

Consolidated Financial Statements of

THE CHURCHILL CORPORATION

December 31, 2005 and December 31, 2004

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Auditors' Report

To the Shareholders of
The Churchill Corporation

We have audited the consolidated balance sheets of The Churchill Corporation as at December 31, 2005 and December 31, 2004 and the consolidated statements of income (loss), retained earnings and net cash flow for the years then ended. These consolidated financial statements are the responsibility of the Corporation'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 consolidated 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 Corporation as at December 31, 2005 and 2004 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Edmonton, Alberta
March 1, 2006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The Churchill Corporation (“the Corporation”) provides building construction, heavy industrial general contracting, industrial insulation contracting, industrial electrical and instrumentation contracting and related services within Canada.

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, and reflect the following policies:

Principles of Consolidation

The consolidated financial statements include the accounts of the following subsidiaries, their subsidiaries and limited partnership:

- Stuart Olson Construction Ltd. (100%)
- Insulation Holdings Inc. (100%)
- Triton Construction Inc. (100%)
- Triton Projects Limited Partnership (100%)
- Laird Electric Inc. (100%)
- Churchill Industrial Group Ltd. (100%)

Joint ventures are accounted for on the proportionate consolidation basis, which results in the Corporation recognizing its pro rata share of the assets, liabilities, revenues, and expenses of each of the entities.

Variable Interest Entities

Effective January 1, 2005, the Corporation adopted the recommendations of CICA Handbook Accounting Guideline 15 (AcG – 15) *Consolidation of Variable Interest Entities*, effective for annual or interim periods beginning on or after November 1, 2004. Variable Interest Entities refer to those entities that are subject to control on a basis other than ownership of voting interests. AcG – 15 provides guidance for identifying Variable Interest Entities and criteria for determining which entity, if any, should consolidate them. The Corporation determined that it does not hold an interest in a variable interest entity and there was no impact on the consolidated financial statements from the adoption of AcG – 15.

Use of Estimates

Consolidated financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from these estimates. A certain amount of uncertainty is inherent in estimating the cost of completing construction projects, the estimated useful life of equipment and corresponding depreciation rates, allowances for doubtful accounts receivable, future income taxes, provision for legal contingencies, valuation of stock options and the fair value of goodwill, intangible assets and other financial instruments. The impact on the consolidated financial statements of future changes in such estimates could be material.

Inventories

Inventories are recorded at the lower of cost and net realizable value.

Properties for Sale

Properties for sale are recorded at the lower of cost and net realizable value. Property sales are recorded when the Corporation has fulfilled all material conditions and received an appropriate down payment.

Property and Equipment

Property and equipment are recorded at cost and depreciated using either the diminishing-balance or the straight-line methods over their estimated useful lives at the rates indicated in Note 8.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Impairment

The Corporation tests for the impairment of long-lived assets held for use through a two-step process, with the first step determining when an impairment is recognized, and the second step measuring the amount of the impairment. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition, and is measured as the amount by which the long-lived asset's carrying amount exceeds its fair value.

Employee Future Benefits

The Corporation and its subsidiaries have a Registered Retirement Savings Plan and an Employee Share Purchase Plan. The Corporation contributes to the plans based on the amount of employee contributions. The Corporation accounts for contributions as an expense in the period that they are made (Note 22). The Corporation does not provide post employment or post-retirement benefits.

Contract Income

Contract revenue for cost-plus contracts is recorded as the service is performed and the related expenses are incurred. Contract revenue from fixed-price contracts is recognized on the percentage of completion basis. Percentage of completion is determined by relating either the actual cost of work or the actual hours performed to date, to the current estimated total cost or estimated total hours for each contract. Any projected loss is recognized immediately.

Income Taxes

The Corporation uses the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent it is more likely than not such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

Earnings Per Share

Fully diluted earnings per share is computed using the treasury stock method, whereby it is assumed that any proceeds obtained upon the exercise of outstanding options would be used to buy back Common Shares at the average market price during the period.

