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Aecon Group Inc. Annual Report 2001

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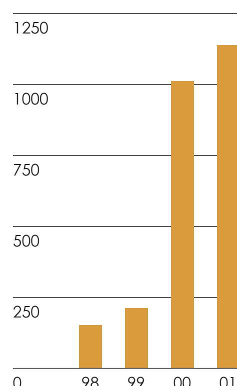
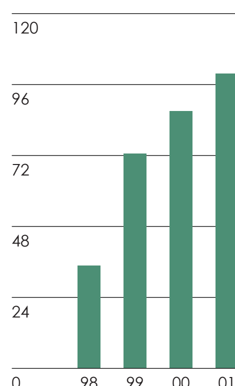
building your company

As Canada's largest publicly traded construction and infrastructure development company, Aecon Group Inc. serves private and public sector clients across Canada and internationally. Aecon's capabilities cover the infrastructure, civil, utilities, buildings, industrial and energy sectors. Services range from financing, design, construction, operation and facilities management to procurement, materials engineering and fabrication.

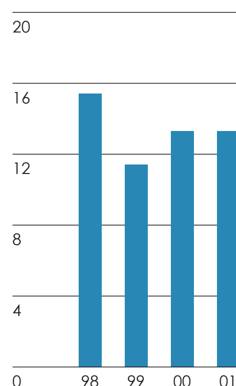
Revenues
($ millions)



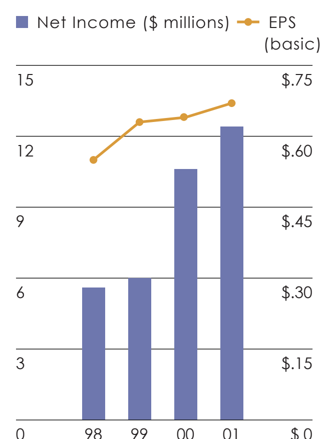
Shareholder Equity
($ millions)



Return on Equity
(%)



Earnings Growth



financial highlights

(for the years ended) in millions of dollars except per share data	2001	2000	% increase (decrease)
Total Revenues	1,139	1,006	13%
Revenues by Segment			
Infrastructure	573	586	(2%)
Buildings	278	231	20%
Industrial	240	144	67%
Corporate/Other	48	45	5%
Income before Interest and Taxes	29.9	19.4	54%
Net Income	12.4	10.6	17%
Cash Flow from Operating Activities*	38.2	26.4	45%
Earnings Per Share			
Basic	$ 0.69	$ 0.66	5%
Diluted	$ 0.61	$ 0.64	(5%)
Average Shares Outstanding (000s)			
Basic	17,974	16,099	
Diluted	20,995	16,781	

** before changes in other balances relating to operations*

building shareholder value

Dear Fellow Shareholders,

2001 was an outstanding year for Aecon Group Inc. Your company increased annual revenue by 13% to $1.14 billion and net income by 17% to $12.4 million – and increased cash flow from operations by 45% over 2000 results. Our balance sheet is stronger than ever and debt levels remain low.

Since 1993, we have grown in revenue from $60 million to over $1 billion and developed from a regional civil contractor to a national – and increasingly international – multidisciplined contractor and infrastructure developer. We have successfully integrated BFC Construction and Armbro Enterprises, making us Canada's largest publicly traded construction and infrastructure development company. And in June 2001, in order to reflect our new status and bring additional value to our brand, we launched a new unified name for your company – Aecon.

Overall, Aecon's 2001 results reflect the achievement of several key strategic and performance objectives:

1. Strong growth in revenue and net income
2. The successful launch of our new brand
3. Breakthrough sales results and financial performance at Innovative Steam Technologies (part of Aecon's Industrial segment)
4. The substantial expansion of our aggregate business in Ontario, thereby extending Aecon's vertical integration, further securing sources of aggregate and diversifying our revenue base
5. The strengthening of Aecon's management team and structure.

Aecon has developed a unique competitive position as the most diversified Canadian company in our industry. Aecon's diversity increases our scope of opportunity, allowing us to tackle small straightfoward projects or large, multifaceted projects in a wide range of disciplines. We are organized to work across North America and have a growing track record in projects around the world. We have the experience to successfully work within any type of structured relationship, from fee-based construction management arrangements to guaranteed maximum price contracts and from traditional supplier arrangements to innovative joint ventures and alliances.

Our diversity has also allowed us to reduce our exposure to the industry's cyclical nature and seasonality – in the same way as a diversified portfolio enables investors to minimize dips in one sector by capitalizing on growth in another. As a result, we continue to deliver strong, consistent earnings, with revenues and net income increasing each of the last three years.

To better reflect our diverse operations, we have changed the way we report on Aecon's financial performance. Rather than reporting on just two broad categories (construction operations and infrastructure development), Aecon has begun reporting on four segments that reflect our current operating structure: Infrastructure, Buildings, Industrial and Corporate/Other.

For reporting purposes, the Infrastructure segment includes infrastructure development, all aspects of civil construction from roads, highways, bridges and tunnels to airports, transit systems and power projects, as well as underground utilities installation and maintenance and our traffic technology business. Aecon's Buildings segment is a leader in constructing commercial, institutional and multi-unit residential buildings in Canada, the Northwestern United States and selected international venues. The Industrial segment includes all of Aecon's industrial manufacturing and industrial construction activities, including pipe fabrication, module assembly and the design and manufacture of heat recovery steam generators.

In 2001, revenue from the Infrastructure segment remained strong at $573.3 million, encompassing more than 50% of Aecon's total revenue. Operating profit, even after the writedown of our interest in the Gdansk grain terminal project, was $15.8 million – a substantial increase over 2000.

The most significant growth this year occurred in Aecon's Buildings and Industrial segments. Revenue in the Buildings segment increased 20% to $278.1 million and operating profit grew by 25% to $5.8 million. Revenue from the Industrial segment grew by 67% to $239.8 million, with operating profit tripling to $23.3 million. Industrial's outstanding results were driven by very strong sales of once through heat recovery steam generators and other energy-related projects.

Aecon continued to win new business throughout 2002 as projects on hand were completed. In the first six months of 2001, Aecon was awarded new contracts totaling $501 million, a significant increase from the same period last year. In the second half of 2001, the economic slowdown, the technology sector downturn and the events of September 11 reduced opportunities for bidding and prevented Aecon from matching the near-record backlog of a year earlier. Nevertheless, backlog levels at year-end were strong at $848.6 million, with "core backlog" remaining stable and "large project backlog" declining as work progressed on our major projects in Israel and India. We expect backlog growth to resume during the latter half of 2002 as economic conditions continue to improve.

We are continuing to build Aecon, both organically – through new business, new services and new markets across Canada and around the world – and through prudent acquisitions. At the same time, Aecon remains bottom-line focused and committed to delivering value, both to our clients and our shareholders.

This value can be seen in the 44% increase in Aecon's share price performance over the year, especially impressive relative to the performance of the TSE Index. Aecon also declared a 12 cents per share dividend payment for shareholders of record on April 17, 2002.

It takes solid management to achieve consistently strong results. Aecon made substantial changes to senior management in 2001 to further strenghten our team, including new leadership at both the Buildings division and at the expanded Infrastructure division. With the integration of Armbro and BFC complete and the new team in place, we then undertook our most rigorous strategic planning process ever, setting targets and establishing benchmarks, division by division, for every area of our business.

At the same time, we defined a clear vision and mission for Aecon:

- To be the largest Canadian company in our industry by 2010, through a strategy of managed growth and targeted acquisitions;
- To be a dominant player in each of our core businesses and core markets;

- To provide a return for our shareholders that consistently exceeds the industry average;
- To reinforce our position as a partner of choice; and
- To be an employer of choice, continuing to attract and retain the brightest and the best talent to Aecon.

We are also extremely proud that Aecon again achieved industry-leading safety performance across the company. In 2001, Aecon earned a 99.2% safety rating by the Construction Safety Association of Ontario, the highest rating ever given in the construction industry. Safety is important to Aecon. So important that we have embedded it this year as the first in our list of corporate values. Our impressive safety record is due to the commitment of the best people in our industry.

In 2002, we will further strengthen our financial position, always with a prudent eye focussed on the core disciplines that deliver results for our shareholders. With the anticipated economic recovery now underway, opportunities available to Aecon, our experienced management team, our diversity and our financial strength, we have the resources to become the dominant construction and infrastructure development company in Canada. Aecon is well positioned to build steadily onward and upward, creating shareholder value as we grow.

We thank you for continuing to share our success as we build shareholder value in your company.

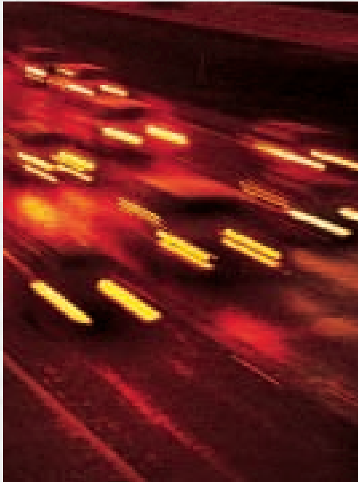
John M. Beck,(signed)Chairman and Chief Executive Officer

through leadership

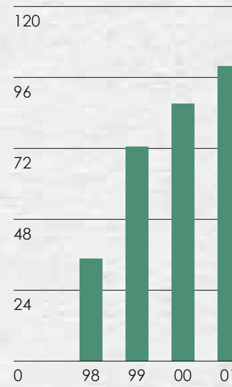
With Aecon's exceptional history – including the creation of many of Canada's construction and infrastructure landmarks – it is little wonder that our client list is a "who's who" of Canadian business. In 2001, this included such leading companies as Ford of Canada, Toronto Dominion Bank, Shell Canada and Ontario Power Generation. This year, new contracts ranged from the retrofit of the Hudson's Bay Centre office and retail complex in downtown Toronto, to the reconstruction of Montreal's Décarie Expressway, to major new utilities and industrial construction contracts.

Leaders are not only top-of-mind when opportunities arise, they have the power to create their own opportunities. For example, Aecon is an active developer of infrastructure projects worldwide, such as the state-of-the-art Cross Israel Toll Highway. Projects such as these depend on the full spectrum of Aecon's leading expertise, from private sector financing through design and construction, to long-term operation.

Being a leader means being allied with the best. That includes Turner Construction Company, North America's largest general contractor, and Hochtief AG, one of the largest construction firms in the world. Their market presence lends further weight when Aecon competes for international projects. Aecon's strength in areas such as civil and industrial construction complements their expertise, while their expertise and resources provide additional value to our clients.



Shareholder Equity
($ millions)



Among the new contracts won in 2001, Aecon Buildings was selected by Truscan Property Corporation to manage Phase 1 construction of its new Creekside Corporate Centre in Mississauga, Ontario (top left). One of the project's two 150,000 square-foot buildings will be occupied by TD Financial Group.

The Cross Israel Highway (below) is a next generation all-electronic toll highway, the most advanced and sophisticated of its kind in the world. The first phase is on schedule to open in summer 2002. Once completed in 2004, Aecon will continue to benefit during the 25-year concession period – when Aecon expects to earn a steady stream of income from operation and maintenance, and from our investment in the highway.

through innovation

In construction and infrastructure development, as in most industries, the innovator has a competitive advantage in the marketplace. Aecon has a reputation for developing creative ways of doing things, whether it is a better way to build a bridge or an innovative financing arrangement. A high-end residential tower; a 4,000-foot-long tunnel; a six-lane bridge – in 2001, clients selected Aecon whenever projects were exacting or challenging.

