

ARMBRO ENTERPRISES INC.

ANNUAL INFORMATION FORM

May 18, 2001

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ANNUAL INFORMATION FORM

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ITEM 1 - CORPORATE STRUCTURE

Armbro Enterprises Inc. ("Armbro" or the "Corporation") and its predecessor companies have carried on business since 1910. Armbro was continued under the Canada Business Corporations Act by certificate of continuance on May 16, 1978. Its articles were amended pursuant to articles of reorganisation and certificate of amendment dated December 3, 1993, pursuant to which, in effect, the stated capital was reduced to an aggregate of \$50,000 and the outstanding common and convertible preferred shares were converted to new Common Shares. The registered and principal office of Armbro is currently located at 3660 Midland Avenue, Scarborough, Ontario, M1V 4V3. The common shares of Armbro are listed for trading on The Toronto Stock Exchange under the symbol "ARE".

Effective December 22, 1999, Armbro purchased 100% of the common shares of BFC Construction Corporation (which as a result of an amalgamation October 1, 2000 became BFC Construction Group Inc.). The effect of the purchase was to substantially increase the size, in terms of employees, financial capacity, scope and diversity of Armbro's operations. Armbro is now the largest publicly traded construction and infrastructure development company in Canada.

Hochtief Canada Inc. ("Hochtief") provided a substantial portion of the funds required to purchase the BFC shares. Hochtief, as at December 31, 2000, owned 8,744,197 common shares of Armbro or 48.75% of the total outstanding shares. Hochtief also holds a convertible debenture of \$9.940 million, the details of which are included in the notes to Armbro's financial statements.

As at December 31, 2000, its most recent fiscal year end, Armbro conducted its business principally through the following direct or indirect subsidiary companies, all of which are wholly owned unless indicated otherwise:

<u>Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
Allscope Management Inc.	Ontario
Armbro Construction Limited	Ontario
Armbro Materials Engineering Corp.	Ontario
BFC Construction Group Inc.	Federal
BFC Frontier Inc.	Washington State
BFC Industrial Driver Ltd.	Alberta
BFC Industrial Nichols-Radtke Ltd.	Ontario
Construction Armbro BFC Inc.	Quebec
Innovative Steam Technologies Ltd.	Ontario
Miwel Construction Limited	Ontario
SC Infrastructure Inc.	Alberta
Strait Crossing Group Ltd. (50% owned)	Alberta
The Foundation Company of Canada Limited	Federal
729084 Ontario Ltd. (Premiere Cable)	Ontario
QX Ltd.	Ontario

Effective January 1, 2001, Innovative Steam Technologies Ltd. and SC Infrastructure Inc. were amalgamated into one company named Armbro-BFC Holdings Inc. Currently, Innovative Steam Technologies Ltd. and SC Infrastructure Inc. operate as divisions of Armbro-BFC Holdings Inc.

Effective January 1, 2001, The Foundation Company of Canada Limited was amalgamated with BFC Construction Group Inc. and operations were continued as BFC Construction Group Inc.

Effective January 1, 2001, BFC Industrial Driver Ltd. and BFC Industrial Nichols-Radtke Ltd. were wound-up into BFC Construction Group Inc.

Armbro also has an interest in the following incorporated and unincorporated joint ventures:

Joint Venture	% of Ownshi p	Nature of Operations
Armbro Alarie Joint Venture	58%	Construction of Highway 11 expansion near Trout Creek, Ontario
BFC-Industra Joint Venture	50%	Installation of modules and pipe fabrication for the oil and gas extraction industry
BFC/OSLO Joint Venture	65%	Construction of internal plant requirements for Alcan Aluminium facility in Alma, Quebec
Canatom NPM Inc.	38.75%	Design, construction, project management, operating plant services, procurement and commissioning of domestic and international nuclear power projects
Canadian Highways Investment Canada Corporation	66.67%	Public-Private Partnership for the development, management, finance, design, construction and operation of infrastructure projects such as toll highways
Canadian Highways Investment Corporation	50%	Public-Private Partnership for the development, management, finance, design, construction and operation of infrastructure projects such as toll highways
Carillon Armbro Alarie Joint Venture	40%	Highway 69 widening near Huntsville, Ontario
Derech Eretz (1997) Ltd. (33.3% owned by Canadian Highways Investment Canada Corporation)	22.2%	Development, design, construction, financing and operation of the Cross Israel Highway
Gespro/BFC/Divco Joint Venture	33.33%	Design and construction of the expansion of the Palais des Congrès in Montreal
Group West Associates Inc.	50%	Design, value analysis, development and construction services for all types of building structures in the U.S. Pacific Northwest region
McNally, PCL, BFC Joint Venture	20%	Construction of Sheppard Subway tunnel in Toronto, Ontario
Nathpa Jhakri Hydro-Electric	45%	Construction of tunnel and dam for a hydro-

