Aecon Group Inc.

Consolidated Financial Statements
December 31, 2006 and 2005

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the Shareholders of
Aecon Group Inc.

We have audited the consolidated balance sheets of **Aecon Group Inc.** as at December 31, 2006 and 2005 and the consolidated statements of operations, retained earnings 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 audit.

We conducted our audit 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, 2006 and 2005 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

Aecon Group Inc.

Consolidated Balance Sheets

As at December 31, 2006 and 2005

(in thousands of dollars)

		2006		2005
Assets				
Current assets				
Cash and cash equivalents (note 3)	**$**	**50,109**	$	27,002
Restricted cash (note 3)		**13,195**		7,500
Restricted marketable securities and term deposits (note 3)		**15,224**		15,318
Accounts receivable		**208,689**		135,005
Holdbacks receivable		**58,282**		66,583
Deferred contract costs and unbilled revenue		**90,312**		82,058
Inventories		**9,045**		7,186
Prepaid expenses		**6,511**		1,763
		451,367		342,415
Property, plant and equipment (note 7)		**53,348**		56,116
Future income tax assets (note 6)		**19,046**		20,100
Concession rights (note 5)		**120,088**		-
Long-term investment (note 8)		**42,733**		41,273
Other assets (note 9)		**29,705**		44,518
	$	**716,287**	$	504,422

Aecon Group Inc.

Consolidated Balance Sheets …*continued*

As at December 31, 2006 and 2005

(in thousands of dollars)

	2006	2005
Liabilities		
Current liabilities		
Bank indebtedness (note 3)	**$ 15,036**	$ 8,312
Accounts payable and accrued liabilities	**190,020**	166,594
Holdbacks payable	**30,666**	38,021
Deferred revenue	**64,444**	29,274
Income taxes payable	**2,044**	1,779
Future income tax liabilities (note 6)	**23,160**	26,275
Other loan payable (note 20(b))	**-**	2,500
Current portion of long-term debt (note 10)	**4,797**	6,228
Convertible debentures (note 12)	**-**	7,676
	330,167	286,659
Long-term debt (note 10)	**81,120**	35,671
Other liabilities (note 13)	**3,062**	2,971
Other income tax liabilities (note 6)	**13,994**	13,634
Concession related deferred revenue (note 5(f))	**74,353**	-
Convertible debentures (note 12)	**59,988**	59,159
	562,684	398,094
Commitments and contingencies (note 14)		
Shareholders' Equity		
Capital stock (note 15)	**131,975**	95,985
Contributed surplus (note 15)	**1,329**	361
Convertible debentures (note 12)	**4,146**	4,982
Retained earnings	**16,543**	5,000
Cumulative foreign currency translation adjustments	**(390)**	-
	153,603	106,328
	$ 716,287	$ 504,422

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 Statements of Operations

For the years ended December 31, 2006 and 2005

(in thousands of dollars, except per share amounts)

		2006		2005
Revenues	$	**1,113,306**	$	1,120,244
Costs and expenses		**1,016,744**		1,053,413
		96,562		66,831
Marketing, general and administrative expenses		**62,458**		49,648
Foreign exchange (gains) losses		**(324)**		2,996
Loss (gain) on sale of assets		**68**		(629)
Depreciation and amortization		**14,613**		7,626
Interest expense, net (note 16)		**7,516**		9,307
		84,331		68,948
Income (loss) before income taxes and extraordinary item		**12,231**		(2,117)
Income tax expense (recovery) (note 6)				
Current		**2,790**		(1,335)
Future		**(2,061)**		3,802
		729		2,467
Income (loss) before extraordinary item		**11,502**		(4,584)
Extraordinary gain, net of income taxes (note 18)		**-**		3,444
Net income (loss) for the year	$	**11,502**	$	(1,140)
Earnings (loss) per share before extraordinary item (note 15)				
Basic	**$**	**0.33**	$	(0.16)
Diluted	**$**	**0.31**	$	(0.16)
Net earnings (loss) per share (note 15)				
Basic	**$**	**0.33**	$	(0.04)
Diluted	**$**	**0.31**	$	(0.04)
Average number of shares outstanding (note 15)				
Basic		**35,157,471**		29,444,844
Diluted		**37,116,872**		33,136,178

Aecon Group Inc.

Consolidated Statements of Retained Earnings

For the years ended December 31, 2006 and 2005

(in thousands of dollars)

	2006	2005
Retained earnings - beginning of year	**$ 5,000**	$ 6,111
Add (deduct):		
Net income (loss) for the year	**11,502**	(1,140)
Interest received on share purchase loans (note 15)	**41**	29
Retained earnings - end of year	**$ 16,543**	$ 5,000

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2006 and 2005

(in thousands of dollars)

		2006		2005
Cash provided by (used in)				
Operating activities				
Net income (loss) for the year	$	**11,502**	$	(1,140)
Items not affecting cash:				
Depreciation and amortization		**14,613**		7,626
Loss (gain) on sale of assets		**68**		(629)
Amortization of deferred financing charges		**680**		869
Extraordinary gain (note 18)		**-**		(4,122)
Unrealized (gain) loss on foreign exchange		**(405)**		2,646
Non-cash interest on other income tax liabilities		**360**		360
Notional interest representing accretion (notes 12 and 13)		**897**		859
Defined benefit pension (note 19)		**454**		(1,144)
Future income taxes		**(2,061)**		4,480
Stock-based compensation		**968**		171
		27,076		9,976
Change in other balances relating to operations (note 17)		**(28,720)**		(37,889)
		(1,644)		(27,913)
Investing activities				
Increase in restricted cash (note 3)		**(5,695)**		(7,500)
Decrease (increase) in restricted marketable securities and term deposits		**338**		(614)
Purchase of property, plant and equipment		**(4,059)**		(3,528)
Proceeds on sale of property, plant and equipment		**1,331**		2,070
Acquisitions (note 18)		**(901)**		(192)
Concession rights (note 5(d))		**(37,474)**		-
Long-term investment (note 8)		**-**		(4,348)
Increase in other assets (note 9)		**221**		(9,656)
Cash acquired on acquisition of a subsidiary, net of consideration paid (note 18)		**-**		1,896
		(46,239)		(21,872)
Financing activities				
Increase (decrease) in bank indebtedness		**6,708**		(3,325)
Issuance of other loan payable (note 20(b))		**-**		2,500
Repayment of other loan payable (note 20(b))		**(2,500)**		-
Issuance of long-term debt		**73,043**		45,948
Repayments of long-term debt		**(42,444)**		(51,370)
Increase in concession related deferred revenue (note 5(f))		**7,246**		-
Issuance of capital stock (note 15)		**27,423**		2,156
Interest received on share purchase loans (note 15)		**41**		29
Net proceeds from issuance of convertible debentures (note 12)		**-**		31,016
		69,517		26,954
Increase (decrease) in cash and cash equivalents		**21,634**		(22,831)
Effects of foreign exchange on cash balances		**1,473**		(306)
Cash and cash equivalents - beginning of year		**27,002**		50,139
Cash and cash equivalents - end of year	$	**50,109**	$	27,002

Supplementary disclosures (note 17)

(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, 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.