Stock-Based Compensation Plan

The Corporation utilizes the fair value based method of accounting for stock options which were granted to employees on or after January 1, 2002. Under this method, the estimated fair value of the stock options granted is recognized over the applicable vesting period as a charge to stock compensation expense and a credit to contributed surplus. When these options are exercised, the proceeds received and the related amounts of contributed surplus are credited to share capital. For options granted prior to January 1, 2002, the Corporation continues to follow the applicable generally accepted accounting principle under which no expense is recognized; when these options are exercised, the proceeds are a credit to share capital.

The Corporation has one stock option plan as described in Note 15.

Statements of Cash Flow

The statements of cash flow have been prepared using the indirect method.

Cash and Equivalents

For the purposes of presentation, on the Consolidated Statements of Net Cash Flow, cash and equivalents are comprised of bank balances net of an operating line of credit. The operating line of credit is included in cash and equivalents for purposes of the Consolidated Statements of Net Cash Flow because it fluctuates frequently from being positive to overdrawn and is therefore considered an operating activity.

Intangible Assets and Goodwill

The Corporation records intangible assets with indefinite lives and goodwill at cost. The Corporation tests its goodwill and intangible assets with infinite lives for impairment on an annual basis, or more frequently if events and changes in circumstances indicate that the asset might be impaired. Consistent with current industry-specific valuation methods and recommendations for assessment, the Corporation uses a combination of the discounted cash flow model and the market comparable approach for determining the fair value of its reporting units. The Corporation has selected December as its annual test time.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments – Disclosure and Presentation

Effective January 1, 2005, the Corporation adopted the amended recommendations of CICA Handbook Section 3860, *Financial Instruments – Disclosure and Presentation* effective for annual or interim periods beginning on or after November 1, 2004. Section 3860 requires that certain obligations that may be settled at the issuer's option in cash or the equivalent value by a variable number of the issuer's own equity instruments be presented as a liability. The Corporation determined there is no impact on these consolidated financial statements from the adoption of amendments to Section 3860.

Guarantees

The Corporation discloses the nature, amount and term of obligations under guarantee and has provided additional disclosure in Note 19.

2. ACQUISITION OF SUBSIDIARY

(\$ thousands)

On February 7, 2003, the Corporation acquired all of the issued and outstanding shares of Laird Electric Inc. (Laird) for \$9,743 plus a refundable deposit of \$1,000. The \$10,743 payment was comprised of \$8,520 plus the issuance from treasury of 826,412 Common Shares of the Corporation valued at \$2,223.

The refundable deposit of \$1,000 was recoverable in the event that Laird did not achieve a cumulative financial performance objective by December 31, 2005. The potential refund was secured by shares of the Corporation held in escrow without further recourse. Under the escrow agreement, the vendors were required to maintain \$1,000 in escrow either through shares or equivalent cash if shares were released.

As at December 31, 2005, the Corporation has determined that the performance objective was not met, entitling the Corporation to a repayment of the refundable deposit. Pursuant to the escrow agreement, the vendors have the right to dispute management's assessment. Settlement under the escrow agreements is required no later than April 30, 2006. Under the agreements, should there be a repayment, it may be settled with cash or a return of shares of the Corporation valued at the trailing 30 day trading average, which as at December 31, 2005 was \$3.21 per share.

3. JOINT VENTURES

(\$ thousands)

The Corporation and its subsidiaries are partners in incorporated and unincorporated joint ventures. These consolidated financial statements include the proportionate share of assets, liabilities, revenue, expenses, net income and cash flow of these joint ventures as follows:

	2005	2004
Current and total assets	\$ 220	\$ 221
Current and total liabilities	277	440
Contract revenue	5,619	49
Contract costs and expenses	5,456	133
Net income (loss)	162	(83)
Cash flow provided by operating activities	107	146

4. CASH

(\$ thousands)

Cash includes \$9,857 (2004 - \$10,477) which is restricted under the British Columbia Lien Act to the payment of direct costs related to specific construction projects. Cash also includes \$2,953 (2004 - nil) which are funds held in trust related to specific construction projects. Cash balances of \$119 (2004 - \$13) are in joint venture accounts.