Joint Venture	% of Ownshi p	Nature of Operations
Joint Venture		electric generating plant in India
Ninth Line Tunnel Joint Venture	30%	Construction of tunnel for municipal water and sewer services for Town of Markham, Ontario
PCL-BFC Joint Venture	50%	Construction management for Terminal Development at Pearson International Airport on behalf of the Greater Toronto Airports Authority
Roto-Mill Services Ltd.	33.33%	Reclamation of asphalt pavement by milling, planing and re-profiling asphalt
SAR Joint Venture	40%	Construction of a light rapid transit system in Greater Vancouver, British Columbia
Scott Management Limited	49%	Construction management in Western Canada
Transcoastal Capital LLC	50%	Property development in the U.S. Northwest
Tristar Electric Inc.	50%	Supply and installation of cabling for airport runway lighting systems
Walter-BFC Joint Venture	50%	Construction of a light rapid transit system in New Westminster, British Columbia

ITEM 2 - GENERAL DEVELOPMENT OF THE BUSINESS

Armbro Construction Limited, a wholly owned subsidiary of Armbro is one of the three largest Ontario based road and heavy civil construction contractors to the Ministry of Transportation of Ontario ("MTO"). Armbro Construction has also been prominent in the construction of roads, concrete structures, runways and site services for the Federal Government, various provincial, regional and municipal governments, as well as for the private sector since 1929. In 1994, the Corporation's continued focus on infrastructure development led to its participation as a 25% shareholder in Canadian Highways Investment Corporation, which was awarded a contract to develop, design, build, operate and maintain the Highway 407 all-electronic toll road north of Toronto, Ontario. The construction of this 69-kilometre highway was completed during the third quarter of 1998 at a total construction cost of approximately \$1.0 billion. This project represented one of the single largest heavy civil construction projects in Canadian history.

Armbro acquired 100% of the common shares of Miwel Construction Limited ("Miwel") effective January 1, 1998. Miwel was founded in 1980 and specialises in concrete paving as well as slip forming of concrete curbs and barrier walls. Miwel's expertise and experience in concrete paving and slip forming broadens the contracting capabilities of Armbro Construction and will enhance its ability to secure new contracts. Miwel also has an existing profitable customer base and expertise in winter road maintenance activities. This expertise assists Armbro Construction in its efforts to participate in the outsourcing of road maintenance work by the Province of Ontario and by the various regional and municipal governments within the Province. Finally, Miwel has added expertise and capacity to complete smaller contracts, a market in which Armbro has not traditionally been active.

Armbro, in conjunction with Strait Crossing Inc., formed SC Infrastructure Inc. (“SCI”) as a wholly owned subsidiary of Armbro effective December 1, 1997. The transaction involved SCI’s purchase of all the non-contract assets and the retention of the senior management and staff of Capital Projects Group Inc., the principal operating subsidiary of Strait Crossing Inc. Based in Calgary, Alberta, SCI operates in North America and internationally. SCI combines Armbro’s experience in the development, construction and operation of infrastructure with Strait Crossing Inc.’s expertise in infrastructure development, design, financing, construction and operations. Effective January 1, 2001 SCI amalgamated with another Armbro subsidiary and continues its operations as a division of Armbro-BFC Holdings Inc., a wholly owned subsidiary of BFC Construction Group Inc.

BFC Construction Group Inc. (formerly BFC Construction Corporation) was originally incorporated under the laws of Alberta as Banister Continental Ltd. On June 4, 1990, Banister Continental Ltd. changed its name to Banister Inc., on June 1, 1994 to Banister Foundation Inc. and on June 1, 1997 to BFC Construction Corporation. It was continued as a federal corporation under the Canada Business Corporations Act in January 1978 and was amalgamated with certain wholly owned subsidiaries under the Act on March 31, 1980, August 31, 1982, January 1, 1991, January 1, 1999, October 1, 2000 and January 1, 2001.

Effective January 1, 1997, The Foundation Company Inc., The Jackson-Lewis Company Ltd., Cliffside Utility Contractors and BFC Industrial were amalgamated into BFC Construction Group Inc., a subsidiary of BFC Construction Corporation.

BFC Construction Corporation and BFC Construction Group Inc., together with a number of other Armbro/BFC companies, were amalgamated on October 1, 2000 and continued under the name BFC Construction Group Inc.

ITEM 3 - BUSINESSES AND OPERATIONS

Armbro conducts its business in two operating segments, Construction Operations and Infrastructure Development.

CONSTRUCTION OPERATIONS

Armbro conducts its Construction Operations business segment through a number of wholly owned subsidiaries and joint ventures grouped under the operations of Armbro Construction Limited and BFC Construction Group Inc.

Armbro Construction Limited (“ACL”) Operations

Principally focused within Ontario, ACL activities are related to the construction of highways, bridges, tunnels, marine works, airport runways and related infrastructure, as well as the provision of turnkey site development services for commercial clients. ACL operations also include the recycling, manufacture and sale of specialised asphalt, aggregate and precast concrete products, road maintenance and snowplowing activities and the provision of materials engineering and quality testing services to the construction industry.

