

Aecon Group Inc.

Consolidated Financial Statements
December 31, 2009 and 2008

March 2, 2010

PricewaterhouseCoopers LLP
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Auditors' Report

To the Shareholders of Aecon Group Inc.

We have audited the consolidated balance sheets of **Aecon Group Inc.** (the Company) as at December 31, 2009 and 2008, and the consolidated statements of income, comprehensive income, retained earnings, accumulated other comprehensive income (loss) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

Aecon Group Inc.

Consolidated Balance Sheets

As at December 31, 2009 and 2008

(in thousands of dollars)

| | 2009 | 2008 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents (note 3) | \$ 340,893 | \$ 292,873 |
| Restricted cash (note 3) | 54,045 | 28,194 |
| Marketable securities and term deposits (note 3) | 19,509 | - |
| Accounts receivable | 325,836 | 259,431 |
| Holdbacks receivable | 126,709 | 92,584 |
| Deferred contract costs and unbilled revenue | 218,645 | 119,170 |
| Inventories | 33,377 | 23,582 |
| Prepaid expenses | 9,597 | 7,655 |
| | 1,128,611 | 823,489 |
| Property, plant and equipment (note 6) | 200,883 | 97,969 |
| Future income tax assets (note 5) | 11,993 | 20,622 |
| Concession rights (note 7) | 215,697 | 167,996 |
| Long-term concession investment (note 8) | 32,685 | 32,685 |
| Goodwill (note 9) | 50,961 | 9,804 |
| Other intangible assets (note 10) | 24,137 | 5,395 |
| Other assets (note 11) | 24,371 | 30,904 |
| | \$ 1,689,338 | \$ 1,188,864 |

Approved by the Board of Directors

(signed) "John M. Beck"

John M. Beck, Director

(signed) "Michael A. Butt"

Michael A. Butt, Director

Aecon Group Inc.

Consolidated Balance Sheets ...*continued*

As at December 31, 2009 and 2008

(in thousands of dollars)

| | 2009 | 2008 |
|--|---------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Bank indebtedness (note 3) | \$ - | \$ 2,631 |
| Accounts payable and accrued liabilities | 389,196 | 319,840 |
| Holdbacks payable | 73,385 | 60,506 |
| Deferred revenue | 88,005 | 91,948 |
| Income taxes payable | 9,272 | 4,015 |
| Future income tax liabilities (note 5) | 50,043 | 48,512 |
| Current portion of non-recourse project debt (note 12) | 217,436 | 5,542 |
| Current portion of long-term debt (note 12) | 16,489 | 10,845 |
| | 843,826 | 543,839 |
| Non-recourse project debt (note 12) | 70,000 | 118,665 |
| Other long-term debt (note 12) | 63,037 | 45,160 |
| Other liabilities (note 15) | 7,851 | 3,375 |
| Other income tax liabilities (note 17(d)) | 16,341 | 15,537 |
| Concession related deferred revenue (note 16) | 67,348 | 77,574 |
| Convertible debentures (note 14) | 158,614 | - |
| | 1,227,017 | 804,150 |
| Non-controlling interests | 4,929 | 2,449 |
| Commitments and contingencies (note 17) | | |
| Shareholders' Equity | | |
| Capital stock (note 18) | 304,946 | 262,644 |
| Contributed surplus (note 18) | 4,097 | 2,828 |
| Convertible debentures (note 14) | 6,887 | - |
| Retained earnings | 144,237 | 110,903 |
| Accumulated other comprehensive (loss) income (note 18) | (2,775) | 5,890 |
| | 457,392 | 382,265 |
| | \$ 1,689,338 | \$ 1,188,864 |

Aecon Group Inc.

Consolidated Statements of Income

For the years ended December 31, 2009 and 2008

(in thousands of dollars, except per share amounts)

| | 2009 | 2008 |
|--|---------------------|---------------------|
| Revenues | \$ 2,260,986 | \$ 1,876,986 |
| Direct costs and expenses | (2,017,306) | (1,665,924) |
| | 243,680 | 211,062 |
| Marketing, general and administrative expenses | (115,509) | (96,010) |
| Foreign exchange (losses) gains | (4,104) | 1,481 |
| Income from investments accounted for using the equity method | 419 | - |
| Gain on sale of assets | 182 | 104 |
| Depreciation and amortization (note 20) | (48,431) | (27,493) |
| Interest expense (note 19) | (17,809) | (9,275) |
| Interest income (note 19) | 11,705 | 8,080 |
| | (173,547) | (123,113) |
| Income before income taxes and non-controlling interests | 70,133 | 87,949 |
| Income tax (expense) recovery (note 5) | | |
| Current | (28,607) | (3,696) |
| Future | 6,301 | (23,123) |
| | (22,306) | (26,819) |
| Income before non-controlling interests | 47,827 | 61,130 |
| Non-controlling interests | (3,441) | (1,788) |
| Net income for the year | \$ 44,386 | \$ 59,342 |
| Earnings per share (note 18) | | |
| Basic | \$ 0.82 | \$ 1.23 |
| Diluted | \$ 0.80 | \$ 1.20 |
| Weighted average number of shares outstanding (note 18) | | |
| Basic | 53,861,298 | 48,065,421 |
| Diluted | 58,510,761 | 49,805,700 |

Aecon Group Inc.

For the years ended December 31, 2009 and 2008

(in thousands of dollars)

Consolidated Statements of Comprehensive Income

| | 2009 | 2008 |
|---|-----------|-----------|
| Net income for the year | \$ 44,386 | \$ 59,342 |
| Other comprehensive income (loss), net of tax | | |
| Foreign currency translation adjustments of self-sustaining foreign subsidiaries, net of related hedging activities | (8,520) | 8,446 |
| Mark-to-market adjustments on available-for-sale investments | (145) | 145 |
| Cash flow hedges | | |
| Net change in fair value of derivatives | - | (201) |
| Comprehensive income for the year | \$ 35,721 | \$ 67,732 |

Consolidated Statements of Retained Earnings

| | 2009 | 2008 |
|---|------------|------------|
| Retained earnings - beginning of year | \$ 110,903 | \$ 61,525 |
| Net income for the year | 44,386 | 59,342 |
| Dividends (note 18) | (11,052) | (9,968) |
| Interest received on share purchase loans (note 18) | - | 4 |
| Retained earnings - end of year | \$ 144,237 | \$ 110,903 |

Consolidated Statements of Accumulated Other Comprehensive Income (Loss)

| | 2009 | 2008 |
|---|------------|------------|
| Accumulated other comprehensive income (loss) - beginning of year | \$ 5,890 | \$ (2,500) |
| Foreign currency translation adjustments of self-sustaining foreign subsidiaries, net of related hedging activities | (8,520) | 8,446 |
| Mark-to-market adjustments on available-for-sale investments | (145) | 145 |
| Cash flow hedges | - | (201) |
| Accumulated other comprehensive (loss) income - end of year | \$ (2,775) | \$ 5,890 |

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

(in thousands of dollars)

| | 2009 | 2008 |
|--|-------------------|-------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Net income for the year | \$ 44,386 | \$ 59,342 |
| Items not affecting cash | | |
| Depreciation and amortization | 48,431 | 27,493 |
| Income from investments accounted for using the equity method | (419) | - |
| Gain on sale of assets | (182) | (104) |
| Amortization of commitment fees | 825 | 162 |
| Unrealized foreign exchange losses | 1,365 | 142 |
| Non-cash interest on other income tax liabilities | 804 | 804 |
| Notional interest representing accretion (notes 14 and 15) | (2,563) | 822 |
| Defined benefit pension (note 22) | 1,136 | (3,126) |
| Future income taxes | (6,301) | 23,123 |
| Stock-based compensation | 1,808 | 1,690 |
| | 89,290 | 110,348 |
| Change in other balances relating to operations (note 20) | (95,383) | 33,565 |
| | (6,093) | 143,913 |
| Investing activities | | |
| (Increase) decrease in restricted cash balances (note 3) | (22,588) | 9,768 |
| Increase in marketable securities and term deposits | (19,509) | - |
| Purchase of property, plant and equipment | (30,147) | (13,553) |
| Proceeds on sale of property, plant and equipment | 10,968 | 1,062 |
| Acquisitions (note 21) | (120,815) | (1,175) |
| Investment in concession rights | (93,653) | (43,130) |
| Increase in other intangible assets and other assets | (5,179) | (7,660) |
| Increase in non-controlling interests | 2,671 | 1,348 |
| | (278,252) | (53,340) |
| Financing activities | | |
| Decrease in bank indebtedness | (2,687) | (5,199) |
| Issuance of long-term debt | 215,281 | 34,294 |
| Repayments of long-term debt | (27,073) | (25,867) |
| Increase in other liabilities (note 15) | 3,406 | - |
| Issuance of capital stock (note 18) | 2,105 | 70,729 |
| Repurchase of capital stock (note 18) | (9,425) | (4,145) |
| Repayment of share purchase loans (note 18) | - | 552 |
| Dividends paid (note 18) | (10,759) | (10,400) |
| Interest received on share purchase loans (note 18) | - | 4 |
| Net proceeds from issuance of convertible debentures (note 14) | 164,759 | - |
| | 335,607 | 59,968 |
| Increase in cash and cash equivalents during the year | 51,262 | 150,541 |
| Effects of foreign exchange on cash balances | (3,242) | 7,726 |
| Cash and cash equivalents - beginning of year | 292,873 | 134,606 |
| Cash and cash equivalents - end of year | \$ 340,893 | \$ 292,873 |

Supplementary disclosures (note 20)

Aecon Group Inc.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

(in thousands of dollars, except per share amounts)

1) Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, as well as its pro rata share of assets, liabilities, revenues, expenses, net income and cash flows of its joint ventures. Note 4 summarizes the effect of the joint ventures on these consolidated financial statements.

Use of significant accounting estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. A certain amount of uncertainty is inherent in estimating the costs of completing construction projects and estimating amounts ultimately realizable on unpriced change orders. The impact on the consolidated financial statements of future changes in these estimates could be material.

Cash and cash equivalents

The Company considers investments purchased with original maturities of three months or less to be cash equivalents. Cash held by joint ventures is for the sole use of joint venture activities.

Accounting for contracts

Revenue and income from fixed price construction contracts, including contracts in which the Company participates through joint ventures, are determined on the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. This method is used because management considers expended costs to be the best available measure of progress on these contracts. Contract costs include all direct material and labour costs and those indirect costs relating to contract performance such as indirect labour and supplies, tools and repairs. For large multi-year fixed price contracts, income is recognized when progress reaches a stage of completion sufficient to reasonably determine the probable results, which is generally when the contract is 20% complete. Consulting contracts to manage or supervise construction activity of others are recognized only to the extent of the fee revenue. Revenues from cost plus fee contracts are recognized on the basis of costs incurred. Provision is made for anticipated contract losses as soon as they are evident. Contract revenues and costs are adjusted to reflect change orders that have been approved as to both price and scope. For change orders that have not been approved as to price, contract revenues are recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Profit on unpriced change orders is not recognized until pricing has been agreed. If there are disputes regarding additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions, the Company's accounting policy is to record all costs for these change orders but not to record any revenues anticipated from these disputes until actually resolved, even though the Company may believe that full compensation from clients is probable.

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Deferred contract costs and unbilled revenues represent costs incurred and revenues earned in excess of amounts billed on uncompleted contracts. Deferred revenue represents the excess of amounts billed over costs incurred and revenue earned on uncompleted contracts. Contract advances are included in deferred revenue and represent advance payments received from clients for mobilization of project staff, equipment and services.

The operating cycle, or duration, of many of the Company's contracts exceeds one year. All contract related assets and liabilities of such contracts are classified as current as they are expected to be realized or satisfied within the operating cycle of the contract.

Accounting for operations of the Existing Quito Airport and the Quito Construction Joint Venture

The Company holds a 42.3% effective interest in Corporacion Quiport S.A. ("Quiport JV") which holds the concession contract for the Quito Airport, and the Company also holds a 50% interest in the joint venture ("Construction JV") constructing the new Quito Airport. The Company accounts for these investments using the proportionate consolidation method, whereby the Company recognizes on its consolidated balance sheets its share of the assets and liabilities of both Quiport JV and Construction JV, and includes in its consolidated statements of income, its share of the revenues and expenses of these joint ventures. For foreign currency translation purposes, Quiport JV is reported as a self-sustaining operation with a measurement currency of US dollars, and Construction JV is reported as a fully integrated operation.

In accordance with GAAP, the Company's share of Construction JV's revenue and profits is reduced by the Company's proportionate ownership interest in Quiport JV. The profits eliminated will be effectively recognized over the life of the new Quito Airport concession period.

Inventories

Inventories are recorded at the lower of cost and net realizable value, with the cost of materials and supplies determined on a first-in, first-out basis and aggregate inventories determined at weighted average cost.

Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation. Depreciation 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 and leasehold improvements | 10 to 40 years |
| Machinery and equipment | 2 to 15 years |
| Office equipment, furniture and fixtures, and computer equipment | 3 to 5 years |
| Vehicles | 1 to 5 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.

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Property, plant and equipment are reviewed for impairment on a regular basis or whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the projected undiscounted future net cash flows and is measured as the amount by which the carrying value exceeds fair value.

Investments

Investments in entities where the Company exercises significant influence are accounted for using the equity method. These investments are recorded at cost plus the Company's share of income or loss to date less dividends received.

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

Intangible assets

Purchased intangible assets are recorded at cost less accumulated amortization and any impairment in value. Intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition.

Intangible assets are amortized over their estimated useful lives, except goodwill which management regards as having an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows.

Estimated useful lives are determined as the period over which the Company expects to use the asset and for which the Company retains control over benefits derived from use of the asset.

For intangible assets with a finite useful life, the amortization method and period are reviewed annually and impairment testing is undertaken when circumstances indicate the carrying amounts may not be recoverable.

Amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income statement as an expense item.

Where an intangible asset is disposed of, the difference between its carrying value and the net sales proceeds is reported as other income (loss) on disposal in the consolidated statements of income in the financial year the disposal occurs.

Intangible assets are reviewed for impairment on a regular basis or whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the projected undiscounted future net cash flows and is measured as the amount by which the carrying value exceeds fair value.

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Goodwill

Goodwill represents the excess of the cost of acquisitions over the fair value of net identifiable assets acquired. Goodwill is not amortized but is subject to an annual impairment test, or earlier when circumstances indicate impairment may exist. When the estimated fair value of goodwill is lower than its carrying amount, the difference is charged against income.

Income taxes

The Company follows the asset and liability method of tax accounting for future income taxes. Temporary differences between the tax basis of an asset or liability and its carrying amount on the consolidated balance sheets are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using substantively enacted tax rates anticipated to apply in the periods when the temporary differences are expected to reverse. A valuation allowance is provided against future tax assets to the extent that recoverability cannot be considered to be more likely than not.

Employee benefit plans

The Company recognizes the cost of retirement benefits over the periods in which employees are expected to render services in return for the benefits. The Company sponsors defined benefit pension plans (which had their membership frozen as of January 1, 1998) and defined contribution pension plans for its salaried employees. The Company matches employee contributions to the defined contribution plans, which are based on a percentage of earnings. For the defined benefit pension plans, current service costs are charged to operations as they accrue based on services rendered by employees during the year. Pension benefit obligations are determined by independent actuaries using management's best estimate assumptions, with accrued benefits prorated on service. Adjustments arising from plan amendments are amortized over the expected average remaining service life of the employee group. Actuarial gains and losses are amortized over the expected average remaining service life of the employee group if the adjustment is more than 10% of the greater of plan assets or benefit obligations. Actuarial gains and losses below the 10% threshold are not recognized in income.

Asset retirement obligations

The fair value of the estimated future legal obligations for rehabilitation costs associated with the retirement of pits and quarries utilized in aggregate mining operations is recognized as a liability when incurred. A corresponding increase in the carrying amount of the related asset is recorded and depreciated over the life of the asset. The liability is accreted over time through annual charges to earnings and is reduced by actual rehabilitation costs. The amount of the liability is subject to remeasurement at each reporting period and is subject to changes in regulatory requirements and cost estimates.

Leasehold inducements

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

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Stock-based compensation plans

The Company has stock-based compensation plans, as described in note 18. Stock options are issued at an exercise price no less than the market value of the Company's shares at the date of issuance. The Company uses fair value accounting for stock-based compensation.

Foreign currency translation

Monetary assets and liabilities of the Company, its foreign operations and joint ventures, except those of self-sustaining foreign operations, are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in net income for the year.

The assets and liabilities of the Company's self-sustaining foreign operations that have a measurement currency that is not in Canadian dollars are translated into Canadian dollars using the exchange rate in effect at the consolidated balance sheet date, and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these operations are recorded as a separate component of accumulated other comprehensive income (loss).

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

Earnings per share

Basic earnings per share is calculated based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method to compute the dilutive effect of stock options and the "if converted" method to compute the dilutive effect of convertible securities. Under the treasury stock method, options are assumed to be exercised only when the exercise price is below the average price of the Company's stock, whereas under the "if converted" method, convertible securities are assumed to be converted at the beginning of the year (or at time of issuance, if later).

Interest capitalization

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

Variable interest entities

The Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15 ("AcG 15") modifies the principles used in determining when and by whom entities are consolidated. In general, if a company is exposed to more than 50% of the economic risks of a variable interest entity, it is presumed to control the entity and must consolidate it, notwithstanding that its voting interest may be minimal. Two consolidation "models" are established under AcG 15 – a Voting Interest Model ("VOI") and a Variable Interest Model ("VIE"). The VOI model has been the standard for purposes of determining control and in order to continue to use the VOI model it must be demonstrated that equity holders as a group control the entity and that they are truly at risk.

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One of the tests is that there must be a minimum amount of equity, as it appears in the financial statements of the entity being assessed. If the VOI tests are not met, the VIE model would be used. Proportionate consolidation is not permitted under the VIE model.

Financial instruments – recognition and measurement

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the consolidated balance sheets when the Company becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition. Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, being recognized in Other Comprehensive Income (“OCI”). Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. Derivative instruments are recorded on the consolidated balance sheets at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recognized in net income with the exception of derivatives designated in effective cash flow hedges or hedges of foreign currency exposure of a net investment in a self-sustaining foreign operation.

CICA Handbook Section 3855 includes the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost, and the recognition of the inception fair value of the obligation undertaken in issuing a guarantee that meets the definition of a guarantee pursuant to AcG 14 “Disclosure of Guarantees.” No subsequent remeasurement at fair value is required unless the financial guarantee qualifies as a derivative. If the financial guarantee meets the definition of a derivative it is remeasured at fair value at each consolidated balance sheet date and reported as a derivative in other assets or other liabilities, as appropriate.

Hedges

CICA Handbook Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self-sustaining foreign operations. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item. In a fair value hedging relationship, the carrying value of the hedged item is adjusted for unrealized gains or losses attributable to the hedged risk and recognized in net income. Changes in the fair value of the hedged item, to the extent that the hedging relationship is effective, are offset by changes in the fair value of the hedging derivative, which is also recorded in net income. When hedge accounting is discontinued, the carrying value of the hedged item is no

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longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to net income over the remaining term of the original hedging relationship. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in OCI while the ineffective portion is recognized in net income. When hedge accounting is discontinued, the amounts previously recognized in Accumulated Other Comprehensive Income ("AOCI") are reclassified to net income during the periods when the variability in the cash flows of the hedged item affects net income. Gains and losses on derivatives are reclassified immediately to net income when the hedged item is sold or terminated early. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, the effective portion of foreign exchange gains and losses on the hedging instruments is recognized in OCI and the ineffective portion is recognized in net income. The amounts previously recognized in AOCI are recognized in net income when there is a reduction in the hedged net investment as a result of a dilution or sale of the net investment; or reduction in equity of the foreign operation as a result of dividend distributions.

Financial instruments – fair values

Cash and cash equivalents, marketable securities, accounts receivable, and accounts payable and accrued liabilities approximate their fair values on a discounted cash flow basis because of the short-term nature of these instruments. The Company considers all highly liquid interest earning investments with a maturity of three months or less at the date of purchase to be cash equivalents. In general, investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. All cash equivalents and short-term investments are classified as available-for-sale and are recorded at market value; unrealized gains and losses (excluding other-than-temporary impairments) are reflected in other comprehensive income.

Other financial instruments held or issued by the Company include holdbacks receivable, non-interest bearing project advances payable or holdbacks payable, which are amounts directly related to construction contracts. These amounts, by their nature, do not bear interest and consideration for the time value of money is thus negotiated into the price of the contracts. The Company does not have plans to sell these financial instruments to third parties and will realize or settle them in the normal course of business. No quoted market price exists for these instruments because they are not traded in an active and liquid market. Accordingly, the fair values of holdbacks receivable, non-interest bearing project advances payable or holdbacks payable, which are due within one year, are considered to approximate their carrying values. For those financial instruments that are due beyond one year, the Company has fair valued them to reflect the time value of money and the credit risk or the borrowing risk associated with these financial instruments.

The Company employs a systematic methodology on a periodic basis that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and the Company's intent and ability to hold the investment. The Company also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other than temporary, an impairment charge is recorded and a new cost basis in the investment is established. The Company's long-

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term investment in Derech Eretz, the company that owns the concessionaire rights to the Cross Israel Highway is carried at cost. There is not a liquid or quoted market value for the Company's investment in Derech Eretz, and as a result fair value information has not been disclosed in the consolidated financial statements. The investment in Derech Eretz would be considered to be impaired if a decline in fair value is judged to be other than temporary.

Long-term notes receivable included in other assets have been discounted at interest rates that result in the carrying value approximating their fair value.

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

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. The net unrealized exchange gain (loss) represents the estimated amount the Company would have received (paid) if it terminated the contracts at the end of the respective periods. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For a derivative instrument designated as a fair value hedge, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. For a derivative instrument designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and is subsequently recognized in earnings when the hedged exposure affects earnings. The ineffective portion of the gain or loss is recognized in earnings. For options designated either as fair value or cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness and are recognized in earnings. Gains and losses from changes in fair values of derivatives that are not designated as hedges for accounting purposes are recognized in earnings. While the Company considers the above contracts to be economic hedges, none of the above contracts were designated as accounting hedges, and as such the unrealized gains (losses) were recognized in net income in the period.

The Company may use foreign currency debt to hedge its exposure to foreign currency volatility in connection with investments in certain foreign operations. The realized and unrealized fair value of these hedges are included in shareholders' equity in the foreign currency translation component of accumulated other comprehensive income and offset translation adjustments on the underlying net assets of foreign operations, which are also recorded in accumulated other comprehensive income. If the debt is no longer considered effective in offsetting changes in the value of the hedged item, or if management determines that designation of the debt as a hedge instrument is no longer appropriate, the fair value of these hedges are included in the consolidated statements of income in foreign exchange gains (losses). At December 31, 2009, the Company does not have any designated hedges of its foreign operations.

CICA Handbook Section 3862 enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs. The

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first two levels are considered observable and the last unobservable. These levels are used to measure fair values as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 – Inputs, other than Level 1 inputs that are observable for assets and liabilities, either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

For the fair value of derivatives by level of fair value measurement inputs, see note 24.

2) Change in accounting policies

Effective January 1, 2009, the Company adopted the following new accounting standards that were issued by the CICA.

The CICA issued Handbook Section 3064, “Goodwill and Intangible Assets,” which clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. Section 1000, “Financial Statement Concepts,” was also amended to provide consistency with this new standard. The new and amended standards are effective on January 1, 2009 for the Company.

The adoption of Handbook Section 3064 did not impact the Company’s consolidated financial statements other than certain balance sheet reclassifications.

Future accounting changes

The CICA has also issued Handbook Section 1582, “Business Combinations,” Section 1601, “Consolidated Financial Statements,” and Section 1602, “Non-controlling Interests.” These sections replace Section 1581, “Business Combinations,” and Section 1600, “Consolidated Financial Statements.” Under Section 1582, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of exchange. Furthermore, virtually all acquisition costs, which are currently capitalized as part of the purchase price, will be expensed. Contingent liabilities are to be recognized at fair value at the acquisition date and remeasured at fair value for each period until settled. Changes in fair value are to be included in earnings. Currently, only contingent liabilities that are resolved and payable are included in the cost to acquire a business. In addition, negative goodwill is to be recognized immediately in earnings, unlike the current requirement to deduct it from assets in the purchase price allocation. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination. All three sections come into effect for financial periods beginning January 1, 2011 with prospective application.

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In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that Canadian public entities will have to adopt International Financial Reporting Standards (“IFRS”) effective for fiscal years beginning on or after January 1, 2011 (the “changeover date”). The Company will issue consolidated financial statements in accordance with IFRS commencing in the first quarter ended March 31, 2011, with comparative information. The Company is in the process of transitioning its financial statement reporting, presentation and disclosure to IFRS in time to meet the January 1, 2011 deadline. The process will be ongoing as new standards and recommendations are issued by the International Accounting Standards Board and AcSB. Further details regarding the Company’s transition to IFRS are included in the Company’s 2009 Management’s Discussion and Analysis filed on The System for Electronic Document Analysis and Retrieval (“SEDAR”).

