

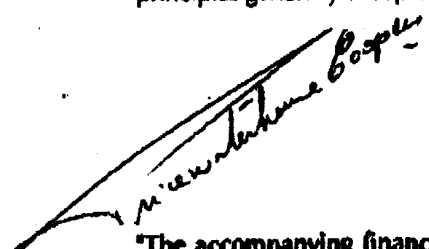
## REPORT OF INDEPENDENT AUDITORS

To the shareholders

AECON AG CONSTRUCTORES S.A.

Quito, February 26, 2007

1. We have audited the accompanying balance sheets of Aecon AG Constructores S.A. as of December 31, 2006 and 2005 and the related statements of changes in equity 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.
2. We conducted our audits in accordance with Ecuadorian Auditing Standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aecon AG Constructores S.A. as of December 31, 2006 and 2005 and the changes in equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Ecuador.



"The accompanying financial statements are not intended to present the financial position and cash flows in accordance with accounting principles generally accepted in jurisdictions other than Ecuador".



ARCON 48 Construction S.A. Ecuador

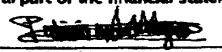
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**BALANCE SHEETS**  
**DECEMBER 31, 2006 AND 2005**  
 (Expressed in US dollars)

Assets	Reference to Notes	2006	2005	Liabilities and equity	Reference to Notes	2006	2005
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
Cash and cash equivalents	4	13,957,557	1,987	Accounts payable			
Notes and accounts receivable				Suppliers and subcontractors	7	4,029,277	-
Related companies	9	14,265,577	-	Accrued liabilities			-
Advances to suppliers and subcontractors	5	1,878,203	-	Salaries and social benefits		2,453	-
Taxes		230	-	Taxes payable		52,894	-
Guarantees		29,169	-	Goods and services	8	4,048,207	-
Other		-	13			4,703,544	-
		15,983,189	13				
Inventories		14,399	-	Advances from customers, net	10	22,002,899	-
Prepaid expenses		10,000	-				
Total current assets		29,995,145	2,000	Total current liabilities		30,135,720	-
FIXED ASSETS, net	6	182,575	-	Equity		2,000	2,000
Total assets		30,137,720	2,000	Total liabilities and equity		30,137,720	2,000

The accompanying Notes 1 to 15 are an integral part of the financial statements.

  
 Albert Furlong  
 Chief Financial Officer

  
 Patricia Montenegro  
 Chief Accountant



(Free translation from the original issued in Spanish)

**STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Expressed in US dollars)**

	<u>Outstanding capital (1)</u>	<u>Total</u>
Balances at beginning and end of year	<u>2,000</u>	<u>2,000</u>

(1) Comprised of 2,000 ordinary shares of US\$1 par value each.

The accompanying Notes 1 to 15 are an integral part of the financial statements.

  
Albert Furlong  
Chief Financial Officer

  
Patricia Montenegro  
Chief Accountant



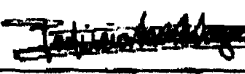
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**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**  
 (Expressed in US dollars)

	Reference to Notes	2006	2005
<b>Cash flows from operations</b>			
Cost and expenses incurred in construction project, net	10	(15,174,579)	-
Net purchases of inventories		(14,389)	-
Advances received from customer	9 and 10	37,177,478	-
<b>Changes in other asset and liability accounts</b>			
(Increase) in notes and accounts receivable		(1,993,188)	
(Increase) in prepaid expenses		(10,000)	
Increase in accounts payable		4,029,277	
Increase in accrued liabilities		4,103,644	
<b>Net cash provided by operations</b>		<u>26,118,145</u>	<u>-</u>
<b>Cash flow from investing activities:</b>			
Purchases of fixed assets, net	6	(152,575)	(13)
Funds advanced to shareholder	10	(14,000,000)	(13)
<b>Net cash (used) in investing activities</b>		<u>(14,152,575)</u>	<u>(13)</u>
<b>Net increase in funds</b>		<u>13,965,570</u>	<u>(13)</u>
Cash and cash equivalents at beginning of year		<u>1,987</u>	<u>2,000</u>
<b>Cash and cash equivalents at end of year</b>	4	<u>13,967,557</u>	<u>1,987</u>

The accompanying Notes 1 to 15 are an integral part of the financial statements.