Road Building and Heavy Civil Construction

The road building and heavy civil construction industry within Ontario consists of the provision of equipment, labour and materials for the following types of projects:

Government Sector:

- Construction of roads and the maintenance and expansion of existing roads
- Construction of bridges and overpasses which generally are completed as part of a road work contract, but which can also be undertaken as a separate contract
- Public Works Canada projects involving the building, refurbishing or expanding of government operated and owned facilities, including airports and runways

Private Sector:

- Residential subdivision servicing, including the installation of sanitary and storm sewers, grading, and the construction of concrete structures, sidewalks and roads
- Work contracted directly as part of the construction/expansion of a commercial or industrial site, which may include any of the above types of work

Contractors generally operate within the province where their equipment and workforce are located. Inter-provincial competition is rare.

Government Sector

Regional and Municipal governments in Ontario have exclusive jurisdiction over all roads except provincial highways, which are under the jurisdiction of the Ontario government. Expenditure for roads is generally allocated as part of the annual budgets of these governments.

Characteristics of the government sector include:

- Infrastructure spending which is traditionally employed to stimulate economic growth and provide new and improved services.
- The sector has traditionally been somewhat counter-cyclical to the economic cycles in Ontario. During recession periods, road construction budgets are not usually curtailed and consequently grow at the rate of inflation or better. However, the number of bidders for government road building contracts increases during a recession as other contractors enter the market to keep their crews employed. This results in eroded margins. Conversely, margins rebound during economic expansion as these other contractors return to their traditional markets and the amount of available work generally increases.

- The deteriorating condition of Ontario's infrastructure combined with expected future economic and population growth suggests a need for continued high levels of spending on roads and related services.

Comparable historical data for the Regional and Municipal markets is not available. However, the market generally follows the pattern of spending set by the MTO. It is important to note that beginning in 1998, the MTO downloaded a major portion of Ontario's road transportation infrastructure to municipal governments and agencies but many of these regional bodies were not prepared for the change in policy. Capital commitments were reduced by these agencies, because they were unsure of the impact on their overall budgets from this downloading process. This situation is expected to continue to improve in 2001.

In 1999, the Province of Ontario announced the SuperBuild initiative to address Ontario's growing infrastructure needs. SuperBuild is a five-year \$20 billion initiative focused on expansion and renewal of Ontario's transportation, post-secondary education, health-care, environmental protection and technology infrastructure.

In 2000, the Canadian government announced the \$2.6 billion Infrastructure Canada program to be delivered across the country over the next six years. The new program focuses on funding for municipal infrastructure (\$2 billion) and highway infrastructure (\$600 million). Through the Infrastructure Canada partnership, federal, provincial, territorial and municipal governments will invest a total of \$6 billion in municipal infrastructure in urban and rural communities.

Private Sector

Data on private sector spending in the industry is unavailable but this segment of the market rebounded somewhat from its early 1990s recession low and has continued to exhibit improvement since 1998, as evidenced by increased bidding opportunities and the Corporation's growing order backlog. Management believes this sector will continue to improve with general growth in the economy.

Contracts in the private sector are typically issued at fixed prices on the basis of a standard, industry-approved form of contract. Contractors are asked to bid by invitation only, which removes a significant number of competitors from these types of bids and often results in higher margins than are normally earned in the government market. Most private sector contracts require the winning bidder to post a surety bond.

Asphalt Production and Custom Crushing Activities

ACL operates a permanent asphalt plant located in Brampton, Ontario. This plant provides ACL with a secure high quality supply of asphalt for job sites located within an approximate one hour driving distance from the plant and also provides a source of revenue and profit from the sale of asphalt materials to third parties. The plant has the capacity to produce 400 tonnes per hour.

ACL owns and operates three mobile plants to supply asphalt for contracts outside of the delivery radius of its Brampton plant. This mobile and high capacity asphalt paving ability provides ACL with a competitive advantage in securing new contract revenues.

ACL operates aggregate processing and crushing machinery. There are four plants, each capable of producing up to 1,000 tonnes per hour. These plants operate using aggregate resources from Armbro or from others and manufacture materials for sale or for internal consumption.

Pits and Quarries

Armbro owns a gravel pit in Caledon, Ontario and a limestone quarry near Ottawa, both of which are leased to Blue Circle Aggregates, a large aggregate supply company owned by Blue Circle Canada Inc. These leases expire in 2033, but are subject to termination by Armbro after 2009 if specified sales targets are not met. The leases provide for monthly royalty payments to Armbro based upon a percentage of the total sales revenue from the extraction of aggregates from the properties.

The Caledon pit is estimated to have aggregate reserves in excess of 64 million tonnes and the Ottawa quarry's reserves are estimated to be in excess of 22 million tonnes. Applying peak extraction rates for the period 1986 to 2000, each property has in excess of 30 years of reserves in place.

While the leasing of these properties somewhat reduces their strategic value, they are valuable to the construction operations by providing a secure source of aggregates supply with an effective price advantage when the royalty payment is factored into the cost of any aggregates bought by Armbro.

ACL recently purchased a 131-acre aggregate quarry in Caledon, Ontario. The estimated reserves are in excess of 4 million tonnes. Extraction is anticipated to begin in 2001 with the aggregate to be used mainly for Armbro's own operations, although some portion of the extracted gravel may be sold to third parties. An agreement with the Ministry of Natural Resources requires that the land be turned over to the Province of Ontario for \$1.00 in fifteen years.