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

| | | | | | 2009 | |
|---|-----|--|----------------|-----------------------|-------|---------|
| | | Consolidated balance excluding joint ventures and Build Finance SPVs | Joint ventures | Build Finance SPVs | Total | |
| Cash and cash equivalents | (a) | \$ 261,425 | \$ 31,113 | \$ 48,355 | \$ | 340,893 |
| Restricted cash | (b) | 7,802 | 46,243 | - | | 54,045 |
| Marketable securities and term deposits | (c) | - | - | 19,509 | | 19,509 |

| | | | | | 2008 | |
|---------------------------|-----|--|----------------|-----------------------|-------|---------|
| | | Consolidated balance excluding joint ventures and Build Finance SPVs | Joint ventures | Build Finance SPVs | Total | |
| Cash and cash equivalents | (a) | \$ 222,836 | \$ 62,003 | \$ 8,034 | \$ | 292,873 |
| Restricted cash | (b) | 20,448 | 7,746 | - | | 28,194 |
| Bank indebtedness | (d) | - | 2,631 | - | | 2,631 |

- (a) Cash and cash equivalents as at December 31, 2009 of \$340,893 (2008 - \$292,873) include \$31,113 (2008 - \$62,003) on deposit in joint venture and affiliate bank accounts, which the Company cannot access directly. Also included in cash and cash equivalents was \$48,355 (2008 - \$8,034) of cash advanced by lenders to finance the construction by Build Finance SPVs of three Infrastructure Ontario hospital projects.
- (b) Restricted cash of \$54,045 at December 31, 2009 (2008 - \$28,194) includes \$14,409 (2008 - \$28,194) that was deposited as collateral for borrowings and letters of credit issued by the Company and was not available for general operating purposes. The restricted cash balance at December 31, 2009 also includes \$39,636 (2008 - \$nil) held in Quiport JV.
- (c) Marketable securities and term deposits of \$19,509 at December 31, 2009 (2008 - \$nil) consisted of highly liquid interest bearing securities with maturities up to one year and were all held by Build Finance SPVs.

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- (d) Bank indebtedness of \$2,631 at December 31, 2008 represented the Company's proportionate share of amounts borrowed in connection with the Nathpa Jhakri hydroelectric project in India. This bank indebtedness was fully repaid in 2009.

4) Joint ventures

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

- (a) The following table sets out the Company's proportionate share of the assets, liabilities, venturers' equity, revenues, expenses, net income and cash flows of these joint ventures. Included in expenses in the determination of net income of joint ventures are income taxes for those entities that are separately liable for the payment of taxes. Income taxes are not included for joint ventures where income taxes are the responsibility of the joint venture partners. Income taxes included in joint venture expenses amounted to an income tax expense of \$8,903 (2008 - \$3,469).

| | 2009 | 2008 |
|-------------------------------|--------------------|-------------------|
| Assets | | |
| Current | \$ 162,503 | \$ 146,536 |
| Property, plant and equipment | 2,905 | 1,720 |
| Other | 220,287 | 173,568 |
| | <u>\$ 385,695</u> | <u>\$ 321,824</u> |
| Liabilities | | |
| Current | \$ 226,684 | \$ 84,098 |
| Long-term | 64,357 | 162,514 |
| Venturers' equity | 94,654 | 75,212 |
| | <u>\$ 385,695</u> | <u>\$ 321,824</u> |
| Revenues | \$ 320,667 | \$ 213,847 |
| Expenses | 275,863 | 199,086 |
| Net income | <u>\$ 44,804</u> | <u>\$ 14,761</u> |
| Cash provided by (used in) | | |
| Operating activities | \$ 83,512 | \$ 39,863 |
| Investing activities | (135,681) | (35,489) |
| Financing activities | 23,812 | 8,491 |
| | <u>\$ (28,357)</u> | <u>\$ 12,865</u> |

- (b) The Company is either contingently or directly liable for obligations of its unincorporated joint ventures (notes 13 and 17). The assets of the joint ventures are available for the purpose of satisfying such obligations.

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- (c) The Company enters into transactions in the normal course of operations with its joint ventures, which are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties involved. During the year, the Company recognized revenues of \$67,175 (2008 - \$84,717) from its joint venture partners. At December 31, 2009, the Company has included in accounts receivable \$38,490 (2008 - \$13,284) owing from its joint ventures and has included in accounts payable and accrued liabilities \$1,600 (2008 - \$2,433) owing to its joint ventures.

5) Income taxes

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

| | 2009 | 2008 |
|--|-------------|-------------|
| Income before income taxes and non-controlling interests | \$ 70,133 | \$ 87,949 |
| Statutory income tax rate | 33.0% | 33.5% |
| Expected income tax expense | (23,144) | (29,463) |
| Effect on income tax of: | | |
| Reduction in the valuation allowance | - | 3,404 |
| Impact of change in substantively enacted tax rates on future tax balances | 1,259 | 96 |
| Provincial and foreign rate differentials | 2,662 | 2,206 |
| Non-deductible notional interest | (444) | (412) |
| Non-deductible stock-based compensation expenses | (558) | (1,011) |
| Other non-deductible expenses | (842) | (639) |
| Foreign exchange translation (losses) gains | (1,169) | 142 |
| Tax-exempt portion of capital gains (losses) | 45 | (826) |
| Other | (115) | (316) |
| | 838 | 2,644 |
| Income tax expense | \$ (22,306) | \$ (26,819) |

The Company and certain subsidiaries have accumulated non-capital income tax loss carry-forwards of approximately \$60,118 (2008 - \$65,317), which may be used to reduce future taxable income and expire in the

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following years:

| | | |
|------|----|--------|
| 2010 | \$ | 128 |
| 2014 | | 3,169 |
| 2015 | | 3,019 |
| 2026 | | 267 |
| 2027 | | 5,449 |
| 2028 | | 25,211 |
| 2029 | | 22,875 |
| | | <hr/> |
| | \$ | 60,118 |

The components of future income taxes are as follows:

| | 2009 | 2008 |
|---|--------------------|--------------------|
| Canadian components: | | |
| Net operating and capital losses carried forward | \$ 17,886 | \$ 21,289 |
| Reserves expensed for financial statement purposes and deducted for income tax purposes when paid | 3,631 | 2,940 |
| Property, plant and equipment: | | |
| Net book value in excess of tax basis | (15,841) | (7,265) |
| Long-term contracts, including joint ventures ⁽¹⁾ | (33,393) | (40,676) |
| Other temporary differences | (4,851) | 412 |
| Other long-term differences | 2,750 | 1,026 |
| Total future income tax assets, before valuation allowance | (29,818) | (22,274) |
| Valuation allowance: | | |
| Balance beginning of year | - | (3,404) |
| Drawdown from current year operations | - | 3,404 |
| Valuation allowance, end of year | - | - |
| Total Canadian future income tax liabilities | (29,818) | (22,274) |
| Foreign components: | | |
| Long-term contracts, including joint ventures | (8,232) | (5,616) |
| Total future income tax liabilities, net | \$ (38,050) | \$ (27,890) |
| Classified as: | | |
| Long-term future income tax assets | \$ 11,993 | \$ 20,622 |
| Current future income tax liabilities | (50,043) | (48,512) |
| Total future income tax liabilities | \$ (38,050) | \$ (27,890) |

- (1) Results from the difference between the use of the percentage of completion method of reporting for financial statement purposes and use of the uncompleted contracts and billings less costs, excluding contractual holdbacks, for tax purposes.

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The operations of the Company are complex and related tax interpretations, regulations and legislation are subject to change. The Company believes the amounts reported as future income tax liabilities and as other income tax liabilities adequately reflect management's current best estimate of its income tax exposures (see note 17(d)).

6) Property, plant and equipment

| | 2009 | | |
|---|-------------------|--------------------------|-------------------|
| | Cost | Accumulated depreciation | Net |
| Land and improvements | \$ 27,396 | \$ - | \$ 27,396 |
| Buildings and leasehold improvements | 59,263 | 13,568 | 45,695 |
| Aggregate properties | 48,701 | 6,963 | 41,738 |
| Machinery and construction equipment | 131,322 | 58,727 | 72,595 |
| Office equipment, furniture and fixtures, and computer equipment | 22,619 | 13,094 | 9,525 |
| Vehicles | 5,875 | 1,941 | 3,934 |
| | \$ 295,176 | \$ 94,293 | \$ 200,883 |
| | 2008 | | |
| | Cost | Accumulated depreciation | Net |
| Land and improvements | \$ 6,105 | \$ - | \$ 6,105 |
| Buildings and leasehold improvements | 21,613 | 6,226 | 15,387 |
| Aggregate properties | 37,773 | 6,138 | 31,635 |
| Machinery and construction equipment | 86,204 | 43,787 | 42,417 |
| Office equipment, furniture and fixtures, and computer equipment | 5,059 | 3,048 | 2,011 |
| Vehicles | 862 | 448 | 414 |
| | \$ 157,616 | \$ 59,647 | \$ 97,969 |

Included in property, plant and equipment is equipment of \$12,121 (2008 - \$8,793) held under capital leases, with accumulated depreciation of \$6,802 (2008 - \$5,532).

Depreciation expense during 2009 amounted to \$21,284 (2008 - \$11,406).

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7) Concession rights

The Company has recorded concession rights as follows:

| | 2009 | 2008 |
|--|-------------------|-------------------|
| Concession rights to operate the Existing Quito Airport, net of accumulated amortization of \$48,448 (2008 - \$39,251) | \$ 11,813 | \$ 30,585 |
| Concession rights to operate the New Quito Airport | 203,884 | 137,411 |
| | <u>\$ 215,697</u> | <u>\$ 167,996</u> |

(a) Background information

The Company holds a 42.3% effective economic interest in Corporacion Quiport S.A., an Ecuadorian company, whose main operations consist of: (a) managing and operating the existing Mariscal Sucre International Airport (the "Existing Quito Airport") until its operations are transferred to a new airport; and (b) the development, financing, construction, operation and maintenance of the new Quito International Airport ("New Quito Airport") under a concession arrangement with Corporacion Aeropuerto y Zona Franca del Distrito Metropolitano de Quito ("CORPAQ"). The Company's 42.3% effective economic interest reflects a 45.5% investment in Quiport JV less the impact of the Company's share of a 7% carried interest given to one of the other partners for its participation in the project. Under the concession contract with CORPAQ, Quiport JV was awarded a 35-year concession from January 27, 2006. At the end of the concession period, all the facilities will be returned to CORPAQ. Income earned from operating the Existing Quito Airport must be reinvested in the New Quito Airport.

(b) Accounting for operations of the Existing Quito Airport

As consideration to develop and finance the New Quito Airport, Quiport JV was awarded the right to operate and to benefit from the operations of the Existing Quito Airport while the New Quito Airport is being constructed. In accordance with GAAP, an entity acquiring an "in-kind" asset must measure the asset at fair value as at the date of acquisition. Therefore, in accounting for the right to operate the Existing Quito Airport, Quiport JV fair valued this right and recorded an intangible asset (the "Concession Rights") on its consolidated balance sheet. As at the date of financial close in 2006, the Company's proportionate share of this asset was assigned a value of \$64,000, which is being amortized over the remaining term of the right to operate the Existing Quito Airport. Amortization charges in 2009 amounted to \$15,763 (2008 - \$14,313). The offsetting concession related deferred revenue balance (which is the value of the consideration received by Quiport JV to develop and finance the New Quito Airport) will be amortized to earnings over the term of the New Quito Airport concession period. Consequently, income earned from the operation of the Existing Quito Airport, which is being recognized in the normal fashion, is being reduced by the amount of the annual amortization charge related to the Existing Quito Airport Concession Rights.

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

At December 31, 2009, \$203,884 (2008 - \$137,411) representing the Company's proportionate share of the costs to construct the New Quito Airport has been recorded as Concession Rights to operate the New Quito Airport. Amortization of these Concession Rights will commence after construction of the New Quito Airport is completed.

The Company's investment in the Quito Airport concession is accounted for by the proportionate consolidation method, whereby the consolidated financial statements reflect, line by line, the pro rata share of each of the assets, liabilities, revenues and expenses of the Quito Airport concession. As a result, the consolidated financial statements include the Company's proportionate share of the non-recourse project debt used to finance the construction of the new airport (see note 12).

8) Long-term concession investment

The long-term concession investment in the amount of \$32,685 at December 31, 2009 (2008 - \$32,685) represents the Company's 25% investment, which is carried at cost, in Derech Eretz Highways (1997) Ltd. ("Derech Eretz"), the company that owns the concession rights to the Cross Israel Highway. Under the terms of the concession contract with the State of Israel and lender agreements, the Company is required to obtain approvals in order to sell all or a portion of this investment. In addition, in the event of a contemplated sale of equity to a third party, existing shareholders have a right of first refusal to acquire a pro rata portion of the equity offered for sale or to participate in such sale on a pro rata basis. Pursuant to an agreement with the State of Israel, the Company's interest in Derech Eretz would be diluted to approximately 12% if the State exercises options to acquire 49% of Derech Eretz.

