

# ***CONTRANS INCOME FUND***

*Second Quarter Report  
June 30, 2006*

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## REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER



*I am very pleased with our second quarter results. The growth that we have experienced reflects the success that we have enjoyed in redeploying the proceeds from last year's school bus disposition as well as from healthy organic growth. More importantly, however, this growth has been accompanied by continued improvement in our operating margins and a lower payout ratio.*

*The acquisitions that we have made to date this year are positioned in niche markets, far from the general commodities market which comprises the largest part of the truckload transportation industry. Since the competition in specialized areas of transportation tends to be less fierce, we believe that our acquisitions will add greater stability to the Fund.*

*We are also pleased with the pace at which we are growing. Slow and steady wins the race. Moreover, given the uncertain current economic climate, we believe that there is more reason than ever to remain disciplined in our quest to add value for our unitholders. We believe that our conservative approach to growth makes our distributions more sustainable which, in turn, makes Contrans an attractive investment opportunity.*

*Respectfully submitted,*

A handwritten signature in black ink, appearing to read 'Stan G. Dunford'.

*Stan G. Dunford*

*Chairman and Chief Executive Officer*

*August 11, 2006*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The attached consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles and reported in Canadian funds, detail the performance and financial position of Contrans Income Fund (the "Fund") for the quarters ended June 30, 2006 and 2005. The financial statements should be read in conjunction with the analysis that follows.

### Financial Highlights

(unaudited)

Period ended June 30

	Three Months				Six Months			
	2006		2005		2006		2005	
<i>(in millions except per unit amounts)</i>								
Revenue – transportation services <sup>(1)</sup>	\$ 102.2	100.0%	\$ 86.1	100.0%	\$ 196.8	100.0%	\$ 168.8	100.0%
Revenue – fuel surcharges <sup>(1)</sup>	15.4		11.4		28.3		20.5	
Revenue – total	\$ 117.6		\$ 97.5		\$ 225.1		\$ 189.3	
Operating expenses – net of fuel surcharges <sup>(2)</sup>	\$ 78.0	76.3%	\$ 66.1	76.8%	\$ 151.6	77.0%	\$ 132.1	78.3%
Selling, general and administration expenses	9.0	8.8	8.7	10.1	18.5	9.4	16.6	9.8
Earnings before interest, taxes, amortization and gain on sale of land (EBITDA) <sup>(3)</sup>	\$ 15.2	14.9%	\$ 11.3	13.1%	\$ 26.7	13.6%	\$ 20.1	11.9%
Amortization of property and equipment	3.4	3.3	2.5	2.9	6.5	3.3	4.9	2.9
Amortization of intangible assets	0.6	0.6	0.3	0.3	1.0	0.5	0.6	0.4
Net interest expense	0.5	0.5	0.3	0.3	0.9	0.5	0.5	0.3
Earnings before income taxes, discontinued operations and gain on sale of land	10.7	10.5	8.2	9.6	18.3	9.3	14.1	8.3
Gain on sale of land	—	—	—	—	2.9	1.5	—	—
Earnings before income taxes and discontinued operations (EBT)	10.7	10.5	8.2	9.6	21.2	10.8	14.1	8.3
Income taxes	0.4	0.4	0.2	0.2	1.2	0.6	0.5	0.3
Net income from continuing operations	\$ 10.3	10.1%	\$ 8.0	9.4%	\$ 20.0	10.2%	\$ 13.6	8.0%
Net income from discontinued operations net of tax	—		1.4		—		1.8	
Net income	\$ 10.3		\$ 9.4		\$ 20.0		\$ 15.4	
Earnings per unit – basic								
Continuing operations	\$ 0.36		\$ 0.28		\$ 0.70		\$ 0.49	
Discontinued operations	—		0.05		—		0.06	
	\$ 0.36		\$ 0.33		\$ 0.70		\$ 0.55	
Earnings per unit – diluted								
Continuing operations	\$ 0.36		\$ 0.28		\$ 0.70		\$ 0.48	
Discontinued operations	—		0.05		—		0.06	
	\$ 0.36		\$ 0.33		\$ 0.70		\$ 0.54	

(1) 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. Therefore the percentages in this table were calculated using revenue from transportation services as a base.

(2) Management believes that netting fuel surcharges against fuel expenses allows greater comparison of operating costs between periods.