In addition to the two Caledon properties and the Ottawa property, Armbro owns a depleted iron ore mine in Marmora, Ontario. ACL crushes the tailings from the previous mining operations into a heavy, extremely durable aggregate product. This product, known as traprock, had been used primarily as ballast for railway lines, but is now used in certain asphalt mixes, typically in top surface courses, because of the durability it provides to the asphalt. It is estimated that the reserves on the Marmora property are approximately 78 million tonnes.

Armbro Materials Engineering Corp.

Armbro established Armbro Materials Engineering Corp. in 1996 to provide quality control and materials testing services to the operations of ACL and also to other contractors and materials suppliers in the province.

Armbro took this step of developing its own full service materials testing facilities in order to insure that it meets and surpasses the ever increasing quality standards being imposed on both Armbro and its clients and to reduce third party costs otherwise payable.

This in-house expertise and capacity for materials engineering services puts Armbro at the forefront of the construction industry and serves as a competitive advantage in securing new construction contracts. In addition, by also providing these services to other firms in the industry, this operation has become a profitable component of Armbro's business.

Miwel Construction Limited

ACL acquired 100% of the common shares of Miwel effective January 1, 1998. Founded in 1980, Miwel specialises in concrete paving as well as slip forming of concrete curbs and barrier walls. This expertise and experience broadens ACL's contracting capabilities and enhances its ability to secure new contracts. Miwel also has a profitable customer base and expertise in winter road maintenance activities. This expertise assists ACL in its efforts to participate in the outsourcing of road maintenance work by the Province of Ontario and by the various regional and municipal governments within the Province. Miwel also provides the expertise and capacity to complete smaller contracts, a market in which ACL had not traditionally been active.

Roto-Mill Services Inc.

ACL has a 33 1/3% interest in Roto-Mill Services Inc. ("Roto-Mill"), which specialises in reclaiming asphalt pavement by milling and pulverising deteriorated asphalt surfaces. Recyclable road building materials are generated from these processes, which can be used to rehabilitate the existing structure. The 66 2/3% balance of Roto-Mill is owned equally by its management and E. & E. Seegmiller Limited, an Ontario-based road builder.

Roto-Mill has recently developed an expertise in an asphalt recycling process known as expanded asphalt. This process is completed in place and there is no need for traffic to be rerouted for extensive periods of time, as required by other traditional methods. The expanded asphalt process of recycling is gaining wide acceptance by various agencies and represents major potential for sustained growth of services provided by Roto-Mill. Armbro Materials Engineering provides specialised technical support to Roto-Mill.

Roto-Mill operates throughout Ontario, primarily as a subcontractor to road contractors such as ACL who are retained by the MTO or municipalities.

BFC Construction Group Inc. ("BFC") Operations

BFC operates in several sectors of the construction industry. Activities in Canada, the United States and certain foreign countries, include:

- construction of large-scale energy developments, complex building structures, subways, bridges, dams, tunnels, highways and airports through BFC Civil ("Civil")
- commercial, retail and industrial building construction, including mid and high rise residential condominium buildings, through BFC Buildings ("Buildings") and BFC Frontier ("Frontier")
- industrial, mechanical and electrical work through BFC Industrial ("Industrial")
- the manufacture of once through steam generators through Innovative Steam Technologies ("IST")

- nuclear project work, which includes design, construction, project management, operating plant services and procurement activities to both the domestic and international markets, is carried out by Canatom NPM Inc. in which BFC has a 38.75% interest
- utilities construction which includes the installation of underground utilities of all types including small diameter pipelines for petroleum and gas producers, gas distribution systems, sewer and water lines, telephone, television and fibre optics cables and the installation of traffic signal systems, highway and airport lighting and freeway traffic management systems is performed by BFC Utilities ("Utilities") and BFC Traffic Technology.

With relatively minor exceptions, civil, building and industrial construction projects are owner-designed. Most civil and industrial construction contracts are awarded on a fixed-price basis, with compensation based on the units of work performed. Building construction contracts are usually awarded on a negotiated cost-plus-fixed-fee or guaranteed maximum-price basis. Most underground utilities construction work is awarded on a fixed-price basis, with compensation based on the units of work performed.

The divisions act as general contractors and supply the personnel and equipment required for the projects they construct and may, on occasion, subcontract portions of a project. Operations for these activities require the supply of materials and therefore, reported revenues include charges for such materials.

Civil performs civil engineering construction in Canada, the United States and internationally. Civil specialises in the construction of large-scale energy developments, complex building structures, subways, bridges, highways, dams, tunnels and airports. Where desirable, due to location or size of project, the division sometimes enters into joint ventures with other companies, either as the sponsor and manager or as a participant.

Commercial, retail and industrial building construction including mid and high rise residential condominium buildings is carried out in Canada by Buildings. Frontier, one of BFC's subsidiaries, is active in commercial, retail, institutional, and industrial building construction primarily in the Northwest quadrant of the United States. Frontier also performs a complete design, value analysis, development and construction service on all types of building structures for its clients through Group West Associates Inc. (50% owned by Frontier), its design-build unit.

