

*CONTRANS GROUP INC.*



*VAN*



*FLATBED*



*TANK/LIQUID*



*DUMP*

CONTRANS HAS BEEN OPERATING IN THE TRANSPORTATION INDUSTRY SINCE 1985 AS A PROVIDER OF FREIGHT TRANSPORTATION SERVICES AND SOLUTIONS. WITH APPROXIMATELY 1,100 POWER UNITS, 2,200 TRAILERS AND 1,600 EMPLOYEES AND OWNER-OPERATORS, CONTRANS IS ONE OF THE LARGEST FREIGHT TRANSPORTATION COMPANIES IN CANADA.



## FINANCIAL HIGHLIGHTS

(\$ thousands)	2009	2008 <sup>(1)</sup>	2007	2006 <sup>(2)</sup>	2005 <sup>(3)</sup>
Revenue – as stated – fuel surcharges <sup>(4)</sup>	\$ 373,587 (30,443)	\$ 488,832 (79,158)	\$ 485,865 (56,682)	\$ 455,246 (55,317)	\$ 385,490 (43,424)
Revenue – transportation services <sup>(4)</sup>	\$ 343,144	\$ 409,674	\$ 429,183	\$ 399,929	\$ 342,066
EBITDA <sup>(4)</sup>	\$ 43,700 12.7%	\$ 52,172 12.7%	\$ 56,007 13.0%	\$ 52,215 13.1%	\$ 41,106 12.0%
EBT <sup>(4)</sup>	\$ 22,202 6.5%	\$ 30,302 7.4%	\$ 34,251 8.0%	\$ 34,222 8.6%	\$ 28,415 8.3%

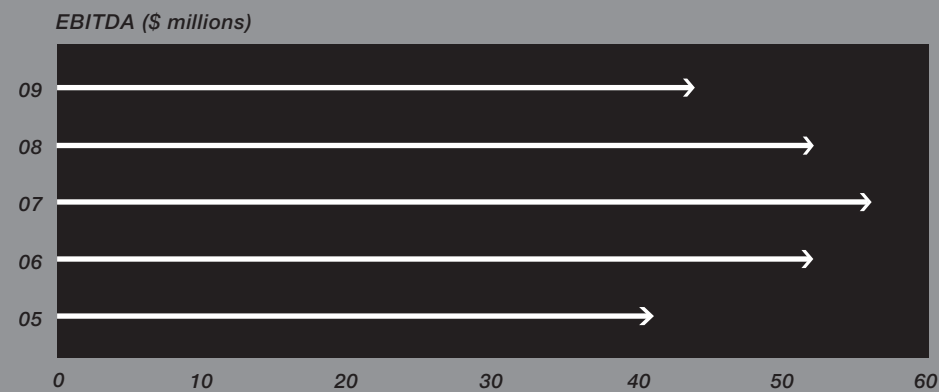
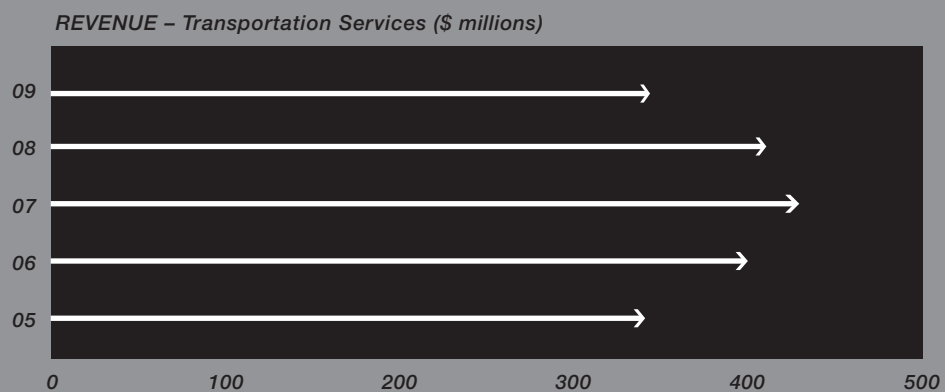
(1) Includes unrealized foreign exchange loss of \$5.1 million.

(2) Excludes gain on sale of real estate of \$2.9 million.

(3) Excludes results from discontinued operations.

(4) See "Use of Non-GAAP Financial Measures" on page 11. See also Financial Highlights table in Management's Discussion and Analysis for reconciliations to nearest GAAP financial measures.

OUR GOAL IS TO BE THE BEST, NOT THE BIGGEST.





**... prompt, decisive actions allowed Contrans' 2009 profit margin ... to remain within the relatively narrow band that has been maintained since the early 1990s ... an outstanding accomplishment.**

*Contrans distinguished itself in 2009. However, the business environment was as difficult as any that we have ever encountered. It has been reported that economic conditions in 2009 were the worst that they have been since the Great Depression. Plant closures and curtailed manufacturing production resulted in an overcapacity of trucks as well as greatly reduced shipping volumes. These factors had a profound, adverse effect on the transportation industry and were reflected in Contrans' revenues, which were significantly lower in 2009 than in 2008. Management had to make many tough decisions as a result and did so without hesitation.*

*New sources of revenue were pursued aggressively and successfully despite the adverse market conditions. Staff cuts were necessary, wages were rolled back and the executive incentive program was eliminated for 2009. Fleet sizes were adjusted appropriately, while discretionary and capital spending were scrutinized very closely. All of our employees were challenged to come up with new ways to cut costs and they responded with many innovative ideas. These prompt, decisive actions allowed Contrans' 2009 profit margin, measured as a percentage of revenue, to remain within the relatively narrow band that has been maintained by Contrans since the early 1990s. This was an outstanding accomplishment.*

*Management also adjusted both the timing and the amount of distributions in 2009 in response to the poor business conditions. However, Contrans' unitholders still received distributions of \$0.80 per unit for the year. Niches in specialized markets, diverse operations, a flexible cost structure and a strong balance sheet have left Contrans far less vulnerable to economic cycles than many businesses, both inside and outside the transportation industry. Indeed, Contrans' performance in 2009 is evidence that investing in the right transportation company is not necessarily the high-risk proposition suggested by conventional wisdom. When considered in conjunction*

*with the risk-mitigating factors noted above, Contrans' bright future makes it a terrific opportunity for value-seeking investors.*

*Contrans completed its conversion to a corporation on December 1, 2009, marking the end of its era as an income trust. In retrospect, being an income trust was good for many reasons, not the least of which was becoming aware of just how much demand there is for dividend-yielding products. Accordingly, we intend to pay dividends to Contrans' shareholders to the extent that sound financial management will permit.*

*Besides possessing a skilled and experienced management team, Contrans' success has*

*been based on adherence to some simple management principles. Management is committed to operating in a disciplined fashion that differentiates Contrans from its competitors. In addition, management has never been, nor will it be, under any undue compulsion to grow rapidly. This has helped to keep Contrans' balance sheet strong. Several high-profile financial collapses occurred in 2009 and demonstrated once again the significance of financial stability as well as the dangers of unbridled growth and excessive leverage. Our goal is to be the best, not the biggest. However, we also expect that there will be plentiful opportunities to grow steadily, profitably and at a manageable pace. By remaining*

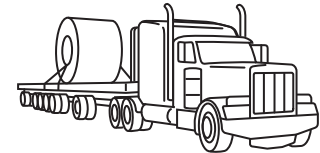
*faithful to our principles, we are confident that Contrans will continue to provide great long-term value to its shareholders.*

*Respectfully submitted,*



*Stan G. Dunford  
Chairman and Chief Executive  
Officer*

*February 25, 2010*



...the 2009 business environment was as difficult as any that we have ever encountered.

On December 1, 2009, under a plan of arrangement, Contrans Income Fund ("the Fund") was effectively converted into a corporation, Contrans Group Inc. This conversion has been recorded using the continuity of interest method of accounting. Accordingly, the consolidated financial statements contained in this annual report, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reported in Canadian funds, detail the performance and financial position of Contrans Group Inc. and the Fund for the years ended December 31, 2009 and 2008 as if Contrans Group Inc. had always carried on the business carried on by the Fund. Accordingly, the use of "Contrans" hereafter is intended to be understood as a reference to the business carried on by the Fund and, after December 1, 2009, Contrans Group Inc. The financial statements should be read in conjunction with the analysis that follows. A cautionary note regarding non-GAAP measures and forward-looking statements follows this Management's Discussion and Analysis of Operations and Financial Condition.