  
 Albert Furlong  
 Chief Financial Officer

  
 Patricia Montenegro  
 Chief Accountant



(Free translation from the original issued in Spanish)

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 1 - LEGAL OBJECT**

Aecon Constructores S.A. was incorporated on August 8, 2003, inscribed in the Trade Registry on September 2, 2003 and authorized by the Superintendencia of Companies by means of Resolution No.03.Q.I.J.3230.

On February 21, 2005 the shareholders of Aecon Constructores S.A. decided to modify the entity's name to Aecon AC Constructores S.A. The aforementioned change of name was approved by the Superintendencia of Companies by means of Resolution No. 05.Q.I.J.1280 of April 1, 2005 and inscribed in the Trade Registry on May 2, 2005. The Company's object covers all the phases of construction, sale and purchase of properties, preparation and construction of projects, administration, procurement, construction, negotiation and commercialization of construction projects and properties.

At present, the Company is fully dedicated to the construction and development of the New Quito International Airport located in the Free Trade Zone, created in conjunction with the new airport project.

**NOTE 2 - OPERATIONS**

By means of Decree No. 885 issued by the President of the Republic of Ecuador on November 7, 2000, the Municipality of Quito was authorized to build, manage and maintain the New International Airport. For purposes of complying with this project, the Municipality of Quito created an unit within its sphere of authority denominated Corporación Aeropuerto y Zona Franca del Distrito Metropolitano de Quito (CORPAC) and delegated to this unit the construction, operation and maintenance of the new airport.

In January 2002, CORPAC signed a contract for the concession and construction of the new airport with Canadian Commercial Corporation (CCC). On August 24, 2005 CCC contracted AECON Construction Group Inc. (AECON) (Principal Contractor) to carry out the construction of the new airport with the financing provided by CCC ("lender"). On the same date, AECON

## NOTE 2 - OPERATIONS

(Continued)

subcontracted the Company to perform the aforementioned construction under an agreement denominated "Local subcontract".

The local subcontract is for the (i) detail design development, (ii) civil works, (iii) supply of air traffic control equipment and (iv) building of the new airport terminal, at a total fixed price of US\$288,555,750 with a term of 52 months as from July 2006 ending in October 2010. The contract contains the following schedule of payments:

- Two advance payments due within 2006 amounting to US\$31,466,000, which were received on July 14 and December 1, 2006. This amount shall be proportionately deducted from thirteen out of the fifty advances mentioned in the following point, between January 2008 and January 2009.
- Fifty advances for gross amounts individually ranging between US\$46,513 and US\$15,025,401, payable on demand by the Company within the contractual period, with prior certification by the Lenders' Engineer, net of a 10% refundable retention to cover deficiencies in the works. The 10% retention may be waived provided that a bond or letter of credit is set up at an acceptable financial institution giving right to AECON and the lenders' representative to draw amounts up to the aforementioned 10%. During 2006, the Company received US\$5,425,901 representing four out of the fifty advances mentioned above; this amount is net of US\$285,577 retained by AECON. The amount retained has been recorded by the Company and is added to the amount of advances receivable during the year.

On December 8, 2005 the Company was designated "user" of the Free Trade Zone administered by CORPAC by means of Resolution 161 of the National Council of Free Trade Zones. In this capacity, the Company is entitled to the benefits contemplated in the Law on Free Trade Zones for a six year period. The Law on Free Trade Zones allows users of such areas to, among others, exonerate 100% of Income, Value Added, provincial and municipal taxes, as well as of other taxes that may be created. In connection with the aforementioned exonerations, the tax authority issued on April 18, 2006 a Resolution indicating that all transfers of construction materials, food, beverages, fuel and other materials and services for consumption by the users of free trade zones are subject to Value Added Tax at the general rate of 12%. On December 2006, Aecon AC Constructores S.A. obtained a confirmation from the Internal Revenue Service (IRS) in which determined that services rendered to users of free trade zones are exempt from Value Added Tax.