Industrial construction, which involves mainly mechanical and electrical installations, is performed by Industrial headquartered in Cambridge, Ontario. Industrial operates either individually or by joint venture in renovations, additions and new construction of industrial facilities including automotive plants, pulp and paper mills, industrial waste treatment facilities, oil and gas, petrochemical and mining facilities and construction of non-utility electric generation power plants. Although the majority of Industrial's work is in Canada, some construction work is performed in the United States.

IST designs and builds once-through steam generators that are used primarily for power generation and cogeneration. IST operates internationally.

Canatom NPM Inc. is currently active in Canada and the People's Republic of China.

Utilities acts as a general contractor and supplies the personnel and equipment required for the projects it constructs. In addition, it also supplies a significant portion of the required materials and reported revenues from the construction of underground utilities include charges for such materials. Utilities has not had, nor does it anticipate, any difficulty in obtaining these materials. Although underground utilities construction is seasonal to the extent that severely inclement weather inhibits some construction procedures, Utilities does perform underground utilities installation work throughout the year. Utilities also operates a wholly owned business, BFC Traffic Technology. This entity performs the construction and installation of traffic signal systems, highway lighting and traffic management systems.

INFRASTRUCTURE DEVELOPMENT

This segment, international in the scope of its operations, comprises Armbro's activities relating to the development of infrastructure through contracts including features such as development, design, construction, operation and financing. Projects within this segment fall outside of the mandate of Construction Operations because of their scope, size, location or complexity.

Within this segment, Armbro's resources have now led or been involved in the development, design, construction, commissioning and operation of the two largest infrastructure development projects in recent Canadian history, the Confederation Bridge and Highway 407.

Canadian Highways Investment Corporation ("CHIC")

CHIC's mandate is to pursue the construction, project management, operation and maintenance of large highway projects worldwide. Armbro is now a 50% shareholder in CHIC effective with the acquisition of BFC. The other two 25% partners are AMEC Inc. (formerly Agra Monenco Inc.) and Dufferin Construction Company, a division of St. Lawrence Cement Inc.

One of Armbro's major successes in this segment was achieved in May 1994 with the award to CHIC of a \$1 billion contract to develop, design and build Highway 407, a 69-kilometre all-electronic toll highway in Toronto. The construction was completed in 1998 and represented in monetary terms the single largest heavy civil lump-sum construction project in Canadian history and the largest road project ever undertaken by the private sector in North America. The highway uses a state of the art electronic toll collection system and has significantly reduced costly traffic congestion across the Greater Toronto Area. While the Province of Ontario financed this project, each partner was responsible for its share of liabilities, if any, and for the guarantee of CHIC's obligations under the project contract.

Through Atlantic Highways Corporation Inc., the shareholders of CHIC obtained a contract to develop, design, build, finance and operate a 45-kilometre toll highway in Nova Scotia, at a construction cost of approximately \$120 million. Construction of this project was completed on time and on budget in the fall of 1997.

Canadian Highways Investment Canada Corporation ("CHICC"), through its 33.33% interest in Derech Eretz (1997) Ltd., was selected to develop, design, build, finance and operate the Cross Israel Highway at a cost of approximately US \$1 billion. Armbro is a 66.67% owner of CHICC; the remaining 33.33% interest is held by AMEC Inc. Financial closing of the transaction

occurred in October 1999. At December 31, 2000 approximately 17% of the project was completed. The first section of the highway is to be opened in 2002.

Planned worldwide transportation infrastructure financed through toll revenues (includes roads, bridges and tunnels) consists of more than 467 projects amounting to over US \$219 billion. Estimates for the total market including those currently under construction exceed a value of US \$326 billion. CHIC proposes to continue its policy to focus first on Canadian, then on North American opportunities, then Latin America, followed by high-potential target countries and priority markets pursuing projects developed under a privately financed build operate transfer scheme, or where the owner is seeking comprehensive turnkey capability.

SC Infrastructure Inc. (“SCI”)

Armbro, in conjunction with Strait Crossing Inc., formed SCI as a wholly owned subsidiary of Armbro effective December 1, 1997. The transaction involved SCI's purchase of all of the non-contract assets of Capital Projects Group Inc. (“CPGI”), the principal operating subsidiary of Strait Crossing Inc. In addition, SCI retained all of CPGI's senior management and staff. Based in Calgary, Alberta, it operates in North America and internationally. SCI combines Armbro's experience in the development, construction and operation of infrastructure with Strait Crossing Inc.'s expertise in infrastructure development, design, financing, construction and operations. Strait Crossing Inc., as the sponsoring joint venture partner, led the consortium that completed the development, financing, design, construction and commissioning of operations of the award-winning \$1.0 billion Confederation Bridge between Prince Edward Island and New Brunswick. For the past 20 years, senior management and staff of CPGI have provided project leadership for the construction of numerous high profile infrastructure projects in North America.