5. TERM DEPOSIT
(\$ thousands)

The term deposit bore interest at 2.3% and was redeemed on September 8, 2005. The term deposit was held as security by the bank against outstanding credit facilities in 2004 (Note 12).

6. ACCOUNTS RECEIVABLE
(\$ thousands)

Accounts receivable are comprised of:

	2005		2004	
Trades receivable	\$	49,385	\$	60,101
Holdback		20,290		14,568
Other		2,742		2,656
	\$	72,417	\$	77,325

7. PROPERTIES FOR SALE
(\$ thousands)

	2005		2004	
Undeveloped land	\$	-	\$	647
Less cumulative valuation adjustments		-		(544)
	\$	-	\$	103

During the year, the Corporation finalized the disposition of the remaining properties for sale. The properties had a carrying value of \$103 and were disposed of for net cash proceeds of \$723.

8. PROPERTY AND EQUIPMENT
(\$ thousands)

	2005			2004	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Depreciation Rates
Land	\$ 3,343	\$ -	\$ 3,343	\$ 3,343	-
Buildings and improvements	9,708	3,590	6,118	7,357	4% - 30%
Vehicles and equipment	22,208	16,113	6,095	4,828	6% - 100%
	\$ 35,259	\$ 19,703	\$ 15,556	\$ 15,528	

Depreciation for the year amounted to \$2,534 (2004 - \$2,640).

9. INTANGIBLE ASSETS
(\$ thousands)

	2005			2004	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Amortization Term
Employment contracts intangible	\$ 1,000	\$ 1,000	\$ -	\$ 231	36 months

The employment contracts arose on the acquisition of Laird (Note 2) and are being amortized over the term of the related contracts on a straight line basis. By December 31, 2005, the intangible assets were fully amortized.

The amortization expense for the year totaled \$231 (2004 - \$553).

10. GOODWILL
(\$ thousands)

	2005	2004
Goodwill	\$ 7,315	\$ 7,315

The goodwill arose on the acquisition of Laird (Note 2).

11. LINES OF CREDIT
(\$ thousands)

The bank indebtedness is comprised of an operating line of credit with a maximum availability of \$12,000 (2004-\$6,000). The line of credit bears interest at prime plus 1.0% (2004 - 0.5%). The total amount ultimately available under this facility is subject to limits based on certain financial ratios. In addition, availability of the operating line is subject to default provisions of the Corporation's credit facilities' debt covenants (Note 13).

In contemplation of a pending private placement, on April 25, 2005, the Corporation received short-term funding of \$7,000 at 9%, repayable on July 31, 2005. Upon shareholder approval, the balance of the \$7,000 loan outstanding was converted to Common Shares at \$2.00 per share (Note 15). The conversion of the loan was treated as a non-cash item for the purposes of the consolidated statements of net cash flow.

As at December 31, 2005, the maximum available operating line of credit was reduced by \$1,840 (2004 - \$40) in conjunction with the issuance of irrevocable letters of credit provided as security in respect of specific contracts (Note 19).

Subsequent to year-end, the Corporation has negotiated an increase in available line of credit to \$16,000.

12. LONG-TERM DEBT
(\$ thousands)

	2005	2004
Term loan	\$ -	\$ 3,800
Mortgage payable	1,260	1,292
Acquisition loan	-	5,200
Finance contracts and capital leases	1,638	915
	2,898	11,207
Less current portion	(597)	(9,358)
	\$ 2,301	\$ 1,849

The mortgage payable bears interest at 6.45%, is repayable in blended monthly payments of \$10, matures in October 2009, and is secured by land and buildings with a net book value of \$1,724 and a site specific General Security Agreement.

Finance contracts and capital leases bears a weighted average interest rate of 2.7%, are payable in various monthly installments, mature at various dates up to 2009, and are secured by vehicles and equipment with a net book value of \$1,281.

The term and acquisition loans bore interest at prime plus 1.25%.

Interest expense on long-term debt during the twelve months ended December 31, 2005 was \$589 (2004 - \$413)

Subsequent to year-end, the Corporation has added a leasing facility with a borrowing limit of up to \$3,000 to assist the Corporation with the purchase of capital assets.