(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
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 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 carried at cost are written down to provide for the loss.

(in thousands of dollars, except per share amounts)

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 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.

Leasehold inducements

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

(in thousands of dollars, except per share amounts)

Stock-based compensation plans

The Company has stock-based compensation plans, as described in note 15. 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 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 (loss) for the year.

The assets and liabilities of the Company's self-sustaining operations having 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 deferred as a separate component of shareholders' equity.

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).

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 consolidated financial statements.

(in thousands of dollars, except per share amounts)

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

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

(a) Cash and cash equivalents as at December 31, 2006 include $42,212 (2005 - $10,235) on deposit in joint venture and affiliate bank accounts which the Company cannot access directly. Restricted cash of $13,195 at December 31, 2006 (2005 - $7,500) represents cash that was deposited as collateral for borrowings and letters of credit issued by the Company, and as such, this cash was not available for general operating purposes. Restricted marketable securities and term deposits of $15,224 (2005 - $15,318) are held within joint ventures and cannot be accessed directly by the Company. These securities, which include holdback funds of $12,837 (2005 - $12,452) released by the owner on the Nathpa Jhakri hydro-electric project are pledged as collateral for letters of credit and are held in various interest bearing term deposits that mature in 2007. Also included in restricted marketable securities are term deposits of $2,387 (2005 - $2,866) 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 July 31, 2006, the Company signed a new credit agreement with the Toronto Dominion Bank which provides for a $15,000 revolving operating line of credit. Previously, the Company had a $15,000 operating line with the Toronto Dominion Bank, of which $7,500 was secured by a cash collateral. The line is secured by general security agreements that include assignments of accounts receivable, holdbacks receivable and pledges of inventory and equipment. Amounts outstanding generally bear interest at Canadian or U.S. prime rate plus 1.25% (2005 - prime plus 1.25%). The facility has certain covenants to be calculated quarterly, and matures on July 30, 2007. Bank indebtedness related to this facility at December 31, 2006 was $6,823 and includes cheques issued but not cleared. In addition, $12,891 (2005 - $10,616) of the facility was utilized to secure letters of credit.

(c) Bank indebtedness also includes $8,213 (2005 - $8,196) 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 8.8% (2005 - 6.8%). The full amount of the joint venture operating line and borrowings, amounting to $18,250 (2005 - $18,213), is secured by letters of credit that are jointly and severally guaranteed by the Company and by Hochtief AG ("Hochtief"), formerly 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.

(in thousands of dollars, except per share amounts)

4) Joint ventures

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

(a) The following table sets out the Company's proportionate share of the assets, liabilities, venturers' equity, revenues, expenses, net income and cash flows of these joint ventures. Included in expenses in the determination of net income of joint ventures are income taxes for those entities that are separately liable for the payment of taxes. Income taxes are not included for joint ventures where income taxes are the responsibility of the joint venture partners. Income taxes included in joint venture expenses amounted to $455 (2005 - $552).

	2006	**2005**
Assets		
Current	**$ 138,931**	$ 84,055
Property, plant and equipment	**2,233**	2,049
Other	**125,481**	18,153
	$ 266,645	$ 104,257
Liabilities		
Current	**$ 73,031**	$ 43,595
Long-term	**137,740**	1,282
Venturers' equity	**55,874**	59,380
	$ 266,645	$ 104,257
Revenues	**$ 122,479**	$ 124,678
Expenses	**118,532**	120,040
Net income	**$ 3,947**	$ 4,638
Cash provided by (used in)		
Operating activities	**$ 18,521**	$ (6,392)
Investing activities	**(25,564)**	(5,958)
Financing activities	**37,702**	6,470
	$ 30,659	$ (5,880)

(b) The Company is either contingently or directly liable for obligations of its unincorporated joint ventures (notes 11 and 14). 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 $9,715 (2005 - $4,804) from its

(in thousands of dollars, except per share amounts)

joint venture partners. At December 31, 2006, the Company has included in accounts receivable $5,000 (2005 - $2,785) owing from its joint ventures and has included in accounts payable and accrued liabilities $1,445 (2005 - $323) owing to its joint ventures.

5) Quito International Airport Project

The Company has recorded concession rights at December 31, 2006 as follows:

Concession rights to operate the Existing Quito Airport, net of accumulated amortization of $7,105	**$ 59,717**
Concession rights to operate the new Quito Airport	**60,371**
	$ 120,088

(a) Background information

The Company holds a 42.3% effective economic interest in Corporacion Quiport S.A. ("Quiport JV"), 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 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 given 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 will be reinvested in the new airport.

The Company's partners in Quiport JV are: Andrade Gutierrez Concessoes of Brazil, Airport Development Corporation of Toronto and HAS Development Corporation of Houston, Texas, which is affiliated with the Houston Airport System. The right to the concession was provided by CORPAQ and the project's senior lenders are: USA-based Overseas Private Investment Corporation, Export-Import Bank of the United States, the Inter-American Development Bank and Export Development Canada ("EDC") (collectively the "Project Senior Lenders").

The Company will invest approximately US$33,670 in this project; US$13,650 having been invested prior to financial close and the balance to be invested over the construction period. The Company will use its expected cash profits from construction-related activities toward financing the Company's equity investment in Quiport JV.

On January 27, 2006, Quiport JV assumed control of the Existing Quito Airport operations and on June 28, 2006 financial close was achieved and the first tranche of financing was advanced by the Project Senior Lenders.

The construction contract for the new airport was signed on June 22, 2005 and the formal construction commencement date was July 12, 2006. The New Quito Airport will be constructed under a 51-month fixed-price Engineer-Procure-Construct contract signed between CORPAQ and Canadian Commercial Corporation

(in thousands of dollars, except per share amounts)

("CCC"), a Crown agency of the Canadian government. CORPAQ assigned the construction contract to Quiport JV. CCC subcontracted 100% of the construction work to the Company as its Canadian supplier, which then subcontracted 100% of the construction work to a 50%/50% joint venture consisting of the Company and Brazil's Construtora Andrade Gutierrez (the "Construction JV"). The Company will be the managing partner of the Construction JV.

(b) Accounting for Quiport JV and Construction JV

On June 28, 2006, the Company began accounting for these investments using the proportionate consolidation method, whereby the Company recognizes on its balance sheet its share of the assets and liabilities of both Quiport JV and Construction JV, and in its consolidated statement of operations, 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 U.S. 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 will be 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. Under the Company's accounting policy for large multi-year contracts, profit is recognized only when construction progress reaches a stage of completion sufficient to reasonably determine the probable results (generally when the contract is 20% complete). To date, no construction profits have been recorded on this project.