Each division's innovative leadership has contributed to the bottom line this year. Out-of-the-box thinking has led to new capabilities and new services. When an idea developed for internal use has outside application, such as our quality testing and research services, it is developed into an added source of revenue for Aecon.

Perhaps most importantly, Aecon's record with innovative alliances such as public-private partnerships and customer alliances is unsurpassed. Relationships such as our key client alliance with Union Gas have broken new ground in our industry. And Aecon has proven again and again that we not only excel at selecting the right partners, we know how to work effectively, and profitably, within those relationships to the benefit of both Aecon and our partners.

Share Price Performance vs TSE 300 Index

Aecon Stock Price
January 1, 2001– $3.00
December 31, 2001– $4.40

TSE 300
January 1, 2001– 8611.51
December 31, 2001– 7688.41

Aecon's work on the Sky Train Millennium Line in Vancouver (bottom left) recently received an Honour Award from the American Council of Engineering Companies at their 2002 Engineering Excellence Awards Ceremony in Washington, DC.

One of Aecon's market innovators, Innovative Steam Technologies, which is part of our Industrial segment, designs, manufactures and markets "once through" steam generators (top left) for use in cogeneration facilities. With sales of fifteen generators in 2001, including four in Europe, it continually set quarterly sales records.

This year, we substantially expanded our aggregate business in a strategic move to extend our vertical integration and diversify our revenue base.

An offshoot of Aecon's aggregates supply business, Aecon Materials Engineering was formed to provide internal quality testing and research services (top centre). Beginning with a staff of five, it now has fifty-five employees and derives 50% of its business from outside clients.

Aecon Utilities (right), which is part of Aecon's Infrastructure segment, won a three-year extension and geographic expansion of our alliance with Union Gas. Innovative approaches to contracting strategies, improved material handling and construction processes, electronic data sharing – in these and other ways, Aecon has contributed to efficiency gains that helped Union Gas meet its aggressive business targets.

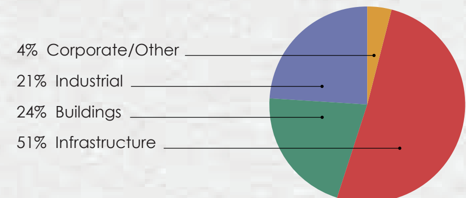
through diversity

Aecon has what the future demands: industry leading divisions, integrated to tackle unique projects of varying scope and scale. Aecon is a recognized leader in infrastructure development, a leading civil contractor, a dominant builder of suburban office towers, Canada's biggest utilities contractor, a leader in industrial construction and assembly and a leading innovator in the design and manufacture of energy efficient power generation equipment. Through a 2001 acquisition, Aecon is now also Canada's largest fabricator of custom pipe. From rationalized costs to cross-selling opportunities and integration, Aecon's diversity makes us a stronger competitor.

Nowhere is the corporate synergy of these individual strengths more evident that in the redevelopment of Toronto's Pearson Airport where four Aecon divisions have been active in building access roads and taxiways, installing process equipment, installing and maintaining runway lighting and, in joint venture, construction of the new terminal building. This balance of diversity and integration positions us well for many of the emerging infrastructure projects in Ontario, such as the redevelopment of Toronto's waterfront.

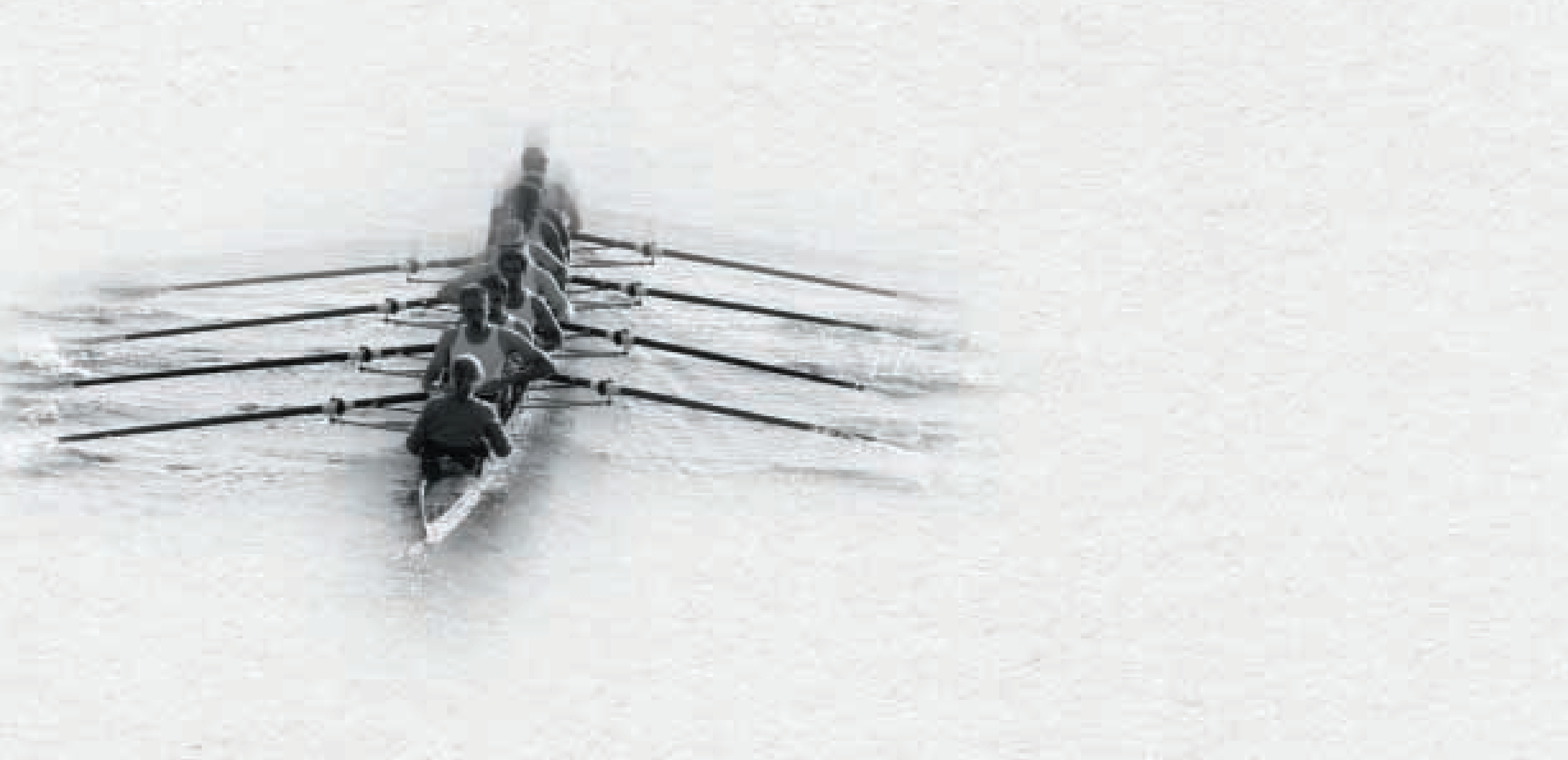
Diversity also builds value when it makes the Company's earnings less vulnerable to local cycles and seasons. Aecon is currently building roads, airports, dams or public buildings in North America, Africa, the Middle East and Asia. A hydro-electric project in India, a Canadian chancellery in Kenya, a casino in the United States – Aecon has a geographically diversified construction and infrastructure development portfolio delivering more stable and consistent earnings for shareholders.

Percentage of Revenue by Segment



Aecon's pipe fabrication business (middle left), part of Aecon's Industrial segment, provides components for industries as diverse as energy, pulp and paper and food processing. Its work on the Shell oil sands refinery was one of Alberta Construction Magazine's Top-Five Industrial Projects of 2001.

One of Canada's most challenging construction projects, the new Pearson International Airport terminal building (top) remained on time and on budget in 2001. Aecon is a 50% partner in this construction management joint venture.

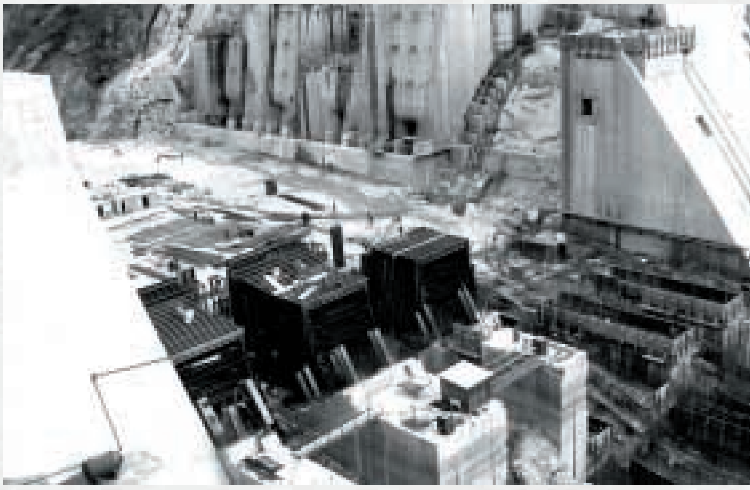


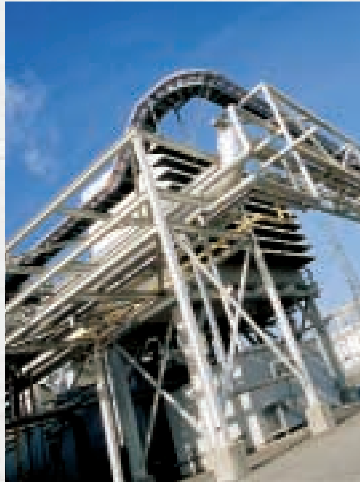
through discipline

As the most diverse company in our sector, Aecon has put in place unique risk management systems on our larger project work, particularly when Aecon's capital is involved. Before accepting any project risk, each project now undergoes a rigorous internal risk assessment and approval process to ensure it delivers acceptable returns.

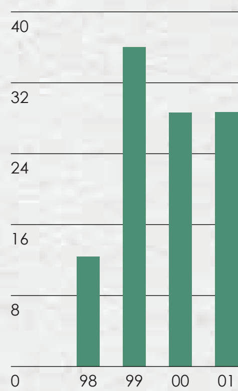
Our focus on maintaining a strong balance sheet, with good cash flow and moderate debt levels, demonstrates Aecon's commitment to being a disciplined company.

A diversified company like ours also needs a strategic focus on our core business, led by a strong management team. In 2001, Aecon developed a vision for the future of our company, a mission by which we will achieve that vision and the core values to guide us along the way. Well-disciplined and entrepreneurial, Aecon has the right formula for a balance of stability and growth.

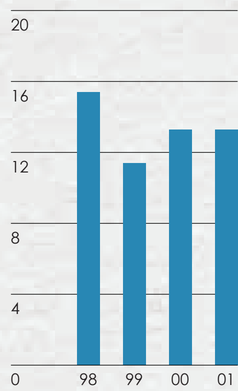




Long Term Debt
(excluding current portion)
($ millions)



Return on Equity
(%)



It takes special expertise to manage a project in a remote location, especially when catastrophic flooding and other unexpected hitches seriously endanger the project's schedule. However, thanks to a disciplined focus on acceleration of the project schedule and mitigation of flood impacts, the $550 million Nathpa Jhakri Hydro-electric project (top left) in the Himalayan foothills of northern India is now moving toward successful completion and positive returns for Aecon.