12. LONG-TERM DEBT (continued)
(\$ thousands)

Estimated principal payments in the next five years are:

	Scheduled Repayment
2006	\$ 597
2007	526
2008	487
2009	181
2010	48
thereafter	1,059

13. DEMAND TERM LOAN
(\$ thousands)

During 2005, the Corporation completed a debt-refinancing package. Under the terms of the new agreement, the lender provided a \$7,800 ten-year demand term loan and a \$12,000 operating loan (Note 11).

The proceeds of the demand term loan were used to repay the remaining loan balances with the previous lender, including the demand term loan (\$3,200) (Note 12) and the acquisition loan (\$4,000) (Note 12), with the balance (\$600) going to working capital. In addition, a \$4,000 term deposit posted as security with the previous lender for these repaid facilities was released as part of the refinancings (Note 5).

The demand term loan is secured by a mortgage on the modular fabrication facility, mortgages on two of the Corporation's properties, various general security agreements and unlimited guarantees from the Corporation and its wholly owned subsidiaries. The loan bears interest at prime plus 1.25% per annum. Principal repayments are \$65 per month plus interest with the final payment due August, 2015.

The Corporation's demand term loan has certain demand features. As a result, \$6,760 of the demand term loan, which is scheduled to be repaid beyond 2006, has been classified as a current liability on the balance sheet. The Corporation's bank has acknowledged that the \$6,760 will not be considered a current liability for the purpose of calculating debt covenants.

The demand term loan, and the line of credit (Note 11) are subject to certain debt covenants calculated on a quarterly basis. At December 31, 2005, the Corporation was in compliance with its debt covenants.

Interest expense on the demand term loan for the twelve months ended December 31, 2005 was \$148.

14. INCOME TAXES
(\$ thousands)

The Corporation's tax expense (recovery) differs from the provision computed at statutory rates as follows:

	2005	2004
Net income (loss) before income taxes	\$ 5,422	\$ (9,601)
Non-deductible expenses	551	653
Income (loss) subject to tax	\$ 5,973	\$ (8,948)
Income tax at statutory rate of 33.62% (2004 - 33.87%) of taxable income	\$ 2,008	\$ (3,031)
Large corporation and other taxes	-	10
Effect of change in tax rates for future income tax and tax recovery	(119)	(192)
Previously unrecorded tax loss asset of joint venture	-	(267)
Other	(261)	48
Income tax expense (recovery)	\$ 1,628	\$ (3,432)

14. INCOME TAXES (continued)
(\$ thousands)

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

	2005	2004
Tax loss carryforwards	\$ 3,834	\$ 523
Equipment and other assets	165	(537)
Unbilled work-in-progress and holdback receivable	(7,551)	1,387
Other	138	162
	\$ (3,414)	\$ 1,535
Classified as:		
Long-term asset	\$ 435	\$ 549
Current (liability) asset	(3,706)	1,921
Long-term liability	(143)	(935)
	\$ (3,414)	\$ 1,535

The Corporation has accumulated net capital losses for income tax purposes of \$7,172 which may be carried forward indefinitely to reduce future capital gains. The value of these losses has not been recognized in these consolidated financial statements.

The Corporation has accumulated non-capital losses for income tax purposes of \$11,283 which expire as follows:

2006	5
2007	2
2008	154
2009	7
2010	122
2014	1,728
2015	9,265

15. SHAREHOLDERS' EQUITY

(\$ thousands, except share and per share amounts)

Share Capital

Authorized

Unlimited Preferred Shares issuable in series with rights set by the directors

Unlimited Common Shares

Issued	2005		2004	
	Shares	Share Capital	Shares	Share Capital
Common Shares:				
Issued, beginning of year	12,238,352	\$ 4,289	11,863,652	\$ 3,794
New shares issued	5,323,000	10,646	-	-
Shares repurchased and cancelled	-	-	(7,300)	(3)
Stock options exercised	334,334	537	382,000	498
Issued, end of year	17,895,686	\$ 15,472	12,238,352	\$ 4,289

Private Placement

On May 13, 2005, the shareholders issued 5,323,000 Common Shares pursuant to two private placement agreements for total proceeds of \$10,646. The agreements are with two parties for \$3,646 and \$7,000 (Note 11) respectively.