### Financial Highlights

Years ended December 31

(\$ millions except per share amounts)

	2009		2008		2007	
Revenue – as stated	\$ 373.6		\$ 488.8		\$ 485.9	
– fuel surcharges <sup>(1)</sup>	(30.4)		(79.2)		(56.7)	
Revenue – transportation services <sup>(1)</sup>	343.2	100.0%	409.6	100.0%	429.2	100.0%
Operating expenses – net of fuel surcharges	266.6	77.7	310.4	75.8	330.0	76.9
Selling, general and administration expenses	34.1	9.9	43.0	10.5	42.8	10.0
Foreign exchange loss (gain)	(1.2)	(0.3)	4.0	1.0	0.4	0.1
Earnings before amortization, interest and income taxes (EBITDA)	43.7	12.7	52.2	12.7	56.0	13.0
Amortization of property and equipment	12.0	3.4	12.3	3.0	12.9	3.0
Amortization of intangible assets	3.8	1.1	3.8	0.9	3.9	0.8
Net interest expense	5.7	1.7	5.8	1.4	5.0	1.2
Earnings before income taxes (EBT)	22.2	6.5	30.3	7.4	34.2	8.0
Income tax provision (recovery)						
Current	0.5	0.1	0.7	0.2	1.1	0.3
Future <sup>(2)</sup>	(1.3)	(0.3)	0.1	—	6.9	1.6
	(0.8)	(0.2)	0.8	0.2	8.0	1.9
Net earnings and comprehensive income	\$ 23.0	6.7%	\$ 29.5	7.2%	\$ 26.2	6.1%
Earnings per share – basic and diluted	\$ 0.77		\$ 1.01		\$ 0.91	
Total assets	\$ 275.4		\$ 274.6		\$ 270.6	
Long-term debt and capital lease obligations	94.4		93.0		90.4	
Cash and restricted cash	37.6		28.8		18.3	
Distributions declared per share	\$ 0.80		\$ 1.25		\$ 1.25	

(1) See "Use of Non-GAAP Financial Measures" below.

(2) Reflects a \$7.6 million non-cash charge in 2007 resulting from the enactment of new taxes to be imposed on income trusts commencing in 2011. This \$7.6 million future income tax provision reduced Contrans' earnings per share (basic and diluted) from \$1.17 to \$0.91 in 2007.



#### Fourth-Quarter Results

Quarters ended December 31

(\$ millions except per share amounts)

	2009		2008	
Revenue – as stated	\$ 99.2		\$ 109.6	
– fuel surcharges <sup>(1)</sup>	(9.3)		(12.7)	
Revenue – transportation services <sup>(1)</sup>	89.9	100.0%	96.9	100.0%
Operating expenses – net of fuel surcharges	69.2	77.0	73.5	75.9
Selling, general and administration expenses	8.1	9.0	10.4	10.7
Foreign exchange loss	0.1	0.1	4.5	4.6
EBITDA	12.5	13.9	8.5	8.8
Amortization of property and equipment	3.0	3.3	3.0	3.1
Amortization of intangible assets	1.0	1.1	1.0	1.0
Net interest expense	1.4	1.6	1.4	1.4
EBT	7.1	7.9	3.1	3.3
Income tax provision:				
– Current	(1.0)	(1.2)	0.2	0.2
– Future	(0.4)	(0.4)	(0.1)	(0.1)
	(1.4)	(1.6)	0.1	0.1
Net earnings and comprehensive income	\$ 8.5	9.5%	\$ 3.0	3.2%
Earnings per share – basic and diluted	\$ 0.29		\$ 0.10	

(1) See “Use of Non-GAAP Financial Measures” below.

#### Results from Operations

##### Revenue

The current recession significantly affected the North American trucking industry in 2009. Contrans’ year-over-year revenues and profit performance declined across all service lines compared to 2008. However, while fourth-quarter revenue was lower than last year, revenues have continued an upward trend when compared to the first half of the year. Part of this improvement came from a project involving the transportation of environmentally sensitive material that generated \$9.0 million in revenue primarily in the second half of the year (\$4.4 million in the fourth

quarter). In addition, Contrans secured work from several new customers and also benefited from increased volumes from some of its existing customers. Fuel surcharge revenue was lower in 2009 compared to 2008 due to lower fuel prices as well as lower overall volumes.

##### Operating expenses

Overcapacity persists in the freight transportation industry and has adversely affected equipment utilization as well as freight rates. Contrans’ operating expenses, measured as a percentage of revenue, have increased in 2009 as a result. Increased demand in the second half and reductions in Contrans’ fleet size have favourably impacted equipment utilization. However, pricing pressure continues to persist. Although accident costs increased in the fourth quarter of 2009 by \$0.2 million compared to the fourth quarter of 2008, total accident costs fell \$1.4 million in 2009 compared to 2008.

##### Selling, general and administration expenses

Cost-cutting initiatives undertaken by management have reduced Contrans’ selling, general and administration (“SG&A”) expenses in 2009 compared to 2008. Reductions in the management incentive program and lower staff levels together resulted in compensation expenses being \$1.9 million less in the fourth quarter of 2009 compared to the fourth quarter of 2008 (\$5.8 million less year-to-date). Furthermore, discretionary spending continues to be closely scrutinized in an effort to rationalize costs wherever practical. These efforts have reduced fourth-quarter SG&A expenses by \$0.5 million in 2009 compared to 2008 (\$3.0 million reduction year-to-date).

In 2009, Contrans incurred the following SG&A expenses that are not expected to recur:

- \$0.5 million in the fourth quarter (\$0.8 million year-to-date) that related to Contrans’ conversion to a corporation
- \$0.3 million in the third quarter that related to the write-down in the value of property located in Vermont. The property is no longer in use and has been listed for sale

*All of our employees were challenged to come up with new ways to cut costs and they responded with many innovative ideas.*

- \$0.2 million in the third quarter (\$0.8 million year-to-date) that related to the recognition of increased credit risk associated with a note receivable.

In 2008, Contrans realigned its east coast operations. As a consequence, approximately \$1.0 million of costs were incurred over the first nine months of that year relating to severance and for early lease termination penalties.

**Foreign exchange loss (gain)**

Foreign exchange gains of \$1.2 million in 2009 (2008 – losses of \$4.0 million) resulted primarily from mark-to-market adjustments to Contrans' foreign exchange contracts (see "Financial Instruments" below).

Approximately 15% to 20% of Contrans' revenues were billed in US dollars in 2009 thereby exposing Contrans to fluctuating foreign exchange rates. Although Contrans has some natural hedges in the form of US dollar expenses, the majority of Contrans' expenses are incurred in Canadian funds.

**Net interest expense**

While net debt levels fell in 2009, net interest expense has remained relatively unchanged due to declining rates of interest earned on its cash balances. Contrans has not used its operating line during 2009 other than for letters of credit.

**Summary of Quarterly Results**

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2009	2008	2009	2008	2009	2008	2009	2008
(\$ millions except per share amounts)								
Revenue – as stated	\$ 88.0	\$ 120.5	\$ 87.4	\$ 129.7	\$ 99.0	\$ 128.9	\$ 99.2	\$ 109.6
– fuel surcharges <sup>(1)</sup>	(7.1)	(18.2)	(6.0)	(23.9)	(8.0)	(24.3)	(9.3)	(12.7)
Revenue – transportation services <sup>(1)</sup>	80.9	102.3	81.4	105.8	91.0	104.6	89.9	96.9
Net earnings	\$ 1.5	\$ 5.0	\$ 6.2	\$ 10.2	\$ 6.8	\$ 11.4	\$ 8.5	\$ 3.0
Earnings per share – basic and diluted	\$ 0.05	\$ 0.17	\$ 0.20	\$ 0.35	\$ 0.23	\$ 0.39	\$ 0.29	\$ 0.10

(1) See "Use of Non-GAAP Financial Measures" below.

**Seasonality**

Generally, the second quarter is Contrans' strongest period. Volumes from customers in the construction industry typically increase as temperatures warm in the spring, peak in the fall and then decline with the onset of winter weather. Some manufacturing customers close their plants during the summer and many customers either shut down their production facilities or otherwise reduce shipments during the Christmas holiday season. In 2009, the seasonal factors affecting Contrans' business have been less pronounced due to the impact of the recession.

**Cash Flow**

Cash flow from continuing operating activities (before changes in non-cash working capital balances) amounted to \$33.2 million in 2009 compared to \$51.3 million in 2008. This decline was primarily due to decreased earnings. Non-cash working capital items decreased in 2009 compared to 2008 due to reduced fourth-quarter business activity compared to 2008. In addition, management closely monitored its receivables and payables during 2009 and reduced its net investment in working capital as at December 31, 2009.



Proceeds from the sale of property and equipment in 2009 were \$4.4 million (2008 – \$3.3 million). Contrans has continued to rationalize its fleet during the economic downturn resulting in the sale of more equipment than in 2008. In addition, Contrans sold a terminal, located in Perth, Ontario, for proceeds of \$0.6 million.

In May 2009, Contrans' distribution reinvestment plan ("DRIP") was terminated. The DRIP provided \$1.5 million in 2009 (2008 – \$6.5 million).