The price set forth in the construction contract mentioned above includes no allowance for taxes or customs duties on the local purchase and import of goods and services.

### **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Preparation of the financial statements -**

The financial statements have been prepared on the basis of Ecuadorian Accounting Standards (EAS) and are based on the historical cost.

Except as otherwise stated, all amounts are expressed in US dollars.

**b) Accounting estimates and assumptions**

The preparation of financial statements in accordance with Ecuadorian Accounting Standards involves the development of accounting estimates that have incidence on the valuation of certain assets and liabilities and on the measurement of results, as well as on the disclosure of contingent assets and liabilities. Due to the subjectivity inherent in this accounting process, actual results may differ from the amounts estimated by Management.

The accompanying financial statements have been prepared under the assumption that any tax or customs duties that may, eventually, be imposed on the local purchase and import of goods and services or on the net income arising from the construction project will be refunded by the Principal Contractor to the extent required to avoid any impairment in the profitability of the project. The customer and the Company are currently drafting an agreement that shall govern the mechanism that shall be followed by the Company to obtain refund of whatever tax that could arise during execution of the project.

**c) Recognition of revenues, costs and expenses -**

For purposes of determining and recording revenues, costs and expenses relating to the construction contract in force, the Company adopted the "completed contract method", which is permitted by EAS 15 as an alternative to the "percentage of completion" method. Under the completed contract method, income is recorded only when the construction contract is substantially complete (ie. when the remaining costs to be incurred are insignificant). Until that stage is reached, all costs relating to the construction are accumulated in a Construction in Progress account and the advances received from the customer are accumulated in an Advances from Customers account. According to EAS 15 the excess, at each accounting closing, of costs accumulated in the Construction in Progress account over the amount of advances received from the customer are reported under current assets; the excess of advances received from the customer over costs accumulated in the Construction in Progress account is reported under current liabilities of the balance sheet.

As permitted by the aforementioned EAS 15, general and administrative expenses are also added to the Construction in Progress account; other income generated during the construction period

**NOTE 4 - CASH AND CASH EQUIVALENTS**  
(Continued)

	2006	2005
<u>Funds available:</u>		
Citibank (Madeira - Portugal)	12,872,582	-
Banco del Pacifico S.A.	310,838	-
Citibank N.A. (Ecuador Branch)	11,923	-
Banco Pichincha C.A.	-	1,987
	<u>13,195,343</u>	<u>1,987</u>
<u>Restricted funds (1)</u>		
Citibank N.A. (Ecuador Branch)	772,214	-
	<u>13,967,557</u>	<u>1,987</u>

- (1) Funds deposited by the Company in an account that serves as collateral of a credit operation granted by the bank (letter of credit that guarantees payment of all obligations to the supplier Flowtite Andercol S.A.).

**NOTE 5 - NOTES AND ACCOUNTS RECEIVABLE - ADVANCES TO SUPPLIERS AND SUBCONTRACTORS**

	2006	2005
Marshall Macklin Monaghan Limited	983,588 (1)	-
Flowtite Andercol S.A.	330,949 (2)	-
Constructora de los Andes Cía. Ltda.	279,788 (3)	-
Others	83,878	-
	<u>1,678,203</u>	<u>-</u>

- (1) Advance of US\$1,390,000 paid to the subcontractor on July 26, 2006 which is gradually applied to reduce the amount payable for each progress billing submitted by the subcontractor for the professional design services described in Note 12.
- (2) Advance of US\$395,507 paid to the subcontractor on July 28, 2006 which is gradually applied to reduce the amount payable for each progress billing submitted by the subcontractor for the supply of water pipes described in Note 12.



**NOTE 3 - SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES**  
(Continued)

such as financial yields arising from temporary investment of excess funds are treated as a reduction of costs accumulated in the Construction in Progress account.