Contributed Surplus

Contributed surplus is comprised of \$5,128 which arose in 1997 from the acquisition of Preferred Shares, with an issue price of \$9,829, for \$4,142 plus associated acquisition costs of \$559 and \$626 (2004 - \$250) arising from cumulative compensation cost of options to acquire common shares of the corporation issued since January 1, 2002.

Share-Based Compensation Plan

The Corporation maintains an Employees and Directors Share Option Plan under which options may be granted by the Board of Directors for Common Shares of the Corporation. As at December 31, 2005, the maximum number of options available for issue under this plan is 86,666 (2004 - 461,666). The exercise price of each option can not be lower than the public market price on the date the options are granted. The Board of Directors sets the exercise period for each option granted, which may not exceed ten years, and the vesting term, which may not exceed five years.

A summary of the Corporation's outstanding share options under the Employee and Directors Share Option Plan at December 31, 2005 and 2004, indicating changes during the years ended on those dates is presented below:

	2005		2004	
	Number of Share Options	Weighted Average Exercise Price	Number of Share Options	Weighted Average Exercise Price
Outstanding, beginning of year	564,334	\$ 2.35	1,046,334	\$ 2.03
Granted	475,000	2.86	-	-
Cancelled	(100,000)	3.84	(100,000)	2.95
Exercised	(334,334)	1.61	(382,000)	1.30
Outstanding, end of year	605,000	\$ 2.91	564,334	\$ 2.35

15. SHAREHOLDERS' EQUITY (continued)
(\$ thousands, except share and per share amounts)

The following table summarizes information about share options outstanding under the Plan at December 31, 2005:

	Exercise Price	Expiry Date	Options Outstanding Dec.31, 2005	Options Exercisable Dec.31, 2005
\$	3.84	Aug. 9, 2007	25,000	25,000
	2.95	Oct. 7, 2007	105,000	105,000
	2.40	May 10, 2010	100,000	33,333
	2.55	June 14, 2010	50,000	16,666
	2.80	Sept. 14, 2010	100,000	-
	3.15	Nov. 30, 2010	225,000	225,000
			605,000	404,999

The fair value of each option granted by the Corporation was estimated using the Black-Scholes option-pricing model and assuming no dividends are paid on common shares, weighted average risk-free interest rate of 3.56% (2004 - 3.36%), an average life of 3.7 years (2004 - 3.4 years), and a weighted average volatility of 46.05% (2004-49.69%). The amounts computed, according to the Black-Scholes pricing model, may not be indicative of the actual values realized upon the exercise of these options by the holders.

Long-term Compensation

During the year, the Board of Directors approved the implementation of a long-term compensation plan. The plan awards employee share units to eligible employees within 90 days of each fiscal year based on specific targets set each year. The plan is subject to shareholder approval at the Corporation's May 18, 2006 Annual General Meeting and will be implemented retroactively should shareholder approval be granted.

Normal Course Issuer Bids

The Corporation participated in a Normal Course Issuer Bid through the Toronto Stock Exchange under which up to 900,000 of its outstanding Common Shares may be purchased for cancellation. This bid terminated on February 23, 2005 and was not renewed.

During 2004, the Corporation purchased 7,300 Common Shares for cancellation under a Normal Course Issuer Bid at an average cost of \$2.44 per Share, including commissions. The amount by which the cost exceeds the stated value of the Common Shares is charged to retained earnings.

Shareholder Rights Plan

The Corporation has an Amended and Restated Shareholder Rights Plan (the "Plan") which attaches one Right, with an Exercise Price of \$20.00, to each outstanding Common Share of the Corporation. The Rights expire on September 30, 2007 unless exchanged or redeemed on an earlier date. Such Rights can only be exercised on the occurrence of a triggering event, which is defined as a person (an "Acquiring Person") acquiring, or publicly announcing its intention to acquire, 20% or more of the Common Shares, other than by an acquisition pursuant to a takeover bid permitted by the Plan. Upon occurrence of a triggering event, as described above, each Right entitles the holder, other than an Acquiring Person, to purchase that number of Common Shares of the Corporation having an aggregate market price equal to twice the Exercise Price, for a cash amount equal to the Exercise Price.