Contrans' Board of Trustees suspended distributions in March 2009 in response to recessionary pressures. In the fourth quarter of 2009, after considering improved operating results and the strengthening financial condition of Contrans, the Board of Trustees declared two distributions with a total value of \$0.59 per unit. These distributions were paid on October 30, 2009 (\$13.2 million) and on January 15, 2010 (\$4.5 million).

Due to the achievement of certain performance objectives, a final payment of \$3 million was paid out of restricted cash in January 2009 to the former owners of Tripar Transportation Inc., a company acquired in 2006. Contingent consideration of \$75,000 was also paid to the former owners of Narum Transport Ltd., an operation acquired in 2007.

Accrued liabilities decreased by \$4.9 million in 2009 due to the settlement of foreign exchange contracts that were on hand at December 31, 2008.

Management expects that Contrans' average annual capital expenditure on rolling stock, net of proceeds from the sale of retired equipment, will approximate \$10 million over the next ten years. The actual amount that will be expended in a year will vary depending on factors that include, but are not necessarily limited to, the age and condition of the fleet, growth and changes in government regulations regarding the weights and dimensions of highway equipment. See also "Forward-Looking Statements".

## Liquidity and Capital Resources

As at December 31, 2009

(\$ millions)

Cash and cash equivalents		
Unrestricted	\$	30.2
Restricted	\$	7.4
Operating line cash available	\$	21.0
Current ratio		2.2:1
Total debt (including future tax obligations) to equity ratio		1.1:1

Contrans requires working capital, sourced by operating cash flows and an operating line, to fund day-to-day operating activities. Management believes that Contrans' operating line is adequate to meet seasonal fluctuations in working capital requirements.

Contrans' operating cash flows in 2009 decreased over the prior year principally due to reduced revenues and profits caused mainly by a poor economic environment. Contrans, however, remains highly liquid due to its strong cash and cash equivalents balances.

Although a dividend policy has not been formalized, management indicated late in 2009 that paying out 30% of free cash flow would satisfy the goals of yield-seeking investors. The payment of dividends, however, will remain subject to the discretion of Contrans' Board of Directors. Prior to declaring any dividend, the Board of Directors will consider many factors including Contrans' financial condition, its expected future financial performance, its anticipated capital requirements as well as its repayment obligations and covenants that are contained in Contrans' loan agreements.

**Niches in specialized markets, diverse operations, a flexible cost structure and a strong balance sheet have left Contrans far less vulnerable to economic cycles than many businesses.**

Principal maturities of Contrans' senior secured debt are as follows:

(\$ millions)	
December 15, 2013	\$ 31.9
October 15, 2016	\$ 50.0

#### **Tax Attributes of Distributions from the Fund**

The tax attributes of the distributions made to holders of the Fund's subordinate voting trust units can be found on Contrans' website at [www.contrans.ca](http://www.contrans.ca) under Investor Relations.

#### **Contractual Obligations**

As at December 31, 2009

(\$ millions)	2010	2011	2012	2013	2014	Thereafter	Total
Senior secured notes payable	\$ 5.1	\$ 5.1	\$ 5.1	\$ 36.9	\$ 3.3	\$ 58.2	\$ 113.7
Conditional sale agreements	0.5	0.5	0.5	0.5	0.3	0.1	2.4
Capital leases	2.4	2.3	2.0	1.6	1.4	0.5	10.2
Operating leases	7.3	2.3	0.7	0.2	0.1	—	10.6
Accounts payable and accrued liabilities	32.1	—	—	—	—	—	32.1
Distributions payable	4.5	—	—	—	—	—	4.5
Equipment purchase commitments	4.0	—	—	—	—	—	4.0
<b>Total</b>	<b>\$ 55.9</b>	<b>\$ 10.2</b>	<b>\$ 8.3</b>	<b>\$ 39.2</b>	<b>\$ 5.1</b>	<b>\$ 58.8</b>	<b>\$ 177.5</b>

#### **Outstanding Shares**

As at January 31, 2010

(in thousands)

Class A Subordinate Voting Shares	28,470
Class B Multiple Voting Shares	1,468
<b>Total</b>	<b>29,938</b>

#### **Critical Accounting Estimates**

Management is required to make significant estimates and assumptions in preparing its financial statements, the most significant of which are as follows:

Financial Statement Item	Methodology, Assumptions
Accounts receivable – provisions for doubtful accounts	Specific account analysis performed and provisions created. Also a general provision is established based on past performance.
Note receivable – fair value	Based on expected future payments.
Asset retirement obligations	Based on past experience.
Goodwill and long-lived assets – impairment testing	Based on expected future cash flows. Consideration is given to past performance and future conditions that are known, or expected to change, that will affect future cash flows.
Property, equipment and intangible assets – useful lives	Based on past experience.
Accrued liabilities – matters involving litigation	Accruals for settlement established based on information provided by legal counsel or insurance claims professionals.



Management does not believe that there are changes that are reasonably likely to occur in the assumptions that have been used that will have a material impact on Contrans' financial position, changes in financial condition or results of operations.

### **New Accounting Pronouncements**

In the current year, Contrans applied the accounting treatment required under Emerging Issues Committee ("EIC") 170, Conversion of an Unincorporated Entity to an Incorporated Entity. Accordingly, the consolidated financial statements contained in this annual report, which have been prepared in accordance with GAAP and reported in Canadian funds, detail the performance and financial position of Contrans Group Inc. and the Fund for the years ended December 31, 2009 and 2008 as if Contrans Group Inc. had always carried on the business carried on by the Fund. Transaction costs, related to the conversion, were expensed in 2009.

Effective January 1, 2009, Contrans adopted the Canadian Institute of Chartered Accountants ("CICA") revised Handbook Section 3064 – Goodwill and Intangible Assets. This section establishes new standards for the recognition and measurement of intangible assets, but does not affect accounting for goodwill. Adoption of this revised section had no impact on Contrans' financial statements.

In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures" to include additional disclosure requirements about fair value measurement of financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market

data. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The application of this amended Section did not have an impact on Contrans' consolidated financial statements.

Effective January 20, 2009, Contrans adopted EIC 173 – Credit Risks and the Fair Value of Financial Assets and Liabilities. This abstract provides further guidance on CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement and concludes that an entity's own credit risk and the credit risk of any counterparty should be taken into account in determining the fair value of financial assets and financial liabilities. Adoption of EIC 173 had no significant impact on Contrans' financial statements.

### **International Financial Reporting Standards (IFRS)**

In February 2008, the Canadian Accounting Standards Board announced that publicly-listed companies would, for fiscal years beginning on or after January 1, 2011, be required to report their results under IFRS.

Contrans' IFRS conversion project consists of three phases: completing an impact assessment, selecting accounting policies from available alternatives and implementing financial statement changes. Contrans has completed the first phase of its conversion plan, which included a detailed analysis of the relevant differences between Canadian GAAP and IFRS, examining accounting policy alternatives and identifying additional financial statement disclosure requirements.

Contrans is currently engaged in the second phase of its IFRS conversion project. Management has identified IFRS standards that are expected to have an impact upon initial adoption. These standards and their impacts are as follows:

#### **IFRS 36 – Impairment of Assets**

Contrans will be required to assess impairment of goodwill at a "cash generating unit" level. Currently, under Canadian GAAP, Contrans

**...investing in the right transportation company is not necessarily the high-risk proposition suggested by conventional wisdom.**

assesses impairment of goodwill based on reporting units. Contrans expects that there will be a write down of its goodwill based on assessments made to date. The final write down amount will depend upon the ultimate decision as to what constitutes Contrans' cash generating units. This final amount will be charged to opening retained earnings (deficit) upon the implementation of IFRS.

#### **IAS 23 – Borrowing Costs**

Contrans will have to write off any unamortized borrowing costs associated with its long-term debt. The amount of borrowing costs on the balance sheet as at December 31, 2009, was \$0.4 million. Unamortized borrowing costs that are written off upon the implementation of IFRS will be charged to opening retained earnings (deficit).

#### **IFRS 1 – First-Time Adoption of International Financial Reporting Standards**

Contrans has the option to revalue an entire asset class based upon its fair market value as at December 31, 2009. This revalued amount would become the new carrying value for that asset class. Any change in carrying value will be charged or credited to opening retained earnings (deficit). Contrans is currently having its land holdings appraised.

#### **IAS 37 – Contingent Liabilities and Contingent Assets**

Contrans will have to recognize expected payments of contingent consideration arising from an acquisition upon implementation of IFRS.

Contrans' IFRS conversion project is progressing according to plan. The third phase will commence in 2010. This phase will include system changes, drafting consolidated pro-forma financial statements and modifying disclosure controls and internal controls over financial reporting.

Management will continue to assess the impact of implementing IFRS. The final impact of implementing IFRS could be materially different from what is disclosed above (see Forward-Looking Statements below).

#### **Financial Instruments**

Contrans from time to time enters into foreign exchange contracts to manage its exposure to currency fluctuations. As at December 31, 2009, Contrans had no exchange contracts outstanding.