A keen focus on risk management is crucial. This year, Aecon installed at head office a risk management team, under the leadership of a new vice president, to ensure that all risk, especially on large projects, is properly analyzed and managed.

building our vision

Aecon will be the largest Canadian-based company in the construction and infrastructure development business by 2010. We will be a dominant player in each of our businesses and core markets, while providing a return to our shareholders that consistently exceeds the industry average. Operating across Canada and internationally, Aecon will be known for the excellence of its work and will be both the partner and the employer of choice in our industry.

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. ("Aecon") should be read in conjunction with the Company's 2001 Consolidated Financial Statements and Notes.

Results of Operations

Introduction

Aecon operates in three principal segments within the construction and infastructure development industry – Infrastructure, Buildings and Industrial. Aecon's joint venture interest in the nuclear power market, as well as its corporate activities, are included in a fourth segment titled Corporate and Other.

Infrastructure includes all aspects of the construction and development of infrastructure including roads and highways, expressways and toll routes, dams and tunnels, bridges, airports, marine facilities, transit systems and power projects as well as utility distribution systems including natural gas, telecommunications and electrical networks, water and sewer mains, traffic signals and highway lighting. Activities within this segment also include the development, design, construction, operation and financing of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and public-private partnership contract structures. Activities are primarily based in Ontario and Quebec, although operations extend across Canada on a limited basis, and selectively within the United States and internationally.

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

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

Consolidated

Revenues in 2001 amounted to $1.14 billion – an increase of $132.5 million or 13.2% from 2000. The Industrial and Buildings segments reported increases of $96.2 million and $46.9 million, respectively, while the Infrastructure segment was slightly lower than last year.

Costs and expenses amounted to $1.02 billion and as a percentage of revenue declined from 92.8% last year to 89.7% in 2001. Accordingly, contract margins increased from 7.2% in 2000 to 10.3% in 2001. The majority of the improvement in the margin ratio is due to the impact in 2000 of $22.8 million in losses incurred on the contract for the design and construction of the Sky Train rapid transit system in Vancouver, British Columbia. Aecon participated in this project through its 40% interest in the SAR Joint Venture ("SAR JV"). Excluding the effect of the SAR JV loss, margins improved by 0.3% year-over-year.

Marketing, general and administrative expenses ("M,G&A") amounted to $63.6 million in 2001, compared to $41.1 million in 2000, and as a percentage of revenue increased from 4.1% in 2000 to 5.6% in 2001. Approximately one-half of the expense increase was in corporate overheads with the balance resulting from increases within operating units mostly resulting from increasing revenue and activity levels. The majority of the increase in corporate costs was due to the favourable impact of unanticipated cost recoveries in 2000 and unusually high expenditures in 2001 for such items as severances, bid costs and rebranding. In order to manage Aecon's significantly higher volume levels and position the Company for future growth, several corporate functions were expanded and some new corporate functions were created during 2001, which accounts for the balance of the increase. Overall, management believes that its M,G&A is at a reasonable level for a public construction and infrastructure development company with the scope and breadth of operations of Aecon.

Depreciation and amortization declined by $0.9 million, principally due to the reduction of depreciable assets resulting from completion of the Sky Train rapid transit system project.

Income for the year was negatively impacted by a provision for loss on impairment of assets amounting to $12.9 million pre-tax ($11.3 million after taxes). This provision relates to the Company's investment in a grain terminal and handling facility in Gdansk, Poland. Attempts to obtain acceptable financing in order to complete this project are continuing but, with the lack of success over the past year, management recorded a provision for the impairment in value of this project.

Net interest expense increased to $5.6 million in 2001 from $2.8 million in 2000. Interest costs in 2000 were reduced by the one-time receipt in the second quarter of 2000 of $2.9 million interest income on advances to the joint venture building the Nathpa Jhakri Hydro-electric project. These advances were repaid in the second quarter of 2000.

Income before income taxes increased to $24.3 million from $16.7 million in 2000 due to particularly strong contributions from the Industrial and Infrastructure segments.

Although income before taxes increased by 46.0%, the impact of a higher effective tax rate, 49.1% in 2001 compared to 36.2% in 2000, reduced the year-over-year improvement in net income to 16.6%. The increase in the income tax rate is due to the tax treatment of the provision on the Gdansk investment. Since most of this provision represents a capital loss, the full amount is not deductible for income tax purposes. In 2001 income tax valuation allowances of $4.1 million, representing reserves against the value of loss carry-forwards, which are no longer required, were reversed. However, the benefit of this reversal was offset by an increase in the provision for the United Keno tax reassessments that are referred to in note 12 to the Consolidated Financial Statements.

Reporting segments

Infrastructure

Financial Highlights

$ millions	2001	2000	% Change
Revenues	$ 573.3	$ 586.1	(2.2) %
Segment Operating Profit	15.8	7.6	107.4 %
Return on Revenue	2.8 %	1.3 %	112.0 %

Revenues of the Infrastructure segment were lower than 2000 due to a $56.2 million decline in revenues from the Sky Train rapid transit system contract as that project was completed early in 2001. Revenues from other projects increased by 8.4% or $43.4 million. The Cross Israel Highway project, which commenced in 1999, accounted for $25.4 million of this increase, contributing total revenues of $74.1 million during 2001 from Aecon's proportionate share of construction activities of this project. The Nathpa Jhakri Hydro-electric project in India contributed revenues of $34.6 million during the year. Revenues for utility services work were also strong, with a year-over-year increase of $34.1 million or 23.4%. Highway lighting installations represented the largest single increase in the utility sector, growing by $16.9 million. Highway construction in Ontario, however, was down from last year as government spending was dramatically reduced from traditional and expected levels.

Operating profit of the Infrastructure segment was affected in each of the last two years by losses on major joint venture projects – Gdansk in 2001 and SAR JV in 2000. Exclusive of the losses on these projects, segment operating profit would have been $26.9 million in 2001 compared to $31.2 million in 2000. The reduction is due mainly to lower income related to the joint venture (in which Aecon has a 45% interest) building the Nathpa Jhakri Hydro-electric project in India. In 2000 a recovery of $9.7 million for advances previously written off was recorded, while in 2001, $5.4 million of accrued financing fees owing from the joint venture were recorded. This project is now approximately 70% complete. The joint venture has recovered from the setback caused by a major flood in the summer of 2000 and construction is currently progressing well. However, Aecon continues to defer recognition of its share of construction profits on this project until it has achieved further construction milestones which will allow management to better estimate the project's ultimate profitability. These milestones are expected to be achieved in early 2002 and the project is now expected to be completed in 2003. In addition to not recording construction profits from the project, there are also approximately $124 million of claims issued by the joint venture building the Nathpa Jhakri Hydro-electric project, which are not yet resolved and, consistent with the Company's accounting policy, have not been recorded in revenues or profits. Profit contributions from utility construction and construction profits related to the Cross Israel Highway were both well ahead of 2000 levels, while profit contributions from highway construction in Ontario was lower as a result of lower volumes.

Buildings

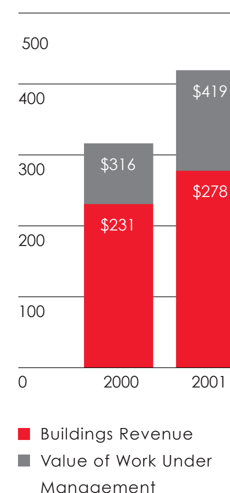
Financial Highlights

$ millions		2001		2000	% Change
Revenues	$	278.1	$	231.2	20.3 %
Segment Operating Profit		5.8		4.7	25.0 %
Return on Revenue		2.1 %		2.0 %	3.9 %

The Buildings group started the year slowly, and for the first six months revenues were down 12.4% from the same period last year. However, during the last half of 2001, several major contracts were signed and during this period revenues outpaced 2000 by 53.4%, yielding a full year revenue increase of 20.3%. Much of the work undertaken by the Buildings group is construction management or fee based. Accordingly, the revenue recorded only reflects the management fee income and not the full value of the construction. If the value of construction that the group manages were included in revenue, its total construction volume would be $419 million in 2001 and $316 million in 2000.

Return on revenue was slightly better in 2001 – rising to 2.1% from 2.0% in 2000. Segment operating profit of $5.8 million was $1.1 million higher than 2000, principally as a result of higher construction volumes. More than half of this improvement was generated from strength in U.S. based operations, which contributed $2.3 million to segment profit in 2001 ($1.6 million in 2000), in large part due to the favourable impact of currency exchange.

Value of Work Under Management
(millions)



Industrial

Financial Highlights

$ millions		2001		2000	% Change
Revenues	$	239.8	$	143.6	67.0 %
Segment Operating Profit		23.3		7.4	213.7 %
Return on Revenue		9.7 %		5.2 %	87.9 %

Industrial construction and fabrication activities were strong, with revenues from contracts in automotive work, pipe fabrication and module assembly work as well as project work in the power sector all ahead of last year and accounting for approximately half of the increase in revenues. Revenue improvement from the engineering and manufacture of once-through steam generators accounted for the other half of the revenue increase, growing from $27.3 million in 2000 to $82.2 million in 2001 reflecting strong demand for energy generation equipment. In 2001, 14 units were delivered compared with 5 in 2000.

Segment operating profit improved $15.9 million from the previous year and margins improved to 9.7% from 5.2%, principally reflecting the significant growth and increased profit contribution from the sale of once-through steam generators and the benefit of economies of scale achieved from the higher sales volumes.

Corporate and Other

Other revenue, which is derived principally from Aecon's 38.75% interest in Canatom NPM Inc., a nuclear engineering and project management firm, amounted to $47.7 million in 2001, compared to $45.4 million last year. A segment operating loss of $15.0 million compares with a loss of $0.3 million in 2000. The contribution from nuclear activities was lower than last year by $0.5 million and as noted in the discussion of consolidated results, marketing, general and administrative expenses within the corporate area were substantially higher than prior year. The year-over-year impact of severances, bid costs and rebranding amounted to approximately $4.2 million of the increase in corporate costs; recoveries of claims amounted to $1.5 million in 2000 compared with a $1.0 million loss on disposition of assets in 2001; the difference between foreign exchange gains in 2000 and losses in 2001 totaled $1.2 million and the difference between unusual cost recoveries in 2000 and unusual costs in 2001 was $1.5 million.

Quarterly Financial Data

Set out below are revenues, net income and earnings or loss per share for each quarter in 2001 and 2000 (in millions of dollars, except per share amounts).

	2001				2000			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Revenues	$ 188.3	$ 258.9	$ 332.4	$ 359.3	$ 173.4	$ 235.7	$ 313.7	$ 283.5
Net income (loss)	(2.1)	0.8	6.7	7.0	(4.1)	4.0	4.4	6.3
Earnings (loss) per share:								
Basic	(0.12)	0.04	0.37	0.39	(0.40)	0.22	0.25	0.35
Diluted	$ (0.12)	$ 0.04	$ 0.32	$ 0.34	$ (0.40)	$ 0.22	$ 0.24	$ 0.34

Due to the impact of share issuances and redemptions throughout the periods, the sum of the quarterly earnings (loss) per share will not equal the total for the year, although generally the difference is relatively minor. However, in the first quarter of 2000 a total of 8,744,197 shares were issued upon conversion of convertible debentures and, as a result, the average number of shares for all of 2000 was substantially higher than the first three months of the period. The total of the quarterly earnings (loss) per share, compared with the amounts for the full year are as follows:

	2001		2000	
	Quarterly Total	Annual Total	Quarterly Total	Annual Total
Earnings per share:				
Basic	$ 0.68	$ 0.69	$ 0.42	$ 0.66
Diluted	$ 0.58	$ 0.61	$ 0.40	$ 0.64

Financial Condition, Liquidity and Capital Resources

Cash and cash equivalents at December 31, 2001 totaled $107.1 million, compared to $57.9 million at the end of last year. Of these amounts, $103.8 million and $57.9 million, respectively, were on deposit in joint venture and affiliate bank accounts, which Aecon cannot access directly.