16. NET INCOME (LOSS) PER COMMON SHARE

(\$ thousands, except share and per share amounts)

Basic earnings per share is computed on the basis of the weighted average number of Common Shares outstanding. Fully diluted earnings per share is computed on the basis of the weighted average number of Common Shares outstanding plus the effect of outstanding stock options using the treasury stock method. For the year ended December 31, 2004 the effect of outstanding share options on earnings per share was anti-dilutive as the Corporation was in a loss position. As such, the effect of outstanding stock options used to calculate the fully diluted net earnings per share has not been disclosed.

The components of basic and fully diluted earnings per share are as follows:

	2005	2004
Net income (loss)	\$ 3,794	\$ (6,169)
Weighted average number of common shares outstanding	15,739,334	12,099,776
Incremental number of shares under treasury stock method	115,971	123,241
	15,855,305	12,223,017
Net income (loss) per common share:		
Basic	\$ 0.24	\$ (0.51)
Fully diluted	\$ 0.24	\$ (0.51)

17. CONTINGENCIES

(\$ thousands)

- Subsidiaries of the Corporation are contingently liable for normal contractor obligations relating to performance and completion of construction contracts as well as obligations of associates in certain joint ventures.
- The Corporation and its subsidiaries are defendants in lawsuits arising in the normal course of operations and involving various amounts. Management is of the opinion that the results of these actions should not have any material effect on the financial position of the Corporation. Any awards or settlements will be reflected in the Statement of Income (Loss) as the matters are resolved.

18. COMMITMENTS

(\$ thousands)

The Corporation and its subsidiaries lease certain equipment, vehicles, office premises, and are also committed to future annual payments in respect of a service agreement. Future minimum lease payments over the next five years are:

	2006	\$	1,351
	2007		1,097
	2008		925
	2009		776
	2010		589

19. GUARANTEES

(\$ thousands)

The Corporation has issued irrevocable letters of credit in the aggregate amount of \$1,840 (2004 - \$40) as security under specific contracts. The maximum potential payment amount varies pursuant to the specific contracts and may be greater or less than the letters of credit. The letters of credit expire in 2006 and are renewed annually.

The Corporation is a partner in joint ventures (Note 3) for which it has provided a joint and several guarantee, increasing the maximum potential payment to the full value of the work remaining under the contract. The cost of completing the contracts cannot reasonably be determined, and may be greater or less than the unbilled portion of the contracts.

The Corporation has entered into a joint and several guarantee under the representations and warranties given as a part of a transaction whereby the Corporation's equity investment sold the majority of its assets to a third party in 2003. The Corporation also agreed to have \$189 of its proceeds placed into an escrow account until February, 2008 to provide against product warranty claims and claims under the representations and warranties. There is no maximum potential payment under the guarantee. The Corporation has not recorded the escrow amounts as an asset as at December 31, 2005.

The Corporation indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Corporation and maintains liability insurance for its directors and officers as well as the directors and officers of its subsidiaries.

20. RELATED PARTY TRANSACTIONS

(\$ thousands)

In October, 2002 the Corporation provided an interest-bearing, demand loan to a senior officer of the Corporation to assist with the purchase of housing in Edmonton. The senior officer maintains offices in both Calgary and Edmonton. At December 31, 2005 the loan had been fully repaid (2004 - \$30). In addition, market rent payments of \$24 (2004 - \$24) were made by the Corporation in relation to this housing.

The Corporation incurred legal fees of \$183 (2004 - \$194) for services related to various legal matters with a law firm for which a director of the Corporation is also a partner of the firm.

The Corporation incurred commission fees of \$14 for services related to the disposition of a property held for sale with a company for which a director of the Corporation is also the owner of the company.

21. SEGMENTED INFORMATION

(\$ thousands)

The Corporation operates as a construction and maintenance services provider, primarily in western Canada. The Corporation is managed using five business segments: Buildings, Industrial General Contracting, Industrial Insulation Contracting, Industrial Electrical Contracting, and Corporate and Other.