#### **Business Risks**

Contrans is affected by economic cycles. Contrans provides transportation services to many customers in various industries and geographic regions. Contrans has operations that haul freight on van, flatbed, dump, dry bulk and liquid tank trailers and also provides third-party logistics services independent of its asset-based operations. Some of Contrans' customers are in industries where demand for their goods is relatively inelastic. No single customer accounts for more than 10% of Contrans' revenue. Contrans' diverse customer base also limits concentration of credit risk.

Cross-border travel is required to service many customers. Approximately 31% of the total distance travelled by Contrans' trucks is travelled in the US. Accordingly, border crossings and customs clearances affect these shipments. Today's political uncertainties and border security concerns affect cross-border traffic. Contrans participates in professional and industry associations designed to protect the transportation industry's interests. In addition, management informs customers about border delays and seeks fair compensation for lost productivity.

Contrans is subject to certain foreign exchange risks as it has positive net US dollar cash flow. Management manages this risk by entering into foreign exchange contracts from time to time, denominating equipment financing in US dollars where practical and through customer negotiations.

Changes in the relative value of the Canadian dollar against the US dollar also affect the flow of goods between the two countries as well as competition for freight. Management competes for trans-border freight by providing high levels of service to service-sensitive customers.



Contrans' operating entities are subject to lawsuits arising from accidents and other insurable risks. Management maintains prudent levels of insurance coverage and high safety standards to minimize this exposure. Furthermore, management contracts only with insurers licensed to underwrite in Canada. The Canadian insurance industry is highly regulated, with stringent capital and liquidity requirements.

Contrans relies primarily on the services of owner-operators and professional drivers. Besides offering competitive rates of pay, management is conscious of the quality of the working environment. In addition, when Contrans lacks its own hauling resources, partner carriers can provide additional capacity.

Management has no control over fuel prices. Although Contrans has fuel surcharge programs with most of its customers that offset higher fuel prices, the effectiveness of these programs during times of sudden, significant increases in fuel prices is diminished. Rapid fluctuations in fuel prices, moreover, absorb more management time.

Changes in interest rates affect both interest paid on floating rate debt and interest received on surplus cash. As at December 31, 2009, approximately 97% of Contrans' long-term debt had fixed interest rates.

### **Controls and Procedures**

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The system of internal controls has been documented at all material operating divisions of Contrans. Contrans' management, including the Chief Executive Officer and the Chief Financial Officer, assessed the design of Contrans' internal controls, tested their operation over financial reporting as at December 31, 2009, determined that there were no material weaknesses in Contrans' internal controls over financial reporting and concluded that Contrans' disclosure controls and procedures were effective.

No changes were made in Contrans' internal control over financial reporting during the year ended December 31, 2009, that have materially affected, or are reasonably likely to materially affect, Contrans' internal control over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under future conditions.

### **Transactions with Related Parties**

In 2009, Contrans paid \$6.3 million to Peterbilt of Ontario Inc., a company controlled by the Chairman of Contrans, for tractor repairs, vehicle maintenance and lease costs. In addition, Contrans also leased certain premises to Peterbilt of Ontario Inc. in 2009 for consideration of \$0.2 million. These transactions were carried out in the normal course of business and recorded at the exchange amount, which management has concluded approximates an arm's length arrangement.

### **Use of Non-GAAP Financial Measures**

Management has included certain non-GAAP measures to supplement its consolidated financial statements which are presented in accordance with Canadian GAAP. Non-GAAP measures do not have any standardized meaning prescribed under Canadian GAAP and therefore they may not be comparable to similar measures employed by other issuers. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. Management has included these non-GAAP measures for the reasons set forth below.

**Management is committed to operating in a disciplined fashion that differentiates Contrans from its competitors.**

#### **EBITDA**

Management believes that EBITDA is a useful supplement to the information contained in Contrans' statements of cash flow as it facilitates a greater depth of analysis. Accordingly, these measures can enhance the evaluation of Contrans' historical and prospective operating performances.

#### **Revenue – Transportation Services, Revenue – Fuel Surcharges:**

Management believes that it is important to isolate the effects of fuel surcharges, a volatile source of revenue, when analyzing operating results. Management regards revenue from transportation services as the relevant indicator of business level activity. Accordingly, the percentages in the Financial Highlights table were calculated using revenue from transportation services alone as the base. In addition, operating expenses are stated after netting fuel surcharges against fuel expenses in the Financial Highlights table. Management believes that this facilitates a better comparison of operating costs between periods.

#### **Forward-Looking Statements**

Management's discussion and analysis contains certain forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements relate to future events or future performance and include, but are not limited to, changes in government regulations regarding weights and dimensions of highway equipment, the age and condition of the transportation fleet and the growth of Contrans' business. Often, but not always, forward-looking statements can be identi-

fied by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views and estimates of management of Contrans with respect to future events, as of the date such statements are made, and they involve known and unknown risks and uncertainties which may cause actual events or results to differ materially from those expressed or implied by forward-looking statements. In evaluating these statements, readers should specifically consider factors such as the risks outlined under "Risk Factors" in Contrans' Annual Information Form, which is available at [www.sedar.com](http://www.sedar.com). Although Contrans has attempted to identify important factors that could cause actual events, actions or results to differ materially from those described in the forward-looking statements, there may be other factors that cause such events, actions or results to differ. Contrans is under no obligation (and expressly disclaims any such obligation) to update forward-looking statements if circumstances or management's views or estimates change. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

#### **Additional Information**

Additional information is available at [www.sedar.com](http://www.sedar.com).

February 25, 2010

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

*The accompanying financial statements of Contrans Group Inc. and all the information in this annual report are the responsibility of management and have been reviewed and approved by the Board of Directors ("Board").*

*Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. Where alternative accounting methods exist, management has chosen those methods most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgement. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. Management has ensured that the financial information presented throughout the annual report is consistent with that in the financial statements.*

*Management maintains systems of internal controls designed to provide reasonable assurance that the financial information is accurate and complete and that Contrans' assets are adequately safeguarded.*

*The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.*

*The Board appoints an Audit Committee, which is comprised entirely of outside directors. The Audit Committee meets quarterly with management and regularly with Contrans' external auditors, KPMG LLP, to discuss internal controls, auditing matters and financial reporting issues. KPMG LLP has full and free access to the Audit Committee. The Audit Committee reports its findings to the Board who approve the financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the auditors.*



**Stan G. Dunford**  
Chairman and Chief Executive Officer  
February 9, 2010

AUDITORS' REPORT TO THE SHAREHOLDERS

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

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

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

*KPMG LLP*

Chartered Accountants, Licensed Public Accountants  
London, Canada  
February 9, 2010

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(in thousands except for per share amounts)

Years ended December 31	2009	2008
<b>Revenue</b>	<b>\$ 373,587</b>	\$ 488,832
Operating expenses	297,011	389,737
Selling, general and administration expenses	34,060	42,973
Foreign exchange loss (gain)	(1,184)	3,950
Amortization of property and equipment	12,045	12,342
Amortization of intangible assets	3,770	3,778
	<b>27,885</b>	36,052
Net interest expense (income) – long-term	5,862	6,281
– short-term	(179)	(531)
<b>Earnings before Income Taxes</b>	<b>22,202</b>	30,302
<b>Income Tax Provision (Recovery) (Note 11):</b>		
Current	491	677
Future	(1,242)	113
	<b>(751)</b>	790
<b>Net Earnings and Comprehensive Income</b>	<b>\$ 22,953</b>	\$ 29,512
Earnings per share – basic and diluted	<b>\$ 0.77</b>	\$ 1.01
Weighted average number of shares outstanding – basic and diluted	<b>29,897</b>	29,122

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

(in thousands)

Years ended December 31	2009	2008
<b>Retained Earnings – Beginning of Year</b>	<b>\$ 435</b>	\$ 7,380
Net earnings	22,953	29,512
Distributions declared	(23,866)	(36,457)
<b>Retained Earnings (Deficit) – End of Year</b>	<b>\$ (478)</b>	\$ 435

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

(in thousands)

As at December 31	2009	2008
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 30,193	\$ 18,451
Accounts receivable	48,909	49,089
Income taxes recoverable	495	538
Other current assets	5,089	6,167
	<b>84,686</b>	74,245
Restricted Cash (Note 5)	7,375	10,375
Note Receivable (Note 6)	88	538
Property and Equipment (Note 7)	104,381	106,551
Intangible Assets (Note 8)	15,135	18,905
Goodwill	63,764	63,978
	<b>\$ 275,429</b>	\$ 274,592
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 32,057	\$ 33,215
Distributions payable	4,491	3,087
Current portion of capital lease obligations (Note 9)	1,921	1,823
Current portion of long-term debt (Note 10)	339	—
	<b>38,808</b>	38,125
Capital Lease Obligations (Note 9)	6,978	7,518
Long-Term Debt (Note 10)	85,193	83,686
Asset Retirement Obligations	720	1,036
Future Income Taxes (Note 11)	14,531	15,773
	<b>146,230</b>	146,138
<b>Shareholders' Equity (Note 12)</b>		
Contributed surplus	961	834
Share capital	128,716	127,185
Retained earnings (deficit)	(478)	435
	<b>129,199</b>	128,454
	<b>\$ 275,429</b>	\$ 274,592

Contingencies and commitments (Notes 13 and 14 (v)). Subsequent event (Note 19).

