net book value in excess of tax basis	(1,837)	(4,429)
Long-term contracts, including joint ventures ⁽¹⁾	(28,288)	(15,839)
Other temporary differences	784	(110)
Other long-term differences	(20)	2,160
	<hr/>	<hr/>
Total future income tax assets	26,699	30,960
Valuation allowance	(32,874)	(32,655)
	<hr/>	<hr/>
Future income taxes, net	\$ (6,175)	\$ (1,695)
	<hr/>	<hr/>
Classified as:		
Long-term future income tax assets	\$ 20,100	\$ 12,095
Current future income tax liabilities	(26,275)	(13,790)
	<hr/>	<hr/>
Total future income tax liabilities	\$ (6,175)	\$ (1,695)
	<hr/>	<hr/>

- (1) Results from the difference between the use of percentage of completion method of reporting for financial statement purposes and use of 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 amount reported as other income tax liabilities adequately reflects management's current best estimate of its income tax exposures (see note 13(d)).

Aecon Group Inc.

Notes to Consolidated Financial Statements December 31, 2005 and 2004

(in thousands of dollars, except per share amounts)

6) Property, plant and equipment

				2005
	Cost		Accumulated depreciation and amortization	Net
Land and improvements	\$ 6,263	\$	-	\$ 6,263
Buildings	16,237		3,057	13,180
Aggregate properties	13,804		3,210	10,594
Machinery and equipment	69,022		42,943	26,079
	<u>\$ 105,326</u>	<u>\$</u>	<u>49,210</u>	<u>\$ 56,116</u>

				2004
	Cost		Accumulated depreciation and amortization	Net
Land and improvements	\$ 6,486	\$	-	\$ 6,486
Buildings	14,983		1,846	13,137
Aggregate properties	13,637		2,477	11,160
Machinery and equipment	68,829		40,629	28,200
	<u>\$ 103,935</u>	<u>\$</u>	<u>44,952</u>	<u>\$ 58,983</u>

Included in property, plant and equipment is equipment of \$10,106 (2004 - \$10,610) held under capital leases, with accumulated depreciation of \$3,263 (2004 - \$2,908).

7) Long-term investment

The long-term investment in the amount of \$41,273 at December 31, 2005 (2004 - \$36,925) represents the Company's 25.0% investment, which is carried at cost, in the Derech Eretz Highways (1997) Ltd. ("Derech Eretz"), the company owning 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 are exercised. On January 24, 2005, the Company increased its interest in Derech Eretz, as described in note 18.

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8) Other assets

	2005		2004
Goodwill (a)	\$ 8,154	\$	8,154
Loans receivable (b)	3,639		3,767
Income tax deposit (note 13(d))	5,414		5,414
Deferred costs (c)	15,431		7,099
Long-term receivables (d)	6,145		3,385
Pension assets (note 19)	2,242		1,098
Deferred financing charges (e)	2,114		1,782
Other (f)	1,379		1,229
	<u>\$ 44,518</u>	<u>\$</u>	<u>31,928</u>

- (a) In 2004, Westeinde Construction Inc.'s ("Westeinde") goodwill was reduced by \$2,125 as a result of an impairment charge, the finalization of the purchase price allocation and a settlement agreement with the former owner as described in note 18.
- (b) Loans receivable include \$2,706 (2004 - \$2,813) from Capital Projects Group Inc. (CPGI), which is due on December 31, 2008. This company has a 7.5% indirect interest in Strait Crossing Development Inc. (SCDI), which owns and operates the Confederation Bridge in eastern Canada. Security for the loan is 60 common shares of SCDI. Interest is at TD Canada Trust's prime plus 1% up to October 1, 2004 and at prime rate thereafter. CPGI may upon the provision of 30 days prior written notice to the Company elect to fix the rate of interest at TD Canada Trust prime rate on the date notice is provided plus 0.75% per annum. The terms of this loan, which had an original maturity of December 31, 2005, were renegotiated during 2004 and a payment of \$1,000 was received from CPGI as a reduction of the balance outstanding.

Also included in loans receivable are loans to directors, senior officers and employees in the amount of \$544 (2004 - \$554). These loans are unsecured and bear interest, which is payable quarterly at Canada Revenue Agency's prescribed quarterly rates. Repayment terms for principal vary, with some loans requiring fixed quarterly repayments and others having flexible repayment terms.

- (c) Deferred costs represent the Company's share of development costs net of recoveries related to the Quito airport project in Ecuador, which were incurred subsequent to the date of awarding of the construction contract and prior to the financial close.
- (d) Long-term receivables of \$6,145 (2004 - \$3,385) include \$4,981 (2004 - \$3,385) representing the Company's share of an amount due from Derech Eretz to the construction joint venture that built the highway, and in which the Company has a 33.3% interest. The receivable is with respect to certain expansion work done on the highway at Derech Eretz's request. Derech Eretz will make payments over the period from 2007 to 2010. The receivable, which is denominated in New Israeli Shekels, has been discounted at a rate of 5.5%.

Also included in long-term receivables is \$1,164 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.

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Loan and interest payments are to be made on December 31st of each year and full payment must be made no later than December 31, 2009.

- (e) Deferred financing charges relate to the issuance of the two convertible debentures as described in note 11(b). These charges are being amortized as interest expense over the term of the debentures.
- (f) Other includes definite life intangible assets of \$383 (2004 - \$322).