9) Goodwill

| | | <u>2009</u> | <u>2008</u> |
|--|-----|------------------|-----------------|
| Balance - beginning of year | | \$ 9,804 | \$ 12,451 |
| Changes resulting from business combinations | (a) | 41,157 | (1,496) |
| Impairment losses | (b) | - | (1,151) |
| Balance - end of year | | <u>\$ 50,961</u> | <u>\$ 9,804</u> |

- (a) In 2009, goodwill increased by \$30,084 as a result of the acquisition of Lockerbie & Hole Inc. and by \$11,073 as a result of the acquisition of South Rock Ltd.

In 2008, goodwill was reduced reflecting an adjustment to the purchase price equation related to the acquisition of Leo Alarie and Sons Limited in late 2007.

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

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10) Other intangible assets

| | | 2009 | | |
|---------------------------|-----|------------------|-------------------------------------|------------------|
| | | Cost | Accumulated amortization | Net |
| Acquired customer backlog | (a) | \$ 24,631 | \$ 9,747 | \$ 14,884 |
| Computer software | | 5,567 | 1,887 | 3,680 |
| Licences | | 4,990 | 967 | 4,023 |
| Other | | 1,987 | 437 | 1,550 |
| | | \$ 37,175 | \$ 13,038 | \$ 24,137 |
| | | 2008 | | |
| | | Cost | Accumulated amortization | Net |
| Computer software | | \$ 5,968 | \$ 4,019 | \$ 1,949 |
| Licences | | 3,319 | 401 | 2,918 |
| Other | | 830 | 302 | 528 |
| | | \$ 10,117 | \$ 4,722 | \$ 5,395 |

- (a) Acquired customer backlog of \$24,631 represents the value assigned to backlog acquired as part of the acquisitions of Lockerbie & Hole Inc. and South Rock Ltd. as described in note 21 below. This asset is amortized on a pro rata basis as the related backlog revenue is included in income.

For the years ended December 31, 2009 and 2008, the Company recorded related amortization expense as follows:

| | | 2009 | 2008 |
|---------------------------|--|------------------|---------------|
| Acquired customer backlog | | \$ 9,747 | \$ - |
| Other | | 1,637 | 623 |
| | | \$ 11,384 | \$ 623 |

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11) Other assets

| | | <u>2009</u> | | <u>2008</u> |
|---|-----|------------------|----|---------------|
| Long-term receivables | (a) | \$ 9,189 | \$ | 8,903 |
| Share investments | (b) | - | | 7,972 |
| Income tax deposit | | 5,414 | | 5,414 |
| Pension assets (note 22) | | 4,117 | | 5,253 |
| Investments accounted for using the equity method | | 2,671 | | - |
| Commitment fees | | 513 | | 883 |
| Other | | 2,467 | | 2,479 |
| | | <u>\$ 24,371</u> | \$ | <u>30,904</u> |

- (a) Long-term receivables include \$8,027 (2008 - \$7,409) representing an amount due from Derech Eretz. This receivable is collectible by June 30, 2029 and accrues interest at 8% per annum.

Also included in long-term receivables is \$1,119 (2008 - \$1,494) due from Derech Eretz Telecom Ltd., a wholly owned subsidiary of Derech Eretz. The receivable is payable in annual instalments including compounded interest at 6% annually. The payment amounts are not fixed and are based on the net cash flow of the borrower. Loan and interest payments are to be made on December 31 of each year with full payment to be made no later than July 1, 2029.

- (b) Share investments of \$7,972 at December 31, 2008 represent common shares of Lockerbie & Hole Inc. that were acquired by the Company prior to its acquisition. The cost of these shares is now included as part of the total consideration paid by the Company for Lockerbie & Hole Inc. (see note 21).

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12) Long-term debt

| | | 2009 | 2008 |
|---|--------|-------------------|-------------------|
| Non-recourse project debt | | | |
| Quiport JV project financing | (a) \$ | 115,682 | \$ 87,931 |
| Quiport JV CORPAQ debt | (b) | 4,782 | 5,542 |
| Rouge Valley Health System project debt | (c) | 45,935 | 24,723 |
| Toronto Rehabilitation Hospital project debt | (d) | 50,607 | 6,011 |
| Lakeridge Health Oshawa Hospital project debt | (e) | 70,000 | - |
| Other joint venture project debt | | 430 | - |
| | | 287,436 | 124,207 |
| Other long-term debt | | | |
| Capital leases and equipment loans | (f) | 50,619 | 28,807 |
| Notes payable | (g) | 17,742 | 15,091 |
| Mortgages | (h) | 5,791 | 6,226 |
| Loans from Derech Eretz partners | (i) | 5,178 | 5,462 |
| Investment loan | (j) | 196 | 419 |
| | | 79,526 | 56,005 |
| Total long-term debt | | 366,962 | 180,212 |
| Less: Amounts due within one year | | | |
| - Non-recourse project debt | | 217,436 | 5,542 |
| - Other long-term debt | | 16,489 | 10,845 |
| | | \$ 133,037 | \$ 163,825 |

The following describes the components of long-term debt:

- (a) The total financing commitment made by the Project Senior Lenders to Quiport JV is US\$376,388. As at December 31, 2009, senior project financing advanced to Quiport JV by the Project Senior Lenders was US\$248,284 (2008 - US\$164,593). Included in the Company's consolidated balance sheets at December 31, 2009, is debt, net of transaction costs, of US\$110,069 (CA\$115,682) (2008 - US\$72,193 or CA\$87,931) representing the Company's proportionate share of Quiport JV debt. This debt is secured by the assets of Quiport JV and is otherwise without recourse to the Company.

The financing is denominated in US dollars and is provided for a term of fifteen years from June 28, 2006 using a mix of rates of interest, both variable (some of which can be converted into fixed rates) and fixed, as follows:

- US 91-day treasury bill rate plus 4% (53% of the total financing commitment);
- six-month LIBOR rate plus 4.5% (20% of the total financing commitment);
- 4.9% plus exposure fee of 26.51% on disbursed amounts (17% of the total financing commitment);
- and
- 10.32% (10% of total financing commitment).

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No debt repayments are scheduled to be made during the construction period and all interest costs are capitalized during construction (see note 19).

As a result of a recent political event in Ecuador and a related event of default under the project finance agreements as described in note 17(g), the Quiport JV project debt, although not due to mature within one year, has been reclassified as a current liability.

- (b) Quiport JV CORPAQ debt of US\$4,550 (CA\$4,782) (2008 – US\$4,550 or CA\$5,542) represents the Company's proportionate share of an amount due to CORPAQ by Quiport JV and related to construction of the Quito Airport project. This balance is expected to be paid in 2010. This non-interest bearing debt, which is denominated in US dollars, has been discounted at the rate of 10.65%.
- (c) Project financing for the Rouge Valley Health System project at December 31, 2009, was \$45,935 (2008 - \$24,723). The total amount available to be borrowed over the construction period is \$57,034 and repayment of the loan is due at the end of the project in 2010. Repayment will be entirely funded from a lump sum payment by Infrastructure Ontario upon completion of construction. This debt is secured by the assets of the project and is non-recourse to the Company. Interest on this debt, at an annual rate of 5.3%, is capitalized to the loan balance.
- (d) Project financing for the Toronto Rehabilitation Hospital project at December 31, 2009, was \$50,607 (2008 - \$6,011). The total amount available to be borrowed over the construction period is \$101,848. An interim repayment of \$53,177 on the loan is scheduled for May 19, 2010, with final repayment due at the end of the project in 2011. Repayments will be entirely funded from two lump sum payments by Infrastructure Ontario. This debt is secured by the assets of the project and is non-recourse to the Company. Interest on this debt at an annual rate of 5.567% is capitalized to the loan balance.
- (e) Project financing for the Lakeridge Health Oshawa Hospital project at December 31, 2009, was \$70,000 (2008 - \$nil), and represents an advance of the full amount expected to be required to construct the project. Full repayment of the debt is scheduled at the end of the project in 2011. Repayment will be entirely funded from a lump sum payment by Infrastructure Ontario upon completion of construction. This debt is secured by the assets of the project and is non-recourse to the Company. Interest on this debt at an annual rate of 5.744% is paid on a monthly basis.
- (f) At December 31, 2009, capital leases and equipment loans bore interest at fixed and floating rates averaging 6.48% (2008 – 6.03%) per annum, with specific equipment provided as security. Included in these amounts are the following equipment loans:

On April 30, 2009, the Company, under an equipment loan agreement, borrowed \$24,000 which was used, in part, to replace loans assumed as part of the acquisition of South Rock Ltd. and bears interest at a fixed rate of 6.79%. The term loan will be repaid over a period of three years with monthly payments of \$418 and a balloon payment of \$13,200 at the end of the three-year term. At December 31, 2009, the balance outstanding on the term loan, net of transaction costs, was \$21,700 (2008 - \$nil).

- (g) Notes payable at December 31, 2009 include \$11,742 (2008 - \$15,091) relating to the acquisition of The Karson Group. As partial consideration for the acquisition of The Karson Group in 2007, the Company issued a note payable in the amount of \$21,225 to the vendor. This note payable, which is non-interest

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bearing and is secured by certain equipment of The Karson Group, was discounted at 8% to arrive at a fair value of \$16,949 at the date of the acquisition. Commencing January 31, 2008, the note was payable in equal annual installments over a five-year period. During 2009, the Company recorded interest expense representing interest accretion on the note payable of \$896 (2008 - \$1,144).

- (h) Mortgages are secured by certain of the Company's real estate assets. Amounts outstanding are at a fixed rate averaging 7.3% (2008 - 7.3%) per annum and require monthly principal and interest payments amortized over a period ranging from 5 to 25 years.
- (i) At December 31, 2009, loans from the Company's partners in Derech Eretz totaled NIS18,727 (CA\$5,178) (2008 - NIS16,858 or CA\$5,462). These loans bear interest at 8% and are generally repayable as distributions from Derech Eretz are received.
- (j) In 2006, the Company borrowed US\$1,650 (CA\$1,923) from Airport Development Corporation, a joint venture partner in the Quito Airport project. This loan, which is non-interest bearing, was used to fund a portion of the Company's equity contributions in the project and will be fully repaid in 2010. At December 31, 2009, the loan balance was US\$186 (CA\$196) (2008 - US\$344 or CA\$419).

The weighted average interest rate on long-term debt outstanding at the end of the year was 6.04% (2008 - 6.0%).

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

| | | |
|------------|----|---------|
| 2010 | \$ | 233,925 |
| 2011 | | 94,254 |
| 2012 | | 24,151 |
| 2013 | | 5,646 |
| 2014 | | 3,718 |
| Thereafter | | 5,268 |
| | | <hr/> |
| | \$ | 366,962 |

Included in the amount due in 2010 is Quiport JV project debt of \$115,682 which, as noted above, although not due to mature within one year, has been classified as a current liability payable in 2010.

The Company's senior credit facility with a syndicate of lenders expires on June 15, 2011 and includes a \$100,000 revolving operating line of credit which, except for supporting letters of credit amount to \$39,021, is otherwise undrawn as of December 31, 2009. The operating line of credit bears interest at prime plus 1.35% per annum. Standby fees are payable quarterly on the unused operating line balance at 25 basis points per year.

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13) Guarantees

The Company has outstanding guarantees amounting to \$3,937 (2008 - \$11,968) in support of financial and performance related obligations for the Nathpa Jhakri hydroelectric project in India. These guarantees are backed by letters of credit issued by the Company.

In connection with the Cross Israel Highway project, the Company has provided two joint and several guarantees, a continuous guarantee, which guarantees the performance of the concessionaire in which the Company has a 25% interest, and a leakage guarantee, which is a guarantee by the operator of the toll highway, in which the Company has a 30.6% interest, to the concessionaire and covers toll capture and collection rates generated from users of the highway during the operating period. These guarantees extend to the end of the concession period in 2029. The continuous guarantees (at 100%) in the total amount of US\$41,600 (CA\$43,720) (2008 - US\$32,400 or CA\$39,463) are renewed annually to their full amount, irrespective of any drawings made thereunder. The Company has issued letters of credit in the amount of US\$10,400 (CA\$10,930) (2008 - US\$8,100 or CA\$9,866) to support its share of the continuous guarantee, backed by guarantees issued on behalf of the Company to the issuing banks by Export Development Canada ("EDC"). The Company's partners have similarly issued letters of credit to support their respective share. The leakage guarantee (at 100%) came into effect when construction was completed and is renewable annually for the lesser of NIS33,000 plus escalation to date (CA\$13,973) (2008 - NIS33,000 plus escalation or CA\$15,601) or 6% of the annual toll revenue.