The accompanying notes are an integral part of these statements.

Signed on behalf of the Board of Directors



Stan G. Dunford, Director



Archie M. Leach, C.A., Director

CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands)

Years ended December 31	<b>2009</b>	<b>2008</b>
<b>Cash Provided by (Used in):</b>		
<b>Operating Activities</b>		
Net earnings	\$ 22,953	\$ 29,512
Items not affecting cash:		
Change in unrealized loss (gain) on foreign exchange	(5,072)	5,131
Share-based compensation expense (Note 12)	127	90
Long-term debt – accretion	79	128
Loss (gain) on sale of business units (Note 6)	(23)	79
Fair value adjustment to notes receivable (Note 6)	767	226
Asset retirement obligations – accretion	38	50
Amortization of property and equipment	12,045	12,342
Amortization of intangible assets	3,770	3,778
Future income taxes	(1,242)	113
Gain on sale of equipment	(248)	(139)
	<b>33,194</b>	51,310
Change in non-cash working capital (Note 16)	5,804	(836)
	<b>38,998</b>	50,474
<b>Investing Activities</b>		
Expended on acquisitions (Note 4)	(3,075)	—
Asset retirement obligations – settlements	(354)	(212)
Proceeds on disposal of plant services operation (Note 6)	100	2,107
Proceeds from note receivable (Note 6)	84	—
Proceeds on sale of equipment	4,444	3,332
Purchase of property and equipment	(10,435)	(7,620)
	<b>(9,236)</b>	(2,393)
<b>Financing Activities</b>		
Distributions paid	(22,462)	(36,366)
Proceeds from restricted cash	3,000	—
Proceeds from long-term debt	2,276	32,020
Repayment of long-term debt	(509)	(37,941)
Repayment of capital lease obligations	(1,856)	(1,794)
Issuance of trust units (Note 12)	1,531	6,525
	<b>(18,020)</b>	(37,556)
<b>Increase in Cash and Cash Equivalents</b>	<b>11,742</b>	10,525
Cash and Cash Equivalents – Beginning of Year	18,451	7,926
Cash and Cash Equivalents – End of Year	\$ 30,193	\$ 18,451

The accompanying notes are an integral part of these statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2009 and 2008

(tabular amounts in thousands except for per share amounts)

### 1. Organization

Contrans Group Inc. was incorporated on October 15, 2009, under the laws of the province of Ontario. On December 1, 2009, under a plan of arrangement, trust units of its predecessor entity, Contrans Income Fund, and limited partnership units of three controlled limited partnerships (collectively "the Fund") were exchanged for shares of Contrans Group Inc. The exchange resulted in the conversion of the Fund from an open-ended income trust to a corporation and was recorded using the continuity-of-interest method of accounting. Accordingly, the consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reported in Canadian funds, detail the performance and financial position of Contrans Group Inc. and the Fund for the years ended December 31, 2009 and 2008 as if Contrans Group Inc. had always carried on the business formerly carried on by the Fund. Transaction costs relating to the conversion were recognized as expenses in 2009. The use of "Contrans" herein refers to both Contrans Group Inc. and the Fund. References made to distributions declared, distributions payable, distributions paid and distribution reinvestment plan reflect business of the Fund prior to the plan of arrangement.

Contrans is based in Canada and operates in a single industry segment, freight transportation.

### 2. Changes in Accounting Policies

Effective January 1, 2009, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") revised Handbook Section 3064 – Goodwill and Intangible Assets. This section establishes new standards for the recognition and measurement of intangible assets, but does not affect accounting for goodwill. Adoption of this revised section had no impact on Contrans' financial statements.

Effective January 20, 2009, Contrans adopted the Emerging Issues Committee ("EIC") abstract EIC 173 – Credit Risks and the Fair Value of

Financial Assets and Liabilities. This abstract provides further guidance on CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement and concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities. Adoption of EIC 173 had no significant impact on Contrans' financial statements.

In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures" to include additional disclosure requirements about fair value measurement of financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The application of this amended Section did not have an impact on Contrans' financial statements.

### 3. Significant Accounting Policies

These financial statements are prepared in accordance with accounting principles generally accepted in Canada. Significant accounting policies are as follows:

#### PRINCIPLES OF CONSOLIDATION

The purchase method of accounting for business combinations has been used and the accounts of all subsidiaries have been consolidated with those of Contrans. Intercompany balances and transactions have been eliminated upon consolidation.

#### **FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

*CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. It requires that financial assets and liabilities be recognized on the balance sheet when Contrans becomes a party to the contractual provisions of a financial instrument. 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, loans and receivables, held to maturity, available for sale or financial liabilities. Management determines the classification of financial assets and liabilities at initial recognition.*

*Contrans designated its cash and cash equivalents, restricted cash and derivative financial instruments, which have not been designated in a hedging relationship, as held for trading, with gains and losses arising from changes in fair value of these instruments recorded in the consolidated statement of earnings and comprehensive income.*

*Accounts receivable and note receivable are classified as loans and receivables which are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities, distribution payable and long-term debt are classified as other liabilities, which are also measured at amortized cost using the effective interest method.*

#### **CASH AND CASH EQUIVALENTS**

*Cash and cash equivalents consist of cash on deposit and short-term interest-bearing securities with maturities at purchase date of three months or less.*

#### **PROPERTY AND EQUIPMENT**

*Property and equipment are valued at acquisition cost less accumulated amortization. Amortization is provided over the estimated service lives of the assets as follows:*

*Buildings – Straight-line over 15 to 40 years*

*Rolling Stock – Tractors – 25% declining balance*

*Trailers – Straight-line over 10 to 25 years*

*Service Vehicles and Other Equipment – 20% to 30% declining balance*

*Management periodically reviews the estimated service lives of these assets and adjusts amortization accordingly.*

#### **GOODWILL AND INTANGIBLE ASSETS**

*Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, net of liabilities assumed, based on fair values. Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Management periodically reviews the estimated lives of intangible assets and adjusts amortization accordingly. Intangible assets, with finite lives, are amortized on a straight-line basis over a period of up to ten years.*

#### **IMPAIRMENT OF LONG-LIVED ASSETS**

*Long-lived assets, including property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell and would no longer be amortized. The*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2009 and 2008

(tabular amounts in thousands except for per share amounts)

assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

### **ASSET RETIREMENT OBLIGATIONS**

Contrans recognizes the fair value of a future asset retirement obligation as a liability in the period in which it enters into operating leases. The fair value of the asset retirement obligation is determined using the discounted expected cash flow approach and, accordingly, the change in the obligation due to the passage of time is recognized in income as an operating expense. Any change in the obligation due to changes in estimated cash flow is recognized as an adjustment to the carrying amount of the obligation. Contrans concurrently recognizes a corresponding change in the carrying amount of the related long-lived asset. This asset is amortized over the term of the operating lease agreement.

### **REVENUE RECOGNITION**

Revenue is recognized upon delivery of goods to customers.

### **INCOME TAXES**

The liability method is used to account for future income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. The effects of changes in income tax rates are reflected in future income tax assets and liabilities in the period that the rate changes are substantively enacted.

### **FOREIGN CURRENCY**

Assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet dates and non-monetary items are translated at rates of exchange in effect when the assets are acquired or obligations incurred. Revenues and expenses denominated in foreign currencies are translated at monthly average rates of exchange during the year. Foreign exchange gains and losses are included in earnings and comprehensive income.

### **SHARE-BASED COMPENSATION**

Contrans applies the fair value-based method to account for awards made under its long-term incentive plan. The fair value of the options at the date of granting is recognized as share-based compensation expense over the vesting period and is credited to contributed surplus. Consideration received upon exercise of the options, together with the amount previously credited to contributed surplus, is recorded as share capital.

### **EARNINGS PER SHARE**

Basic earnings per share is computed by dividing net earnings by the weighted average shares outstanding during the year. Diluted earnings per share is similarly computed except that the weighted average shares outstanding are increased to include additional shares from an assumed exercise of share options, if dilutive. The number of additional shares is calculated by assuming that outstanding share options were exercised and that the proceeds from such exercises were used to acquire shares at average market prices.

### **MEASUREMENT UNCERTAINTY**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts at the date of, and for the period of, the financial

statements. Actual results could differ from those estimates. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include accounts receivable, note receivable, property and equipment, goodwill, intangible assets, accounts payable and accrued liabilities, future income taxes and asset retirement obligations.