9) Long-term debt

	Notes	2005	2004
Revolving term loan (note 3(c))	(a)	\$ 21,851	\$ 21,850
Capital leases and equipment loans	(b)	15,019	17,520
Mortgages	(c)	5,029	5,334
Other		-	125
		41,899	44,829
Less: Amounts due within one year		6,228	4,477
		\$ 35,671	\$ 40,352

The following describes the components of long-term debt:

- (a) The Company has a \$21,851 (2004 - \$22,974) revolving term loan facility, principally secured by first position collateral mortgages over certain of the Company's real estate assets and its aggregate reserves on such properties. The loan is available in either Canadian or U.S. dollars. The maximum availability under the facility reduces annually according to a mortgage-style amortization schedule based on an assumed 7% interest rate and a fifteen-year amortization period. Interest on borrowings under the facility is based on reference rates established and re-established by the Lender on a monthly basis by reference to U.S. LIBOR, Canadian prime or 30-day Canadian bankers' acceptances. At December 31, 2005, the full amount of \$21,851 had been borrowed under the facility (2004 - \$21,850), bearing interest at 6.1% (2004 - 5.4%). Four years after December 31, 2005, the Lender may reduce the maximum facility amount to the extent that it exceeds 60% of the appraised value of the loan collateral. At that time, the applicable interest margins can also be re-established at the Lender's discretion up to a maximum increase of 50 basis points.
- (b) At December 31, 2005 capital leases and equipment loans bore interest at fixed and floating rates averaging 6.6% (2004 - 6.6%) per annum, with specific equipment provided as security.
- (c) Mortgages are secured by certain of the Company's real estate assets. Of the amounts outstanding, \$5,029 (2004 - \$5,134) are for a term of ten years at a fixed rate of interest of 7.6% (2004 - 7.6%) and require monthly principal and interest payments amortized over 25 years.

The weighted average interest rate on long-term debt outstanding at the end of the year was 6.4% (2004 - 6.1%).

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Repayments of long-term debt required within the next five years, including the convertible debentures described in note 11, are as follows:

2006	\$	13,959
2007		5,346
2008		4,639
2009		33,880
2010		34,477
Thereafter		19,829
		<hr/>
	\$	112,130

10) Guarantees

The Company has outstanding guarantees and letters of credit amounting to \$25,668 (2004 - \$29,644) in support of financial and performance related obligations for the Nathpa Jhakri hydro-electric project in India, which has also been guaranteed by Hochtief, the parent of the Company's principal shareholder. The Company and Hochtief have signed an indemnity agreement whereby the Company has agreed to pay Hochtief any amounts Hochtief is required to pay pursuant to this guarantee.

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 (2004 - 22.22%) and a leakage guarantee, which is a guarantee by the operator of the toll highway, in which the Company has a 30.6% interest (2004 - 34%), 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 is in the amount of \$9,420 (2004 - \$16,227) and is renewed annually to its full amount, irrespective of any drawings made thereunder. The leakage guarantee came into effect when construction was completed and is renewable annually for the lesser of \$11,397 (2004 - \$12,276) or 6% of annual toll revenue.

The Company has also issued performance guarantees of \$4,965 (2004 - \$5,572) and advance payment guarantees of \$3,506 (2004 - \$nil) in respect of certain other international projects supported by guarantees issued to Aecon by Export Development Corporation.

In addition, the Company has also issued, in the normal conduct of operations, guarantees amounting to \$10,616 (2004 - \$7,186) in support of financial and performance related obligations for certain domestic projects of which \$5,773 are secured by cash (2004 - \$nil) held in interest bearing accounts. Furthermore, the Company has issued an advance payment guarantee in the amount of \$692 (2004 - \$3,000) for the Eastmain Powerhouse project joint venture. This guarantee is counter-guaranteed by its partner Hochtief in return for which Aecon has provided the joint venture with access to the Company's equipment leasing facilities.

Under the terms of many of the Company's joint venture contracts with project owners, each of the partners is joint and severally liable for performance under the contracts. Circumstances that could lead to a loss include a partner's inability to contribute additional funds to the venture in the event that the project incurs a loss or additional costs that the Company could incur should the partner fail to provide the contractually committed services and resources. At December 31, 2005, the value of uncompleted work for which Aecon's joint venture

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partners are responsible, and which Aecon could be responsible for assuming, amounted to approximately \$40,276 (2004 - \$115,000), a substantial portion of which is supported by performance bonds. In the event that Aecon assumed this additional work it would have the right to receive the partner's share of billings to the project owners pursuant to the joint venture contract.

The Company has, over time, sold portions of its business. Pursuant to the sale agreements, the Company may have to indemnify the purchaser against liabilities related to events prior to the sale, such as tax, environmental, litigation and 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.

11) Convertible debentures

Convertible subordinated debentures consist of:

	2005		2004
Debt component:			
(a) Debenture maturing June 30, 2006	\$ 7,676	\$	7,567
(b) Debenture maturing November 2, 2009	28,474		28,076
(b) Debenture maturing March 17, 2010	30,685		-
	<u>\$ 66,835</u>	\$	<u>35,643</u>
Reported as:			
Current liability	\$ 7,676	\$	-
Long-term liability	59,159		35,643
	<u>\$ 66,835</u>	\$	<u>35,643</u>
Equity component:			
(a) Debenture maturing June 30, 2006	\$ 836	\$	836
(b) Debenture maturing November 2, 2009	1,990		1,990
(b) Debenture maturing March 17, 2010	2,156		-
	<u>\$ 4,982</u>	\$	<u>2,826</u>

- (a) The convertible subordinated debenture maturing June 30, 2006 in the original principal amount of \$9,940 was issued to the Company's largest shareholder and was taken out in connection with the acquisition of a subsidiary in 1999. The debenture bears interest at prime rate plus 1.0%, is convertible into common shares of the Company and matures on June 30, 2006. The debenture is payable on demand commencing January 1, 2006. The remaining principal balance is eligible for conversion at \$3.60 per share. The debenture creates a security interest, behind the security granted to the Company's bankers, which includes assignment of accounts receivable, holdbacks receivable and pledges of inventory, equipment and property and other assets of the Company. The Company is not entitled to prepay or repay any principal amount until the earlier of January 1, 2006 or demand by the lender for payment following the occurrence of an event of default. The lender has the right, at its option until June 30, 2006, to convert a portion of the principal amount into common shares of the Company. In April 18, 2002, the lender exercised its option to convert \$2,209 of convertible debentures into common shares.