(c) Accounting for operations of the Existing Quito Airport

As an inducement to develop and finance the new Quito International Airport, Quiport JV was given the right to operate and to benefit from the operations of the Existing Quito Airport while the new airport is being constructed. In accordance with GAAP, an entity acquiring an "in kind" asset must measure the asset at fair value as at the date of acquisition. Therefore, in accounting for the right to operate the Existing Quito Airport, Quiport JV has fair valued this right and recorded an intangible asset (being the "Concession Rights") on its consolidated balance sheet. The Company's proportionate share of this asset was assigned a value of US$57,337 or Canadian equivalent of $64,000 at the date of the acquisition following an independent valuation of the inducement. Quiport JV amortizes the 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 inducement 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 will be recognized in the normal fashion, will be reduced by the amount of the annual amortization charge related to the Existing Quito Airport Concession Rights.

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

At December 31, 2006, costs incurred of $60,371, representing the Company's proportionate share to construct the New Quito Airport, have been recorded as Concession Rights to operate the New Quito Airport. Amortization of the Concession Rights to operate the New Quito Airport will commence after construction of the New Quito Airport is completed. As a result, there is no amortization expense recorded in the current period results.

(in thousands of dollars, except per share amounts)

(e) Quiport JV long-term debt

Subsequent to achieving financial close of the Quito International Airport Project, US$114,592 of senior project financing was advanced to Quiport JV by the Project Senior Lenders. The total financing commitment made by the Project Senior Lenders to Quiport JV is US$376,388.

The financing is denominated in U.S. 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:

- U.S. 91-day treasury bill rate plus 4% margin (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).

Included in the Company’s consolidated balance sheet at December 31, 2006, is debt of US$52,139 (CAD$60,763) representing the Company’s proportionate share of Quiport JV debt. This debt is secured by the assets of Quiport JV and is without recourse to the Company.

No debt repayments are scheduled to be made during the construction period.

As at December 31, 2006, Quiport JV was in breach of certain non-financial debt covenants. These defaults primarily related to pre-closing conditions that were waived by the lenders at financial close and which continue to be waived by the lenders. Should it be necessary, the Company believes that it can obtain additional waivers from its lenders during 2007 related to the breaches of these non-financial covenants.

(f) Concession related deferred revenue

As part of acquiring the rights to operate the Existing Quito Airport (see note 5(c) above), the Company recorded US$57,337 or Canadian equivalent at year-end exchange rates of $66,822 of concession related deferred revenue representing the estimated value of the “inducement” received by Quiport JV to develop and finance the New Quito Airport. This deferred revenue amount will be amortized to earnings over the term of the New Quito Airport concession period.

As at June 28, 2006, CORPAQ also provided Quiport JV with net assets of $4,541, 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.

The Company also received $2,990 in development funds and cost reimbursements related to the Quito airport project, which have been recorded as concession related deferred revenue. This deferred revenue balance will be amortized to earnings over the term of the New Quito Airport concession period.

(in thousands of dollars, except per share amounts)

(g) Guarantees

In connection with the Quito International Airport Project, the Company has provided letters of credit of US$22,000 (CAD$25,639) in support of its remaining equity obligations, and for various project contingencies of US$30,203 (CAD$35,199). These letters of credit are supported by guarantees issued on behalf of the Company to the issuing banks by EDC and will remain in place until the Company's equity obligations are fulfilled and the conditions giving rise to the contingencies are satisfied or cleared. As a result of EDC issuing these guarantees, the Company was required to place in deposit with EDC the sum of US$1,000 (CAD$1,165), which is included in restricted cash at December 31, 2006.

The Company has also issued a letter of credit to secure an advance received from the Construction JV in the sum of US$9,500 (CAD$11,071). The cash received was used as collateral for the letter of credit.

In addition, the Company and Andrade Gutierrez have provided surety bonds, guaranteed joint and severally, to cover construction and concession related performance obligations of US$67,055 (CAD$78,146), an advance payment bond of US$74,466 (CAD$86,783) and a retention release bond of US$20,685 (CAD$24,106), in each case the Company's share is supported by guarantees issued by EDC.

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:

	2006	2005
Income (loss) before income taxes and extraordinary item	**$ 12,231**	$ (2,117)
Statutory income tax rate	**36.1%**	36.1%
Expected income tax expense (recovery)	**4,418**	(765)
Effect on income tax of		
(Decrease) increase in the valuation allowance	**(6,664)**	219
Impact of change in substantively enacted tax rates on future tax balances	**1,510**	-
Provincial and foreign rate differentials	**(215)**	(29)
Non-deductible expenses	**945**	431
Foreign exchange translation losses	**46**	1,156
Other foreign exchange losses	**-**	957
Large corporations tax	**-**	325
Other	**689**	173
	(3,689)	3,232
Income tax expense	**$ 729**	$ 2,467

(in thousands of dollars, except per share amounts)

The Company and certain subsidiaries have accumulated non-capital income tax loss carry-forwards of approximately $125,175 (2005 - $152,467), which may be used to reduce future taxable income and expire in the following years:

2007	$	20,913
2008		4,225
2009		7,457
2010		36,856
2014		29,143
2015		22,357
2026		4,224
	$	125,175

The components of future income taxes are as follows:

		2006		2005
Net operating and capital losses carried forward	**$**	**42,412**	$	54,830
Reserves expensed for financial statement purposes and deducted for income tax purposes when paid		**2,148**		1,230
Property, plant and equipment:				
Net book value in excess of tax basis		**(579)**		(1,837)
Long-term contracts, including joint ventures (1)		**(26,037)**		(28,288)
Other temporary differences		**729**		784
Other long-term differences		**3,423**		(20)
Total future income tax assets		**22,096**		26,699
Valuation allowance		**(26,210)**		(32,874)
Future income taxes, net	**$**	**(4,114)**	$	(6,175)
Classified as:				
Long-term future income tax assets	**$**	**19,046**	$	20,100
Current future income tax liabilities		**(23,160)**		(26,275)
Total future income tax liabilities	**$**	**(4,114)**	$	(6,175)

(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 14(d)).

(in thousands of dollars, except per share amounts)

7) Property, plant and equipment

						2006
		Cost		**Accumulated depreciation and amortization**		**Net**
Land and improvements	**$**	**6,263**	**$**	**-**	**$**	**6,263**
Buildings		**16,630**		**3,887**		**12,743**
Aggregate properties		**13,804**		**4,204**		**9,600**
Machinery and equipment		**67,350**		**42,608**		**24,742**
	$	**104,047**	**$**	**50,699**	**$**	**53,348**

						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
	$	105,326	$	49,210	$	56,116

Included in property, plant and equipment is equipment of $10,192 (2005 - $10,106) held under capital leases, with accumulated depreciation of $3,684 (2005 - $3,263).