When it becomes evident that the contract will derive a loss, a provision is set up by charge to income as soon as it can be reasonably estimated.

**d) Inventories -**

Inventories are reported at historical cost, calculated for construction materials, spare parts and other materials, by using the average method, to value the inventories issued from stock. The balance of this caption does not exceed the market (replacement) value of inventories.

**e) Fixed assets -**

These assets are shown at historical cost, less the corresponding accumulated depreciation; the net amount of fixed assets does not exceed its economic utilization value.

Depreciation is charged to Construction in Progress, at rates considered adequate to extinguish the value of the assets during their estimated useful lives, following the straight-line method.

The value of the assets and the accumulated depreciation of items sold or retired are relieved from the corresponding accounts when the sale or retirement takes place and the results of those transactions is recorded as incurred by charge or credit, as appropriate to the Construction in Progress account. Maintenance and minor repair expenses and depreciation are charged to Construction in Progress.

**f) Advances from customer, net -**

Under the completed contract method described in c) above, the balance of this account comprises the advances collected from the customer at the year end, net of the balance accumulated in the Construction in Progress account.

**NOTE 4 - CASH AND CASH EQUIVALENTS**

Composition:

(See next page)

**NOTE 5 - NOTES AND ACCOUNTS RECEIVABLE - ADVANCES TO SUPPLIERS AND SUBCONTRACTORS**  
(Continued)

- (3) Advance of US\$322,746 paid to the subcontractor on September 26, 2006 which is gradually applied to reduce the amount payable for each progress billing submitted by the subcontractor for the water pipeline construction services described in Note 12.

**NOTE 6 - FIXED ASSETS**

Composition:

	<u>2006</u>	<u>2005</u>	<u>Rate of depreciation %</u>
Machinery and equipment	144,212	-	10
Computer equipment	5,788	-	33
Furniture and fixtures	<u>4,365</u>	<u>-</u>	10
	154,365	-	
Deduct:			
Accumulated depreciation	<u>(1,790)</u>	<u>-</u>	
Total as of December 31,	<u>152,575</u>	<u>-</u>	

Movement for the year:

	<u>2006</u>	<u>2005</u>
Opening balance as of January 1,	-	-
Additions for the year	154,365	-
Depreciation for the year	<u>(1,790)</u>	<u>-</u>
Balance at December 31,	<u>152,575</u>	<u>-</u>

**NOTE 7 - ACCOUNTS PAYABLE - SUPPLIERS AND SUBCONTRACTORS**

Composition:

(See next page)

**NOTE 7 - ACCOUNTS PAYABLE - SUPPLIERS AND SUBCONTRACTORS**  
(Continued)

	2006	2005
Marshall Macklin Monaghan Limited	2,701,414	-
Flowtite Andercol S.A.	396,933	-
Sumiservicios S.A.	245,938	-
Constructora de los Andes Cía. Ltda.	130,591	-
Constructora Becerra Cuesta Cía. Ltda.	107,802	-
Equipos y Transportes S.A.	208,776	-
Agcomex Comercial Exportadora Cía. Ltda.	84,966	-
Others	152,857	-
	<u>4,029,277</u>	<u>-</u>

**NOTE 8 - ACCRUED LIABILITIES - GOODS AND SERVICES**

The balance of this caption basically relates to the estimated cost of construction of connector road by another entity in progress at the year end and expenses to be reimbursed to the customer.

**NOTE 9 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES AND PARTIES**

Below is a summary of the main transactions carried out with related companies and parties. Companies with significant share participation by common shareholders are included under this denomination.

	2006	2005
<u>Advances received</u>		
Aecon Construction Group Inc. (1)	37,177,478	-
<u>Funds advanced</u>		
Constructora Andrade Gutierrez S.A. (2)	14,000,000	-

(1) See Note 10.

(2) Excess funds temporarily advanced to the shareholder for investment on behalf of Aecon AG Constructores S.A. in financial instruments. This amount is guaranteed by a letter of credit for US\$15,500,000 issued by Lloyds TSB Bank and is refundable on May 30, 2007.