Cash provided from operating activities amounted to $81.8 million. More than half of this was generated from a reduction in non-cash working capital balances, principally due to a substantial increase in accounts payable and accrued liabilities.

Investing activities resulted in a use of funds of $28.7 million. Purchases of property, plant and equipment amounted to $14.7 million. Significant expenditures included a specialized piece of machinery used in the manufacture of once-through steam generators in Industrial, replacements for computer hardware and software within the Infrastructure, Buildings and Corporate and Other segments, and land development and equipment yard costs within Infrastructure. Other assets increased by $17.7 million of which deposits held in trust accounted for $12.2 million. These deposits are with a Canadian financial institution in support of Aecon's commitment to invest US $26.7 million in the company that will operate and collect tolls on the Cross Israel Highway. An income tax deposit of $5.4 million, required in connection with the United Keno tax reassessment, represents the other major item in the change in other assets.

Financing activities resulted in a net use of funds of $6.2 million. The major uses were a $3.7 million reduction of bank indebtedness and $1.8 million for dividends. Financing activity in 2001 included the refinancing of $13.1 million long-term debt with the same lender at a more favorable fixed rate of interest and for an increased amount of $17.8 million. Certain long-term debt obligations in the aggregate amount of $2.1 million referred to above were prepaid during 2001. The amounts of $13.1 million and $2.1 million are included in total repayments of long-term debt amounting to $21.9 million for the year and the amount of $17.8 million is included in the issuance of long-term debt amounting to $21.2 million for 2001.

Interest bearing debt amounted to $78.9 million at the end of 2001, compared to $80.6 million the year before, the composition of which is as follows ($ millions):

	2001	2000
Bank indebtedness	$ 32.2	$ 34.8
Current portion of long-term debt	8.7	8.2
Long-term debt	28.8	28.6
Convertible debenture	9.2	9.0
Total	$ 78.9	$ 80.6

The average interest rate on long-term debt at December 31, 2001 was 6.6%, compared to 7.5% at the end of 2000.

In Aecon's international joint venture projects, a substantial amount of cash is held in foreign currencies, principally US dollars. The effect of foreign exchange on cash balances was to increase cash and cash equivalents by $2.3 million in 2001, compared to an increase of $0.8 million in 2000. As various liabilities are also denominated in foreign currencies, the net gain on foreign exchange in 2001 was $0.8 million, compared to a loss of $0.3 million in 2000.

Aecon's cash flow and working capital is supplemented with a committed bank credit facility to fund additional working capital and operating requirements. This working capital facility is typically renegotiated and extended for periods of up to one year to meet the Company's anticipated requirements. Availability under this facility is linked to seasonally fluctuating current assets and liabilities, including accounts receivable, certain accounts payable and work in progress.

To fund investments in fixed assets, Aecon has access to several committed and uncommitted equipment financing and leasing facilities. Remaining availability under these lines of credit is sufficient to meet the Company's anticipated requirements in 2002.

The Company continues to maintain, as it traditionally has, very lean working capital levels, and relies heavily on the availability of lines of credit to support its operating requirements. Management is of the opinion that it has adequate access to bank credit lines to support its operations. However, in the context of tightening credit markets generally and conservative lending standards applied to companies in the construction and infrastructure development industry, management intends to pursue sources of improved liquidity during 2002, including longer-term credit facilities, in addition to its continued focus on efficient management of working capital. Management's initiatives to fund ongoing growth also potentially include the identification and sale of non-core assets and the raising of alternative debt or additional equity.

Risks and Uncertainties

Dependence on the Public Sector

A significant portion of Aecon's revenues is derived from contracts with various governments or their agencies. Consequently, any reduction in demand for Aecon's services by the public sector would likely have an adverse effect on the Company if that business could not be replaced from within the private sector.

Aecon believes that the overall need for addition, expansion and improvement to transportation related infrastructure continues to increase and that governments will increasingly rely on alternatives such as design-build and public-private partnerships to complete these projects. Accordingly, management believes that any reduction in budgetary commitments of governments to infrastructure funding will create new and exciting opportunities in an area of particular expertise for the Company.

Seasonality of Operations

The construction industry in Canada is seasonal in nature due to weather conditions with less work performed in the winter and early spring months. Accordingly, Aecon experiences a seasonal pattern in its operating results with the first quarter of the year typically reflecting low revenues and operating losses. Results for any one quarter are therefore not indicative of the results for any other quarter or for the year.

Economic Factors

General economic downturns adversely affect the Company. While economic downturns have not generally resulted in any substantial reduction in the budgetary commitments of Aecon's government clientele, and often historically has led to increases, the margins from this business, as well as the revenues and margins generated by Aecon's private sector clients, can be expected to be significantly reduced during economic downturns.

Environmental Factors

Unfavourable weather conditions represent perhaps the most significant uncontrollable risk for Aecon. Construction projects are susceptible to delays as a result of extended periods of poor weather which can have an adverse effect on profitability from either late completion penalties imposed by the project owner or from the incremental costs of overtime work utilized to offset the time lost due to weather.

Labour Factors

A significant portion of Aecon's labour force is unionized and accordingly, Aecon is subject to the potentially detrimental effects of a strike or other labour unrest.

Contract Factors

A substantial portion of Aecon's revenue is derived from lump-sum contracts wherein a commitment is provided to the owner to complete the project at a guaranteed maximum price ("GMP"). In this case, in addition to the risk factors of a unit price contract, any errors in quantity estimates must be absorbed within the GMP, thereby adding a further risk component to the contract. However, this added risk component typically means that cost contingencies are incorporated within the estimate and that estimated gross margins from these contracts tend to be higher to allow for the increased risk.

Aecon is also involved in fixed unit price construction contracts, under which the Company is committed to provide services and materials at a fixed unit price (e.g. dollars per tonne of asphalt or aggregate). While this shifts the risk of estimating the quantity of units to the contract owner, any increase in Aecon's cost over the unit price bid, whether due to estimating error, inefficiency in project execution, inclement weather, inflation or other factors, will negatively affect Aecon's profitability.

Aecon is increasingly involved in design-build contracts where, in addition to the responsibilities and risks of a unit price or lump-sum construction contract, Aecon is responsible for certain aspects of the design of the facility being constructed. This form of contract adds the risk of design errors, although much of this added risk is insured by Aecon and/or assumed by the design engineers that are retained by the Company. Again this risk provides for increased pricing and margin opportunities for Aecon. The Company anticipates that design-build contracts will represent an increasing component of its revenue base.

The Company is also involved in construction management contracts where Aecon works closely with its client to manage a construction project on the client's behalf in return for a fee. The risks associated with construction management contracts are typically much lower than for unit price or lump-sum contracts.

Certain of Aecon's contract requirements may also involve financing elements, where Aecon is required to provide one or more of letters of credit, performance bonds, financial guarantees or equity investments.

Disputes with clients for additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions are an unfortunate but sometimes necessary part of the construction process. Because Aecon's accounting policy is to record all costs for these changes when known, while it will not record the revenue anticipated from claims until they are resolved, such events can have a material negative and/or positive impact on income and liquidity, and thus can cause fluctuations in the revenue and income of the Company in any one reporting period.

Large Contract Factors

A substantial portion of Aecon's revenues is derived from large projects, some of which are conducted through joint ventures. These large projects provide opportunities for large revenue and profit contributions but can occasionally result in significant contract losses.

Opportunities for Aecon to compete for these larger projects do not occur regularly. As a result, Aecon's ability to successfully compete for these opportunities and the length of time required to execute these projects are not predictable and therefore create risk of periods of irregular or reduced revenues. The recording of such events can affect revenues and incomes on both a quarterly and an annual basis and in some cases makes comparison of financial results difficult in particular reporting periods.

Access to Bonding and Pre-qualification Rating

Most of Aecon's construction contracts require either sufficient bonding or pre-qualification rating. Management is aware of the worldwide reduction in surety capacity and is continually monitoring the surety market through its broker and surety firm. Management believes that Aecon's bonding and pre-qualification capacity is sufficient to meet its anticipated requirements.

International/Foreign Jurisdiction Factors

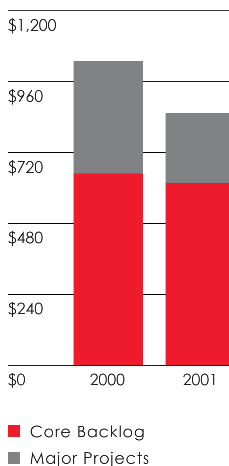
Aecon is from time to time engaged in large international projects in foreign jurisdictions. Currently it is involved in projects in the U.S., India, Israel, Kenya and Poland. International projects can expose the Company to risks beyond those typical for its activities in its home market, including political risks and currency and foreign exchange risks. Where possible, Aecon, through special contract provisions and insurance coverage, is proactive in the management and mitigation of these specific and unusual risks inherent in international projects.

Outlook

In a year during which the overall economic outlook in both Canada and the United States could best be described as uncertain, Aecon achieved solid growth in both revenue and net income.

While debate continues among economists as to whether the North American economy was technically in recession during 2001 or not, it is clear that uncertainty grew throughout the year as economic growth slowed and as the tragic events of September 11 shook world confidence. As 2002 progresses however, there is a growing consensus that the worst is behind us and that this economic slowdown will be shorter and shallower than those of the early 80s and 90s. For the construction and infrastructure development business this view is buttressed by the fact that, unlike those earlier periods, interest rates and vacancy rates have remained low and governments find themselves in a fiscal position much more conducive to continued (and expanded) infrastructure spending. This bodes well for Aecon and for the industry in general.

Backlog
(millions)



Aecon separates its backlog into two broad categories: core and major projects. Major projects consist of the Sky Train rapid transit system, the Cross Israel Highway and the Nathpa Jhakri Hydro-electric project in India. The chart shows that Aecon's "core backlog" was generally maintained throughout 2001. The decline in Aecon's "major project" backlog is the result of the completion in 2001 of the Sky Train rapid transit system and the substantial progress made toward completion of the Cross Israel Highway and the Nathpa Jhakri Hydro-electric project in India. Major projects cause a substantial increase in backlog when awarded, which are then worked-off over a number of years.

The Infrastructure segment of Aecon's business absorbed the majority of the decline in major backlog, leading to a $175.9 million drop in backlog in this segment from $610.4 million at the end of 2000 to $434.5 million at year-end 2001. This was compounded in 2001 by a significant reduction in total project awards by the Ministry of Transportation of Ontario (MTO), a pattern that management expects to reverse in 2002 and 2003.

On an aggregated basis, the balance of Aecon's backlog was maintained throughout 2001. The Buildings segment, partly on the strength of a growing dominance in the suburban office building market in the Greater Toronto Area, increased its backlog by $79.4 million to $278.0 million. This increase was offset by declines in the Industrial segment from $135.3 million in 2000 to $71.0 million in 2001 and by a $19.9 million drop in the Corporate and Other segment

to $65.1 million. The decline in Industrial backlog is due in large part to a decline in backlog of once-through steam generators caused by the delay in construction of several large power projects resulting from the general reduction in levels of capital spending within the power industry.