8) Long-term investment

The long-term investment in the amount of $42,733 at December 31, 2006 (2005 - $41,273) represents the Company's 25.0% 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. On January 24, 2005, the Company increased its interest in Derech Eretz from 22.2% to 25%. The purchase price for the increased stake was US$3,500 (CAD$4,348). On February 16, 2006, pursuant to an agreement reached with the project lenders, the shareholders of Derech Eretz purchased certain options held by lenders. The lenders' options would have allowed the lenders to purchase directly from the existing shareholders a portion of their equity and subordinated debt of the concessionaire. The Company's pro rata share of the purchase price was US$1,250 (CAD$1,460). Pursuant to an agreement with the State of Israel,

(in thousands of dollars, except per share amounts)

the Company's interest in Derech Eretz would be diluted to approximately 12% if options granted are exercised.

9) Other assets

			2006		2005
Goodwill	(a)	**$**	**9,427**	$	8,154
Long-term receivables	(b)		**6,968**		6,145
Income tax deposit (note 14(d))			**5,414**		5,414
Loans receivable	(c)		**3,428**		3,639
Pension assets (note 19)			**1,788**		2,242
Deferred financing charges	(d)		**1,494**		2,114
Deferred costs	(e)		**-**		15,431
Other	(f)		**1,186**		1,379
		$	**29,705**	$	44,518

(a) In 2006, goodwill related to the 2004 acquisition of Cegerco CCI Inc ("Cegerco"), was increased by $1,273. This goodwill represents the additional consideration payable as a result of the achievement of certain financial targets by the Cegerco operations.

(b) Long-term receivables of $6,968 (2005 - $6,145) include $5,706 (2005 - $4,981) 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 relates 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 $1,262 (2005 - $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. 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.

(c) Loans receivable include $2,738 (2005 - $2,706) 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 rate. 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's prime rate on the date notice is provided plus 0.75% per annum.

Also included in loans receivable are loans to directors, senior officers and employees in the amount of $518 (2005 - $544). 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.

(in thousands of dollars, except per share amounts)

(d) Deferred financing charges include $1,494 (2005 - $2,114) that relate to the issuance of the two convertible debentures, which are described in note 12(b). These charges are being amortized as interest expense over the term of the debentures.

(e) Deferred costs at December 31, 2005 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. In 2006, these costs were recovered upon achieving financial close on the project.

(f) Other includes definite life intangible assets of $737 (2005 - $954).

10) Long-term debt

			2006		2005
Quiport JV Project Senior Lenders debt (note 5(e))	(a)	**$**	**60,763**	$	-
Revolving term loan	(b)		**-**		21,851
Capital leases and equipment loans	(c)		**11,082**		15,019
Mortgages	(d)		**4,917**		5,029
Quiport JV CORPAQ debt	(e)		**5,614**		-
Derech Eretz investment loan (note 8)	(f)		**1,457**		-
Investment loan	(g)		**1,923**		-
Other			**161**		-
			85,917		41,899
Less: Amounts due within one year			**4,797**		6,228
		$	**81,120**	$	35,671

The following describes the components of long-term debt:

(a) The Company's proportionate share of the Quiport JV Project Senior Lenders long-term debt at December 31, 2006 is $60,763 (2005 - $nil). See note 5(e) for further details.

(b) The Company has a $20,645 (2005 - $21,851) 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, 2006 there were no borrowings under the facility. At December 31, 2005, the full amount of $21,851 had been borrowed under the facility and bore interest at 6.1%. Three years after December 31, 2006, 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.

(in thousands of dollars, except per share amounts)

(c) At December 31, 2006, capital leases and equipment loans bore interest at fixed and floating rates averaging 6.8% (2005 - 6.6%) per annum, with specific equipment provided as security.

(d) Mortgages are secured by certain of the Company's real estate assets. Of the amounts outstanding, $4,917 (2005 - $5,029) are for a term of ten years at a fixed rate of interest of 7.6% (2005 - 7.6%) and require monthly principal and interest payments amortized over 25 years.

(e) Quito JV CORPAQ debt of $5,614 (2005 - $nil) represents the Company's proportionate share of an amount due to CORPAQ by Quiport JV and related to construction of the Quito airport project. Quiport JV will make payments over the period from 2007 to 2012. The debt, which is denominated in United States dollars, has been discounted at the rate of 10.65%.

(f) As described in note 8, the shareholders of Derech Eretz purchased certain options held by project lenders. The Company's pro rata share of the purchase price was financed by a loan from the other shareholders in Derech Eretz. At December 31, 2006, the balance outstanding on the loan was US$1,250 (CAD$1,457) (2005 - $nil). The loan bears interest at 6% per annum and is repayable from future distributions available to the Company from Derech Eretz or the construction joint venture.

(g) The Company borrowed US$1,650 (CAD$1,923) from Airport Development Corporation ("ADC"), a joint venture partner in the Quito International 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.

The weighted average interest rate on long-term debt outstanding at the end of the year was 7.0% (2005 - 6.4%).

Repayments of long-term debt required within the next five years, including the convertible debentures described in note 12, are as follows:

2007	$	4,797
2008		11,730
2009		31,373
2010		32,199
2011		8,385
Thereafter		57,421
	$	145,905

11) Guarantees

The Company has outstanding guarantees amounting to $25,905 (2005 - $25,668) 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 former 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.

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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 30.60% 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 is in the amount of US$8,100 (CAD$9,440) (2005 - US$8,100 or CAD$9,420) 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 NIS33,000 plus escalation to date (CAD$12,470) (2005 - NIS33,000 plus escalation or CAD$11,397) or 6% of annual toll revenue.

In addition to the above, the Company has provided letters of credit in the amounts of US$200 (CAD$233) in support of working capital requirements of the operator of the toll highway, and NIS2,400 (CAD$663) to support a bid bond that was required by the concessionaire in connection with the construction of an extension to the Cross Israel Highway. These letters of credit are secured by cash.

The Company has also issued performance guarantees of $1,041 (2005 - $4,965) in respect of certain other international projects, which are supported by guarantees issued to the Company by EDC.

In addition, the Company has also issued, in the normal course of operations, guarantees amounting to $12,891 (2005 - $10,616) in support of financial and performance related obligations for certain domestic projects.

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. 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, 2006, the value of uncompleted work for which the Company's joint venture partners are responsible, and for which the Company could be responsible for assuming, amounted to approximately $428,694 (2005 - $40,276), a substantial portion of which is supported by performance bonds. In the event the Company assumed this additional work, it would have the right to receive the partner's share of billings to the project owners pursuant to the joint venture contract.

The Company has, over time, sold portions of its business. Pursuant to the sale agreements, the Company may have 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.

Details regarding the Company's investment and related obligations in the Quito International Airport Project are described in note 5(g).

(in thousands of dollars, except per share amounts)

12) Convertible debentures

Convertible subordinated debentures consist of:

		2006		2005
Debt component:				
(a) Debenture maturing June 30, 2006	**$**	**-**	$	7,676
(b) Debenture maturing November 2, 2009		**28,872**		28,474
(b) Debenture maturing March 17, 2010		**31,116**		30,685
	$	**59,988**	$	66,835
Reported as:				
Current liability	**$**	**-**	$	7,676
Long-term liability		**59,988**		59,159
	$	**59,988**	$	66,835
Equity component:				
(a) Debenture maturing June 30, 2006	**$**	**-**	$	836
(b) Debenture maturing November 2, 2009		**1,990**		1,990
(b) Debenture maturing March 17, 2010		**2,156**		2,156
	$	**4,146**	$	4,982

(a) In March 2006, Hochtief exercised its option to convert convertible debt with a face value of $7,731 into 2,147,566 common shares at a conversion price of $3.60 per share.