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(b) In November 2004, the Company issued \$30,000 in unsecured, subordinated convertible debentures maturing November 2, 2009. The debentures bear interest at the rate of 8.25% per annum payable on a semi-annual basis. At the holder's option, the convertible debenture may be converted into common shares at any time up to the maturity date at a conversion price of \$7.50 for each common share, subject to adjustment in certain circumstances. The convertible debenture will not be redeemable before November 2, 2007. From November 2, 2007 through to the maturity date the Company may, at its option, redeem the convertible debenture, in whole or in part, at par plus accrued and unpaid interest provided that the weighted average closing price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price.

In March 2005, the Company issued \$32,500 in unsecured, subordinated convertible debentures maturing March 17, 2010. The debentures bear interest at the rate of 8.25% per annum payable on a semi-annual basis. At the holder's option, the convertible debentures may be converted into common shares at any time up to the maturity date at a conversion price of \$7.60 for each common share, subject to adjustment in certain circumstances. The convertible debentures will not be redeemable before March 18, 2008. From March 18, 2008 through the maturity date the Company may, at its option, redeem the convertible debentures, in whole or in part, at par plus accrued and unpaid interest provided that the weighted average closing price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price.

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

In determining the amount of the debt and equity components of the convertible debentures, the carrying amount of the financial liability is first determined by discounting the stream of future payments of interest and principal at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The equity component equals the amount determined by deducting from the carrying amount of the compound instrument the amount of the debt component.

Interest expense on the debentures is composed of the interest calculated on the face value of the debentures, which amounted to \$70,231 at December 31, 2005 (2004 - \$37,731), an annual notional interest representing the accretion of the carrying value of the debentures, and amortization of deferred financing costs. Interest recorded was as follows:

	2005		2004
Interest expense on face value	\$ 5,029	\$	800
Notional interest representing accretion	848		176
Amortization of deferred financing costs	540		48
	<hr/>		<hr/>
	\$ 6,417	\$	1,024

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The liability portion of the debentures is as follows:

	2005		2004
Financial liability component	\$ 65,249	\$	34,905
Notional interest representing accretion	1,586		738
	<u>\$ 66,835</u>	\$	<u>35,643</u>

12) 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.

	2005		2004
Asset retirement obligation liability, beginning of year	\$ 524	\$	325
Increase in obligation	156		179
Accretion expense	31		20
	<u>\$ 711</u>	\$	<u>524</u>

The total undiscounted amount of the estimated cash flows required for rehabilitating the pits and quarry is approximately \$12,300. Rehabilitation costs are expected to be settled between 2016 and 2075. 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.

13) Commitments and contingencies

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

2006	\$ 16,123
2007	12,575
2008	8,240
2009	6,470
2010	4,105
Beyond	<u>13,202</u>
	<u>\$ 60,715</u>

- (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 financial position of the Company. Any settlements or awards will be reflected in the consolidated statements of operations, as the matters are resolved.

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- (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 at December 31, 2005. 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 federal assessed amounts and 100% of the Ontario provincial assessments pending resolution of the objections. At December 31, 2005, the Company had 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 \$17,426. The Company believes it has adequate income tax provisions to cover the ultimate outcome of these reassessments.
- (e) The Nathpa Jhakri hydro-electric project in India has incurred significant delays in respect of which the joint venture, in which Aecon has a 45% interest, has submitted requests for extensions of contract time as well as claims for significant compensation arising from the costs of delays.

The owner of the project, Satluj Jal Vidyut Nigam Ltd. ("SJVN") (formerly Nathpa Jhakri Power Corporation Limited) has granted a number of provisional requests for extensions of contract time as a result of which the joint venture was entitled to escalation on quantities previously billed. Income derived from these has been included in the joint venture profit estimate for this project.

At December 31, 2005, joint venture claims to cover delay related costs amounted to approximately \$119,062 (2004 - \$107,700) including interest at 10% to November 30, 2005. This is in addition to \$9,354 (2004 - \$10,036), at current exchange rates, which was received by the joint venture based on an interim recommendation made by a claims review panel and is included in the joint venture's profit estimate for this project. A further payment of \$8,563 (2004 - \$9,187) as full settlement, was recommended by the Alternate Disputes Resolution Board ("ADRB"), which was appointed jointly by SJVN and the joint venture. As ADRB recommendations are not binding, and because the joint venture is not satisfied with the level of the final settlement recommended by the ADRB, and since SJVN does not support the recommendation, income from this award has not been included in the joint venture profit estimate for this project. The claims have now been presented to an arbitration panel in accordance with the dispute resolution process defined in the contract and arbitration hearings are to commence in early 2006.