In 2002, Aecon's Infrastructure segment will continue to work off backlog relating to the construction of the Cross Israel Highway and the Nathpa Jhakri Hydro-electric power project in India. No amount of backlog has been included for the construction of the grain terminal in Gdansk, Poland given the uncertainty surrounding this project. The first section of the Cross Israel Highway is scheduled to open in the summer of 2002 and construction is on schedule for full completion by the spring of 2004. The Nathpa Jhakri project is making excellent progress and is on target to meet its completion date in 2003. Management also expects to expand its "key client alliance" strategy that has proven so successful with Union Gas and to expand the geographic focus of its utilities work which has to date been based primarily in Ontario. As noted above, management expects that the lower than anticipated backlog in road building in 2001 will be addressed as the governments of Ontario and Quebec increase highway construction in 2002 and 2003 following the announcement by both those governments of large capital programs.

Management believes that it can improve backlog in the Industrial segment by expanding the market for once-through steam generators into Europe, obtaining additional custom pipe fabrication contracts following the acquisition of Erectoweld in 2001 and taking advantage of the significant opportunities within the oil and gas industry in Northern Alberta.

Aecon has become a leader in the suburban office construction market, has established itself in the building renovation and retrofit market and intends to continue to pursue those markets. Expanded activity in the Quebec buildings market will be another focus for the Buildings segment in 2002, as will building on Aecon's recent success in the multi-unit residential area.

Overall, management expects softness in the first half of 2002 to be roughly offset by the second half of the year as the anticipated economic recovery begins to take hold and backlog begins to be replenished.

New Accounting Standards

In August 2001, the Canadian Institute of Chartered Accountants (CICA) issued Handbook Section 3062, "Goodwill and Other Intangible Assets". Effective for Aecon's fiscal year beginning January 1, 2002, the section changes the accounting for goodwill from an amortization method to an impairment-only approach. As a result, goodwill will no longer be amortized to income but will be subject to an annual impairment review and should there be an impairment, that amount would be charged to income. The majority of Aecon's goodwill arose on the purchase of BFC Construction in late 1999 and was being amortized over a 15-year period. Amortization in 2001 amounted to $1.0 million. Aecon does not anticipate that there will be an impairment charge for goodwill in 2002. In addition, this section requires acquired intangible

assets, of which Aecon currently has none, to be separately recognized if the benefit of the intangible assets are obtained through contractual or other legal right, or if the benefit of the intangible assets can be sold, transferred, licensed, rented or exchanged.

In December 2001, the CICA issued Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". Effective for Aecon's fiscal year beginning January 1, 2002, the new section requires that the liability for stock based awards that will be settled in cash, which is recognized through compensation expense, be recorded at an amount equivalent to the quoted market value of the related shares. For Aecon's stock based compensation arrangement (referred to as phantom share agreements), the new section requires that the cumulative amount that would have been recognized in prior years had this new section been in effect, less any amounts previously recognized, is to be recognized as the effect of a change in accounting policy and charged to opening retained earnings at January 1, 2002. Subsequently, at each balance sheet date before settlement, the changes in the share value will result in an adjustment to the award liability, which is recognized through compensation expense. As a result of adopting the new section, there will be a $0.7 million charge to the Company's 2002 opening retained earnings.

Section 3870 encourages, but does not require, that certain other stock-based awards, including stock options, be accounted for using a fair value-based approach. For companies that do not use a fair value-based approach, disclosure must be made of the pro forma effect on income and earnings per share of new awards granted after January 1, 2002, as if the fair-value based accounting method had been used. Aecon intends to continue to follow its current basis of accounting for stock options and will comply with the additional disclosure requirements of the new standard.

Forward-Looking Information

In various places in Management's Discussion and Analysis and in other sections of this document, management's expectations regarding future performance of Aecon was discussed. These "forward-looking" statements are based on currently available competitive, financial and economic data and operating plans but are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations or financial position of Aecon, as well as statements preceded by, followed by, or that include the words "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause those results to differ materially from those expressed in any forward-looking statements.

Auditors' Report

To the Shareholders of
Aecon Group Inc. (formerly Armbro Enterprises Inc.)

We have audited the consolidated balance sheets of Aecon Group Inc. (formerly Armbro Enterprises Inc.) as at December 31, 2001 and 2000 and the consolidated statements of income, 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 audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 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

PricewaterhouseCoopers (signed) Chartered Accountants
Mississauga, Ontario
March 8, 2002

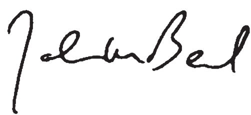
Consolidated Balance Sheets

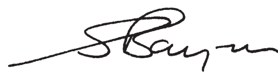
As at December 31

(in thousands of dollars)	2001	2000
Assets		
Current assets		
Cash and cash equivalents (note 4)	$ 107,097	$ 57,911
Accounts receivable (note 5)	187,259	178,380
Holdbacks receivable	40,655	34,378
Deferred contract costs and unbilled revenue	74,211	72,624
Inventories	11,156	7,322
Income taxes recoverable		2,257
Prepaid expenses	3,936	6,765
Future income tax assets (note 6)	34,526	30,965
Assets held for sale		2,410
	458,840	393,012
Property, plant and equipment (note 7)	92,772	103,145
Future income tax assets (note 6)	3,787	12,444
Other assets (note 8)	33,854	17,163
	$ 589,253	$ 525,764

(in thousands of dollars)	2001	2000
Liabilities		
Current liabilities		
Bank indebtedness (note 4)	$ 32,180	$ 34,749
Accounts payable and accrued liabilities (note 5)	215,867	172,752
Dividends payable		1,798
Holdbacks payable	27,769	27,395
Deferred revenue	101,260	88,769
Income taxes payable	3,034	2,249
Future income tax liabilities (note 6)	46,239	48,232
Current portion of long-term debt (note 9)	8,752	8,203
	435,101	384,147
Long-term debt (note 9)	28,791	28,631
Other liabilities	2,922	3,206
Future income tax liabilities (note 6)	7,097	7,656
Redeemable preferred shares of subsidiary (note 10)	6,371	6,000
Convertible debenture (note 11)	9,195	9,030
	489,477	438,670
Commitments and contingencies (note 12)		
Shareholders' Equity		
Capital stock (note 13)	33,713	33,402
Convertible debenture (note 11)	1,075	1,075
Retained earnings	64,988	52,617
	99,776	87,094
	$ 589,253	$ 525,764

Approved by the Board of Directors,





John M. Beck, (signed) **Director** Scott C. Balfour, (signed) **Director**

Consolidated Statements of Income

For the years ended December 31

(in thousands of dollars, except per share amounts)	2001	2000
Revenues	$ 1,138,864	$ 1,006,330
Costs and expenses	1,021,524	934,322
Marketing, general and administrative expenses	63,587	41,123
Depreciation and amortization	10,508	11,365
Loss on sale of assets	446	73
Provision for loss on impairment of assets (note 14)	12,900	
Interest - net (note 15)	5,578	2,788
	1,114,543	989,671
Income before income taxes	24,321	16,659
Income taxes (note 6)		
Current	9,391	2,199
Future	2,544	3,838
	11,935	6,037
Net income for the year	$ 12,386	$ 10,622
Earnings per share (note 13)		
Basic	$ 0.69	$ 0.66
Diluted	$ 0.61	$ 0.64
Average number of shares outstanding (note 13)		
Basic	17,974,070	16,098,589
Diluted	20,995,070	16,781,005

Consolidated Statements of Retained Earnings

For the years ended December 31

(in thousands of dollars)	2001	2000
Retained earnings - beginning of year	$ 52,617	$ 37,935
Add (deduct):		
Net income for the year	12,386	10,622
Change in accounting treatment for income taxes (note 3)		6,031
Dividends		(1,798)
Common shares purchased in excess of carrying amount (note 13)	(15)	(173)
Retained earnings - end of year	$ 64,988	$ 52,617

Consolidated Statements of Cash Flows

For the years ended December 31

(in thousands of dollars)	2001	2000
Cash provided by (used in):		
Operating activities		
Net income for the year	$ 12,386	$ 10,622
Items not affecting cash-		
Depreciation and amortization	10,508	11,365
Loss on sale of assets	446	73
Provision for loss on impairment of assets	12,900	
Loss (gain) on foreign exchange	(796)	289
Notional interest representing accretion	165	165
Future income taxes	2,544	3,838
	38,153	26,352
Change in other balances relating to operations (note 16)	43,696	889
	81,849	27,241
Investing activities		
Purchase of property, plant and equipment	(14,673)	(14,370)
Acquisition of subsidiaries (note 17)		(2,025)
Proceeds on sale of property, plant and equipment	3,687	2,306
Decrease (increase) in other assets	(17,699)	5,103
	(28,685)	(8,986)
Financing activities		
Increase (decrease) in bank indebtedness	(3,676)	12,575
Issuance of long-term debt	21,165	16,275
Repayments of long-term debt	(21,944)	(92,074)
Increase (decrease) in other liabilities	(284)	1,406
Dividends paid	(1,798)	
Issuance of capital stock (note 13)	340	15
Repurchase of capital stock (note 13)	(44)	(286)
	(6,241)	(62,089)
Increase (decrease) in cash and cash equivalents	46,923	(43,834)
Effects of foreign exchange on cash balances	2,263	792
Cash and cash equivalents - beginning of year	57,911	100,953
Cash and cash equivalents - end of year	$ 107,097	$ 57,911

Supplementary disclosure (note 16)

1 Change of name

Effective June 18, 2001, the Company changed its name from Armbro Enterprises Inc. to Aecon Group Inc.

2 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 5 summarizes the effect of the joint ventures on the consolidated financial statements.

Use of significant accounting estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates. A certain amount of uncertainty is inherent in estimating the costs of completing construction projects. The impact on the consolidated financial statements of future changes in such 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. 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. Claims for additional contract compensation are not recognized until resolved.

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.

Assets held for sale

The Company reclassifies non-current assets to current assets where the assets have been sold and the proceeds of sale are expected to be realized within one year from the dates of the consolidated balance sheets. Assets held for sale include properties under development.

Property, plant and equipment

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

Buildings	20 to 40 years
Roadways and leaseholds	5 to 10 years
Construction equipment and vehicles	2 to 15 years
Computer hardware and software	3 to 5 years
Furniture and fixtures	5 to 8 years

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

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 or control, are carried at cost. If there is other than a temporary decline in value, investments are written down to provide for the loss.

Goodwill

Goodwill is amortized on a straight-line basis over five to 15 years. On an ongoing basis, management reviews the valuation and amortization of goodwill. Goodwill is written down when declines in value are considered to be other than temporary, based upon undiscounted future cash flows of the related business.

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 that the temporary differences are expected to reverse.

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, changes in assumptions, experience gains and losses, and the difference between the actuarial present value of accrued benefits and the value of pension fund assets are amortized over the expected average remaining service life of the employee group (note 18).

Stock-based compensation plans

The Company has a stock-based compensation plan, as described in note 13. Stock options are issued at an exercise price no less than the market value of the Company's shares at the date of issuance. No compensation expense is recognized when stock options are issued to employees. Consideration paid by employees on exercise of stock options is credited to share capital.

Translation of foreign currencies

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

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

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

Earnings per share

Basic earnings per share are calculated based on the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated using the treasury stock method to compute the dilutive effect of stock options and convertible debentures. Under this method, dilutive securities are assumed to be exercised only when the exercise price is below the average price of the Company's stock.