In addition to the above, the Company has provided letters of credit in the amount of NIS2,400 (CA\$664) (2008 - NIS2,400 or CA\$778) to support a performance bond that was required of the concessionaire in connection with the construction of an extension to the Cross Israel Highway. This letter of credit is secured by cash. Furthermore, the operator of the Cross Israel Highway project, in which the Company has a 30.6% interest, has provided letters of credit to the concessionaire in support of performance obligations related to the operations of the highway and to secure advances from the concessionaire. These letters of credit totaling NIS30,126 (CA\$8,330) (2008 - NIS27,351 or CA\$8,862) are issued utilizing the credit facilities of the operator and are partially secured by cash.

In connection with the Quito Airport project, the Company has provided letters of credit of US\$8,515 (CA\$8,949) (2008 - US\$14,325 or CA\$17,448) in support of its remaining equity obligations and a letter of credit of US\$29,393 (CA\$30,892) (2008 - US\$29,393 or CA\$35,801) for various project contingencies. These letters of credit are supported by guarantees issued on behalf of the Company to the issuing banks by EDC and will remain in place until its equity obligations are fulfilled and the conditions giving rise to the contingencies are satisfied or cleared. As a result of EDC issuing these guarantees, the Company was required to place on deposit with EDC the sum of US\$1,500 (CA\$1,577) (2008 - US\$1,500 or CA\$1,827), which is classified as restricted cash on the consolidated balance sheets. The Company has also issued a corporate guarantee in the amount of US\$10,886 (CA\$11,441) (2008 - US\$3,129 or CA\$3,811) as security to cover 50% of a credit facility set up to assist in the partial release of holdback funds to the Quito construction joint venture with its partner issuing a corporate guarantee as security to support the remaining 50% of the credit facility.

In addition, the Company and its joint venture partner have provided surety bonds, guaranteed jointly and severally, to cover construction and concession related performance obligations of US\$67,055 (CA\$70,475) (2008 - US\$67,055 or CA\$81,673), an advance payment bond of US\$36,118 (CA\$37,960) (2008 - US\$74,466 or CA\$90,700) and a retention release bond of US\$20,685 (CA\$21,740) (2008 - US\$20,685 or CA\$25,194). In

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each case, the Company's share is supported by guarantees issued by EDC. As a result of EDC issuing these guarantees, the Company was required to place on deposit with EDC the sum of US\$2,000 (CA\$2,102) (2008 - US\$2,000 or CA\$2,436), which is classified as restricted cash on the consolidated balance sheets.

The Company has also issued performance guarantees of \$6,020 (2008 - \$10,898), which are supported by guarantees issued to the Company by EDC in respect of certain international contracts for the manufacture and supply of equipment by its subsidiary, Innovative Steam Technologies Inc.

In addition, the Company has also issued, in the normal conduct of operations, letters of credit amounting to \$39,021 (2008 - \$37,210) in support of financial and performance related obligations of its North American operations.

In connection with the project financing for the Rouge Valley Health System project, the Company has provided a guarantee of additional financing costs (interest and fees) incurred by a wholly owned project company in the event of delays in the completion of construction. This guarantee is capped at \$5,000 (2008 - \$5,000). The Company has also provided a guarantee of the obligations of the project company under a \$5,000 (2008 - \$5,000) contingency loan facility established exclusively to finance additional costs, if any, associated with delays and working capital requirements due to delayed payments or schedule changes.

In connection with the project financing for the Toronto Rehabilitation Hospital project, the Company has provided a guarantee of additional financing costs (interest and fees) incurred in the event of delays in the completion of construction or due to default under the construction contract or the project agreement. This guarantee is currently capped at \$11,225 (2008 - \$11,225).

In connection with the project financing for the Lakeridge Health Oshawa Hospital project, the Company has provided a limited cost overrun guarantee in the event of cost overruns in excess of the guaranteed maximum price. This guarantee is currently capped at \$8,500.

Under the terms of many of the Company's joint venture contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. At December 31, 2009, the value of uncompleted work for which the Company's joint venture partners are responsible, and which the Company could be responsible for assuming, amounted to approximately \$279,292 (2008 - \$418,004), a substantial portion of which is supported by performance bonds. In the event the Company assumed this additional work, it would have the right to receive the partner's share of billings to the project owners pursuant to the joint venture contract.

The Company has, over time, sold portions of its business. Pursuant to the sale agreements, the Company may have had to indemnify the purchaser against liabilities related to events that occurred prior to the sale, such as tax, environmental, litigation, employment matters, or related to representations made by the Company. The Company is unable to estimate the potential liability for these types of indemnification guarantees as the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. However, the maximum guarantee is not to exceed the proceeds from disposal. Historically, the Company has not made any significant indemnification payments under such agreements.

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14) Convertible debentures

Convertible subordinated debentures consist of:

| | 2009 | 2008 |
|---|------------|------|
| Debt component reported as long-term liability: | | |
| Debenture maturing September 30, 2014 | \$ 158,614 | \$ - |
| Equity component: | | |
| Debenture maturing September 30, 2014 | \$ 6,887 | \$ - |

On September 29, 2009, the Company issued \$172,500 of unsecured subordinated convertible debentures maturing September 30, 2014. The debentures bear interest at a rate of 7.0% per annum payable on a semi-annual basis. At the holder's option, the convertible debentures may be converted into common shares of the Company at any time up to the maturity date at a conversion price of \$19.00 for each common share, subject to adjustment in certain circumstances. The convertible debentures will not be redeemable before September 30, 2012. From September 30, 2012 through to the maturity date, the Company may, at its option, redeem the convertible debentures, in whole or in part, at par plus accrued and unpaid interest provided the weighted average closing price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price. At December 31, 2009, the face value of these convertible debentures, which remain outstanding, is \$172,500.

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

In determining the amount of the debt and equity components of the convertible debentures, the carrying amount of the financial liability is first determined by discounting the stream of future principal and interest payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The equity component equals the amount determined by deducting from the carrying amount of the compound instrument the amount of the debt component. For accounting purposes, the debt component was assigned a value of \$165,613 (less transaction costs of \$7,741) and the conversion rights were assigned a value of \$6,887.

Interest expense on the debentures is composed of the interest calculated on the face value of the debentures, which amounted to \$172,500 at December 31, 2009, and an annual notional interest representing the accretion of the carrying value of the debentures. For the year ended December 31, 2009, interest expense and notional interest recorded were \$3,085 and \$742, respectively.

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15) Other liabilities

| | 2009 | 2008 |
|--|-----------------|-----------------|
| Leasehold inducements | \$ 1,905 | \$ 1,719 |
| Asset retirement obligations | 2,540 | 1,656 |
| Warranties and other long-term liabilities | 3,406 | - |
| | <u>\$ 7,851</u> | <u>\$ 3,375</u> |

Asset retirement obligations

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

| | 2009 | 2008 |
|--|-----------------|-----------------|
| Asset retirement obligation liability, beginning of year | \$ 1,656 | \$ 1,177 |
| Increase in obligation | 755 | 408 |
| Accretion expense | 129 | 71 |
| | <u>\$ 2,540</u> | <u>\$ 1,656</u> |

The total undiscounted amount of the estimated cash flows required for rehabilitating the pits and quarries is approximately \$16,579. Rehabilitation costs are expected to be settled between 2011 and 2108. A 3% inflation factor has been applied to obtain the future value of the rehabilitation costs, which has then been discounted at 6% to obtain the present value of the obligation.

16) Concession related deferred revenue

As part of acquiring, in 2006, the rights to operate the Existing Quito Airport (see note 7(b)), the Company recorded US\$57,337 or Canadian equivalent of \$60,261 at December 31, 2009 exchange rates (2008 - US\$57,337 or CA\$69,837) of concession related deferred revenue representing the estimated value of the "inducement" received by Quiport JV to develop, finance and operate the New Quito Airport. This deferred revenue amount will be amortized to earnings over the term of the New Quito Airport concession period.

As at June 28, 2006, CORPAQ also provided Quiport JV with net assets of US\$3,897 or the Canadian equivalent of \$4,096 at December 31, 2009 exchange rates (2007 - US\$3,897 or CA\$4,747), representing net assets received by Quiport JV between the date the concession went into effect (January 27, 2006) and the date of financial close (June 28, 2006). This amount represents an additional inducement and has been classified as concession related deferred revenue in the consolidated balance sheets. As with the other concession related deferred revenue amounts noted above, this balance will be amortized to earnings over the term of the New Quito Airport concession period.

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Concession related deferred revenue at December 31, 2009, also includes \$2,990 (2008 - \$2,990) received in 2006 as development funds and cost reimbursements related to the Quito Airport project. This deferred revenue balance will be amortized to earnings over the term of the New Quito Airport concession period.

17) Commitments and contingencies

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

| | | |
|--------|----|--------|
| 2010 | \$ | 24,271 |
| 2011 | | 18,190 |
| 2012 | | 13,280 |
| 2013 | | 9,094 |
| 2014 | | 5,267 |
| Beyond | | 13,479 |
| | | <hr/> |
| | \$ | 83,581 |

- (b) The Company is involved in various claims and litigation both as plaintiff and defendant. In the opinion of management, the resolution of claims against the Company will not result in a material effect on the consolidated financial position of the Company. Any settlements or awards will be reflected in the consolidated statements of income, as the matters are resolved.
- (c) The Company is contingently liable for the usual contractor's obligations relating to performance and completion of construction contracts and for the obligations of its venturers in unincorporated joint ventures, the assets of which are available to settle any claims that may arise in the joint ventures.
- (d) During 2001, the Company received federal income tax reassessments relating to deductions claimed by predecessor companies between 1993 and 1999. The reassessments, which disallow the previously claimed Canadian development expense ("CDE") deductions, amounted to \$10,581. Provincial income tax reassessments related to the disallowed CDE and received to date amount to \$804. Although the Company has filed Notices of Objection, it was required to pay 50% of the federally assessed amounts and 100% of the Ontario provincial assessments pending resolution of the objections. The Company has paid \$5,414 resulting from these assessments. The total potential federal and provincial reassessments, including income taxes, interest and penalties could be up to \$20,133. The Company believes it has adequate income tax provisions to cover the ultimate outcome of these reassessments.
- (e) The Company is a party to a lawsuit related to its prior involvement in the construction of a grain terminal in Gdansk, Poland whereby the Company guaranteed the payment of a promissory note for US\$2,500. The note was originally due on July 12, 2001. As a result of certain alleged contractual breaches and misrepresentations by the other parties involved, the Company has taken the position that the guarantee is not enforceable. The lawsuit seeks to enforce the guarantee and other damages. The Company disputes the validity of the guarantee and the obligation to pay thereunder and is vigorously defending the litigation. The Company has filed a Canadian \$30,000 counterclaim alleging various grounds including misrepresentation and breach of contract. The Company believes it has a sound position to defend this

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claim and believes the liability it has recorded in its accounts should be sufficient to cover the net liability, if any, to the Company upon ultimate resolution of this litigation.

- (f) The Company is a partner with Hochtief Construction AG in a joint venture that constructed a hydro electric facility in northern Quebec for Société d'énergie de la Baie James, a subsidiary of Hydro-Quebec (the "Eastmain Project"). To date, the Eastmain Project has incurred cost overruns, primarily because of customer changes to the original contract scope. The Company is currently in litigation with Hydro-Quebec seeking recovery of these extra costs. The Company believes it has adequate reserves included in the carrying value of its accounts to cover potential non-recoveries that may arise from this project.
- (g) The Company holds a 42.3% economic interest in Quiport JV, an Ecuadorian company, whose main operations consist of managing and operating the Existing Quito Airport, and the development, construction, operations and maintenance of the New Quito Airport under a concession arrangement.

On July 29, 2009, the Quito Airport Project (the "Project") suffered a legal setback following the issuance by the Ecuadorian Constitutional Court (the "Court") of a ruling (the "Airports Ruling") whereby, among other things, pursuant to Ecuador's new constitution: (i) the majority of airport revenues collected by Quiport JV were declared to be public in nature; and (ii) the Court ordered all relevant stakeholders to amend their contracts to align with the new constitution and the Airports Ruling.

Following the issuance of the Airports Ruling, a formal contractual dispute was declared, the Project's financing was suspended and the various stakeholders immediately initiated a consultation process to resolve all issues. In order to permit the various parties involved in the project to engage in talks to resolve the dispute, a supplemental ruling was issued by the Court on September 29, 2009, which clarified that the Airports Ruling could be implemented over an undefined transition period. The supplemental ruling effectively established a transition and negotiation period during which discussions could continue without implementation of the Airports Ruling and during which operations and collections could continue as normal. However, while operations were to continue, the Project lenders advised they would not approve any further funds for the construction of the Project until the issues surrounding the Airports Ruling were resolved.