Armbro, through its 50% ownership interest in Strait Crossing Group Ltd., is building the Europort Grain Terminal facility in Gdansk, Poland (“Europort Poland”). SCI (Poland) Sp. z.o.o. is the construction manager. When completed, this deep-sea port facility will be able to handle 3 million metric tonnes of grain annually. The US \$76 million project is approximately 50% completed. Construction activity has been suspended while the ownership of the project is being restructured and new financing arrangements are being made. Hochtief AG, parent of Hochtief Canada Inc., Armbro's major shareholder, has agreed to become a 19.99% shareholder in Europort Poland.

SCI is a 40% joint venture partner in the Vancouver Light Rapid Transit Guideway Expansion project currently under construction in Vancouver, British Columbia. The contract is for the construction of 17 kilometres of elevated guideway and nine stations. At December 31, 2000 construction was 85% complete. As a result of substantially higher costs than estimated, the joint venture has incurred significant losses. Since the higher costs result, in large part, from changes and delays caused by the owner, the joint venture has filed a statement of claim with the Supreme Court of British Columbia to recover the costs related to certain contractual breaches and obligations of its client. Armbro believes that its financial statements for 2000 include a provision sufficient to cover losses from this project. For further information, please refer to the Corporation's *Management's Discussion and Analysis of financial condition and operating results* document, which is incorporated by reference herein.

Public-Private Partnerships in Infrastructure Development

Throughout the world, deficits and a desire to reduce bureaucracy have compelled governments at all levels to look to the private sector to undertake initiatives previously undertaken mainly by government bodies. In Canada, several governments have announced or are considering numerous projects, which would previously have been their direct responsibility, but now will be undertaken through public-private partnerships.

Much of Armbro's recent revenue and earnings growth is directly attributable to its success in public-private partnerships, including its participation in the Highway 407 in Ontario, Highway 104 in Nova Scotia and Cross Israel Highway toll projects.

The future for Armbro's participation in the pursuit of public-private partnership contracts for the development of infrastructure continues to be very promising. Government agencies, in Canada and abroad, are considering user pay solutions to address their transportation infrastructure requirements and are specifically referring to the Highway 407, Highway 104 and Confederation Bridge projects as successful examples of these solutions. Public-private partnerships in this context usually involve large infrastructure construction projects such as airports, highways or bridges, where the public sector allows for private sector development, operation or ownership of the completed project for a period of time (usually 25 years or more). The construction typically involves private sector design and often includes private sector operation and financing of the project costs.

Armbro is optimistic about the growth opportunities of this segment of the business. However, given the long lead times and large dollar volume of each individual project, the quarterly and annual revenue and earnings contributions from these projects will fluctuate and will be less predictable than contract revenues of Armbro's core construction operations.

Road builders, building contractors and heavy civil construction contractors with experience in this sector will be better able to bid for and win contracts to complete these projects. Most infrastructure projects require that a sustainable revenue stream be present or that the project financing be at least partly guaranteed by government. The nature and size of these projects require that a consortium be formed consisting of participants with the necessary combination of skills to undertake and successfully complete the work. The formation of the group not only reduces the project risk by allocating tasks according to the expertise available but correspondingly results in less financial risk. Thus, given that the formation of consortia can result in a competitive advantage, their composition must be carefully considered.

Armbro believes that the shift to this approach in new infrastructure development presents a significant opportunity since it expects to capitalise on its Highway 407 and Cross Israel Highway experience to establish itself as one of the premier participants in this market.

A discussion on the seasonality of business operations and other risk factors is contained in the Corporation's *Management's Discussion and Analysis* document, which is incorporated by reference herein.

Revenues by Business Segment

For the last two fiscal years, the Corporation's revenues were as follows:

(\$ millions)	2000	1999	% Increase
Construction Operations	\$ 877.9	\$ 137.3	539.4%
Infrastructure Development	\$ 128.4	\$ 75.8	69.4%
	\$1,006.3	\$ 213.1	372.2%

Revenue Distribution:

Construction Operations	87.2%	64.4%
Infrastructure Development	12.8%	35.6%

A large but decreasing percentage of Armbro's revenue comes from contracts with the provincial government through the MTO or its agencies and from contracts with regional and municipal governments. In 2000, these contracts accounted for approximately 11% of Armbro's revenues (1999 – 34%).

Foreign Operations

Revenues generated by Armbro outside of Canada are set out in the table below for 2000 and 1999.

Revenues	2000		1999	
Canada	\$ 818,144	81.3%	\$ 160,444	75.3%
United States	66,349	6.6%	2,154	1.0%
Other	121,837	12.1%	50,516	23.7%
	\$ 1,006,330	100.0%	\$ 213,114	100.0%

Principal Properties

Armbro owns, leases and operates equipment for its construction activities. This equipment is located from time to time at various construction sites and at principal repair shops and storage facilities located in Halifax, Nova Scotia; Toronto, Brampton, Barrie and Cambridge, Ontario; and Edmonton, Alberta. For more information on the capital assets owned by Armbro, see note 5 to the Consolidated Financial Statements, incorporated by reference herein.

A portion of Armbro's construction equipment and vehicles, recorded as capital assets, is financed by long-term capital leases and equipment loans with specific equipment provided as security (see note 9 to the Consolidated Financial Statements, incorporated by reference herein).