3 Adoption of new accounting standards

Effective January 1, 2000, The Canadian Institute of Chartered Accountants changed the accounting standard pertaining to the accounting for income taxes. Previously, the Company accounted for income taxes using the deferral method of tax allocation. Deferred income taxes resulted from timing differences between financial and income tax reporting, principally relating to the recognition of construction revenue and accelerated tax depreciation. The cumulative deferral amount on the balance sheet was not remeasured at each reporting date. The new method of accounting for income taxes focuses on the balance sheet and requires recognition of a future tax asset or liability based on differences between the book and tax values of assets and liabilities. These differences are remeasured at each period end using the tax rates and tax laws expected to apply when those differences are settled in the future. Earnings will be affected in the period in which an adjustment to the future tax liability or asset is made. The Company adopted this new accounting standard retroactively, without restating the financial statements of prior periods.

The effect of the new recommendations on balances as at January 1, 2000 was as follows:

Increase in future income tax assets	
Current	$ 16,345
Long-term	15,861
	32,206
Increase in future income tax liabilities	
Current	21,309
Long-term	4,866
	26,175
Net increase in future income tax assets	$ 6,031
Increase in retained earnings	$ 6,031

The adjustment to retained earnings represents $10,082 of future tax benefits from prior years' tax losses not previously recognized, less $4,051 of valuation allowances. Under the deferral method of accounting for income taxes, the tax expense for 2000 would have been lower by $4,944 and retained earnings at December 31, 2000 would be reduced by $1,087.

Effective January 1, 2000, the Company adopted the new accounting standard issued by The Canadian Institute of Chartered Accountants, Employee Future Benefits. The standard was adopted prospectively and, accordingly, prior year figures are not restated. The transitional obligation of $1,027, which arose on January 1, 2000 on adoption of the new standard, is being amortized over the expected average service lives of employees.

Effective December 31, 2000, the Company, on a retroactive basis, changed its method of calculating earnings per share to the new recommendations of The Canadian Institute of Chartered Accountants. Under the new method, the Company'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 at the stated conversion price. The impact of this change in the 2000 diluted earnings per share was an increase of $0.13 per share.

4 Cash and cash equivalents and bank indebtedness

(a) Cash and cash equivalents as at December 31, 2001 include $103,841 (2000 - $57,911), which is on deposit in joint venture and affiliate bank accounts that the Company cannot access directly.

(b) At December 31, 2001, the Company had operating lines of credit totalling $45,750 (2000 - $45,750), of which $25,799 (2000 - $25,677) was unused. Utilization amounted to $19,951 (2000 - $20,073) and included bank loans of $14,589 (2000 - $16,924) and letters of credit of $5,362 (2000 - $3,149). Interest rates on the bank loans outstanding at December 31, 2001 were as follows: Canadian prime plus 1.25% on $10,546; Canadian prime plus 1.75% on $1,710; and U.S. base rate plus 1.25% on $2,333. In addition, included in bank indebtedness is the Company's proportionate share of bank loans of the joint venture that is building the Nathpa Jhakri Hydro-electric Project in India amounting to $17,591 (2000 - $17,825), which bears interest at a weighted average rate of 6.72% (2000 - 8.48%). The full amount of the joint venture operating line and borrowings, amounting to $42,076, is secured by letters of credit. These letters of credit are guaranteed by the Company and by Hochtief AG, the parent of the Company's principal shareholder.

An amount of $40,000 of the operating lines, which is used for working capital needs, is secured by general security agreements that include assignments of accounts receivable, holdbacks receivable and pledges of inventory and equipment and is also secured by second position fixed and floating charge debentures over certain assets of the Company.

5 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:

	2001	2000
Assets		
Current	$ 190,007	$ 135,051
Property, plant and equipment	13,220	26,202
Other	11,849	1,428
	$ 215,076	$ 162,681
Liabilities		
Current	$ 164,108	$ 151,271
Long-term	6,824	6,250
Venturers' equity	44,144	5,160
	$ 215,076	$ 162,681
Revenues	$ 301,650	$ 298,286
Expenses	296,314	305,917
Net income (loss)	$ 5,336	$ (7,631)
Cash provided by (used in):		
Operating activities	$ 21,544	$ 36,886
Investing activities	(12,328)	(1,312)
Financing activities	34,063	8,079
	$ 43,279	$ 43,653

(b) The Company is either contingently or directly liable for obligations of its unincorporated joint ventures. 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 generated revenues of $16,563 (2000 - $13,914) from its joint venture partners. At December 31, 2001, the Company has included in accounts receivable $5,461 (2000 - $15,641) owing from its joint venturers. At December 31, 2001, the Company has included in accounts payable and accrued liabilities $369 (2000 - $556) owing to its joint venturers.

(d) Included in deferred revenue are contract advances amounting to $6,216, which bear interest at rates between 15.5% and 18.0%.

(e) In addition, included in accounts payable is an amount of $6,583 payable in 2002 to a former joint venture partner, which bears interest at prime plus 2.0%.

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:

	2001	2000
Income before income taxes	$ 24,321	$ 16,659
Statutory income tax rate	42.12%	43.95%
Expected income tax	10,244	7,322
Effect on income tax of:		
Provincial and foreign rate differentials	(725)	(1,163)
Manufacturing and processing rate differential	(1,292)	1,914
Non-deductible portion of provision for loss on impairment of assets	4,039	
Reversal of valuation allowances	(4,060)	
Effect of enacted future rates	(762)	(670)
Increase (reduction) in liability for taxes of prior years	3,091	(1,800)
Large corporations tax	364	593
Other	1,036	(159)
Income tax expense	$ 11,935	$ 6,037

The Company and certain subsidiaries have accumulated non-capital income tax losses, the benefit of which has been recognized in these consolidated financial statements, of approximately $64,666 (2000 - $72,254), which may be used to reduce future taxable income and expire in the following years:

2002	$ 166
2003	1,322
2004	2,124
2005	23,204
2006	9,949
2007	22,769
2008	5,132
	$ 64,666

The components of future income tax assets and liabilities are as follows:

	Current		Long-term	
	2001	**2000**	**2001**	**2000**
Future income tax assets:				
Net operating and capital losses carried forward	$ 23,278	$ 16,073	$ 1,529	$ 11,119
Reserves expensed for financial statement purposes and deducted for income tax purposes when paid	3,342	5,036		
Long-term contracts including joint ventures – Difference between 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	7,254	9,664		
Property, plant and equipment – Tax basis in excess of net book value				1,722
Other	652	1,192	2,258	2,663
Total future income tax assets	34,526	31,965	3,787	15,504
Valuation allowance		(1,000)		(3,060)
Net future income tax assets	$ 34,526	$ 30,965	$ 3,787	$ 12,444
Future income tax liabilities:				
Property, plant and equipment – Net book value in excess of tax basis	$	$	$ 4,982	$ 6,875
Long-term contracts including joint ventures – Difference between 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	33,973	41,099		
Other temporary differences	12,266	7,133	2,115	781
Total future income tax liabilities	$ 46,239	$ 48,232	$ 7,097	$ 7,656

7 Property, plant and equipment

2001	Cost	Accumulated depreciation and amortization	Net
Land and improvements	$ 9,561	$	$ 9,561
Buildings	16,660	1,144	15,516
Construction-in-progress	11,496		11,496
Aggregate properties	12,661	776	11,885
Machinery and equipment	77,836	33,522	44,314
	$ 128,214	$ 35,442	$ 92,772

2000	Cost	Accumulated depreciation and amortization	Net
Land and improvements	$ 10,090	$	$ 10,090
Buildings	14,913	516	14,397
Construction-in-progress	24,396		24,396
Aggregate properties	10,775	581	10,194
Machinery and equipment	73,130	29,062	44,068
	$ 133,304	$ 30,159	$ 103,145

Included in property, plant and equipment is equipment of $8,023 (2000 - $18,020) held under capital leases, with accumulated depreciation of $2,169 (2000 - $6,006).

Construction-in-progress represents the Company's share of the cost, less provision for impairment, of a partially completed grain terminal in Gdansk, Poland (note 14).

8 Other assets

	2001	2000
Goodwill	$ 8,992	$ 9,886
Deposits held in trust	12,157	
Loans receivable	4,691	4,632
Income tax deposit (note 12(e))	5,414	
Other	2,600	2,645
	$ 33,854	$ 17,163

The Company is required to deposit in trust with a Canadian financial institution by April 2004 an amount of US$26,700 to fund an investment in a company that will operate the Cross Israel Highway and collect tolls. Letters of credit have been issued by the Export Development Corporation on behalf of the Company in support of this obligation (see note 12). At December 31, 2001, short-term interest bearing deposits held in trust in respect of this obligation amounted to $12,157 (US$7,632).

9 Long-term debt

	Notes	2001	2000
Capital leases and equipment loans	(a)	$ 23,012	$ 20,278
Bank term debt	(b)	7,500	10,000
Real estate financing	(c)	5,781	5,977
Other		1,250	579
		37,543	36,834
Less: Amounts due within one year		8,752	8,203
		$ 28,791	$ 28,631

The following describes the components of long-term debt:

(a) The capital leases and equipment loans bear interest at an average rate of 6.9% (2000 - 7.5%) per annum with specific equipment provided as security.

(b) Bank term debt of $7,500 (2000 - $10,000) has a remaining term of 36 months and is repayable by way of quarterly principal payments of $625, with monthly payments of interest at prime plus 1.5%. It is secured by second position general security agreements and first position collateral mortgages over certain of the Company's real estate assets.

(c) Consists of mortgages secured by certain of the Company's real estate assets. The majority of these loans, amounting to $5,403 (2000 - $5,475), are for a term of ten years at a fixed rate of interest of 7.6% and require monthly principal and interest payments amortized over 25 years.

The weighted average interest rate on long-term debt outstanding at the end of the year was 6.6% (2000 - 7.5%).

Repayments of long-term debt required within the next five years, including the $9,940 convertible debenture described in note 11, are as follows:

2002	$	8,752
2003		8,676
2004		8,922
2005		5,269
2006		10,876
Thereafter		4,988
	$	47,483

10 Redeemable preferred shares of subsidiary

The redeemable preferred shares of a subsidiary company amounting to $6,371 (2000 - $6,000) comprise US$4,000 redeemable shares, which bear a cumulative dividend of 8% on the redemption amount. These shares were assumed as part of the acquisition of the additional interest in Europort Inc. Poland Sp. z.o.o., the company developing the Gdansk, Poland grain terminal project (notes 14 and 17). The shares will be redeemed only from available cash flow from the project with US$1,000 scheduled for redemption upon completion of the terminal's construction and US$3,000 by July 2006.

11 Convertible debenture

Convertible secured subordinated debenture:

		2001		2000
Debt component	$	9,195	$	9,030
Equity component	$	1,075	$	1,075

A convertible subordinated debenture in the principal amount of $9,940 was issued to the Company's principal shareholder and was taken out in connection with the acquisition of a subsidiary in 1999. The debenture bears interest at prime rate plus 1.0%, is convertible into common shares of the Company and matures on June 30, 2006. The conversion price for $2,822 of debenture principal, representing 783,887 common shares, is equal to $3.60 per share. The remaining principal balance shall be eligible for conversion at such price, and at such times, as common shares are issued to employees pursuant to the exercise of stock options (other than pursuant to the exercise of stock options that were outstanding at December 31, 1999), subject to a minimum conversion price of $3.00 per common share. The debenture creates a security interest, behind the security granted to the Company's bankers, which includes assignment of accounts receivable, holdbacks receivable and pledges of inventory, equipment and

property and other assets of the Company. The Company is not entitled to prepay or repay any principal amount until the earlier of January 1, 2006 or demand by the lender for payment following the occurrence of an event of default. The lender has the right, at its option until June 30, 2006, to convert a portion of the principal amount into common shares of the Company. These conversions can only occur when the total of the number of shares being converted and issued to the lender do not exceed 49.99% of the Company's total outstanding common shares after the conversion. An amount of $1,075 (2000 - $1,075) of the debenture principal has been included in shareholders' equity representing the value of the conversion option.