Buildings is active in the construction of commercial, institutional, light-industrial and multi-unit residential buildings.

Industrial General Contracting includes heavy industrial general contracting, fabrication, site work and ongoing maintenance.

Industrial Insulation Contracting includes all insulation, siding, fireproofing, asbestos abatement and plant maintenance services including, in certain instances, services provided to our industrial general contracting and industrial electrical contracting companies.

Industrial Electrical Contracting includes industrial electrical, instrumentation and power line construction and maintenance services including, in certain instances, services provided to our industrial general contracting companies.

Corporate and Other includes the Corporation's non-core investments as well as all corporate costs not allocated directly to another business segment.

21. SEGMENTED INFORMATION (continued)

(\$ thousands)

The accounting policies of the reportable segments are the same as those described in Note 1. The segmented information provided is after the elimination of inter-segment management fees and loan balances and any related interest charges.

Year Ended December 31, 2005	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	\$ 227,481	\$ 4,360	\$ 581	\$ -	\$ 45,713	\$ 496
Industrial General Contracting	100,670	(800)	693	-	32,271	347
Industrial Insulation Contracting	74,634	2,734	400	-	29,967	121
Industrial Electrical Contracting	79,827	2,657	709	7,315	27,361	1,365
Corporate and Other	-	(3,546)	382	-	8,749	244
Inter-segment Adjustments	(2,792)	17	-	-	-	-
	\$ 479,820	\$ 5,422	\$ 2,765	\$ 7,315	\$ 144,061	\$ 2,573

Year Ended December 31, 2004	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	\$ 239,156	\$ 2,183	\$ 668	\$ -	\$ 69,948	\$ 412
Industrial General Contracting	40,423	(8,267)	858	-	15,330	875
Industrial Insulation Contracting	41,112	1,706	456	-	12,055	262
Industrial Electrical Contracting	19,726	(1,981)	921	7,315	15,521	340
Corporate and Other	-	(3,136)	290	-	9,454	6,815
Inter-segment Adjustments	(5,799)	(106)	-	-	-	-
	\$ 334,618	\$ (9,601)	\$ 3,193	\$ 7,315	\$ 122,308	\$ 8,704

During 2005, the Corporation recorded revenues from a customer in excess of 10% of its contract revenue (2004 – none). Contract revenue from this customer was \$72,631. The revenue was earned in the Industrial Electrical Contracting and Industrial Insulation Contracting segments.

A significant portion of the Industrial General Contracting, Industrial Insulation Contracting and Industrial Electrical Contracting segments is derived from customers which operate directly or indirectly in the energy supply industry. Fluctuations in energy prices may impact future revenue derived from these customers. The Corporation does not actively manage this risk.

22. EMPLOYEE CONTRIBUTION PLANS

(\$ thousands)

The Corporation and its subsidiaries have a Registered Retirement Savings Plan and an Employee Share Purchase Plan whereby they match voluntary contributions made by employees to a maximum of 5% of base salary for each plan. Contributions made by the Corporation during the year to the plans were \$1,832 (2004 - \$1,557).

23. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of receivables and other like amounts that will result in future cash receipts, as well as accounts payable, short-term borrowings, and any other amounts that will result in future cash outlays.

Risk management

The financial risk is the risk to the Corporation's earnings that arises from fluctuations in the interest rates and foreign exchange rates and the degree of volatility of these rates. The Corporation is exposed to interest rate risk on its floating rate operating line and its demand term loan as disclosed in Notes 11 and 13. The Corporation does not use derivative instruments to reduce its exposure to this risk. The Corporation is not currently exposed to any direct foreign currency risk.

Credit risk

The Corporation is exposed to credit risk through accounts receivable. This risk is minimized by the number of customers in diverse industries and geographic centers. The Corporation performs an assessment of its potential customers as part of its work procurement process, including an evaluation of financial capacity. The Corporation maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

Fair value of financial instruments

As at December 31, 2005, the carrying value of financial instruments of the Corporation approximates their fair values.

24. COMPARATIVE FIGURES

Certain of the comparative figures have been adjusted to be consistent with the current year's presentation.