Additionally, a portion of Armbro's construction equipment and vehicles is leased under operating leases with various terms and conditions (see note 15 to the Consolidated Financial Statements, incorporated by reference herein).

In addition to the properties referred to above in the description of operations, Armbro also owns or leases the following facilities as at December 31, 2000:

- 1) The Corporate and BFC offices are located in a 66,000-square-foot building on a 13.3-acre site owned by the Corporation in Scarborough, Ontario.
- 2) ACL and Civil lease 31,450 square feet for their offices at 11 Indell Lane in Brampton, Ontario. Armbro Materials Engineering Corp. will be moving to these facilities in 2001.
- 3) SCI leases 8,627 square feet for its offices in Calgary, Alberta.
- 4) Industrial operates from an 18-acre site in Cambridge, Ontario, which includes 10,000 square feet of existing office space, a 100,000-square-foot fabrication shop and an additional 32,000 square feet of indoor storage space. This division also has 5,000 square feet of office space and a 40-acre yard in Edmonton, Alberta, which includes an 85,000-square-foot fabrication shop and 8,000 square feet of warehouse space.
- 5) Frontier leases 12,960 square feet of office space in Lynwood, Washington.
- 6) Civil also leases 8,083 square feet of office space in Laval, Quebec, a suburb of Montreal and a yard facility in Montreal of 17,200 square feet.
- 7) Utilities leases an office and yard facility in Oshawa, Ontario consisting of a 600-square-foot office and 2 acres for outside storage. The division also leases approximately 2 acres of outside storage and a 10,000-square-foot storage building in Brampton, Ontario. An equipment storage and operations yard of 5.1 acres is leased in Markham, Ontario. In Quebec, the division leases a one acre yard facility that includes 10,700 square feet of warehouse and garage and 2,500 square feet of office space. In Toronto, leased space includes a 30,320-square-foot garage and a manufacturing facility for Footage Tools (a division manufacturing underground piercing tools) located on approximately 2.3 acres which is also used for equipment storage.
- 8) IST operates from a 5-acre facility owned by the Corporation in Cambridge, Ontario. On the site is a 96,000-square-foot building comprised of 72,000 square feet of manufacturing space and 24,000 square feet of office space.

BFC owns a 1.8-acre facility in Halifax, Nova Scotia. In Ontario, facilities owned are as follows: 3.5 acres in the Newmarket area, 4.8 acres in Burlington, 2.8 acres in Brampton, 2.1 acres in Breslau and 10 acres in Barrie. The Barrie site consists of a repair shop, garage facility and outside storage area.

Temporary office, repair shop and storage yard facilities are established at each construction site, usually on land made available by the client. These are dismantled and removed following completion of the contract.

Environmental

Armbro is subject to federal, provincial and municipal environmental legislation in its asphalt manufacturing and construction operations. Armbro recognises that it must conduct all of its business in such a manner to both protect and preserve the environment. Additionally, at each place where work is performed, Armbro develops and implements a detailed quality control plan as the primary tool to demonstrate and maintain compliance with all environmental regulations and conditions of permits and approvals.

Employees

Armbro had 695 full time salaried employees and 1284 hourly employees as at December 31, 2000. This number is not indicative of the total number of employees at any time throughout the year as the construction industry is seasonal in nature due to weather conditions and customer scheduling requirements, with little work performed in the winter and early spring months. At its peak operating capacity level during 2000, Armbro employed 696 salaried and 2,072 hourly employees. Armbro recruits its unionized labour pool on an “as needed” basis consistent with the relevant union contracts and traditional hiring practices. These employees are laid off upon the completion of the job they were working on, unless they are transferred to another job.

ITEM 4 - SELECTED CONSOLIDATED FINANCIAL INFORMATION

FIVE YEAR SUMMARY

(in thousands of dollars except earnings per share data)

	2000	1999	1998	1997	1996
Revenues	\$1,006,330	\$ 213,114	\$ 151,584	\$ 192,095	\$ 205,968
Net Income	\$ 10,622	\$ 6,072	\$ 5,005	\$ 8,010	\$ 9,003
Earnings per share					
Basic	\$ 0.66	\$ 0.65	\$ 0.55	\$ 0.98	\$ 1.16
Fully Diluted	\$ 0.64	\$ 0.63	\$ 0.51	\$ 0.80	\$ 0.90
Total assets	\$ 525,764	\$ 460,550	\$ 110,040	\$ 98,072	\$ 97,869
Total long-term debt, including current portion ^(a)	\$ 45,864	\$ 114,854	\$ 17,325	\$ 12,273	\$ 24,202

(a) Including debt portion of convertible debenture.