Interest expense on the debenture is composed of the interest calculated on the face value of the convertible debenture plus an annual notional interest representing the accretion of the carrying value of the debentures. Interest recorded was as follows:

	2001	2000
Interest expense on face value	$ 697	$ 786
Notional interest representing accretion	165	165
	$ 862	$ 951

The liability portion of the debenture is as follows:

	2001	2000
Financial liability component	$ 8,865	$ 8,865
Notional interest representing accretion	330	165
	$ 9,195	$ 9,030

12 Commitments and contingencies

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

2002	$ 12,346
2003	10,494
2004	8,766
2005	5,481
2006	3,702
Beyond	8,016
	$ 48,805

In addition to commitments under the leases above, the Company has a proportionate share of the obligation of a joint venture constructing a grain terminal in Poland. The lease of land and a pier is for 25 years starting in 2002 with the Company's proportionate share of the minimum fixed payment being US$867 per year and additional payments based on operating results of the terminal. The Company's obligation with respect to this lease is contingent upon financing being arranged to complete the grain terminal project (note 14).

(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 income, as the matters are resolved.

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

(d) The Company has outstanding guarantees and letters of credit amounting to $60,284, of which $54,922 is in support of financial and performance related obligations for the Nathpa Jhakri Hydro-electric Project in India, which has also been guaranteed by Hochtief AG, the parent of the Company's principal shareholder. In addition, in connection with the Cross Israel Highway project, letters of credit have been issued for which the Company has provided joint and several indemnification, of $68,500, net of funded deposits, in support of financial related obligations, including the requirement to invest in the project at the completion of construction (see note 8), as well as $88,300 in support of performance related obligations.

(e) During 2001, the Company received federal income tax reassessments relating to deductions claimed by a previously acquired company, BFC Construction Corporation and its predecessor companies, between 1993 and 1999. The reassessments, which disallow previously claimed Canadian development expense deductions, amounted to $10,720 at December 31, 2001. The total expected reassessments, including income taxes, interest and penalties, could be up to $16,000. Although the Company has filed Notices of Objection, it is required to pay 50% of the assessed amounts pending resolution of the objections. At December 31, 2001, the Company paid 50% of the reassessments received. The Company believes it has adequate provisions to cover the ultimate outcome of these reassessments.

13 Capital stock

	2001			2000		
	Number of shares		Amount	Number of shares		Amount
Authorized - Unlimited common shares						
Balance - beginning of year	17,936,682	$	33,402	9,283,085	$	2,068
Common shares issued on the conversion of the convertible debenture, less expenses of $47				8,744,197		31,432
Common shares issued on exercise of options	97,401		340	5,000		15
Common shares repurchased pursuant to normal course issuer bids	(15,500)		(29)	(95,600)		(113)
Balance - end of year	18,018,583	$	33,713	17,936,682	$	33,402

During the year, the Company repurchased 15,500 (2000 - 95,600) of its common shares on the open market pursuant to the terms and conditions of a normal course issuer bid at a net cost of $44 (2000 - $286); the amount in excess of the carrying value of the common shares was charged to retained earnings.

All shares repurchased by the Company pursuant to its normal course issuer bids have been cancelled.

Under the terms and conditions of the 1998 Stock Option Plan (the 1998 Plan), the aggregate number of common shares, which may be reserved for issuance under the 1998 Plan, shall not exceed 2,700,000 common shares. Each option agreement shall specify the period for which the option thereunder is exercisable (which in no event shall exceed ten years from the date of grant) and shall provide that the option shall expire at the end of such period. The Company's Board of Directors will determine the vesting period on the dates of option grants.

	2001		2000	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance outstanding at beginning of year	1,806,000	$ 3.51	245,000	$ 2.90
Granted	740,000	3.74	1,584,000	3.60
Exercised	(97,401)	3.48	(5,000)	2.90
Forfeited	(305,533)	3.56	(18,000)	2.90
Balance outstanding at end of year	2,143,066	$ 3.58	1,806,000	$ 3.51
Options exercisable at end of year	576,568		74,000	

Loans outstanding to directors, senior officers and employees granted to purchase shares of the Company amounted to $1,723 (2000 - $1,624) and are included in other assets (note 8).

Options were exercised during the year for 97,401 shares (2000 - 5,000) for which share capital was increased by $340 (2000 - $15). Options currently outstanding have the following exercise prices and expiry dates:

Options granted in	Number of shares	Exercise price	Expiry date
1999	189,066	$ 2.90	April 15, 2004
2000	1,234,000	3.60	July 20, 2005
2001	200,000	3.60	March 4, 2006
2001	275,000	3.60	April 8, 2006
2001	225,000	4.00	May 6, 2006
2001	20,000	4.10	November 12, 2006

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.

In addition to stock options, the Company has phantom share agreements with certain officers and directors whereby compensation will, in the aggregate, be paid in each of 2002 and 2003 in an amount equal to the total of 165,000 shares multiplied by the average share price of the Company's shares for a specified period prior to payment.

Details of the calculation of earnings per share are as follows:

		2001		
		Income (numerator)	Shares (denominator)	Per share
Net income for the year	$	12,386	17,974,070	$ 0.69
Effect of dilutive securities				
Options			347,746	
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006 (ii)		496	2,673,254	
	$	12,882	20,995,070	$ 0.61

		2000		
		Income (numerator)	Shares (denominator)	Per share
Net income for the year	$	10,622	16,098,589	$ 0.66
Effect of dilutive securities				
Options (i)			12,129	
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006 (ii)		129	670,287	
	$	10,751	16,781,005	$ 0.64

(i) At December 31, 2000, options to purchase 1,584,000 common shares were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

(ii) This represents the limit of the number of shares that could be issued to the holder of debentures as a result of restrictions imposed on the number of shares that the holder is able to own. See note 11.

14 Provision for loss on impairment of assets

The Company has a 54.4% interest in Europort Poland Sp. z o.o., which is the company developing a grain terminal and handling facility in Gdansk, Poland. Aecon's interest was increased in late 2000 from 11.3% to the current 54.4% by purchasing shares from another shareholder. The Company's subsidiary, SC Infrastructure (Poland) Sp. z o.o., is the contractor building the facility. The facility is partially completed and the Company's share of the cost to complete this project is estimated to be $23,800.

Throughout 2001, the Company has attempted to obtain project financing in order to complete the facility but as of yet without success. The Company has therefore determined that its share of the partially completed grain terminal is impaired and has recorded a provision of $12,900 to write down the Company's investment in the project to its net recoverable amount. This provision is net of a guarantee of certain assets provided by the Company's principal

shareholder, Hochtief Canada Inc., in the amount of $7,500 and net of all non-recourse obligations. The non-recourse obligations represent redeemable preferred shares of a subsidiary, which are redeemable only if the project is completed and generates sufficient cash flow (note 10), and a working capital deficiency within SC Infrastructure (Poland) Sp. z o.o.

15 Interest

	2001	2000
Interest on long-term debt and subordinated debentures	$ 2,271	$ 5,044
Interest on capital leases	1,636	1,094
Interest on short-term debt	7,957	6,330
Interest income	(6,286)	(9,680)
	$ 5,578	$ 2,788

Interest on long-term debt in 2000 includes $800 representing an early repayment penalty on debt retired in the year.

16 Cash flow information

Change in other balances relating to operations:

	2001	2000
(Increase) decrease in		
Accounts receivable	$ (7,583)	$ (30,062)
Holdbacks receivable	(6,053)	7,441
Deferred contract costs and unbilled revenue	268	(28,340)
Inventories	(3,834)	(2,899)
Income taxes recoverable	2,257	(1,284)
Prepaid expenses	2,863	(4,096)
Assets held for sale	2,410	1,797
Increase (decrease) in		
Accounts payable and accrued liabilities	43,006	19,074
Holdbacks payable	196	2,244
Deferred revenue	9,381	37,577
Income taxes payable	785	(563)
	$ 43,696	$ 889

Other supplementary information:

	2001	2000
Cash interest paid	$ 10,205	$ 11,289
Cash income taxes paid	7,571	5,683

Significant non-cash transactions in the year include the acquisition of property, plant and equipment of $1,488 (2000 - $2,696) and in 2000, the conversion of convertible debt in the amount of $31,479.

17 Acquisitions

In the first quarter of 2001, the Company acquired the pipe fabrication division of Erectoweld Company Limited for nominal consideration. The purchase price was allocated to current assets of $152 and assumed liabilities of $152. The acquisition was accounted for using the purchase method and the results of operations are included from the date of acquisition.

In 2000, during the third quarter, the Company acquired 75% of the outstanding shares of 7298084 Ontario Limited, a company carrying on business as Premiere Cable Construction whose primary activity involves cable installations and rebuilding, with a fixed price option on the remaining 25%. The purchase agreement provides for additional payments based upon future earnings of the acquired business. No additional payments were made or are payable in 2001. Also, during the third quarter of 2000, the Company increased its interest in Canatom NPM Inc., a nuclear consulting firm, from 24% to 38.75%. During the fourth quarter of 2000, the Company increased its ownership in Europort Inc. Poland Sp. z.o.o., the Gdansk, Poland grain terminal project, from 11.3% to 54.4% by purchasing shares from another shareholder. Consideration for these acquisitions totalled $3,343. The acquisitions were accounted for using the purchase method and the results of operations are included from the dates of acquisition. The following is a summary of these acquisitions:

	2000
Assets acquired	
Property, plant and equipment	$ 25,625
Other assets	500
Goodwill	1,015
	27,140
Liabilities assumed	
Non-cash working capital	12,830
Bank indebtedness	828
Long-term debt	1,233
Redeemable preferred shares	6,000
	20,891
Net non-cash assets acquired	6,249
Cash acquired	1,318
Net assets acquired	$ 7,567
Consideration	
Cash	$ 3,343
Carrying value of prior investment	4,224
	$ 7,567

18 Employee benefit plans

The Company has defined benefit pension plans including a supplementary executive retirement plan 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. Pension expense with respect to the Company's plans is shown below.

Pension expense

	2001	2000
Defined contribution plans	$ 873	$ 713
Defined benefit plans, including supplementary executive retirement plan	1,472	1,120
Multi-employer pension plan contributions	13,597	9,732
	$ 15,942	$ 11,565

Additional information with respect to the defined benefit plans follows:

	2001	2000
Accrued benefit obligation		
Balance - beginning of year	$ 23,322	$ 21,944
Current service cost	1,115	854
Interest cost	1,679	1,560
Actuarial losses	1,344	
Benefits paid	(1,101)	(1,036)
Balance - end of year (a)	26,359	23,322
Plan assets		
Fair value - beginning of year	20,961	20,676
Actual return on plan assets	965	1,412
Benefits paid	(1,101)	(742)
Employer contributions	363	
Contributions to defined contribution plan	(360)	(385)
Fair value - end of year (b)	20,828	20,961
Funded status - plan deficit	(5,531)	(2,361)
Less		
Unrecognized transitional liability	789	908
Unrecognized actuarial losses	1,820	
Accrued liability recorded in consolidated financial statements	$ (2,922)	$ (1,453)

(a) Included in the accrued benefit obligation is an unfunded defined benefit pension plan obligation of $2,484 (2000 - $2,362).