In June 2005, the joint venture was advised by SJVN of their intention to levy liquidated damages against the joint venture in the amount of \$29,817 (original request for payment from SJVN at current exchange rates) for 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 unwarranted and without legal merit. The joint venture also believes that even in the unlikely situation that it might be found responsible (through arbitration hearings that are scheduled to commence in late March 2006) for some part of the delay, since this delay did not result in any damages to SJVN then, as a matter of law, liquidated damages cannot be enforced. The joint venture's conclusion regarding the impermissibility of SJVN to enforce liquidated damages is supported by two independent legal

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opinions. Accordingly, no provision has been made for the liquidated damages nor, in accordance with the Company's accounting policy, which is to recognize revenues from claims only when resolved, has any amount been recognized for potential recoveries under the claims.

- (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, Canadian \$5,300. The Company disputes the validity of the guarantee and the obligation to pay thereunder and is vigorously defending the litigation. Nevertheless, the Company has recorded a liability for Canadian \$3,000 related to this claim. The Company has filed a Canadian \$30,000 counter claim alleging various grounds including misrepresentation and breach of contract. Should the Company ultimately be found liable for the full amount of the guarantee and the counter claim not be successful, an amount of up to Canadian \$2,300 could be payable in addition to the Canadian \$3,000 above. 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.

14) Capital stock

	2005		2004	
	Number of shares issued	Amount	Number of shares issued	Amount
Balance - beginning of year	30,524,609	\$ 93,829	25,308,542	\$ 68,216
Common shares issued on exercise of options	656,000	2,156	616,067	2,224
Common shares issued, less expenses of \$761 (i)	-	-	4,600,000	23,389
Balance - end of year (ii)	31,180,609	\$ 95,985	30,524,609	\$ 93,829

- (i) On March 18, 2004, the Company issued 4,600,000 common shares at \$5.25 per share. Net proceeds, after deducting agents' fees and expenses of the issue were approximately \$23,389. The Company's largest shareholder exercised its pre-emptive right in connection with this offering and acquired 2,214,440 common shares, thus maintaining its proportionate interest.
- (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, and notwithstanding that the Company considers the loans collectible, loans totalling \$1,084 (2004 - \$857) are no longer presented as loans receivable within other assets, but as a deduction from capital stock. Also, interest received on such loans is no longer considered as income, but

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accounted for as a capital transaction in shareholders' equity. Interest received on these loans, after provision for income taxes, amounted to \$29 (2004 - \$25).

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

Pursuant to an agreement with the Company's insurers, the Company is restricted from paying dividends, except for an aggregate of \$10,000 per fiscal year provided that the financial covenants set out in the agreement have been satisfied.

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. The aggregate number of common shares that can be issued under the 2005 Plan shall not exceed 2,500,000. As at December 31, 2005, 100,000 were issued under the 2005 Plan. Similar to the 1998 Plan, each option issuance under the 2005 Plan shall specify 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 under the 2005 Plan, as well as details of changes in the balance of options outstanding are detailed below:

2005 Stock Option Plan	2005		2004	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance outstanding at beginning of year	-	\$ -	-	\$ -
Granted	100,000	5.51	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Balance outstanding at end of year	100,000	\$ 5.51	-	\$ -
Options exercisable at end of year	-	\$ -	-	\$ -

Under the 2005 Stock Option Plan, there were no options exercised during the year. Options currently outstanding under the 2005 Stock Option Plan have the following exercise prices and expiry dates:

Options granted in	Number of shares	Exercise price	Expiry date
2005	100,000	\$5.51	November 7, 2010

The options granted 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.

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The granting of options under the 1998 Stock Option Plan ceased effective June 21, 2005. However, this does not affect the rights granted under this plan to the holders of 525,000 options that were previously issued and remain outstanding under this plan. Details of common shares issued upon the exercise of options under the 1998 Stock Option Plan, as well as details of changes in the balance of options outstanding are detailed below:

1998 Stock Option Plan	2005		2004	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance outstanding at beginning of year	1,181,000	\$ 4.05	1,780,400	\$ 3.76
Granted	-	-	150,000	6.27
Exercised	(656,000)	3.63	(616,067)	3.61
Forfeited	-	-	(133,333)	4.72
Balance outstanding at end of year	525,000	\$ 4.58	1,181,000	\$ 4.05
Options exercisable at end of year	391,667	\$ 4.14	964,333	\$ 3.66

Options under the 1998 Stock Option Plan were exercised during the year for 656,000 shares (2004 - 616,067) for which share capital was increased by \$2,156 (2004 - \$2,224). Options currently outstanding under the 1998 Stock Option Plan have the following exercise prices and expiry dates:

Options granted in	Number of shares	Exercise price	Expiry date
2001	200,000	\$3.60	March 5, 2006
2001	75,000	3.60	April 9, 2006
2003	100,000	4.75	April 1, 2008
2004	100,000	6.30	August 3, 2009
2004	50,000	6.20	November 30, 2009

The options granted 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 Company has adopted fair value accounting for options granted to employees after 2001 and records compensation expense upon the issuance of stock options under its 1998 and 2005 Stock Option Plans. The fair value is estimated on the date of grant using the Black-Scholes fair value option-pricing model and compensation expense is amortized over the three-year vesting period of the options. During the year compensation expense was increased by \$171 (2004 - reduced by \$14), and contributed surplus was increased or reduced by the same amount, on account of options granted and forfeited.

Details of the calculations of income and loss per share are set out below. For purposes of calculating basic income or loss per share the number of common shares has been reduced by 1,584,963 (2004 - 1,522,063)

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common shares on account of share purchase loans receivable from employees. For purposes of calculating diluted loss per share, these shares have been treated as options.