Because the Airports Ruling represented an event of default under Quiport JV's financing agreements, Project debt, which is non-recourse to the Company, became potentially callable by the Project lenders. As a result, Project debt was reclassified as a current liability in the Company's 2009 third quarter consolidated financial statements, notwithstanding the fact that the Project lenders have not demanded repayment of this debt.

Because of the uncertainty at the time of issuance of its 2009 third quarter consolidated financial statements as to the outcome of the negotiations and their financial impact on the Project, management concluded it would be appropriate to fully reserve against the concession profits that, absent the Airports Ruling, would otherwise have been recorded by the Company in its 2009 third quarter consolidated financial statements. The net result was that no profits were recorded in the third quarter from the Company's participation in Quiport JV.

On November 24, 2009, a preliminary agreement was reached with the Municipality of Quito regarding the Airports Ruling, including a new commercial arrangement, which was subject to various closing

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conditions and approvals, including approvals from the Constitutional Court and the Project's senior lenders. Since that time, significant progress has been made in reaching a final commercial agreement substantively consistent with the preliminary agreement reached in November. Commercial and financial close of that agreement is expected during the second quarter of 2010.

As a result of this progress and the Company's confidence that the new commercial agreement will be executed, there is now greater clarity around the economic impact the Airports Ruling is expected to have on Quiport JV. Consequently, management now believes it is appropriate to recognize the Company's share of Quiport JV's profits. Thus, included in the Company's 2009 fourth quarter results is the third quarter profit from Quiport JV that was not previously recognized as well as the Company's fourth quarter profits from Quiport JV.

Since the event of default under Quiport JV's financing agreements continues and has not been waived by the Project lenders, this debt continues to be classified as a current liability in the Company's consolidated balance sheets as at December 31, 2009.

The Company's remaining equity to be invested in the Quito Airport project was US\$1,888 as at December 31, 2009, with an additional US\$12,300 to be required under the terms of the preliminary agreement with the Municipality of Quito. As at December 31, 2009, the Company has invested cash of US\$31,782 (2008 – US\$30,189) for a total investment in the Quito Airport concessionaire of approximately US\$54,303, which includes the Company's share of the earnings of the existing airport, all of which is being directly invested in the cost of constructing the new airport.

With respect to other commitments and contingencies relating to the Company's investment in the Quito Airport project, see notes 12 and 13.

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18) Capital stock

| | 2009 | | 2008 | |
|--|------------------|------------|------------------|------------|
| | Number of shares | Amount | Number of shares | Amount |
| Balance - beginning of year | 50,207,924 | \$ 262,644 | 42,079,119 | \$ 162,691 |
| Common shares issued as part consideration for the Lockerbie & Hole Inc. acquisition (see note 21) | 5,510,941 | 49,083 | - | - |
| Common shares issued on exercise of options | 334,001 | 2,644 | 201,000 | 1,562 |
| Common shares issued on conversion of debentures (i) | - | - | 4,167,795 | 32,362 |
| Repayment of share purchase loans (ii) | - | - | - | 552 |
| Common shares issued, less expenses of \$3,378 (iii) | - | - | 4,000,000 | 69,622 |
| Common shares purchased by the Trust of the long-term incentive plan (iv) | (950,856) | (9,425) | (239,990) | (4,145) |
| Balance - end of year (ii and iv) | 55,102,010 | \$ 304,946 | 50,207,924 | \$ 262,644 |

- (i) During 2008, convertible debentures with a face value of \$31,675 and carrying value of \$30,261 were converted into 4,167,795 common shares at a conversion price of \$7.60 per share. In addition, share capital was increased by \$2,101 representing the equity portion of the convertible debentures that was previously classified as a separate component of shareholders' equity.
- (ii) In accordance with the recommendations of the CICA on accounting for share purchase loans receivable from employees, such loans, except in certain circumstances, are required to be presented as deductions from shareholders' equity. During 2008, \$552 of these loans was fully repaid. Interest received on such loans, after provision for income taxes, amounted to \$4 and was accounted for as a capital transaction in shareholders' equity.
- (iii) On April 17, 2008, the Company issued 4,000,000 common shares at \$18.25. Net proceeds, after deducting agents' fees and expenses of the issue, were \$69,622.
- (iv) In accordance with the recommendations of the CICA Accounting Guideline No. 15 "Consolidation of Variable Interest Entities," share capital and shares outstanding have been reduced to reflect shares purchased by the Trust administering the Company's Long-Term Incentive Plan.

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

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Stock option plans

On June 21, 2005, the Company's shareholders approved a new stock option plan (the "2005 Stock Option Plan") to replace the previous 1998 Stock Option Plan. However, this new plan did not affect the rights granted to the holders of options that were previously issued and remain outstanding under the 1998 Stock Option Plan. The aggregate number of common shares that can be issued under the 2005 Stock Option Plan shall not exceed 2,500,000. Similar to the 1998 Stock Option Plan, each option issuance under the 2005 Stock Option Plan specifies the period for which the option thereunder is exercisable (which in no event shall exceed ten years from the date of grant) and shall provide that the option shall expire at the end of that period. The Company's Board of Directors will determine the vesting period on the dates of option grants.

Details of common shares issued upon the exercise of options as well as details of changes in the balance of options outstanding are detailed below:

| | 2009 | | 2008 | |
|---|----------------------------|--|----------------------------|--|
| | Number of share options | Weighted average exercise price | Number of share options | Weighted average exercise price |
| Balance outstanding at beginning of year | 1,993,484 | \$ 11.26 | 1,044,484 | \$ 6.08 |
| Granted | 450,000 | 10.68 | 1,150,000 | 14.95 |
| Exercised | (334,001) | 6.31 | (201,000) | 5.51 |
| Cancelled | (166,666) | 6.89 | - | - |
| Balance outstanding at end of year | 1,942,817 | \$ 12.00 | 1,993,484 | \$ 11.26 |
| Options exercisable at end of year | 1,092,817 | \$ 10.81 | 897,651 | \$ 8.99 |

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

| Options granted in | Number of shares | Exercise price | Expiry date |
|-----------------------|---------------------|-------------------|------------------|
| 2005 | 66,667 | \$5.51 | November 7, 2010 |
| 2006 | 426,150 | \$6.25 | March 27, 2011 |
| 2008 | 1,100,000 | \$14.95 | August 5, 2013 |
| 2009 | 50,000 | \$9.12 | March 4, 2014 |
| 2009 | 300,000 | \$11.29 | May 14, 2014 |
| | 1,942,817 | | |

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All option grants 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, or vested one-quarter immediately and one-quarter per annum thereafter on the anniversary date of the grant.

The Company has adopted fair value accounting for options granted after 2001 to employees and records compensation expense upon the issuance of stock options under its 1998 and 2005 Stock Option Plans. For options granted, the fair value is estimated on the date of grant using the Black-Scholes fair value option pricing model and the following assumptions:

| | 2009 | 2008 |
|--|----------------------|-------------|
| Dividend yield | 1.77% - 2.19% | 1.4% |
| Expected volatility | 54% | 32% |
| Risk free interest rate | 1.19%- 1.65% | 3.5% |
| Weighted average expected life (years) | 3.25-3.50 | 3.25 |

The resulting fair value is charged to compensation expense over the vesting period of the options.

During the year, compensation expense and contributed surplus were increased by \$1,808 (2008 - \$1,690) on account of options granted.

As options are exercised, the corresponding values previously charged to contributed surplus are reclassified to capital stock. In 2009, contributed surplus was decreased by \$539 (2008 - \$454) and capital stock was increased by the same amount upon the exercise of options under the stock option plans. Cash proceeds arising from the exercise of these options are credited to capital stock.

Long-Term Incentive Plan

In 2005, the Company adopted a Long-Term Incentive Plan ("LTIP") to provide a financial incentive for its senior executives to devote their efforts to the long-term success of the Company's business. The LTIP provides that shares of the Company shall be purchased by the trustee and held in trust for the future benefit of the participants until such time as awards made to participants under the LTIP have vested and as a result, the participants become eligible to have such shares transferred to them.

Awards to participants are based on the financial results of the Company and are made in the form of Deferred Share Units ("DSUs") or in the form of restricted shares. Awards made in the form of DSUs will vest only upon the retirement or termination of the participant. Awards made in the form of restricted shares will vest annually over three years. Compensation charges related to the LTIP are expensed over the estimated vesting period of the awards. Awards made to individuals who are eligible to retire are assumed for accounting purposes to vest immediately. In 2009, the Company recorded LTIP compensation charges of \$3,975 (2008 - \$2,911).

The LTIP Trust (the "Trust") currently holds 1,642,222 shares at December 31, 2009 (2008 - 691,366 shares) with a cost basis of \$17,040 (2008 - \$7,615).

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The Company has determined it holds a variable interest in the residual equity of the Trust upon dissolution of the Trust and, as such, the Trust meets the criteria of a variable interest entity that requires consolidation by the Company in accordance with CICA Accounting Guideline No. 15 "Consolidation of Variable Interest Entities." Accordingly, at December 31, 2009, share capital was reduced by \$17,040 (2008 - \$7,615) and accrued liabilities increased by the same amount.

Earnings per share

Details of the calculations of earnings per share are set out below:

| | 2009 | 2008 |
|---|------------|------------|
| Net income for the year | \$ 44,386 | \$ 59,342 |
| Interest on convertible debentures | 2,679 | 444 |
| Diluted net earnings | \$ 47,065 | \$ 59,786 |
| Weighted average number of common shares outstanding | 53,861,298 | 48,065,421 |
| Effect of dilutive securities ⁽ⁱ⁾ | | |
| Options | - | 460,302 |
| Convertible debentures | 3,506,769 | 853,756 |
| Shares held in a trust account in respect of a long-term incentive plan | 1,142,694 | 426,221 |
| Weighted average number of diluted common shares outstanding | 58,510,761 | 49,805,700 |
| Basic earnings per share | \$ 0.82 | \$ 1.23 |
| Diluted earnings per share | \$ 0.80 | \$ 1.20 |

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

Contributed surplus

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

| | 2009 | 2008 |
|--|----------|----------|
| Balance - beginning of year | \$ 2,828 | \$ 1,592 |
| Increase (decrease) in contributed surplus resulting from: | | |
| Granting of stock options | 1,808 | 1,690 |
| Exercise of stock options | (539) | (454) |
| Balance - end of year | \$ 4,097 | \$ 2,828 |

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Dividends

Annual dividends in the amount of \$0.20 per share are paid in four quarterly payments of \$0.05 per share. In 2009, the Company recorded dividends declared of \$11,052 (2008 - \$9,968) of which \$8,214 (2008 - \$7,423) was paid during the year, and \$2,838 (2008 - \$2,545) was paid after year end.

Accumulated other comprehensive income (loss)

Components of accumulated other comprehensive income (loss) included:

| | 2009 | 2008 |
|---|------------|----------|
| Foreign currency translation adjustments of self-sustaining foreign subsidiaries, net of related hedging activities | \$ (2,775) | \$ 5,745 |
| Mark-to-market adjustments on available-for-sale investments | - | 145 |
| Accumulated other comprehensive income (loss) | \$ (2,775) | \$ 5,890 |

19) Interest

Interest expense (income) is comprised of:

| | 2009 | 2008 |
|---|----------|----------|
| Interest on long-term debt and debentures | \$ 7,849 | \$ 5,998 |
| Interest on capital leases | 790 | 391 |
| Interest on short-term debt | 9,170 | 2,886 |
| Interest income | (11,705) | (8,080) |
| | \$ 6,104 | \$ 1,195 |

Quiport JV capitalizes interest during the construction period until the project opening date. The amount of interest capitalized to concession rights in 2009 was \$3,679 (2008 - \$5,486).

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20) Cash flow information

Change in other balances relating to operations:

| | 2009 | 2008 |
|--|--------------------|------------------|
| Decrease (increase) in: | | |
| Accounts receivable | \$ 96,323 | \$ (25,422) |
| Holdbacks receivable | (12,975) | (20,011) |
| Deferred contract costs and unbilled revenue | (94,193) | (4,849) |
| Inventories | (5,098) | (7,486) |
| Prepaid expenses | (909) | (1,577) |
| (Decrease) increase in: | | |
| Accounts payable and accrued liabilities | (67,280) | 46,041 |
| Holdbacks payable | 6,190 | 21,088 |
| Deferred revenue | (23,848) | 23,288 |
| Income taxes payable | 6,407 | 2,493 |
| | <u>\$ (95,383)</u> | <u>\$ 33,565</u> |

Other supplementary information:

| | 2009 | 2008 |
|------------------------|-----------|-----------|
| Cash interest paid | \$ 14,893 | \$ 12,065 |
| Cash income taxes paid | 20,832 | 1,049 |

Depreciation and amortization are comprised of:

| | 2009 | 2008 |
|--|------------------|------------------|
| Property, plant and equipment (note 6) | \$ 21,284 | \$ 11,406 |
| Concession rights (note 7) | 15,763 | 14,313 |
| Other intangible assets (note 10) | 11,384 | 623 |
| Goodwill (note 9) | - | 1,151 |
| | <u>\$ 48,431</u> | <u>\$ 27,493</u> |

Excluded from the consolidated statements of cash flows are the following transactions that did not require a use of cash:

Property, plant and equipment acquired and financed by means of capital leases amounted to \$5,433 in the year (2008 - \$1,663).