(b) Pension fund assets are held in equity, fixed income and money market securities.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	2001	2000
Discount rate	7.0 %	7.0 %
Expected long-term rate of return on plan assets	7.0 %	7.0 %
Rate of compensation increase	4.5 %	4.5 %

Components of defined benefit pension expense are:

	2001	2000
Current service cost	$ 1,115	$ 854
Interest	1,679	1,560
Expected return on plan assets	(1,441)	(1,412)
Amortization of transitional obligation	119	118
	$ 1,472	$ 1,120

19 Financial instruments

Short-term deposits and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values on a discounted cash flow basis because of the near term nature of these instruments.

The carrying value of long-term debts, including convertible debt, approximate their fair value on a discounted cash flow basis because the majority of these obligations bear interest at rates that vary with the prime rate.

The carrying value of the redeemable preferred shares approximates fair market value as the interest rate thereon reflects current market rate.

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.

From time to time the Company enters into forward contracts to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. At December 31, 2001, the Company had outstanding contracts to sell 2,785 pounds sterling on which there was an unrealized exchange loss of $395, which represents the estimated amount that the Company would have had to pay if it terminated the contracts at December 31, 2001.

20 Segmented information and business concentration

The Company has four reportable segments: Infrastructure, Buildings, Industrial and Corporate and Other. This segmentation reflects the Company's current structure and management. In 2000, operations were divided into two reportable segments.

Infrastructure

This segment includes all aspects of the construction of infrastructure including roads and highways, expressways and toll routes, dams and tunnels, bridges, airports, marine facilities, transit systems and power projects as well as utility distribution systems including natural gas, telecommunications and electrical networks, water and sewer mains, traffic signals and highway lighting. Activities within this segment also include the development, design, construction, operation and financing of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer or public-private partnership contract structures.

Buildings

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

Industrial

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

Corporate and Other

This segment includes the Company's 38.75% interest in Canatom NPM Inc., which provides engineering, procurement, construction and commissioning services to the Canadian and international nuclear power markets. In addition, it includes all corporate costs and other activities that are not directly allocable to other segments.

(a) Industry segments

2001

	Infrastructure	Buildings	Industrial	Corporate and Other	Total
Revenues	$ 573,321	$ 278,080	$ 239,809	$ 47,654	$ 1,138,864
EBITDA	23,156	6,013	25,075	(13,837)	40,407
Depreciation and amortization	7,346	168	1,801	1,193	10,508
Segment operating profit (loss)	15,810	5,845	23,274	(15,030)	29,899
Interest and income taxes					(17,513)
Net income					$ 12,386
Total assets	$ 334,651	$ 79,039	$ 92,806	$ 82,757	$ 589,253
Capital expenditures	6,402	118	5,574	2,579	14,673
Cash flow from operations	$ 35,259	$ 5,574	$ 24,351	$ (27,031)	$ 38,153

2000

	Infrastructure	Buildings	Industrial	Corporate and Other	Total
Revenues	$ 586,063	$ 231,218	$ 143,614	$ 45,435	$ 1,006,330
EBITDA	16,671	4,915	8,751	475	30,812
Depreciation and amortization	9,047	238	1,332	748	11,365
Segment operating profit (loss)	7,624	4,677	7,419	(273)	19,447
Interest and income taxes					(8,825)
Net income					$ 10,622
Total assets	$ 322,974	$ 62,335	$ 44,186	$ 96,269	$ 525,764
Capital expenditures	10,871	252	2,429	818	14,370
Cash flow from operations	$ 16,671	$ 4,915	$ 8,751	$ (3,985)	$ 26,352

EBITDA represents earnings before interest, income taxes, depreciation and amortization.
Segment operating profit (loss) represents net income or loss before interest and income taxes.
Cash flow from operations is before change in other balances related to operations.

In 2000, 11% of revenues related to contracts ultimately with Government of Ontario agencies.

(b) Geographic segments

	2001	2000
Revenues		
Canada	$ 827,348	$ 818,144
United States	147,690	66,349
Other	163,826	121,837
	$ 1,138,864	$ 1,006,330
Property, plant and equipment and goodwill		
Canada	$ 89,928	$ 88,313
United States	340	322
Poland	11,496	24,396
	$ 101,764	$ 113,031

Five Year Summary

($ millions except per share data)

The following unaudited financial data has been derived from Aecon's audited consolidated financial statements and should be read in conjunction with the Management Discussion and Analysis and Consolidated Financial Statements and Notes, as well as the notes highlighted below.

	2001	2000	1999	1998	1997
Income Statement					
Revenues	$ 1,138.9	$ 1,006.3	$ 213.1	$ 151.6	$ 192.1
EBITDA [1]	46.7	40.5	17.0	11.3	12.2
Income before Income Taxes	24.3	16.6	9.5	5.6	7.7
Income Taxes [2]	11.9	6.0	3.4	0.6	-0.3
Net Income [2]	$ 12.4	$ 10.6	$ 6.1	$ 5.0	$ 8.0
Balance Sheet					
Working Capital	$ 23.7	$ 8.9	$ 34.8	$ 4.9	$ 2.6
Long-term Debt (excl. current portion)	28.8	28.6	36.0	12.4	7.9
Long-term Debt (incl. current portion)	37.5	36.8	106.0	17.3	12.3
Shareholders' Equity	$ 99.8	$ 87.1	$ 72.6	$ 34.7	$ 30.1
Cash Flows					
Cash Flow from Operating Activites [3]	$ 38.2	$ 26.4	$ 10.1	$ 7.7	$ 10.4
Financial Ratios					
Return on Average Shareholders' Equity [4]	13.3%	13.3%	11.4%	15.4%	30.7%
Long-term Debt to Equity [5]	0.29	0.33	0.50	0.36	0.26
Shareholder Information					
Earnings Per Share					
– basic [2]	$ 0.69	$ 0.66	$ 0.65	$ 0.55	$ 0.98
– diluted [2&6]	0.61	0.64	0.64	0.51	0.80
Book Value Per Share (Diluted)	5.10	4.55	3.94	3.63	3.09
Dividends Paid [7]	$ 0.12	$ 0.10	$ –	$ –	$ –
Shares Outstanding					
– basic [8]	18,018,583	17,936,682	9,283,085	9,438,402	8,300,595
– diluted [8]	21,039,583	18,619,098	9,491,920	9,614,685	10,136,285
Share Price					
– high	$ 5.50	$ 3.60	$ 3.95	$ 4.24	$ 4.25
– low	2.75	2.57	2.35	1.95	2.40
– close	$ 4.40	$ 3.05	$ 3.25	$ 3.00	$ 2.80

1 EBITDA represents earnings before interest expense, income taxes, depreciation and amortization.
2 In 2000 Aecon adopted the asset and liability method of accounting for income taxes. In 1999 and prior years the deferral method of tax allocation was followed. The impact of the different methodologies, particularly with respect to the accounting for tax losses, can be significant. In 1998 and 1997 income taxes were substantially reduced because of previously unrecognized tax loss carryforwards.
3 Cash flow from operating activities is before changes in other balances relating to operations.
4 Return on average shareholders' equity is calculated as net income divided by the average of shareholders' equity at the beginning and end of the fiscal year.
5 Long-term debt to equity ratio is calculated excluding the current portion on long-term debt.
6 Diluted earnings per share from 1999 onwards are calculated using the Treasury Stock Method. For 1998 and 1997 the calculation was based on the Imputed Earnings Method.
7 Dividends were actually paid in following fiscal year but relate to earnings of the year shown.
8 Basic and diluted shares are the totals as at the end of the year. Diluted shares outstanding for 1999 onwards are determined using the Treasury Stock Method. For 1998 and 1997 diluted shares outstanding are based on the total number of options outstanding.

Corporate Information

Board of Directors

John M. Beck	Chairman and Chief Executive Officer, Aecon Group Inc.
Scott C. Balfour	Executive Vice President and Chief Financial Officer, Aecon Group Inc.
Michael A. Butt	President, Buttcon Limited
Rolf Kindbom	Officer and Director, Hochtief Canada Inc.
Hans-Wolfgang Koch	Member of the Executive Board, Hochtief AG
Thomas C. Leppert	Chairman and CEO, Turner Corporation
Dr. Busso Peus	Member of the Executive Board, Hochtief AG
Robert P. Wildeboer	Partner, Wildeboer Rand Thompson Apps & Dellelce, LLP

Executive Committee

John M. Beck	Chairman and Chief Executive Officer
Scott C. Balfour	Executive Vice President and Chief Financial Officer
Norm A. Harrison	Executive Vice President
H. William (Bill) Pearson	Executive Vice President

Corporate Management Team

Andy DeHaan	Vice President, Management Information Systems
Gerry Kelly	Vice President, Finance
Bernard L. Kruyne	Vice President and Treasurer
Ken McGillion	Vice President, Risk Management
Mitch Patten	Vice President, Corporate Affairs
Connie Simington	Vice President, Human Resources
L. Brian Swartz	Vice President, Legal Services and Secretary

Division Presidents

Jonathan J. Taylor	President, Aecon Buildings
James C. Rosien	President, Aecon Civil
Sherman Ladner	President, Aecon Industrial
J. David Pirie	President, Aecon Infrastructure
Lon Mullin	President, Aecon Utilities
Pierre Patry	President, Groupe Aecon Ltée
R.D. (Bob) Dautovich	President, Innovative Steam Technologies

2001 Aecon Award Recipients

The Extraordinary Achievement Award

This annual award recognizes Aecon employees who exhibit extraordinary commitment to the achievement of our vision, values and business objectives and who are instrumental in helping Aecon to exceed expectations.

Winner:	The Entire Workforce of Innovative Steam Technologies
Honourable Mention:	Robert Verch, Superintendent, Miwel Construction
Honourable Mention:	Henry Piotrowski, Manager, Applications Support, Servco, Aecon Utilities

Individual Excellence In Safety Award

This annual award recognizes an individual employee's commitment to construction safety. The achievements of the winners have contributed to the safety of colleagues and clearly demonstrate the Aecon core value to "ensure safety in all our activities".

Winner:	Tom Elliott, Pipe Shop Superintendent, Cambridge Facility, Aecon Industrial with special recognition to the members of the Joint Health and Safety Committee of the same facility which include Jon Baverstock, Jon Glendinning, Duncan Hendry, Mike Jones and Eck Palmer Jr.
Honourable Mention:	Al Campbell, Senior Project Manager, Aecon Industrial
Honourable Mention:	Bill Jewell, Superintendent, Aecon Buildings

The Humanitarian Award

This annual award recognizes the outstanding contribution of Aecon employees to the communities in which we live and operate. Winners of this award clearly demonstrate through their actions, their commitment to both the core business of Aecon and our mission to "develop, build and maintain world class quality infrastructure that supports and improves the communities in which we live and work."

Winner:	Frank Janeiro, Project Superintendent, Facility Services, Aecon Buildings
Honourable Mention:	Greg Brokenshire, Business Development Account Manager Gas for Projects SBU, Aecon Industrial
Honourable Mention:	Peter Mezitis, Estimator, Aecon Civil Group

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Canatom NPM Inc. (38.75%)

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Derech Eretz Consortium (22.2%)

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Nathpa Jhakri Joint Venture (45%)

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