	2005		
	Loss (numerator)	Shares (denominator)	Per share
Net loss per share			
Net loss for the year	\$ (1,140)	29,444,844	\$ (0.04)
Effect of dilutive securities (i):			
Options	-	1,543,768	-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006	336	2,147,566	-
	<u>\$ (804)</u>	<u>33,136,178</u>	<u>\$ (0.04)</u>

	2005		
Loss per share before discontinued operations and extraordinary items			
Loss before discontinued operations and extraordinary items	\$ (4,584)	29,444,844	\$ (0.16)
Effect of dilutive securities (i):			
Options	-	1,543,768	-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006	336	2,147,566	-
	<u>\$ (4,248)</u>	<u>33,136,178</u>	<u>\$ (0.16)</u>

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	2004		
	Loss (numerator)	Shares (denominator)	Per share
Net loss per share			
Net loss for the year	\$ (41,626)	27,567,476	\$ (1.51)
Effect of dilutive securities (i):			
Options	-	1,815,891	-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006	316	2,147,568	-
	<u>\$ (41,310)</u>	<u>31,530,935</u>	<u>\$ (1.51)</u>

	2004		
Loss per share before discontinued operations and extraordinary items			
Loss before discontinued operations and extraordinary items	\$ (54,680)	27,567,476	\$ (1.98)
Effect of dilutive securities (i):			
Options	-	1,815,891	-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006	316	2,147,568	-
	<u>\$ (54,364)</u>	<u>31,530,935</u>	<u>\$ (1.98)</u>

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

Basic earnings per share from extraordinary items amounted to \$0.12 (2004 - \$nil), and diluted earnings per share from extraordinary gain amounted to \$0.12 (2004 - \$nil).

Basic earnings per share from discontinued operations amounted to \$nil (2004 - \$0.47 per share), and diluted earnings per share from discontinued operations amounted to \$nil (2004 - \$0.47 per share).

15) Discontinued operations

In the fourth quarter of 2004, the Company sold its 38.75% interest in Canatom NPM Inc. that was part of the Company's Industrial segment. Net proceeds from the sale were \$10,985 and the pre-tax gain from the sale amounted to \$6,923. For the year ended December 31, 2004, the Company's proportionate share of revenues, expenses and net loss from this joint venture were as follows: revenues of \$15,672; expenses other than income taxes of \$5,856; net income of \$6,470.

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In the fourth quarter of 2004, pursuant to an agreement signed in the third quarter of 2004, the Company sold its Footage Tools division that was part of the Company's Infrastructure segment. Net proceeds from the sale were \$1,852, of which \$400 is in the form of a note receivable from the purchasers, and the pre-tax gain from the sale amounted to \$400. For the year ended December 31, 2004, the Company's revenues, expenses and net loss from this division were as follows: revenues of \$3,140; expenses other than income taxes of \$2,631; net income of \$315.

In the second quarter of 2004, the Company sold its one-third interest in a joint venture that was part of the Company's Infrastructure segment. Net proceeds from the sale were \$1,188 and the pre-tax gain from the sale amounted to \$386. For the year ended December 31, 2004, the Company's proportionate share of revenues, expenses and net loss from this joint venture were as follows: revenues of \$52; expenses other than income taxes of \$468; net loss of \$347.

In the first quarter of 2004, the Company sold its interest in Europort Poland Sp. z o.o., SC Infrastructure (Poland) Sp. z o.o, and related affiliated companies (Europort). Proceeds from disposition were nominal.

Included as discontinued operations in the consolidated statements of operations and consolidated statements of cash flows are the results of operations and cash flows related to these operations.

The table below summarizes income from discontinued operations:

	2004
Revenues	\$ 18,864
Expenses	(8,955)
Gain on dispositions	7,709
Income before income taxes	<u>17,618</u>
Income taxes	<u>4,564</u>
Net income	<u>\$ 13,054</u>

16) Interest

Interest expense (income) is comprised of:

	2005	2004
Interest on long-term debt and subordinated debentures	\$ 7,276	\$ 1,849
Interest on capital leases	1,183	1,291
Interest on short-term debt	2,139	2,965
Interest income	<u>(1,291)</u>	<u>(1,796)</u>
	<u>\$ 9,307</u>	<u>\$ 4,309</u>

Aecon Group Inc.

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17) Cash flow information

Loss from continuing operations is comprised of:

	2005		2004
Net loss for the year	\$ (1,140)	\$	(41,626)
Less: Income from discontinued operations	-		13,054
	<hr/>		<hr/>
Loss from continuing operations	\$ (1,140)	\$	(54,680)

Change in other balances relating to operations:

	2005		2004
Decrease (increase) in:			
Accounts receivable	\$ 6,761	\$	(796)
Holdbacks receivable	(23,371)		(6,271)
Deferred contract costs and unbilled revenue	(25,059)		(9,916)
Inventories	1,568		1,959
Prepaid expenses	(526)		751
(Decrease) increase in:			
Accounts payable and accrued liabilities	14,698		5,725
Holdbacks payable	8,197		5,478
Deferred revenue	(17,084)		7,553
Income taxes payable	(2,902)		2,601
	<hr/>		<hr/>
	\$ (37,718)	\$	7,084

Other supplementary information:

	2005		2004
Cash interest paid	\$ 7,560	\$	5,111
Cash income taxes paid	2,438		3,258

Property, plant and equipment acquired and financed by means of capital leases amounted to \$2,492 in the year (2004 - \$2,285).