#### 4. Acquisitions

Due to the achievement of certain performance objectives, additional consideration of \$3 million was paid, in January 2009, out of restricted cash to the former owners of Tripax Transportation Inc., a company acquired by Contrans in 2006. This additional consideration was accrued and allocated to goodwill in the financial statements at December 31, 2008. Also, due to the achievement of certain performance objectives, additional consideration of \$75,000 was paid to the former owners of Narum Transport Ltd., an operation acquired by Contrans in 2007. This additional consideration was allocated to goodwill in the current year.

#### 5. Restricted Cash

Under the terms of Contrans' long-term debt facility, Restricted Cash may only be used to repay senior secured notes and to fund growth opportunities.

#### 6. Disposal of Business Units

	Veritrans	Plant Services
Date of disposal	March 2009	September 2008
<i>Net book value of assets disposed:</i>		
Property and equipment	\$ 53	\$ 2,885
Intangible assets	—	222
Goodwill	289	500
Other current assets	10	—
Accounts receivable	31	—
Deferred income	—	(427)
Accounts payable and accrued liabilities	(6)	—
	<b>\$ 377</b>	<b>\$ 3,180</b>
<i>Consideration received:</i>		
Cash	\$ 100	\$ 2,107
Note receivable (fair value):		
Current	137	307
Long-term	163	687
	<b>\$ 400</b>	<b>\$ 3,101</b>
Loss (gain) on sale of business unit	<b>\$ (23)</b>	<b>\$ 79</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2009 and 2008

(tabular amounts in thousands except for per share amounts)

Notes receivable (fair value)	Current	Long-term	Total
Note received as part consideration for plant services	\$ 307	\$ 687	\$ 994
Fair value adjustment – 2008	(77)	(149)	(226)
As at December 31, 2008	\$ 230	\$ 538	\$ 768
Note received as part consideration for Veritrans	137	163	300
Cash received	(84)	—	(84)
Transfer from long-term to current	75	(75)	—
Fair value adjustment – 2009	(229)	(538)	(767)
<b>As at December 31, 2009</b>	<b>\$ 129</b>	<b>\$ 88</b>	<b>\$ 217</b>

In March 2009, Contrans disposed of its fuel tax reporting and driver log checking operation (Veritrans). Principal payments on the note receivable taken as part consideration are based on revenues generated and are payable monthly. The note matures in April 2013.

In September 2008, Contrans recognized the disposal of its plant services operation, located in Hamilton, Ontario.

The current portion of the notes receivable is included in accounts receivable. The fair value adjustments to the notes receivable were made to reflect increased credit risk.

### 7. Property and Equipment

2009	Cost	Accumulated Amortization	Net
Land	\$ 8,374	\$ —	\$ 8,374
Buildings	25,960	9,765	16,195
Rolling stock and other – owned	125,211	56,251	68,960
Rolling stock – capital leases	12,727	1,875	10,852
	<b>\$ 172,272</b>	<b>\$ 67,891</b>	<b>\$ 104,381</b>

2008	Cost	Accumulated Amortization	Net
Land	\$ 8,474	\$ —	\$ 8,474
Buildings	26,125	8,866	17,259
Rolling stock and other – owned	123,393	52,883	70,510
Rolling stock – capital leases	11,128	820	10,308
	<b>\$ 169,120</b>	<b>\$ 62,569</b>	<b>\$ 106,551</b>

### 8. Intangible Assets

2009	Cost	Accumulated Amortization	Net
Customer relationships	\$ 22,565	\$ 10,369	\$ 12,196
Non-competition agreements	8,994	6,055	2,939
	<b>\$ 31,559</b>	<b>\$ 16,424</b>	<b>\$ 15,135</b>

2008	Cost	Accumulated Amortization	Net
Customer relationships	\$ 22,565	\$ 8,159	\$ 14,406
Non-competition agreements	8,994	4,495	4,499
	<b>\$ 31,559</b>	<b>\$ 12,654</b>	<b>\$ 18,905</b>

## 9. Capital Lease Obligations

As at December 31	2009	2008
2010 and prior	\$ 2,407	\$ 4,402
2011	2,294	1,968
2012	2,037	1,707
2013	1,638	1,294
2014	1,373	1,119
Thereafter	506	511
Minimum lease payments	10,255	11,001
Less amount representing interest at rates ranging from 4.8% to 8.9% (2008 – 4.8% to 8.9%)	(1,356)	(1,660)
Present value of net minimum capital lease payments	8,899	9,341
Less current portion	(1,921)	(1,823)
	\$ 6,978	\$ 7,518

Interest of \$0.5 million (2008 – \$0.4 million) relating to capital lease obligations has been included in interest expense – long-term. Contrans has an unrealized gain on its US dollar-denominated capital lease obligations of \$0.1 million as at December 31, 2009 (2008 – loss of \$0.2 million).

## 10. Long-Term Debt

	2009	2008
Senior secured notes payable with fixed interest rates between 5.9% and 6.5% (2008 – 5.9% and 6.5%)	\$ 81,443	\$ 81,374
Conditional sale agreements with fixed interest rates between 6.5% and 6.9%	1,951	—
Other unsecured loans with varying interest rates and due dates	2,138	2,312
Long-term debt	85,532	83,686
Less current portion	(339)	—
	\$ 85,193	\$ 83,686

The senior secured notes payable are stated net of unamortized financing transaction costs of \$0.4 million (2008 – \$0.5 million) and provide for monthly payments of interest only. The principal repayments are due on December 15, 2013 (\$31.9 million) and October 15, 2016 (\$50 million). Liens on rolling stock with a net book value of approximately \$61 million (2008 – \$68 million) have been provided as security for the senior secured notes. The lender also holds a second floating charge over receivables and a general security interest in the remaining assets of Contrans. Liens on rolling stock with a net book value of approximately \$2.5 million have been provided as security for the holders of the conditional sales agreements.

As at December 31, 2009 and 2008, there were no restrictions preventing Contrans from making dividend payments to shareholders.

Aggregate minimum principal payments required on long-term debt in each of the next five years are as follows:

As at December 31	2009	2008
2010	\$ 339	\$ —
2011	363	—
2012	387	—
2013	32,289	31,875
2014	326	—
Thereafter	52,260	52,312
Minimum principal payments	85,964	84,187
Less unamortized financing transaction costs	(432)	(501)
Long-term debt	\$ 85,532	\$ 83,686

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2009 and 2008

(tabular amounts in thousands except for per share amounts)

### 11. Income Taxes

The following table reconciles the provision for income taxes recorded in the consolidated statement of earnings and comprehensive income with a statutory income tax rate of 32.5% (2008 – 33.0%):

	2009	2008
Earnings before income taxes	\$ 22,202	\$ 30,302
Computed income tax expense at Canadian statutory rate	7,207	10,000
Reduction of taxes due to taxable income allocated to unitholders	(6,824)	(10,097)
US state taxes	586	606
Change to future Canadian statutory tax rate	(1,622)	—
Impact of SIFT rules	—	175
Reduction of taxes on reorganization	(108)	—
Other	10	106
Income tax provision	\$ (751)	\$ 790

The tax effects of temporary differences that give rise to future tax assets and liabilities are presented below:

	2009	2008
<b>Future tax assets</b>		
Deductible reserves	\$ (567)	\$ (488)
Issue costs and financing fees	(183)	(7)
Other	(141)	(575)
<b>Future tax liabilities</b>		
Property, equipment and intangible assets	12,195	13,984
Impact of off-calendar year-end of corporate subsidiary	3,227	2,859
<b>Net future income tax liability</b>	<b>\$ 14,531</b>	<b>\$ 15,773</b>

Contrans recognizes future income tax liabilities and assets where the recovery or settlement of the carrying amount of the liability or asset would result in a future income tax outflow or income tax reduction.

Certain of Contrans' subsidiaries are currently subject to income taxation and provide for income tax obligations based upon statutory corporate tax rates.

### 12. Shareholders' Equity

#### SHARES

##### AUTHORIZED

An unlimited number of Class A Subordinate Voting Shares and 1,467,724 Class B Multiple Voting Shares.