**NOTE 9 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES AND PARTIES**  
(Continued)

Composition of balances with related companies and parties as of December 31:

	2006	2005
<u>Notes and accounts receivable - Short term</u>		
Constructora Andrade Gutierrez	14,000,000	-
Aecon Construction Group Inc.	<u>285,577</u>	<u>-</u>
	14,285,577	-
<u>Advances from customer</u>		
Aecon Construction Group Inc. (1)	31,466,000	-
<u>Advances on work completed</u>		
Aecon Construction Group Inc. (1)	5,425,901	-
<u>Retentions on advances of work completed</u>		
Aecon Construction Group Inc. (1)	285,577	-

(1) See Note 10.

**NOTE 10 - ADVANCES FROM CUSTOMERS**

Composition:

(See next page)

**NOTE 10 - ADVANCES FROM CUSTOMERS**  
(Continued)

	<u>2006</u>	<u>2005</u>
Advances received on certified works	<u>5,425,901</u>	<u>-</u>
Retentions on certified works	<u>285,577</u>	<u>-</u>
Initial advances (1)	<u>31,466,000</u>	<u>-</u>
Work in progress		
Goods and services (2)	15,047,775 ✓	-
Value Added Tax (3)	314,422 ✓	-
Financial income (4)	<u>(187,618)</u> ✓	<u>-</u>
	<u>15,174,579</u>	<u>-</u>
	<u>22,002,899</u>	<u>-</u>

(1) Advances supplied by AECON according to a contractual payment schedule. This amount shall be gradually deducted from the amounts collectible on the basis of completed work between January 2008 and January 2009 (Note 1).

(2) This amount comprises:

(See next page)

**NOTE 10 - ADVANCES FROM CUSTOMERS**  
(Continued)

	<u>2006</u>	<u>2005</u>
Development desing	4,129,363	-
Connector road	4,000,000	-
Management project	1,774,440	-
Earthworks	1,121,418	-
Construction and improvements of camps	988,262	-
Water supply system	796,415	-
Transportation of construction materials	477,026	-
Insurance	396,568	-
Electrical system instalation	377,470	-
Geotechnical, seismic and survey studies	133,239	-
Technical advisory	110,802	-
Catering and cleaning	90,953	-
Security	58,683	-
Reimbursement expenses	48,207	-
Medical support	34,399	-
Tax and legal consultants	25,113	-
Others	485,417	-
	<u>15,047,775</u>	<u>-</u>

- (3) Value Added Tax credits paid on local purchases of goods and services during 2006. Management expects to recover this amount from the Principal Contractor but, until the claims are filed and accepted the Company has decided to accumulate this amount in the Construction in Progress account (Note 1).
- (4) Interest income generated by the temporary investment of funds available in remunerated bank accounts during the year.

**NOTE 11 - TAXES**

Fiscal years 2003 and onwards are open to inspection by the tax authorities.

**NOTE 11 - TAXES**  
(Continued)

Value Added Tax

According to the Resolution communicated in Official Gazette No. 252 dated April 18, 2006, all transfers to free trade zones of construction materials, foods, beverages, fuels and other materials for consumption by the users of the zone, are subject to VAT at the general tariff of 12% (the VAT tariff for services is zero percent).

Transfer price

Transactions with related parties abroad, accumulated during the year in excess of US\$300,000 are subject to a special analysis and reporting that shall be filed with the tax authorities by October 2007.

Free Trade Zone Law

The Company is a formally designated user of the CORPAC Free Trade Zone and, in this capacity, is entitled to the tax exonerations described in Note 1.