In 2004, property, plant and equipment of \$2,610 were acquired for which a tenant inducement was received from the landlord. This inducement is included in other liabilities on the consolidated balance sheets and is being amortized over the term of the lease.

In 2004, the Company received \$4,326 upon the transfer to a new partner of a portion of its interest in the Quito, Ecuador airport project.

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18) Acquisitions and extraordinary gain

On December 31, 2005, the Company increased its ownership interest in Atlantic Highways Management Corp., the operator of toll Highway 104 in Nova Scotia, from 50% to 100% through the purchase of the interest held in that entity by AMEC Inc. and St. Lawrence Cement for a total consideration of \$180. As the net assets acquired on the purchase were \$nil, the consideration paid has been allocated to intangibles in the books of the Company.

On January 24, 2005, the Company acquired its partner's share in the joint venture that holds 33.33% in the construction joint venture, of which one of its projects was the Cross Israel Highway.

The following is a summary of the acquisition:

Net assets acquired at fair value		
Cash	\$	3,416
Working capital		533
Long-term receivable		1,693
		<hr/>
	\$	5,642
		<hr/>
Consideration		
Cash	\$	1,520
Extraordinary gain before income taxes	\$	4,122
Income taxes		678
		<hr/>
Extraordinary gain after income taxes	\$	3,444
		<hr/>

As the fair value of the financial and current net assets acquired exceeded the amount paid, the Company recorded an extraordinary gain of \$4,122 before income taxes, and \$3,444 net of income taxes on this transaction. Also, since the cash acquired of \$3,416 exceeded the consideration paid of \$1,520, the Company's overall cash position improved by \$1,896.

In addition, the Company increased its investment in Derech Eretz, the company owning the concession rights for the Cross Israel Highway, from 22.2% to 25%. The purchase price for the increased stake was \$4,348 (US\$3,500). Pursuant to certain agreements with the State of Israel and the project lenders, Aecon's interest in Derech Eretz would be diluted to approximately 11% if certain options granted to these parties are exercised.

In the second quarter of 2004, the Company acquired the assets and operations of Cegerco CCI Inc., a general contracting company in the Montreal region, specializing in the construction and management of institutional, commercial and pharmaceutical building projects. The purchase price on closing was \$784, of which, \$400 was in cash and \$384 was in the form of a short-term note payable. The acquisition was accounted for using the purchase method and the results of operations are included from the date of acquisition. The acquisition agreement provides for additional consideration of up to \$1,200 depending on the achievement of certain financial targets. Any payments under the earn out will be accounted for when paid.

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The following is a summary of the acquisition:

	2004
Net assets acquired	
Non-cash working capital	\$ 19
Property, plant and equipment	265
Intangible assets	500
	<hr/>
	\$ 784
	<hr/>
Consideration	
Cash	\$ 400
Short-term note payable	384
	<hr/>
	\$ 784
	<hr/>

In the fourth quarter of 2003, the Company acquired the assets and operations of Westeinde, a general contractor in eastern Ontario for a total consideration of \$1,503. The acquisition was accounted for using the purchase method and the results of operations are included from the date of acquisition. In the fourth quarter of 2004, the Company entered into a settlement agreement with the former owner of Westeinde in which it was agreed that notes payable to the former owner in the amount of \$728 would be forgiven, the Company's obligations under a consulting agreement would be terminated and the Company would be granted the former owner's interest in a mutually owned joint venture. The remaining carrying value of goodwill and other intangible assets, amounting to \$1,130 in Westeinde were written off. This charge is included in the consolidated statements of operations as impairment of goodwill and other intangible assets.

In the second quarter of 2005, the Company paid \$192 with respect to the short-term note payable of \$384 recorded in connection with the acquisition of Cegerco CCI Inc.

19) 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 on December 31, 2004 and the next required actuarial valuation is December 31, 2007.

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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.

	2005	2004
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	\$ 28,900	\$ 26,349
Actual return on plan assets	2,921	2,577
Company contributions	2,826	2,393
Plan participant contributions	166	181
Benefits paid	(2,635)	(2,600)
	<hr/>	<hr/>
Fair value of plan assets at end of year	\$ 32,178	\$ 28,900
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 35,251	\$ 32,248
Current service cost	1,245	1,199
Interest cost	2,016	1,919
Benefits paid	(2,635)	(2,600)
Actuarial losses	2,668	2,485
	<hr/>	<hr/>
Benefit obligation at end of year	\$ 38,545	\$ 35,251
Funded status		
Excess of benefit obligation over plan assets	\$ (6,367)	\$ (6,351)
Unrecognized net actuarial loss	8,482	7,261
Unrecognized transitional liability	127	188
	<hr/>	<hr/>
Pension asset at December 31	\$ 2,242	\$ 1,098
Amounts recognized in consolidated balance sheets		
Other assets	\$ 2,242	\$ 1,098
Weighted average assumptions to calculate benefit obligation		
Discount rate	5.75%	5.75%
Rate of increase in future compensation	3.5%	3.5%
Asset categories of pension assets		
Cash and short-term notes	7.1%	7.0%
Debt securities	33.7%	35.7%
Equity securities	59.2%	57.3%

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Details of pension expense are as follows:

	2005	2004
Pension benefit expense		
Current service cost, net of employee contributions	\$ 1,079	\$ 1,018
Interest cost	2,016	1,919
Amortization of actuarial loss ⁽¹⁾	378	303
Amortization of transitional liability	56	50
Expected return on plan assets	<u>(1,847)</u>	<u>(1,695)</u>
Defined benefit pension expense	1,682	1,595
Defined contribution pension expense	1,660	1,518
Multi-employer pension plan contributions	<u>22,459</u>	<u>12,776</u>
Pension benefit expense	<u>\$ 25,801</u>	<u>\$ 15,889</u>
Defined benefit pension expense incurred		
Defined benefit pension expense recognized, above	\$ 1,682	\$ 1,595
Difference between expected and actual return on plan assets	<u>(1,074)</u>	<u>(882)</u>
Difference between actuarial losses amortized and actuarial losses arising	2,291	2,182
Amortization of transitional liability	<u>(56)</u>	<u>(50)</u>
Defined benefit pension expense incurred	<u>\$ 2,843</u>	<u>\$ 2,845</u>
Weighted average assumptions to calculate pension benefit expense		
Discount rate	5.75%	6.0%
Assumed long-term rate of return on plan assets	6.5%	6.5%
Rate of increase in future compensation	3.5%	3.5%

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

Details of cash flows are as follows:

	2005	2004
Cash flows		
Total cash contributions for employee pension plans:		
Defined benefit plans	\$ 2,826	\$ 2,393
Defined contribution plans	1,660	1,518
Multi-employer pension plan	<u>22,459</u>	<u>12,776</u>
Total cash contributions	<u>\$ 26,945</u>	<u>\$ 16,687</u>

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In addition to regular contributions, the Company expects to contribute approximately \$859 in 2006 (2005 - \$900) to its defined benefit pension plans to cover underfunded liabilities.

20) 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.

- (a) During 2005, the Company paid professional fees in the amount of \$77 (2004 - \$25) to a consulting company in which a director of the Company is a partner.
- (b) During 2005, the Company paid legal fees in the amount of \$165 (2004 - \$319) to a firm in which a director of the Company is a partner.
- (c) An officer and director of the Company purchased \$100, and a company controlled by a director and his wife purchased \$600, and the wife of a director purchased \$100 of the Company's \$32,500 convertible debenture financing, which was completed on March 17, 2005.
- (d) Hochtief, the parent of HCI, has issued guarantees in support of the financial and performance related obligations of the Nathpa Jhakri hydro-electric project in India in which the Company has a joint venture interest (note 10). During 2005, the Company paid guarantee fees in the amount of \$266 (2004 - \$432) to HCI in connection with these guarantees.
- (e) The Company is a joint venture partner with Hochtief on the Eastmain hydro-electric powerhouse project in Quebec.
- (f) As at December 31, the Company was indebted to Hochtief for a total of \$2,500 in the form of a short-term unsecured loan, which was repaid on January 13, 2006. The loan, which amounted to \$10,000 in October 2005, was provided to support a portion of the Company's working capital contribution requirements to the Eastmain joint venture, the hydroelectric powerhouse project in northern Quebec. Interest due is calculated on the amount outstanding at prime rate plus 1.5%. As at December 31, 2005, the Company had interest payable to Hochtief of \$33 and recorded during 2005 interest expense of \$234 in relation to this loan.
- (g) The Company paid interest of \$417 (2004 - \$388) to Hochtief Canada Inc. on the convertible subordinated debenture described in note 11.
- (h) During 2005, the Company paid \$190 to Hochtief with respect to bid costs, pursuant to an arrangement in place for the sharing of such costs.
- (i) During 2005, the Company received \$529 from Hochtief PPP Solutions GmbH with respect to bid costs, pursuant to an arrangement in place for the sharing of such costs.

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- (j) In 2005, the Company paid various service fees in the amount of \$140 (2004 - \$160) to Hochtief VSB a.s. with respect to an automotive contract in Europe.
- (k) As at December 31, 2005, the Company had a payable in the amount of \$110 to Hochtief.
- (l) As at December 31, 2005, the Company had a receivable in the amount of \$198 to Hochtief PPP Solutions GmbH.
- (m) During 2004, the Company paid \$647 of interest, standby fees, and arrangement fees to Hochtief Canada Inc. with respect to a standby facility which, was repaid on November 30, 2004.
- (n) On July 21, 2004, the shareholders voted not to approve a proposed amalgamation that would have resulted in HCI holding all the outstanding shares of the Company and taking the Company private. The Company incurred legal, valuation and related costs of \$1,046 in connection with the proposed amalgamation. HCI reimbursed the Company for \$520 of these costs.
- (o) During 2004, the Company's sale of its Footage Tools division, referred to in note 15, was made to a group which included employees of the Footage Tools division and a former executive of the Company.
- (p) In December 2004, the Company's largest shareholder, Hochtief, transferred its 47.8% stake in the Company to Canadian Turner Construction Company (Nova Scotia), a wholly owned subsidiary of The Turner Corporation, which in turn is a wholly owned subsidiary of Hochtief.

21) Financial instruments

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

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 are considered to approximate the carrying values.

There is not a liquid or quoted market value for the Company's long-term investment in Derech Eretz. The long-term receivable included in other assets has been discounted at an interest rate that results in the carrying value approximating its fair value.

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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. At December 31, 2005, the Company had net outstanding contracts to sell US\$3,613 (2004 - sell US\$9,649) and sell euro nil (2004 - sell euro 586,000) on which there was a net unrealized exchange gain of \$187 (2004 - net gain of \$582), which is recognized in the consolidated statements of operations. The net unrealized exchange gains/losses represent the estimated amount that the Company would have received/paid if it terminated the contracts at the end of the respective years.