(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 debentures 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 debentures 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 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.

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

(in thousands of dollars, except per share amounts)

sale of additional common shares of the Company on a private placement basis. Additionally, the Company will have the option, subject to the prior agreement of the holders, to settle its obligations on conversion by way of a cash payment of equal value.

In determining the amount of the debt and equity components of the convertible debentures, the carrying amount of the financial liability is first determined by discounting the stream of future 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 $62,500 at December 31, 2006 (2005 - $70,231), 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:

		2006		2005
Interest expense on face value	**$**	**5,253**	$	5,029
Notional interest representing accretion		**852**		848
Amortization of deferred financing costs		**588**		540
	$	**6,693**	$	6,417

The liability portion of the debentures is as follows:

		2006		2005
Financial liability component	**$**	**58,354**	$	65,249
Notional interest representing accretion		**1,634**		1,586
	$	**59,988**	$	66,835

13) Other liabilities

		2006		2005
Leasehold inducements	**$**	**2,080**	$	2,260
Asset retirement obligations		**982**		711
	$	**3,062**	$	2,971

(in thousands of dollars, except per share amounts)

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.

		2006		**2005**
Asset retirement obligation liability, beginning of year	**$**	**711**	$	524
Increase in obligation		**225**		156
Accretion expense		**46**		31
Asset retirement obligation liability, end of year	**$**	**982**	$	711

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.

14) Commitments and contingencies

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

2007	$	16,508
2008		12,261
2009		9,716
2010		6,071
2011		3,750
Beyond		10,464
	$	58,770

(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.

(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, 2006. 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. At

(in thousands of dollars, except per share amounts)

December 31, 2006, 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 $17,786. The Company believes it has adequate income tax provisions to cover the ultimate outcome of these reassessments.

(e) In June 2005, 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 the joint venture in the amount of $30,393 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 also believes that even in the unlikely situation that it might be found responsible (through arbitration hearings that are currently in progress) for some part of the delay, this did not result in any actual 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 opinions. The joint venture had previously submitted for arbitration claims of approximately $111,825 against SJVN, the most significant of which is to cover the joint venture's cost of extra work and delays related to these same matters. This is in addition to $9,535, which was previously received by the joint venture and is included in the joint venture's profit estimate for this project. These claims have been subsequently revised to an amount of $96,158 as a result of findings during the course of the arbitration proceeding. Based on all of the above, no provision has been made for the liquidated damages nor has any amount been recognized for potential recoveries under the claims. This treatment is in accordance with the Company's accounting policy, which is to recognize revenues from claims only when resolved. The arbitration process is nearly complete and a decision is expected in the first half of 2007. As at December 31, 2006, the Company's balance sheet reflects net assets of $13,748 related to this contract.

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, 2006.

(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. 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 currently engaged in a joint venture with Hochtief in the construction of a hydro-electric facility in northern Quebec for Société d'énergie de la Baie James, a subsidiary of Hydro Quebec (the "Eastmain Project"). To date, the Eastmain Project has incurred cost overruns, primarily because of

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customer changes to the original contract scope. The Company is currently negotiating with Hydro Quebec for a full recovery of these cost overruns and expects that it will be successful in doing so. Should the Company not be successful in recovering these cost overruns, its financial results and position would be adversely impacted by a material amount.

(h) During the year, 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 are being challenged by the various airlines. Should Quiport's rights to the recent and future tariff increases be restricted or reduced, the reported value of concession rights related to the Existing Quito Airport could be materially reduced.

With respect to other commitments and contingencies relating to the Company's investment in the Quito International Airport project, see note 5.

15) Capital stock

	2006			**2005**		
	Number of shares issued		**Amount**	**Number of shares issued**		**Amount**
Balance - beginning of year	**31,180,609**	**$**	**95,985**	30,524,609	$	93,829
Common shares issued on exercise of options	**275,000**		**990**	656,000		2,156
Common shares issued, less expenses of $1,551 (i)	**4,680,000**		**27,699**	**-**		-
Common shares issued on conversion of debentures (ii)	**2,147,566**		**8,567**	**-**		**-**
Common shares purchased by the trust of the long-term incentive program (iii)	**(213,346)**		**(1,266)**	**-**		-
Balance - end of year (iv)	**38,069,829**	**$**	**131,975**	31,180,609	$	95,985

(i) On March 17, 2006, the Company issued 4,500,000 common shares at $6.25 per share. On April 18, 2006, an Over-Allotment Option was exercised and the Company issued an additional 180,000 common shares at $6.25 per share. Net proceeds, after deducting agents' fees and expenses of the entire issue, were approximately $27,699.

(ii) Hochtief exercised its option to convert convertible debt with a face value of $7,731 into 2,147,566 common shares at a conversion price of $3.60 per share. In addition, share capital was increased by $836 representing the equity portion of the convertible debentures that was previously classified as a separate component of shareholders' equity.

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(iii) In accordance with the recommendations of the CICA on accounting for variable interest entities, share capital and shares outstanding have been reduced to reflect shares purchased by the Trust administrating the Company's Long-Term Incentive Plan. As at December 31, 2006, the Trust held 213,346 shares with a cost basis of $1,266 (2005 - $nil).

(iv) 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 $1,084 (2005 - $1,084) are presented as a deduction from capital stock. Interest received on such loans, after provision for income taxes, amounted to $41 (2005 - $29) and is accounted for as a capital transaction in shareholders' equity.

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

Pursuant to an agreement in connection with the provision of bonds on the Quito International Airport Project, the Company is restricted from paying dividends, except for an aggregate of $10,000 per fiscal year.

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 Stock Option Plan shall not exceed 2,500,000. As at December 31, 2006, 950,000 common shares were issued under the 2005 Stock Option Plan. 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 under the 2005 Stock Option Plan, as well as details of changes in the balance of options outstanding are detailed below:

2005 Stock Option Plan			**2006**			**2005**
	Shares		**Weighted average exercise price**	**Shares**		**Weighted average exercise price**
Balance outstanding at beginning of year	**100,000**	**$**	**5.51**	-	$	-
Granted	**1,000,000**		**6.25**	100,000		5.51
Forfeited	**(150,000)**		**6.25**	-		-
Balance outstanding at end of year	**950,000**	**$**	**6.17**	100,000	$	5.51
Options exercisable at end of year	**283,333**	**$**	**6.16**	-	$	-

(in thousands of dollars, except per share amounts)

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
2006	850,000	$6.25	March 27, 2011

The options granted in 2005 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 have a term of five years from the date of grant and vest 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. 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 $903 (2005 - $nil) and contributed surplus was increased by the same amount, on account of options granted under the 2005 Stock Option Plan.