##### ISSUED AND FULLY PAID

Shares	Class A Subordinate Voting Shares		Class B Multiple Voting Shares		Total	
	Shares	Amount	Shares	Amount	Shares	Amount
Shares issued on December 1, 2009, in exchange for:						
Trust Units	23,799	\$ 121,019	—	\$ —	23,799	\$ 121,019
Class A LP Units	4,671	6,399	—	—	4,671	6,399
Class B LP Units	—	—	1,468	1,298	1,468	1,298
<b>Balance at December 31, 2009</b>	<b>28,470</b>	<b>\$ 127,418</b>	<b>1,468</b>	<b>\$ 1,298</b>	<b>29,938</b>	<b>\$ 128,716</b>

<b>Trust Units</b>	<b>Trust Units</b>		<b>Class A LP Units</b>		<b>Class B LP Units</b>		<b>Total</b>	
	<i>Units</i>	<i>Amount</i>	<i>Units</i>	<i>Amount</i>	<i>Units</i>	<i>Amount</i>	<i>Units</i>	<i>Amount</i>
<i>Balance at December 31, 2007</i>	22,471	\$ 112,772	4,810	\$ 6,590	1,468	\$ 1,298	28,749	\$ 120,660
<i>Distribution reinvestment plan</i>	870	6,525	—	—	—	—	870	6,525
<i>Balance at December 31, 2008</i>	23,341	\$ 119,297	4,810	\$ 6,590	1,468	\$ 1,298	29,619	\$ 127,185
<i>Distribution reinvestment plan</i>	319	1,531	—	—	—	—	319	1,531
<i>Exchanges</i>	139	191	(139)	(191)	—	—	—	—
<i>Exchanged for shares</i>	(23,799)	(121,019)	(4,671)	(6,399)	(1,468)	(1,298)	(29,938)	(128,716)
<b>Balance at December 31, 2009</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>

**VOTING, DIVIDEND AND EXCHANGE RIGHTS AND OBLIGATIONS**

The Class A Subordinate Voting Shares are entitled to one vote each.

The Class B Multiple Voting Shares are entitled to ten votes each.

Any dividends that are declared are to be paid equally on a pro rata basis between the two classes of shares.

The holders of Class B Multiple Voting Shares are entitled to convert any or all of the Class B Multiple Voting Shares held at any time into Class A Subordinate Voting Shares on the basis of one Multiple Voting Share for each Subordinate Voting Share held upon written notice to the Corporation. The holders of Class B Multiple Voting Shares are obligated to convert all Class B Multiple Voting Shares held into Class A Subordinate Voting Shares on the basis of one Class A Subordinate Voting Share for each Class B Multiple Voting Share held upon the occurrence of certain events or circumstances, including but not limited to:

(i) if at any time the aggregate number of Class B Multiple Voting Shares outstanding is less than 698,351

(ii) in the event that an offer, bid, or similar process, is made to, and accepted by, holders of 90% or more of the aggregate number of Class A Subordinate Voting Shares and Class B Multiple Voting Shares at the time then outstanding

(iii) in the event that the holder, or any pledgee of the holder, purports to transfer or assign the Class B Multiple Voting Shares (unless otherwise permitted by the Articles of the Corporation), including any transfer to a pledgee or any person by a pledgee exercising its rights under such pledge

(iv) in the event that Contrans' CEO, Stan G. Dunford together with his spouse and any spousal trust of Stan G. Dunford, cease to beneficially own, directly or indirectly, a number of Class A Subordinate Voting Shares and Class B Multiple Voting Shares, which are entitled to vote at least 33% of the aggregate voting rights attached to all Class A Subordinate Voting Shares and Class B Multiple Voting Shares

(v) on July 23, 2022

The Class B Multiple Voting Shares may be transferred by an individual to a spouse, or to a spousal trust (as defined in the Income Tax Act (Canada)) but may not otherwise be transferred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2009 and 2008

(tabular amounts in thousands except for per share amounts)

**SHARE-BASED COMPENSATION PLAN**

Years ended December 31

	2009		2008	
	<b>#</b>	<b>Weighted Average Exercise Price</b>	<b>#</b>	<b>Weighted Average Exercise Price</b>
Options outstanding – beginning of year	2,019	\$ 12.22	2,029	\$ 12.23
Terminated	(2,014)	12.22	—	—
Cancelled	(5)	11.50	(10)	14.90
Options outstanding – end of year	—	\$ —	2,019	\$ 12.22
Options exercisable – end of year	—	\$ —	1,646	\$ 12.03

All outstanding options were returned by employees during 2009 and cancelled by Contrans. Vesting was considered to be accelerated in accordance with GAAP resulting in share-based compensation expense of \$127,000 (2008 – \$90,000).

**SHAREHOLDERS' EQUITY**

	Contributed Surplus	Trust Units	Share Capital	Retained Earnings	Total
Balance at December 31, 2007	\$ 744	\$ 120,660	\$ —	\$ 7,380	\$ 128,784
Share-based compensation expense	90	—	—	—	90
Distribution reinvestment plan	—	6,525	—	—	6,525
Net earnings	—	—	—	29,512	29,512
Distributions declared	—	—	—	(36,457)	(36,457)
Balance at December 31, 2008	\$ 834	\$ 127,185	\$ —	\$ 435	\$ 128,454
Share-based compensation expense	127	—	—	—	127
Distribution reinvestment plan	—	1,531	—	—	1,531
Conversion to corporation	—	(128,716)	128,716	—	—
Net earnings	—	—	—	22,953	22,953
Distributions declared	—	—	—	(23,866)	(23,866)
<b>Balance at December 31, 2009</b>	<b>\$ 961</b>	<b>\$ —</b>	<b>\$ 128,716</b>	<b>\$ (478)</b>	<b>\$ 129,199</b>

### **CAPITAL MANAGEMENT**

Contrans' objectives in managing capital are to ensure sufficient liquidity exists to pursue its strategy of growth, both internally and through accretive acquisitions, and to provide returns to its shareholders.

Management defines capital as shareholders' equity and net debt. Net debt is defined as all interest-bearing debt less cash and cash equivalents.

### **CAPITAL UNDER MANAGEMENT**

As at December 31	2009	2008
Long-term debt	\$ 85,532	\$ 83,686
Capital lease obligations	8,899	9,341
Cash and cash equivalents	(30,193)	(18,451)
Restricted cash	(7,375)	(10,375)
Net debt	56,863	64,201
Shareholders' equity	129,199	128,454
Total capital	\$ 186,062	\$ 192,655

The Board of Directors approves dividend payments, annual operating plans and business acquisitions.

Contrans' debt covenants are based on cash flow, leverage and asset coverage ratios. If Contrans breaches any of these covenants, the lenders have remedies including restricting Contrans from paying dividends. Management monitors covenant compliance and the factors affecting their calculation. As at December 31, 2009, Contrans was in compliance with all its covenants. Contrans' lenders have a security interest in all of the assets of Contrans.

### **13. Contingencies**

In the ordinary course of business, Contrans had issued letters of credit amounting to \$2.5 million at December 31, 2009 (2008 – \$0.9 million). These letters of credit expire at various dates from January 2010 to November 2010.

## **14. Financial Instruments**

### **a) FAIR VALUES**

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities and distributions payable approximate their fair values due to the relatively short period to maturity of these instruments.

Long-term debt with a carrying value of \$85.5 million (December 31, 2008 – \$83.7 million) has a fair value of \$89.8 million as at December 31, 2009 (December 31, 2008 – \$88.1 million). As at December 31, 2009, the fair value of capital lease obligations was \$8.7 million (2008 – \$9.2 million). The fair values are calculated using discounted cash flows at year-end market rates.

The fair value of the notes receivable is \$0.2 million (2008 – \$0.8 million) based on the expected future payments discounted at year-end market rates.

### **b) RISK MANAGEMENT**

Contrans has exposure to the following risks from its use of financial instruments:

#### **i) CREDIT RISK**

Credit risk is the risk that a counterparty to a financial instrument will fail to meet their payment obligations and arises primarily from Contrans' accounts and notes receivable. Management controls this risk through a diverse customer base, by monitoring the aging of its accounts receivable and by carrying out credit checks on new customers. General provisions for doubtful accounts are based upon past experience and specific provisions are made against trade receivables for any customer that is known to be in poor financial condition. The bad debt expense for 2009 was \$0.4 million (2008 – \$0.3 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2009 and 2008

(tabular amounts in thousands except for per share amounts)

The movement in the provision for doubtful accounts is as follows:

Provision as at December 31, 2008	\$ 2,321
Accounts written off	(303)
Movement in general provision	(434)
Bad debt expense	402
<b>Provision as at December 31, 2009</b>	<b>\$ 1,986</b>

Contrans has specifically provided for \$1.3 million of accounts receivable that were considered to be impaired as at December 31, 2009. Management considers the financial health of the customer as well as the aging of the account when considering whether an account is impaired. At December 31, 2009, approximately \$15.4 million of receivables are overdue but are not considered impaired.

A provision for doubtful accounts of \$2.0 million (December 31, 2008 – \$2.3 million) is netted against accounts receivable on the consolidated balance sheets. In addition, the deferred income on disposal of the plant services operation was reclassified as an allowance for note receivable impairment and the total allowance of \$1.5 million was applied to reduce the face value of the note receivable to its estimated fair value of \$Nil as at December 31, 2009. Bad debt expenses and provision for notes receivable impairment are included in selling, general and administration expenses in the consolidated statements of earnings and comprehensive income.