22) Segmented information and business concentration

The Company has three reportable segments: Infrastructure, Buildings and Industrial. This segmentation reflects the Company's current structure and management. 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 infrastructure including roads and highways, expressways and toll routes, dams and tunnels, bridges, airports, marine facilities, transit systems and power projects as well as utility distribution systems including natural gas, telecommunications and electrical networks, water and sewer mains, traffic signals and highway lighting. Activities within this segment also include the development, design, construction, operation and financing of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer or public-private partnership contract structures.

Buildings

This segment is active in the construction of commercial and institutional buildings principally in Canada and the northwestern United States and selected international projects.

Industrial

This segment includes all of the Company's industrial manufacturing and industrial construction activities. These operations include the fabrication of small and large bore pipe and module assembly for the petrochemical industry, and the design and manufacture of once-through heat recovery steam generators for industrial and power plant applications. Also included are the Company's industrial construction, installation and maintenance activities where the Company has special expertise in the power, automotive and steel industries.

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(a) Industry segments

	2005				
	Infrastructure	Buildings	Industrial	Corporate and Other	Total
Revenues	\$ 456,997	\$ 394,812	\$ 273,255	\$ (4,820)	\$ 1,120,244
EBITDA (i)	\$ 11,819	\$ 2,584	\$ 10,678	\$ (10,265)	\$ 14,816
Depreciation and amortization	4,462	435	1,847	882	7,626
Segment operating profit (loss)	\$ 7,357	\$ 2,149	\$ 8,831	\$ (11,147)	7,190
Interest and income taxes					(11,774)
Loss before extraordinary item					\$ (4,584)
Extraordinary gain	\$ 4,122	\$ -	\$ -	\$ -	\$ 4,122
Income taxes on extraordinary gain	(678)				(678)
Extraordinary gain, net of income taxes	\$ 3,444	\$ -	\$ -	\$ -	\$ 3,444
Net loss					\$ (1,140)
Total assets	\$ 246,595	\$ 107,915	\$ 96,453	\$ 53,459	\$ 504,422
Intangible assets and goodwill	\$ 2,923	\$ 1,864	\$ 3,750	\$ -	\$ 8,537
Capital expenditures	\$ 1,915	\$ 220	\$ 1,007	\$ 386	\$ 3,528
Cash flow from (used in) continuing operations prior to changes in current assets and liabilities	\$ 12,792	\$ 2,584	\$ 10,683	\$ (16,254)	\$ 9,805

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	2004				
	Infrastructure	Buildings	Industrial	Corporate and Other	Total
Revenues	\$ 449,277	\$ 367,438	\$ 192,486	\$ (6,721)	\$ 1,002,480
EBITDA (i)	\$ 1,762	\$ (11,370)	\$ 2,753	\$ (11,168)	\$ (18,023)
Depreciation and amortization	4,754	736	1,722	721	7,933
Impairment of goodwill and other intangible assets	-	1,130	-	-	1,130
Segment operating profit (loss)	\$ (2,992)	\$ (13,236)	\$ 1,031	\$ (11,889)	(27,086)
Interest and income taxes					(27,594)
Loss from continuing operations					\$ (54,680)
Segment operating profit from discontinued operations	\$ 885	\$ -	\$ 16,648	\$ -	\$ 17,533
Interest and income taxes					(4,479)
Income from discontinued operations					\$ 13,054
Net loss					\$ (41,626)
Total assets	\$ 238,533	\$ 105,690	\$ 89,640	\$ 21,464	\$ 455,327
Intangible assets and goodwill	\$ 2,743	\$ 1,983	\$ 3,750	\$ -	\$ 8,476
Capital expenditures	\$ 694	\$ 351	\$ 2,321	\$ 443	\$ 3,809
Cash flow from (used in) continuing operations prior to changes in current assets, liabilities and discontinued operations	\$ 2,063	\$ (11,360)	\$ 2,689	\$ (21,520)	\$ (28,128)

- i) EBITDA represents earnings or loss before interest, income taxes, depreciation and amortization. Segment operating profit (loss) represents net income (loss) before interest and income taxes. Cash flow from (used in) operations is before the change in other balances related to operations. EBITDA, operating profit (loss), and cash flow from operations are not measures that have any standardized meaning prescribed by GAAP and are considered non-GAAP measures. Therefore, these measures may not be comparable to similar measures

Aecon Group Inc.

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presented by other companies. These measures have been described and presented in order to provide shareholders and potential investors with additional information regarding the Company's finances and results of operations.

(b) Geographic segments

	2005		2004
Revenues			
Canada	\$ 1,037,397	\$	855,691
United States	45,299		76,222
Israel, India, and others	37,548		70,567
	<hr/> \$ 1,120,244	<hr/> \$	<hr/> 1,002,480
Property, plant and equipment, intangibles and goodwill			
Canada	\$ 64,588	\$	67,308
United States	65		151
	<hr/> \$ 64,653	<hr/> \$	<hr/> 67,459

23) Comparative figures

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

24) Subsequent event

On March 3, 2006, the Company filed a preliminary prospectus as part of an agreement to issue 4,500,000 common shares on a bought deal basis to a syndicate of underwriters. The common shares will be publicly offered in Canada under a short-form prospectus at a price of \$6.25 per share, representing gross proceeds of \$28,125. The underwriters were also granted an Over-Allotment Option to purchase an additional 15% of the Offering at any time until 30 days after Closing at a price of \$6.25 per share for total gross proceeds including the Over-Allotment Option of up to \$32,344. Closing is expected to occur on or about March 17, 2006 subject to Toronto Stock Exchange and other regulatory approvals.