The fair value was estimated on the date of grant using the Black-Scholes fair value option pricing model using the following assumptions:

	2006
Dividend yield	0%
Expected volatility	32%
Risk free interest rate	4%
Weighted average expected life (years)	3.25

(in thousands of dollars, except per share amounts)

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 250,000 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	**2006**			**2005**		
	Shares		**Weighted average exercise price**	**Shares**		**Weighted average exercise price**
Balance outstanding at beginning of year	**525,000**	**$**	**4.58**	1,181,000	$	4.05
Exercised	**(275,000)**		**3.60**	(656,000)		3.63
Balance outstanding at end of year	**250,000**	**$**	**5.66**	525,000	$	4.58
Options exercisable at end of year	**200,000**	**$**	**5.51**	391,667	$	4.14

Options under the 1998 Stock Option Plan were exercised during the year for 275,000 shares (2005 - 656,000) for which share capital was increased by $990 (2005 - $2,156). Options currently outstanding have the following exercise prices and expiry dates:

Options granted in	**Number of shares**	**Exercise price**	**Expiry date**
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.

During the year, compensation expense of $65 (2005 - $171), and contributed surplus were increased by the same amounts on account of options granted under the 1998 Stock Option Plan.

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.

(in thousands of dollars, except per share amounts)

The number of shares awarded to participants is based on the financial results of the Company. Awards will be 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 retirement eligible individuals are assumed for accounting purposes to vest immediately. In 2006, the Company recorded compensation charges of $101 (2005 - $1,266).

The LTIP Trust (the "Trust") currently holds 213,346 shares at December 31, 2006 (2005 - nil shares).

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 the CICA Accounting Guideline No. 15 "Consolidation of Variable Interest Entities."

Earnings per share

Details of the calculations of earnings and loss per share are set out below. For purposes of calculating basic earnings or loss per share, the number of common shares has been reduced by 1,584,963 (2005 - 1,584,963) common shares on account of share purchase loans receivable from employees. For purposes of calculating diluted income or loss per share, these shares have been treated as options.

				2006
	Income (numerator)	**Shares (denominator)**		**Per share**
Net earnings per share				
Net income for the year	$ **11,502**	**35,157,471**	$	**0.33**
Effect of dilutive securities:				
Options	**-**	**1,411,951**		**-**
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006	**77**	**441,281**		**-**
Long-term incentive plan shares	**-**	**106,169**		**-**
	$ **11,579**	**37,116,872**	$	**0.31**

(in thousands of dollars, except per share amounts)

		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		-
	$	(804)	33,136,178	$	(0.04)

Loss per share before extraordinary item

		2005			
		Loss (numerator)	**Shares (denominator)**		**Per share**
Loss per share before extraordinary item					
Loss before extraordinary item	$	(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		-
	$	(4,248)	33,136,178	$	(0.16)

(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 and diluted earnings per share from extraordinary item amounted to $nil (2005 - $0.12).

(in thousands of dollars, except per share amounts)

16) Interest

Interest expense (income) is comprised of:

		2006		2005
Interest on long-term debt and subordinated debentures	**$**	**7,826**	$	7,276
Interest on capital leases		**391**		1,183
Interest on short-term debt		**1,443**		2,139
Interest income		**(2,144)**		(1,291)
	$	**7,516**	$	9,307

17) Cash flow information

Change in other balances relating to operations:

		2006		2005
Decrease (increase) in:				
Accounts receivable	**$**	**(73,133)**	$	6,761
Holdbacks receivable		**8,329**		(23,371)
Deferred contract costs and unbilled revenue		**(5,562)**		(25,059)
Inventories		**(1,695)**		1,568
Prepaid expenses		**(4,774)**		(526)
(Decrease) increase in:				
Accounts payable and accrued liabilities		**20,292**		14,527
Holdbacks payable		**(7,379)**		8,197
Deferred revenue		**35,138**		(17,084)
Income taxes payable		**64**		(2,902)
	$	**(28,720)**	$	(37,889)

Other supplementary information:

		2006		2005
Cash interest paid	**$**	**8,091**	$	7,560
Cash income taxes paid		**2,852**		2,438

Property, plant and equipment acquired and financed by means of capital leases amounted to $1,798 in the year (2005 - $2,492).

Investing and financing activities not requiring an immediate use of cash in the year ended December 31, 2006 included the acquisition of the concession rights to operate the Existing Quito Airport and the related increase in concession related deferred revenue, both in the amount of $64,000 (US$57,337) (see note 5).

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In June 2006, the Company was reimbursed by Quiport JV for deferred development costs. The resulting decrease in other assets of $15,908 (i.e., decrease in deferred development costs) and increase in concession rights to operate the New Quito Airport are treated as non-cash items and not reported in the consolidated statements of cash flows.

In March 2006, the Company's largest shareholder exercised its option to convert convertible debt with a face value of $7,731 into 2,147,566 common shares at a conversion price of $3.60 per share. In addition, share capital was increased by $836 representing the equity portion of the convertible debentures that was previously classified as a separate component of shareholders' equity (notes 12 and 15).

As described in note 8, the shareholders of Derech Eretz purchased certain options held by project lenders. The Company's pro rata share of the purchase price was $1,460 (US$1,250) and was financed by a loan from the other shareholders in Derech Eretz.

18) Acquisitions and extraordinary gain

In the third quarter of 2006, the Company acquired from its joint venture partner an additional 50% interest in the assets and liabilities of the Aecon FABCO joint venture in eastern Canada, raising its total interest in this operation to 100%.

The following is a summary of the acquisition:

Net assets acquired		
Working capital	$	239
Property, plant and equipment		295
Long-term debt		(311)
	$	223
Consideration		
Short-term note payable	$	223

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

(in thousands of dollars, except per share amounts)

The following is a summary of the acquisition:

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

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 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. In 2006, the Company paid $192 (2005 - $192) with respect to the short-term note payable of $384 recorded in connection with that acquisition. In 2006, goodwill related to this acquisition was increased by $1,273 representing the additional consideration payable as a result of the achievement of certain financial targets by the Cegerco operations.

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 intangible assets in the accounting records of the Company.

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

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pension plan was completed on December 31, 2004 and the next required actuarial valuation is December 31, 2007.

The Pension Plan for Employees of Banister Majestic Inc. (the "Majestic Pension Plan"), was terminated in 2001. The related curtailment impact was recognized in the 2001 pension expense. An annuity was purchased for all remaining plan members in the fourth quarter of 2006. In accordance with the CICA Handbook, the resulting accounting impact of this settlement (a settlement loss of $1,464) has been included in the 2006 pension expense.