In connection with the acquisition of Lockerbie & Hole Inc., common shares with a value of \$49,083 were issued in 2009 (see note 21).

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During 2008, convertible debentures with a face value of \$31,675 and a carrying value of \$30,261 were converted into 4,167,795 common shares at a conversion price of \$7.60 per share (see note 18). In addition, share capital was increased by \$2,101 representing the equity portion of the convertible debentures that was previously classified as a separate component of shareholders' equity.

21) Acquisitions

On April 1, 2009, the Company acquired all of the issued and outstanding common shares of Lockerbie & Hole Inc. ("Lockerbie") for total consideration of \$212,533. This transaction was financed by the Company through the payment of \$152,517 in cash to Lockerbie shareholders and the issuance to Lockerbie shareholders of 5,510,942 common shares of the Company. See note 25 for a description of this operation.

On January 15, 2009, the Company acquired South Rock Ltd., an infrastructure construction company in Alberta focusing primarily on the southern Alberta civil market. The acquisition was financed by the payment of \$36,651 in cash, and the assumption of existing debt of \$7,732.

These acquisitions were accounted for using the purchase method and the results of operations are included from the date of the acquisition.

The following is a summary of the above acquisitions:

| | Lockerbie | South Rock |
|---|-------------------|-------------------|
| Net assets acquired | | |
| Cash | \$ 68,055 | \$ 3,653 |
| Restricted cash | - | 8,333 |
| Other current assets | 181,152 | 18,694 |
| Property, plant and equipment | 54,949 | 44,661 |
| Amortizable intangible assets | 19,232 | 6,022 |
| Other assets | - | 43 |
| Goodwill | 30,084 | 11,073 |
| Current portion of long-term debt | (968) | (951) |
| Other current liabilities | (130,278) | (41,303) |
| Long-term debt | (500) | (6,781) |
| Other liabilities | (9,193) | (6,543) |
| | <u>\$ 212,533</u> | <u>\$ 36,901</u> |
| Consideration | | |
| Cash consideration paid | \$ 152,517 | \$ 36,651 |
| Issuance of shares to Lockerbie shareholders | 49,083 | - |
| Investment in Lockerbie shares previously owned | 7,827 | - |
| Transaction costs | 3,106 | 250 |
| | <u>\$ 212,533</u> | <u>\$ 36,901</u> |

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22) Employee benefit plans

The Company has defined benefit pension plans including supplementary executive retirement plans and defined contribution plans covering substantially all employees, other than union employees who are covered by multi-employer pension plans administered by the unions. Benefits under the defined benefit plans are generally based on the employee's years of service and level of compensation near retirement. Benefits are not indexed for inflation, except for a supplementary executive retirement plan, which is fully indexed for changes in the consumer price index. The Company does not provide post-employment benefits other than pensions.

The measurement date used for financial reporting purposes of the pension plan assets and benefit obligation is December 31. The most recent actuarial valuation filed for funding purposes for the principal defined benefit pension plan was completed as at December 31, 2007 and the next required actuarial valuation will be prepared as of December 31, 2010.

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

| | 2009 | 2008 |
|---|------------|------------|
| Change in fair value of plan assets | | |
| Fair value of plan assets at beginning of year | \$ 29,264 | \$ 32,978 |
| Actual return on plan assets | 4,268 | (6,470) |
| Company contributions | 691 | 4,201 |
| Plan participant contributions | 103 | 128 |
| Benefits paid | (1,679) | (1,573) |
| Fair value of plan assets at end of year | \$ 32,647 | \$ 29,264 |
| Change in benefit obligation | | |
| Benefit obligation at beginning of year | \$ 31,239 | \$ 33,685 |
| Current service cost | 608 | 1,216 |
| Interest cost | 2,163 | 1,955 |
| Benefits paid | (1,679) | (1,573) |
| Actuarial losses (gains) | 7,410 | (4,044) |
| Benefit obligation at end of year | \$ 39,741 | \$ 31,239 |
| Funded status | | |
| Excess of benefit obligation over plan assets | \$ (7,094) | \$ (1,975) |
| Unrecognized net actuarial loss | 11,211 | 7,234 |
| Unrecognized transitional liability | - | (6) |
| Pension asset at December 31 | \$ 4,117 | \$ 5,253 |
| Amounts recognized in consolidated balance sheets | | |
| Other assets | \$ 4,117 | \$ 5,253 |

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| | 2009 | 2008 |
|--|--------------|-------------|
| Weighted average assumptions to calculate benefit obligation | | |
| Discount rate | 5.0% | 7.0% |
| Rate of increase in future compensation | 3.5% | 3.5% |
| Asset categories of pension assets | | |
| Cash and short-term notes | 10.5% | 12.6% |
| Debt securities | 33.1% | 34.1% |
| Equity securities | 56.4% | 53.3% |

Details of the pension expense are as follows:

| | 2009 | 2008 |
|--|------------------|-------------|
| Pension benefit expense | | |
| Current service cost, net of employee contributions | \$ 480 | \$ 1,088 |
| Interest cost | 2,163 | 1,955 |
| Amortization of actuarial loss ⁽¹⁾ | 841 | 21 |
| Amortization of transitional liability | - | 67 |
| Expected return on plan assets | (1,682) | (2,056) |
| Defined benefit pension expense | 1,802 | 1,075 |
| Defined contribution pension expense | 2,946 | 2,517 |
| Multi-employer pension plan expense | 39,067 | 32,048 |
| Pension benefit expense | \$ 43,815 | \$ 35,640 |
| Defined benefit pension expense incurred | | |
| Defined benefit pension expense recognized, above | \$ 1,802 | \$ 1,075 |
| Difference between expected and actual return on plan assets | (2,585) | 8,526 |
| Difference between actuarial losses amortized and actuarial losses arising | 6,568 | (4,065) |
| Amortization of transitional liability | - | (67) |
| Defined benefit pension expense incurred | \$ 5,785 | \$ 5,469 |
| Weighted average assumptions to calculate pension benefit expense | | |
| Discount rate | 7.00% | 5.75% |
| Assumed long-term rate of return on plan assets | 6.25% | 6.25% |
| Rate of increase in future compensation | 3.50% | 3.50% |

- ⁽¹⁾ At the beginning of each year, it is determined whether the unrecognized actuarial loss is more than 10% of the greater of plan assets or benefit obligations. The amount of unrecognized actuarial losses

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in excess of this 10% threshold is recognized in expense over the remaining service period of active employees. Amounts below the 10% threshold are not recognized in expense.

Details of cash flows are as follows:

| | 2009 | 2008 |
|--|-----------|-----------|
| Cash flows | | |
| Total cash contributions for employee pension plans: | | |
| Defined benefit plans | \$ 691 | \$ 4,201 |
| Defined contribution plans | 2,946 | 2,517 |
| Multi-employer pension plan | 39,067 | 32,048 |
| Total cash contributions | \$ 42,704 | \$ 38,766 |

23) Related party transactions and balances

Related party transactions are recorded at their exchange amounts, which is the consideration agreed to by the parties. During 2009, the Company paid professional fees in the amount of \$nil (2008 - \$38) to a consulting company in which a director of the Company is a partner.

24) Financial instruments

Fair values

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. At December 31, 2009, the Company had net outstanding contracts to sell euro 939, sell US\$4,345, and buy US\$4,576 (2008 - sell euro 3,310, sell US\$16,016, buy euro 70, and buy US\$696) on which there was a net unrealized exchange gain of \$330 (2008 - net loss of \$1,920). The net unrealized exchange gain (loss) represents the estimated amount the Company would have received (paid) if it terminated the contracts at the end of the respective periods.

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The following table summarizes the fair value hierarchy (as described in note 1) under which the Company's financial instruments are valued.

| | Assets (Liabilities) Measured at Fair Value | | |
|---|--|----------------|----------------|
| | As at December 31, 2009 | | |
| | Total | Level 1 | Level 2 |
| Financial assets (liabilities) measured at fair value through net income | | | |
| Cash and cash equivalents | \$ 340,893 | \$ 340,893 | \$ - |
| Restricted cash | 54,045 | 54,045 | - |
| Marketable securities and term deposits | 19,509 | - | 19,509 |
| Holdbacks receivable | 126,709 | - | 126,709 |
| Holdbacks payable | (73,385) | - | (73,385) |
| Forward contracts mark-to-market adjustments | (330) | - | (330) |

Credit risk

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, short-term deposits and marketable securities, accounts receivable, deferred contract costs and unbilled revenues, and foreign exchange hedges.

Credit risk associated with cash and short-term deposits is minimized by ensuring these financial assets are placed with financial institutions with high credit ratings.

With respect to accounts receivable, deferred contract costs and unbilled revenue, concentration of credit risk is limited by the Company's diversified customer base and its dispersion across different business and geographic areas. Allowances are provided for potential losses that have been incurred at the consolidated balance sheet date; however, these allowances are not significant.

The credit risk associated with foreign exchange contracts arises from the possibility that the counterparty to one of these contracts fails to perform according to the terms of the contract. Counterparties to the Company's foreign exchange contracts are major Canadian financial institutions.

Under the terms of many of the Company's joint venture contracts, each of the partners is jointly and severally liable for performance under the contracts. The counterparty risk associated with the Company's joint venture partners is discussed in note 9.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed quarterly by management and the Board of Directors to ensure a sufficient continuity of funding. Long-term debt maturities are spread over a range of dates thereby ensuring that the Company is not exposed to excessive refinancing risk in any one year.

The Company's cash and cash equivalents, short-term investments and restricted cash are invested in highly liquid interest bearing investments.

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The following are the contractual maturities of the Company's long-term debt including capital lease obligations at December 31, 2009. Included in the "Next 12 months" column, is Quiport JV debt of \$115,682 which, although not due to mature within one year, has been classified as a current liability payable in 2010:

| | Next 12 months | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Beyond 5 years | Total |
|------------------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|-------------------|
| Non-recourse project debt | \$ 217,436 | \$ 70,000 | \$ - | \$ - | \$ - | \$ - | \$ 287,436 |
| Capital leases and equipment loans | 10,889 | 11,383 | 20,151 | 5,646 | 3,718 | 90 | 51,877 |
| Other long-term debt | 5,600 | 12,871 | 4,000 | - | - | 5,178 | 27,649 |
| | \$ 233,925 | \$ 94,254 | \$ 24,151 | \$ 5,646 | \$ 3,718 | \$ 5,268 | \$ 366,962 |
| Convertible debentures | \$ - | \$ - | \$ - | \$ - | \$ 172,500 | \$ - | \$ 172,500 |

Interest rate risk

The Company is exposed to interest rate risk on its short-term deposits and its long-term debt to the extent that its investments or credit facilities are based on floating rates of interest. At December 31, 2009, the interest rate profile of the Company's long-term debt was as follows:

| | 2009 |
|--|-------------------|
| Fixed rate instruments held by joint ventures | \$ 60,254 |
| Variable rate instruments held by joint ventures | 60,726 |
| Fixed rate instruments | 239,982 |
| Variable rate instruments | 6,000 |
| Total long-term debt | \$ 366,962 |
| Fixed rate convertible debentures | \$ 158,614 |

Long-term debt held by joint ventures relates to project financing for the Quito Airport project (see note 12), and because interest is capitalized while the new airport is being constructed, changes in interest rates would not have impacted net earnings or comprehensive income in the current period.

Changes in interest rates related to fixed rate long-term debt instruments and convertible debentures would not have impacted net earnings or comprehensive income in the current period.

For the year ended December 31, 2009, an increase of 1% in interest rates applied to the Company's variable rate long-term debt would not have any significant impact on net earnings or comprehensive income.

Cash and cash equivalents, restricted cash and short-term deposits have limited interest rate risk due to their short-term nature.

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Currency risk

The Company operates internationally and is exposed to risk from changes in foreign currency rates. The Company is mainly exposed to fluctuations in the US dollar, Israel new shekel, Indian rupee and euro.

The Company's currency exposure to US dollars arises primarily from its investments in the Quito Airport concessionaire and from its US operating unit within the Buildings segment. As these two investments are treated as self-sustaining foreign operations for accounting purposes, the impact of changes in currency rates for these operations does not impact net earnings but is instead reported as currency translation adjustments in other comprehensive income. For these two investments, the Company's sensitivity to a 10% strengthening of the US dollar against the Canadian dollar at December 31, 2009, would have been an increase in comprehensive income of approximately \$6,600. The Company also has currency exposure to US dollars arising from its investment in the Quito construction joint venture. For this investment, the Company's sensitivity to a 10% strengthening of the US dollar against the Canadian dollar on net earnings and comprehensive income at December 31, 2009 would have been a decrease of approximately \$600.