### ii) FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 15% to 20% of Contrans' revenue is billed in US dollars and, accordingly, Contrans is subject to foreign exchange risk. Management manages this risk through foreign exchange contracts, denominating certain of its equipment leases in US dollars and through customer negotiations. The impact of a 1% strengthen-

ing/weakening of the Canadian dollar against the US dollar would result in a decrease/increase in net earnings of \$0.1 million as at December 31, 2009, all other things being equal.

Contrans operates in both Canada and the United States. However, due to the nature of the operations and inherent system limitations, it is impracticable to split the results from operations between the two countries.

### iii) INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will change with market interest rates. Changes in interest rates affect both interest paid on floating rate debt and interest received on surplus cash and cash equivalents, restricted cash and notes receivable. As at December 31, 2009, approximately 97% of Contrans' long-term debt had fixed interest rates. A 1% change in the interest rate on the floating rate debt, cash and cash equivalents and note receivable would only have a nominal impact on net earnings.

### iv) LIQUIDITY RISK

Liquidity risk is the risk that Contrans will not be able to meet its obligations as they fall due. Contrans has systems in place to ensure that it has sufficient cash or credit lines to meet these obligations. Contrans has a demand operating line of \$30 million to meet seasonal fluctuations in working capital requirements, for letters of credit and to fund growth opportunities. As at December 31, 2009, Contrans had \$2.5 million of letters of credit outstanding (December 31, 2008 – \$0.9 million).

v) **CONTRACTUAL OBLIGATIONS**

Contrans has contractual obligations, including interest payments, to extinguish financial liabilities as follows:

(\$ millions)	2010	2011	2012	2013	2014	Thereafter	Total
Senior secured notes payable	\$ 5.1	\$ 5.1	\$ 5.1	\$ 36.9	\$ 3.3	\$ 58.2	\$113.7
Conditional sales agreements	0.5	0.5	0.5	0.5	0.3	0.1	2.4
Capital leases	2.4	2.3	2.0	1.6	1.4	0.5	10.2
Operating leases	7.3	2.3	0.7	0.2	0.1	—	10.6
Accounts payable and accrued liabilities	32.1	—	—	—	—	—	32.1
Distributions to shareholders	4.5	—	—	—	—	—	4.5
Equipment purchase commitments	4.0	—	—	—	—	—	4.0
<b>Total</b>	<b>\$ 55.9</b>	<b>\$ 10.2</b>	<b>\$ 8.3</b>	<b>\$ 39.2</b>	<b>\$ 5.1</b>	<b>\$ 58.8</b>	<b>\$177.5</b>

**15. Related Party Transactions**

Contrans had business transactions with and had balances owing to and from companies controlled by the Chairman of Contrans as follows:

As at December 31	2009	2008
Accounts payable	\$ 395	\$ 115
Accounts receivable	4	38

For the years ended December 31	2009	2008
Repairs, maintenance and leases	\$ 6,335	\$ 6,129
Rental income	190	192

These transactions were carried out in the normal course of business and recorded at exchange amounts, which approximates an arm's length arrangement.

**16. Cash Flow**

Change in non-cash working capital:

	2009	2008
Decrease in accounts receivable	\$ 48	\$ 6,167
Decrease (increase) in other current assets	1,068	(146)
Increase (decrease) in accounts payable and accrued liabilities	4,645	(5,902)
Increase (decrease) in income taxes payable	43	(955)
<b>Net change in non-cash working capital</b>	<b>\$ 5,804</b>	<b>\$ (836)</b>
Cash paid in respect of:		
Interest	\$ 5,862	\$ 6,309
Income taxes	545	1,729
Non-cash transactions		
Value of equipment financed through capital leases	\$ 1,561	\$ 10,050
Accrued value of equipment acquired late in the year	2,128	—

**17. Comparative Figures**

Certain comparative figures have been restated to conform to the current year's basis of presentation.

**18. Future Accounting Changes**

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

In February 2008, the Accounting Standards Board announced that publicly listed companies would, for fiscal years beginning on or after January 1, 2011, be required to report their results under IFRS. IFRS allows for different accounting treatments on first implementation. Contrans has completed its initial assessment of the possible impacts of implementing IFRS and the standards which may have the most significant impact on Contrans, upon first adoption of IFRS include: IAS 16 – Property, Plant and Equipment; IAS 36 – Impairment of Assets; and IFRS 1 – First-time Adoption of International Financial Reporting Standards.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **19. Subsequent Events**

On January 29, 2010, Contrans acquired certain customers and rolling stock of Truboy Freight International Inc., a flatbed company based in Ontario. The purchase price consists of a cash payment of \$0.4 million, the assumption of debt of \$0.7 million and deferred consideration of \$0.6 million. The payment of the deferred consideration is contingent upon the achievement of certain financial objectives and, if earned, becomes payable in three annual instalments.

SELECTED FINANCIAL DATA

<i>(Unaudited)</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006<sup>(1)</sup></b>	<b>2005<sup>(2)</sup></b>
Return on equity <sup>(3)</sup> <sup>(4)</sup>	<b>17.8%</b>	22.9%	19.7%	24.7%	20.3%
Operating ratio <sup>(4)</sup> <sup>(5)</sup>	<b>91.9%</b>	91.2%	90.8%	90.9%	91.4%
Debt to equity <sup>(4)</sup> <sup>(6)</sup>	<b>1.1</b>	1.1	1.1	0.9	0.7
Earnings before income taxes <sup>(7)</sup>	<b>\$ 22,202</b>	\$ 30,302	\$ 34,251	\$ 34,222	\$ 28,415
Tangible book value per share <sup>(4)</sup> <sup>(8)</sup>	<b>\$ 1.68</b>	\$ 1.54	\$ 1.54	\$ 1.89	\$ 3.51
Earnings per share – basic <sup>(9)</sup>	<b>\$ 0.77</b>	\$ 1.01	\$ 0.91	\$ 1.17	\$ 0.98
Price earnings ratio <sup>(4)</sup> <sup>(10)</sup>	<b>9.1</b>	5.8	10.4	10.3	14.3
Weighted average number of shares outstanding <sup>(7)</sup>	<b>29,897</b>	29,122	28,826	28,513	27,980

(1) Excludes gain from sale of real estate of \$2.9 million.

(2) Excludes results from discontinued operations.

(3) Return on equity was calculated by dividing net income by average shareholders' equity.

(4) See "Use of Non-GAAP Financial Measures" in Management's Discussion and Analysis above.

(5) Operating ratio was calculated by dividing total expenses before interest and taxes by revenue from transportation services.

(6) Debt to equity was calculated by dividing total debt (including future tax obligations) by shareholders' equity.

(7) Thousands.

(8) Tangible book value per share was calculated by dividing tangible shareholders' equity by the number of shares outstanding at year-end.

(9) Earnings per share – basic was calculated by dividing net income by the weighted average number of shares outstanding during the year.

(10) Price earnings ratio was calculated by dividing year-end closing price by earnings per share.

**Directors**

**Stan G. Dunford**  
Chairman of the Board and CEO  
Contrans Group Inc.

**Robert B. Burgess, Q.C.**  
Barrister and Solicitor

**Archie M. Leach**  
President and CEO  
Carroll Hospital Group

**G. Ross Amos**  
President  
Everest Canadian Investments Ltd.

**Gregory W. Rumble**  
President and COO  
Contrans Group Inc.

**Officers**

**Stan G. Dunford**  
Chairman of the Board and CEO

**Gregory W. Rumble**  
President and COO

**James S. Clark**  
Vice-President, Finance and CFO

**W. Todd Jenereaux**  
Vice-President,  
Corporate Development

**D. Jamieson Miller**  
Secretary-Treasurer

**Norman McDonough**  
Vice-President,  
Risk and Compliance

**David W. Golton**  
Vice-President, Tank Operations

**Laban B. Herr**  
Vice-President, Van Operations

**Steven Brookshaw**  
Vice-President,  
Flatbed Operations

**Scott B. Talbot**  
Vice-President, Bulk Operations

**Principal Office**

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**Stock Exchange Listing**

Toronto Stock Exchange  
Symbol: CSS

**Transfer Agent  
and Registrar**

Computershare Trust Company  
of Canada  
100 University Avenue  
Toronto, Ontario  
M5J 2Y1

**Annual Meeting**

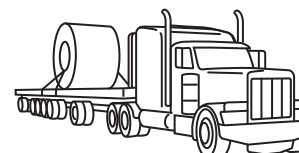
TSX Broadcast and Confer-  
ence Centre  
The Exchange Tower  
130 King Street West  
Toronto, Ontario  
Thursday, May 13, 2010  
at 4:30 p.m.

**Annual Information Form**

A copy of the Annual Information  
Form is available at  
[www.sedar.com](http://www.sedar.com)

**Website**

[www.contrans.ca](http://www.contrans.ca)





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