**NOTE 12 - CONTRACTS**

The main contracts entered into throughout December 31, 2006 are as follows:

<u>Subcontractor / Supplier</u>	<u>Description</u>	<u>Initial date</u>	<u>Final date</u>	<u>Amount US\$</u>
Sumiservicios S.A.	Project management, within and outside the Free Trade Zone, through the supply of all necessary personnel, facilities and materials, environmental & occupational health and safety. The services will include the following areas :  <ul style="list-style-type: none"><li>- Project management.</li><li>- Finance, administration, cost control and procurement services.</li><li>- Safety &amp; environmental.</li><li>- Agreement administration.</li><li>- Building project management.</li><li>- Engineering services.</li><li>- Design review services.</li></ul>	July 2006	July 2011	Amount equivalent to 5% of the total cost of the contract

**NOTE 12 - CONTRACTS**  
(Continued)

<u>Subcontractor / Supplier</u>	<u>Description</u>	<u>Initial date</u>	<u>Final date</u>	<u>Amount US\$</u>
Marshall Macklin Minoghan Limited	Design outline, preliminary schematic design drawings, and outline technical specification; the components include design administration, detail design and construction documents, procurement support and advisory services.	November 2004	November 2009	13,900,000
Equipos y Transportes S.A. Equitransa	Provision of equipment for movement of soil.	July 2006	January 2009	12,000,000 (*)
Constructora Becerra Cuesta Cia. Ltda.	Transportation of materials.	July 2006	Undetermined	4,600,000 (*)
Boensa S.A.	Services of catering and cleaning of facilities	June 2006	October 2010	3,759,446 (*)
Constructora de los Andes Cia Ltda.	Construction of the off-site water supply pipeline.	July 2006	February 2007	1,290,983
Prumetal Constructores S.A.	Construction of camps.	April 2006	November 2006	899,481
Pileggi Construcciones Cia. Ltda.	Electric power for the camp and offices (three contracts).	April 2006	November 2006	377,353
Defense Systems Ecuador DSE Cia. Ltda.	Security services.	November 2006	November 2010	249,600 (*)
Geosuelos Cia. Ltda. Consulores	Geotechnical studies, drilling, test of load of barge, sampling of soil and testing reports of laboratory.	November 2005	May 2006	242,053
Luis Cueva	Medical services in the camp.	August 2006	August 2008	201,600 (*)
Israriago Cia. Ltda.	Supply of valves for the pipeline	July 2006	Undetermined	114,633
Flowline Anderoni S.A.	Supply of water pipeline for the Project.	July, 2006	Undetermined	1,318,357

(\*) Approximate amounts estimated by Management.

**NOTE 13 - APPLICATION OF THE DOUBLE TAXATION TREATY WITH CANADA**

According to legal disposition in force, the Company may apply the benefits of the double taxation treaty with Canada, only if the subcontractor certifies its fiscal residence by means of a certificate issued by the applicable legal authority in Canada and the Ecuadorian consulate in Canada authenticates the certificate once translated into Spanish. The Company is currently carrying out the proceedings required to obtain the aforementioned certificate. If, for whatever reason, the certificate is not obtained the tax authorities may resolve that the benefits of the double taxation treaty may not be claimed and, therefore, demand payment of a 25% tax withholding on the amounts paid to a Canadian subcontractor during the year totaling US\$4,129,363.



**NOTE 14 - RECLASSIFICATIONS MADE IN THE FINANCIAL STATEMENTS  
WITH RESPECT TO THE ACCOUNTING RECORDS**

The following reclassification of balances with respect to those in the accounting records was given effect to in the preparation of the financial statements to conform with the reporting requirement of EAS 15:

	<u>Balances according to accounting records</u>	<u>Differences</u>	<u>Balances according to financial statements</u>
<u>Assets</u>			
Work in progress	15,174,579	(15,174,579)	.
<u>Liabilities</u>			
Advances from customer	(37,177,478)	15,174,579	(22,002,899)
	<u>(22,002,899)</u>	<u>-</u>	<u>(22,002,899)</u>

**NOTE 15 - SUBSEQUENT EVENTS**

Between December 31, 2006 and the date of issuance of these financial statements (February 26, 2007) there were no events which, in Management's opinion, could have a significant effect on these financial statements that have not been disclosed therein.