The Company's exposure to Israel new shekels arises primarily from its cost-accounted for investment in Derech Eretz, while the Company's exposure to Indian rupees relates to its net investment in the Nathpa Jhakri hydroelectric project in India. Because the Derech Eretz investment is accounted for at cost, changes in currency rates would not impact net earnings or comprehensive income unless impairment in value arose as discussed above. For the net investment in the Nathpa Jhakri hydroelectric project in India, the Company's sensitivity to a 10% strengthening of the Indian rupee against the Canadian dollar on net earnings and comprehensive income at December 31, 2009 would have been an increase of approximately \$1,100.

The Company's currency exposure on foreign currency debt that is used to hedge its exposure to foreign currency volatility in connection with investments in certain foreign operations is discussed above in the fair value section of this financial instruments note.

For currency exposures other than those discussed elsewhere in this note, the following table details the Company's sensitivity to a 10% strengthening of the US dollar, Israel new shekel and euro on net earnings and comprehensive income against the Canadian dollar. The sensitivity analysis includes foreign currency denominated monetary items but excludes all investments in joint ventures, self-sustaining foreign operations, hedges and Derech Eretz, and adjusts their translation at year end for a 10% change in foreign currency rates.

| | US dollar impact | Shekel impact | Euro impact |
|----------------------|-----------------------------|--------------------------|------------------------|
| Net earnings | \$ 900 | \$ 200 | \$ 100 |
| Comprehensive income | \$ 900 | \$ 200 | \$ 100 |

For a 10% weakening of the US dollar, Israel new shekel and euro against the Canadian dollar, there would be an equal and opposite impact on net earnings and comprehensive income.

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25) Segmented information and business concentration

The Company operates in four principal segments within the construction and infrastructure development industry: Infrastructure, Buildings, Industrial and Concessions. The Corporate and Other category in the summary below includes corporate costs and other activities not directly allocable to segments and also includes inter-segment eliminations.

Infrastructure

This segment includes all aspects of the construction of both public and private infrastructure, including roads and highways, as well as toll highways, dams, tunnels, bridges, airports, marine facilities, transit systems and hydroelectric power projects, primarily in Canada, and on a selected basis, internationally. This segment includes the mining, manufacture and supply of asphalt and aggregate products, and the construction and/or installation of utility distribution systems for natural gas, telecommunications and electrical networks, as well as water and sewer mains, traffic signals and highway lighting. The design and construction of the New Quito Airport project is included in the Infrastructure segment.

On January 15, 2009, the Company acquired South Rock Ltd., an integrated construction and materials business headquartered in Medicine Hat, Alberta focusing primarily on the southern Alberta road building market. The Company reports South Rocks' operations within its Infrastructure segment.

Buildings

The Buildings segment specializes in the construction and renovation of commercial, institutional and multi-family residential buildings, including hospitals, educational facilities, office buildings, industrial buildings, airport terminals, entertainment facilities, retail complexes, and high-rise condominium buildings among others. Work in this segment is concentrated primarily in Canada and the northwestern United States. Services include general contracting, fee for service construction management, design build services, building renovation, tenant fit up and facilities management.

Industrial

The Industrial segment encompasses all of the Company's industrial construction and manufacturing activities including in-plant construction and module assembly in the energy, manufacturing, petrochemical, steel and automotive sectors. Activities in this segment include the construction of alternative, fossil fuel and cogeneration power plants, in-plant construction at nuclear power plants, the fabrication and module assembly of small diameter specialty pipe, and the design and manufacture of "once-through" heat recovery steam generators ("HRSGs") for industrial and power plant applications. Although activities in this segment are concentrated primarily in Canada, the Company, through its subsidiary, Innovative Steam Technologies Inc., sells HRSGs throughout the world.

On April 1, 2009, the Company acquired Lockerbie. Lockerbie was founded in 1877 and is one of the largest industrial and mechanical construction contractors in Canada. Lockerbie is a multi-disciplined contractor providing mechanical, electrical, instrumentation, pipe fabrication, module assembly, boiler erection, insulation and civil construction services primarily to the oilsands, mining, institutional, municipal and commercial market sectors. The Company reports the Lockerbie operations within its Industrial reporting segment.

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Concessions

This segment includes the development, financing and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures. This segment focuses primarily on the operation, management, maintenance and enhancement of investments held by the Company in infrastructure concessions, which currently comprise investments in the Cross Israel Toll Highway and the Quito Airport concession companies. This segment also includes the operations of the Highway 104 toll plaza in Atlantic Canada. In addition, this segment has a development function whereby it monitors and, where appropriate, brings together the unique capabilities and strengths of the Company for the development of public sector infrastructure projects in which the Company can play a role beyond just contractor, as developer, operator or investor.

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(a) Industry segments

| | | | | | | | 2009 |
|--|----------------|-------------|------------|-------------|---------------------|--------------|------|
| | Infrastructure | Buildings | Industrial | Concessions | Corporate and Other | Total | |
| Revenues | \$ 937,128 | \$ 478,080 | \$ 747,721 | \$ 107,024 | \$ (8,967) | \$ 2,260,986 | |
| EBITDA (i) | \$ 69,484 | \$ (14,759) | \$ 62,791 | \$ 29,768 | \$ (22,616) | \$ 124,668 | |
| Depreciation and amortization | (17,639) | (739) | (12,325) | (15,763) | (1,965) | (48,431) | |
| Segment operating profit (loss) (i) | 51,845 | (15,498) | 50,466 | 14,005 | (24,581) | 76,237 | |
| Capital charges and allocations of corporate overheads | (33,697) | (4,876) | (12,990) | (13,803) | 65,366 | - | |
| Segment profit (loss) before income taxes | \$ 18,148 | \$ (20,374) | \$ 37,476 | \$ 202 | \$ 40,785 | 76,237 | |
| Interest expense (net), income taxes and non-controlling interests | | | | | | (31,851) | |
| Net income | | | | | | \$ 44,386 | |
| Total assets | \$ 454,038 | \$ 319,233 | \$ 324,638 | \$ 331,448 | \$ 259,981 | \$ 1,689,338 | |
| Concession rights, goodwill and other intangible assets | \$ 8,885 | \$ 1,931 | \$ 49,739 | \$ 227,653 | \$ 2,587 | \$ 290,795 | |
| Capital expenditures | \$ 21,679 | \$ 672 | \$ 7,526 | \$ - | \$ 270 | \$ 30,147 | |
| Cash flows from (used in) operating activities (i) | \$ 70,746 | \$ (14,752) | \$ 62,809 | \$ 25,607 | \$ (55,120) | \$ 89,290 | |

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| | 2008 | | | | | |
|--|----------------|------------|------------|-------------|---------------------|--------------|
| | Infrastructure | Buildings | Industrial | Concessions | Corporate and Other | Total |
| Revenues | \$ 739,374 | \$ 461,039 | \$ 612,388 | \$ 72,081 | \$ (7,896) | \$ 1,876,986 |
| EBITDA (i) | \$ 31,859 | \$ 2,254 | \$ 77,619 | \$ 24,912 | \$ (20,007) | \$ 116,637 |
| Depreciation and amortization | (8,143) | (1,860) | (2,590) | (14,321) | (579) | (27,493) |
| Segment operating profit (loss) (i) | 23,716 | 394 | 75,029 | 10,591 | (20,586) | 89,144 |
| Capital charges and allocations of corporate overheads | (22,738) | (146) | (3,779) | (9,932) | 36,595 | - |
| Segment profit before income taxes | \$ 978 | \$ 248 | \$ 71,250 | \$ 659 | \$ 16,009 | 89,144 |
| Interest expense (net), income taxes and non-controlling interests | | | | | | (29,802) |
| Net income | | | | | | \$ 59,342 |
| Total assets | \$ 392,488 | \$ 156,257 | \$ 138,206 | \$ 248,874 | \$ 253,039 | \$ 1,188,864 |
| Concession rights, goodwill and other intangible assets | \$ 6,828 | \$ 1,872 | \$ 4,479 | \$ 168,416 | \$ 1,600 | \$ 183,195 |
| Capital expenditures | \$ 4,939 | \$ 2,475 | \$ 4,145 | \$ - | \$ 1,994 | \$ 13,553 |
| Cash flows from (used in) operating activities (i) | \$ 29,095 | \$ 2,315 | \$ 79,750 | \$ 24,281 | \$ (25,093) | \$ 110,348 |

- (i) EBITDA represents earnings or loss before net interest expense, income taxes, depreciation and amortization, and non-controlling interests. Segment operating profit (loss) represents net income (loss) before net interest expense, income taxes, and non-controlling interests. Cash flows from (used in) operating activities is before the change in other balances related to operations. EBITDA, operating profit (loss), and cash flows from (used in) operating activities are not measures that have any standardized meaning prescribed by Canadian GAAP and are considered non-GAAP measures. Therefore, these measures may not be comparable to similar measures presented by other companies. These measures have been described and presented in the manner in which the chief operating decision maker makes operating decisions and assesses performance.

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(b) Geographic segments

| | 2009 | 2008 |
|--|---------------------|---------------------|
| Revenues | | |
| Canada | \$ 2,026,606 | \$ 1,655,732 |
| Ecuador | 87,493 | 61,265 |
| United States | 26,782 | 82,644 |
| Israel, India and others | 120,105 | 77,345 |
| | <u>\$ 2,260,986</u> | <u>\$ 1,876,986</u> |
| Property, plant and equipment, concession rights, goodwill and other intangible assets | | |
| Canada | \$ 273,540 | \$ 112,309 |
| Ecuador | 215,696 | 167,996 |
| United States | 1,908 | 859 |
| Others | 534 | - |
| | <u>\$ 491,678</u> | <u>\$ 281,164</u> |

26) Capital disclosure

For capital management purposes, the Company defines capital as the aggregate of its shareholders' equity and total debt, excluding non-recourse debt. Debt includes bank indebtedness, loans from a related party, the current and non-current portions of long-term debt (excluding non-recourse debt), and the current and non-current long-term debt components of convertible debentures.

The Company's principal objectives in managing capital are:

- to ensure it will continue to operate as a going concern;
- to be flexible in order to take advantage of contract and growth opportunities that are expected to provide satisfactory returns to shareholders;
- to maintain a strong capital base so as to maintain client, investor, creditor and market confidence;
- to provide an adequate rate of return to its shareholders; and
- to comply with financial covenants required under its various borrowing facilities.

The Company manages its capital structure and adjusts it in the light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new debt or repay existing debt, issue new shares, issue convertible debt, or adjust the amount of dividends paid to shareholders. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company's needs, capital markets and economic conditions at the time of the transaction.

Although the Company monitors capital on a number of basis including liquidity and working capital, total debt (excluding non-recourse debt) as a percentage of shareholders' equity (debt to equity percentage) is considered to be the most important metric in measuring the true strength and flexibility of its consolidated balance sheets.

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(in thousands of dollars, except per share amounts)

While the cumulative impact of unsatisfactory operating results during the 2003 - 2004 periods negatively impacted liquidity and drove up the Company's debt to equity percentage, reaching a high of 112% at the end of 2005, this percentage had dropped to 51% at the end of 2007. This significant improvement was achieved through a return to profitability in 2006, the issuance of common shares in 2006 and the conversion of convertible debt to equity in 2007. The further conversion of all of the Company's remaining convertible debt to equity in the first quarter of 2008, the issuance of 4,000,000 common shares, and the repayment of the long-term debt in the second quarter of 2008 were the primary drivers in bringing the debt to equity percentage down to 15.3% as at December 31, 2008. Additional loans incurred and the issuance of convertible debentures in 2009 as discussed in notes 12 and 14, respectively, drove the debt to equity percentage up to 52.1% as at December 31, 2009. If the convertible debentures were to be excluded from the debt to equity percentage on the basis that they could be redeemed for equity, either at the Company's option or at the holder's option, then the adjusted debt to equity percentage would be 17.4% as at December 31, 2009. While the Company believes this debt to equity percentage is acceptable, because of the cyclical nature of its business and market expectations concerning prudent capitalization, the Company will continue its current efforts to maintain a conservative capital position.

At December 31, 2009, except as disclosed in note 17 regarding the Quito Airport Project, the Company complied with all of its financial debt covenants. Although remaining compliant with its debt covenants is an important consideration in managing the Company's capital structure, the Company's current strong operating performance and its conservative debt to equity percentage have significantly lessened the restrictive impact of debt covenants in capital management decisions.

27) Comparative figures

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