Quarterly Summaries (unaudited)				
	Four Quarters of 2000			
	Q1	Q2	Q3	Q4
Revenues	\$173,455	\$235,726	\$313,678	\$283,471
Net income	\$ (5,308)	\$ 3,977	\$ 5,698	\$ 6,255
Earnings per share				
Basic	\$ (0.51)	\$ 0.22	\$ 0.32	\$ 0.35
Fully diluted	\$ (0.51)	\$ 0.22	\$ 0.31	\$ 0.34

Quarterly Summaries (unaudited)				
	Four Quarters of 1999			
	Q1	Q2	Q3	Q4
Revenues	\$ 13,433	\$ 48,802	\$ 62,139	\$ 88,740
Net income	\$ (3,215)	\$ 343	\$ 4,081	\$ 4,863
Earnings per share				
Basic	\$ (0.34)	\$ 0.04	\$ 0.44	\$ 0.53
Fully diluted	\$ (0.34)	\$ 0.04	\$ 0.43	\$ 0.51

Effective January 1, 2001 Armbro adopted the new recommendations of The Canadian Institute of Chartered Accountants for Interim Financial Statements. In accordance with these recommendations, differences between actual and standard costs in an interim period, which are planned and expected to be absorbed by the end of the year, are deferred at the end of the interim period. The quarterly figures for the years 2000 and 1999 have not been restated to conform to this new recommendation. However, as changes in one quarter would be offset by reversals in other quarters, there would be no impact on the annual financial statements.

Fully diluted earnings per share for 2000 are calculated in accordance with new recommendations of The Canadian Institute of Chartered Accountants. Under the new method,

the Corporation's diluted earnings per share are determined using the treasury stock method for the effect of outstanding share options and the dilution impact of the convertible debenture.

DIVIDENDS

On November 29, 2000, Armbro Enterprises Inc. declared a dividend of \$0.10 per share on each of its common shares. The dividend was paid on January 4, 2001 to shareholders of record as at the close of business on December 8, 2000.

Armbro has not established a formal dividend policy. The Board of Directors will consider the payment of dividends from time to time on an ongoing basis as financial results and conditions warrant.

ITEM 5 – MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of Armbro's financial statements, which is included in the Financial Report as mailed to shareholders, is incorporated herein by reference.

ITEM 6 – MARKET FOR SECURITIES

The common shares of Armbro are listed and traded on The Toronto Stock Exchange.

ITEM 7 - DIRECTORS AND OFFICERS

Directors

The names, municipalities of residence and principal occupations of the directors of Armbro are set out below. Each director will hold office until the next annual meeting of shareholders or until a successor is elected or appointed.

Name and Municipality of Residence	Year First Became Director	Principal Occupation Within the Last Five Years
Scott C. Balfour Oakville, Ontario	1995	Executive Vice President and Chief Financial Officer, the Corporation
John M. Beck Toronto, Ontario	1963	Chairman and Chief Executive Officer, the Corporation
Michel A. Butt Gormley, Ontario	1994	President, Buttcon Limited
Rolf Kindbom Georgetown, Ontario	2000	Consultant
Hans-Wolfgang Koch Meerbusch, Germany	2000	Prior to 1998, Chief Executive Officer of Balcke-Dürr, AG; from 1999, Member of the Executive Board of Hochtief AG

Thomas Leppert Dallas, Texas	2000	Executive Officer of The Turner Corporation
Dr. Busso Peus Essen, Germany	2000	Member of the Executive Board of Hochtief AG
Robert P. E. Wildeboer Burlington, Ontario	1993	Partner, Wildeboer Rand Thomson Apps & Dellelce, Barristers and Solicitors

The members of the Audit Committee are Michael Butt, Rolf Kindbom and Thomas Leppert (Chair).

The members of the Human Resources and Compensation Committee are Michael Butt, Hans-Wolfgang Koch (Chair) and Robert Wildeboer.

There is no Executive Committee.

Michael Butt is President and a Director of Buttcon Limited, a general contractor based in the Toronto, Ontario area. Buttcon, in some instances, may bid on the same projects as does BFC Buildings a division of BFC Construction Group Inc. Mr. Butt has agreed to excuse himself from portions of Board of Directors' meetings when discussions take place on projects where he may be in a potential conflict of interest.

Officers

The names and municipalities of residence and titles of the officers of Armbro are as follows:

<u>Name and Municipality of Residence</u>	<u>Office</u>
John M. Beck Toronto, Ontario	Chairman and Chief Executive Officer
Scott C. Balfour Oakville, Ontario	Executive Vice President and Chief Financial Officer
Norman A. Harrison Aurora, Ontario	Executive Vice President
James Hewitt Toronto, Ontario	Controller
Gerry Kelly Toronto, Ontario	Vice President, Finance
Hans-Wolfgang Koch Meersbusch, Germany	Deputy Chairman

Bernard L. Kruyne
Oakville, Ontario

Vice President, Treasurer and Secretary

H. William Pearson
Oakville, Ontario

Executive Vice President

Robert P. Wildeboer
Burlington, Ontario

Vice Chairman

The senior officers and directors of the Corporation beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 2,806,284 shares or 15.6% of the issued and outstanding common shares of Armbro as at December 31, 2000.

ITEM 8 - ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Corporation's Management Information Circular. Additional financial information is provided in the Corporation's financial statements for the year ended December 31, 2000. A copy of the foregoing documents may be obtained upon request from the Secretary of the Corporation.