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

		2006		2005
Change in fair value of plan assets				
Fair value of plan assets at beginning of year	**$**	**32,178**	$	28,900
Actual return on plan assets		**3,020**		2,921
Company contributions		**2,617**		2,826
Plan participant contributions		**152**		166
Benefits paid		**(2,324)**		(2,635)
Fair value of plan assets at end of year	**$**	**35,643**	$	32,178
Change in benefit obligation				
Benefit obligation at beginning of year	**$**	**38,545**	$	35,251
Current service cost		**1,246**		1,245
Interest cost		**1,898**		2,016
Benefits paid		**(2,323)**		(2,635)
Actuarial losses		**292**		2,668
Benefit obligation at end of year	**$**	**39,658**	$	38,545
Funded status				
Excess of benefit obligation over plan assets	**$**	**(4,015)**	$	(6,367)
Unrecognized net actuarial loss		**5,733**		8,482
Unrecognized transitional liability		**70**		127
Pension asset at December 31	**$**	**1,788**	$	2,242
Amounts recognized in consolidated balance sheets				
Other assets	**$**	1,788	$	2,242
Weighted average assumptions to calculate benefit obligation				
Discount rate		**5.0%**		5.75%
Rate of increase in future compensation		**3.5%**		3.5%

(in thousands of dollars, except per share amounts)

	2006	2005
Asset categories of pension assets		
Cash and short-term notes	**13.3%**	7.1%
Debt securities	**33.8%**	33.7%
Equity securities	**52.9%**	59.2%

Details of pension expense are as follows:

	2006	2005
Pension benefit expense		
Current service cost, net of employee contributions	**$ 1,094**	$ 1,079
Interest cost	**1,898**	2,016
Amortization of actuarial loss (1)	**491**	378
Amortization of transitional liability	**63**	56
Expected return on plan assets	**(1,940)**	(1,847)
Settlement loss	**1,464**	-
Defined benefit pension expense	**3,070**	1,682
Defined contribution pension expense	**1,962**	1,660
Multi-employer pension plan contributions	**21,269**	22,459
Pension benefit expense	**$ 26,301**	$ 25,801
Defined benefit pension expense incurred		
Defined benefit pension expense recognized, above	**$ 3,070**	$ 1,682
Difference between expected and actual return on plan assets	**(1,080)**	(1,074)
Difference between actuarial losses amortized and actuarial losses arising	**(199)**	2,291
Amortization of transitional liability	**(63)**	(56)
Defined benefit pension expense incurred	**$ 1,728**	$ 2,843
Weighted average assumptions to calculate pension benefit expense		
Discount rate	**5.0%**	5.75%
Assumed long-term rate of return on plan assets	**6.25%**	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.

(in thousands of dollars, except per share amounts)

Details of cash flows are as follows:

		2006		2005
Cash flows				
Total cash contributions for employee pension plans:				
Defined benefit plans	**$**	**2,617**	$	2,826
Defined contribution plans		**1,962**		1,660
Multi-employer pension plan		**21,269**		22,459
Total cash contributions	**$**	**25,848**	$	26,945

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. Prior to November 30, 2006, Hochtief AG indirectly was the largest shareholder of the Company. On November 30, 2006 Hochtief sold all the shares it held in the Company.

(a) Hochtief, the parent of Hochtief Canada Inc. ("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 11). During 2006, the Company paid Hochtief guarantee fees in the amount of $190 (2005 - $266).

(b) At December 31, 2005, the Company was indebted to Hochtief for a total of $2,500 in the form of a short-term unsecured loan. The loan was provided to support a portion of the Company's working capital contribution requirements to the Eastmain joint venture, the hydro-electric powerhouse project in northern Quebec. On January 13, 2006, the Company repaid the remaining outstanding balance of $2,500. Interest due was calculated on the amount outstanding at prime rate plus 1.5%. Interest expense recorded during 2006 amounted to $39 (2005 - $234).

(c) During 2006, the Company paid interest and fees of $97 (2005 - $417) to HCI on the convertible subordinated debentures described in note 12(a).

(d) During 2006, the Company received $21 (2005 - 529) from Hochtief PPP Solutions GmbH with respect to bid costs, pursuant to an arrangement in place for the sharing of such costs.

(e) To the best of the Company's knowledge from information available to it and from public records, $2,150 (2005 - $2,250) of the Company's $32,500 convertible debentures issued on March 17, 2005 is currently held by officers and directors of the Company or parties related thereto.

(f) During 2006, the Company paid professional fees in the amount of $121 (2005 - $77) to a consulting company in which a director of the Company is a partner.

(in thousands of dollars, except per share amounts)

(g) 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.

(h) In 2005, the Company paid various service fees in the amount of $140 to Hochtief VSB a.s. with respect to an automotive contract in Europe.

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.

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, 2006, the Company had net outstanding contracts to sell US$802 (2005 - sell US$3,613) on which there was a net unrealized exchange loss of $31 (2005 - net gain of $187), 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.

(in thousands of dollars, except per share amounts)

22) Segmented information and business concentration

The Company operates in four principal segments within the construction industry: Infrastructure, Buildings, Industrial and Concessions. Prior to the current year, the Company reported its concession operations (principally its investment in the Cross Israel Highway) within its Infrastructure segment. However, with the achievement of financial close of a concession agreement to own and operate the existing and new airports in Quito, Ecuador, concession ownership and operations became a significant portion of the Company's overall operations. Consequently, the Quito concession operations as described above are reported as part of the Concession segment, and the Quito construction operations, which includes construction of the new Quito airport, are included in the Infrastructure segment. 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, principally within the Province of Ontario, as well as toll highways, dams, tunnels, bridges, airports, marine facilities, transit systems and hydro-electric power projects, domestically and 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, also principally within the Province of Ontario. Services provided in the Infrastructure segment include construction of large civil infrastructure projects in Canada and, on a selective basis, internationally.

Buildings

This segment specializes in the construction and renovation of commercial, institutional and multi-family residential buildings, including retail complexes, office buildings, industrial buildings, airport terminals, entertainment facilities, schools, embassies, hospitals, 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 and fee for service construction management, as well as building renovation and facilities management.

Industrial

This segment encompasses all of the Company's industrial construction and manufacturing activities including in-plant construction and module assembly in the manufacturing, energy, petrochemical, steel and automotive sectors. Activities in this sector also include the construction of alternative, fossil fuel, cogeneration power plants and in-plant construction of nuclear power plants as well as the fabrication of small and large diameter specialty pipe. In addition, activities in this sector include the design and manufacture of "once-through" heat recovery steam generators for industrial and power plant applications. Although activity in this segment is concentrated primarily in Canada, with selected projects in the United States and Europe, the Company sells and installs "once-through" heat recovery steam generators throughout the world through its Innovative Steam Technologies division.

(in thousands of dollars, except per share amounts)

Concessions

This segment includes the development, financing and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer or public-private partnership contract structures. This segment focuses primarily on the operations, management, maintenance and enhancement of investments held by the Company in infrastructure concessions - currently these concessions comprise investments in the Cross Israel Toll Highway and Quito International Airport Project concession companies. This segment includes the operations of Highway 104 toll plaza in Atlantic Canada. This segment also has a development function whereby it monitors and, where appropriate, brings the unique capabilities and strengths within the Company and its strategic partners to 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

						2006
	Infrastructure	**Buildings**	**Industrial**	**Concessions**	**Corporate and Other**	**Total**
Revenues	$ 483,955	$ 322,711	$ 290,201	$ 35,686	$ (19,247)	$ 1,113,306
EBITDA (i)	$ 20,931	$ 5,002	$ 21,604	$ 4,199	$ (17,376)	$ 34,360
Depreciation and amortization	4,350	413	2,101	6,900	849	14,613
Segment operating profit (loss) (i and ii)	$ 16,581	$ 4,589	$ 19,503	$ (2,701)	$ (18,225)	$ 19,747
Interest and income taxes						(8,245)
Net income						$ 11,502
Total assets	$ 264,081	$ 94,515	$ 125,329	$ 190,031	$ 42,331	$ 716,287
Intangible assets and goodwill	$ 2,743	$ 2,994	$ 3,750	$ 120,261	$ -	$ 129,748
Capital expenditures	$ 1,725	$ 304	$ 1,412	$ -	$ 618	$ 4,059
Cash flow from (used in) operating activities (i)	$ 20,155	$ 5,030	$ 21,786	$ 4,157	$ (24,052)	$ 27,076

(in thousands of dollars, except per share amounts)

						2005
	Infrastructure	**Buildings**	**Industrial**	**Concessions**	**Corporate and Other**	**Total**
Revenues	$ 431,631	$ 394,812	$ 273,255	$ 25,366	$ (4,820)	$ 1,120,244
EBITDA (i)	$ 15,307	$ 2,584	$ 10,678	$ (3,488)	$ (10,265)	$ 14,816
Depreciation and amortization	4,462	435	1,847	-	882	7,626
Segment operating profit (loss) (i)	$ 10,845	$ 2,149	$ 8,831	$ (3,488)	$ (11,147)	7,190
Interest and income taxes						(11,774)
Loss before extraordinary item						(4,584)
Extraordinary gain						4,122
Income taxes on extraordinary gain						(678)
Extraordinary gain, net of income taxes						3,444
Net loss						$ (1,140)
Total assets	$ 203,219	$ 88,557	$ 83,667	$ 61,677	$ 67,302	$ 504,422
Intangible assets and goodwill	$ 2,743	$ 1,864	$ 3,750	$ 180	$ -	$ 8,537
Capital expenditures	$ 1,915	$ 220	$ 1,007	$ -	$ 386	$ 3,528
Cash flow from (used in) operating activities (i)	$ 16,280	$ 2,584	$ 10,683	$ (3,488)	$ (16,083)	$ 9,976

(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 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.

(in thousands of dollars, except per share amounts)

(ii) Included in the 2006 segment operating profit (loss) of the Industrial segment is income of $690 from an investment accounted for by the equity method. Effective August 1, 2006, this investment has been accounted for using the proportionate method of consolidation.

(b) Geographic segments

		2006		2005
Revenues				
Canada	**$**	**1,007,396**	$	1,037,397
United States		**52,337**		45,299
Ecuador		**21,649**		-
Israel, India and others		**31,924**		37,548
	$	**1,113,306**	$	1,120,244
Property, plant and equipment, intangibles and goodwill				
Ecuador	**$**	**120,088**	$	-
Canada		**62,867**		64,588
United States		**141**		65
	$	**183,096**	$	64,653

23) Quito airport concession – additional information

In accordance with the recommendations of the CICA, the Company's investment in the Quito airport concession is currently 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. Given the significant effect of the Quito airport concession on the Company's consolidated financial statements and to provide additional information about the Quito airport concession operations and assets, which act as security for the debt described in note 5(e), the Company provides the following consolidating 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.

(in thousands of dollars, except per share amounts)

Consolidating Balance Sheets

	At December 31, 2006			
	Consolidated Balance Sheet excluding Quito Airport concession	**Quito Airport concession**	**Eliminations**	**Consolidated Balance Sheet**
Assets				
Current assets				
Cash and cash equivalents	$ 41,759	$ 8,350	$ -	$ 50,109
Other current assets	412,262	7,658	(18,662)	401,258
	454,021	16,008	(18,662)	451,367
Property, plant and equipment	53,348	-	-	53,348
Future income tax assets	19,046	-	-	19,046
Concession rights	-	144,817	(24,729)	120,088
Long-term investment	42,733	-	-	42,733
Other assets	29,705	-	-	29,705
Due from Quiport JV	15,377	-	(15,377)	-
Investment in Quiport JV	530	-	(530)	-
	$ 614,760	$ 160,825	$ (59,298)	$ 716,287
Liabilities				
Current liabilities	$ 369,981	$ 3,577	$ (43,391)	$ 330,167
Long-term debt	14,868	66,252	-	81,120
Due to Aecon	-	15,377	(15,377)	-
Other liabilities	3,062	-	-	3,062
Other income tax liabilities	13,994	-	-	13,994
Concession related deferred revenue	-	74,353	-	74,353
Convertible debentures	59,988	-	-	59,988
	461,893	159,559	(58,768)	562,684
Shareholders' Equity				
Capital stock	131,975	530	(530)	131,975
Contributed surplus	1,329	-	-	1,329
Convertible debentures	4,146	-	-	4,146
Retained earnings	15,849	694	-	16,543
Cumulative foreign currency translation adjustments	(432)	42	-	(390)
	152,867	1,266	(530)	153,603
	$ 614,760	$ 160,825	$ (59,298)	$ 716,287

(in thousands of dollars, except per share amounts)

Consolidating Statements of Cash Flows

	For the year ended December 31, 2006			
	Consolidated Cash Flows excluding Quito Airport concession	**Quito Airport concession**	**Eliminations**	**Consolidated Cash Flows**
Cash provided by (used in)				
Operating activities	$ 19,525	$ 3,560	$ (24,729	$ (1,644)
Investing activities	(8,765)	(78,110)	40,636	(46,239)
Financing activities	3,825	81,599	(15,907)	69,517
Increase in cash and cash equivalents during the year	14,585	7,049	-	21,634
Effects of foreign exchange on cash balances	172	1,301	-	1,473
Cash and cash equivalents - beginning of year	27,002	-	-	27,002
Cash and cash equivalents - end of year	$ 41,759	$ 8,350	$ -	$ 50,109

24) Comparative figures

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

25) Subsequent event

On February 1, 2007, the Company acquired The Karson Group, one of the largest aggregate, asphalt and civil construction companies in eastern Ontario. The Karson Group is an integrated construction and materials company comprised of Karson Construction, Karson Asphalt Paving Inc. and Spratt Aggregates. Under the share purchase deal, the Company will assume The Karson Group’s existing debt of approximately $5,000 and, subject to certain post closing adjustments, pay approximately $37,000, of which approximately $22,000 will be financed by the vendor and paid over a five-year term.