(3) EBITDA is not an earnings measure recognized by generally accepted accounting principles in Canada ("GAAP"), does not have a standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. However, management believes that EBITDA is a useful measure in determining the Fund's cash flow and evaluating the performance of the Fund.

## Summary of Quarterly Results

(unaudited)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
(in millions except per unit amounts)	2006	2005	2006	2005	2005	2004	2005	2004
Revenue – transportation services	\$ 94.6	\$ 82.7	\$ 102.2	\$ 86.1	\$ 83.3	\$ 84.0	\$ 90.0	\$ 82.4
Revenue – fuel surcharges	12.9	9.0	15.4	11.4	13.4	6.0	9.5	9.1
Revenue – total	\$ 107.5	\$ 91.7	\$ 117.6	\$ 97.5	\$ 96.7	\$ 90.0	\$ 99.5	\$ 91.5
Net income from continuing operations	\$ 9.7	\$ 5.6	\$ 10.3	\$ 8.0	\$ 7.5	\$ 6.0	\$ 6.3	\$ 5.8
Earnings (loss) from discontinued operations	—	0.4	—	1.4	(0.7)	(1.3)	—	0.3
Net income	\$ 9.7	\$ 6.0	\$ 10.3	\$ 9.4	\$ 6.8	\$ 4.7	\$ 6.3	\$ 6.1
Earnings (loss) per unit – basic								
Continuing operations	\$ 0.34	\$ 0.20	\$ 0.36	\$ 0.28	\$ 0.27	\$ 0.22	\$ 0.23	\$ 0.21
Discontinued operations	—	0.01	—	0.05	(0.03)	(0.05)	—	0.01
	\$ 0.34	\$ 0.21	\$ 0.36	\$ 0.33	\$ 0.24	\$ 0.17	\$ 0.23	\$ 0.22
Earnings (loss) per unit – diluted								
Continuing operations	\$ 0.34	\$ 0.20	\$ 0.36	\$ 0.28	\$ 0.27	\$ 0.22	\$ 0.22	\$ 0.21
Discontinued operations	—	0.01	—	0.05	(0.03)	(0.05)	—	0.01
	\$ 0.34	\$ 0.21	\$ 0.36	\$ 0.33	\$ 0.24	\$ 0.17	\$ 0.22	\$ 0.22

### Results from Continuing Operations

Acquisitions generated additional revenues from transportation services (“revenue”) of \$11.3 million in the second quarter of 2006 (\$19.6 million year-to-date) and additional earnings before tax and discontinued operations (EBT) of \$0.8 million (\$1.5 million year-to-date) compared to the second quarter of 2005. UPM, a major customer located in New Brunswick that has been shut down for most of the past year and a half, resumed operations during the second quarter contributing approximately \$1.7 million of revenue. Rate increases and additional volumes also fuelled growth in the quarter. A relatively mild winter gave the Fund a good start to the year.

Operating expenses, as a percentage of revenue, were lower in 2006 compared to 2005 due to rate increases obtained from customers. Lower insurance expense and reduced maintenance and repair costs also contributed to the improvement over 2005.

Selling, general and administration expenses (“SG&A”) increased by \$0.7 million during the second quarter of 2006 compared to the second quarter of 2005 (\$1.4 million increase year-to-date) as a result of newly acquired operations. In addition, SG&A increased due to foreign exchange losses that were \$0.5 million higher in the second quarter of 2006 than in 2005 (\$0.7 million higher year-to-date). Total foreign exchange losses for the year-to-date in 2006 have amounted to \$0.4 million. Special tax planning work, severance costs and a provision for a sales tax audit assessment combined for another \$0.5 million of SG&A in the second quarter of 2006. These increased expenses were par-

tially offset through a savings, that management does not reasonably expect to recur, in certain compensation costs during the quarter. This resulted in reduced SG&A of \$1.2 million. In 2005, a \$0.6 million charge relating to the closure of Fillion was recorded in the second quarter and bad debt recoveries of \$0.3 million were recorded in the first quarter.

In 2002 and 2003, the Fund acquired vacant land adjacent to one of the Fund’s existing terminals in Woodstock, Ontario for potential future expansion. Commercial property values in Woodstock have since appreciated mainly due to Toyota Canada’s announcement to build an automotive plant in the area. In the first quarter, management re-evaluated the Fund’s future needs and decided that it had excess land holdings. Accordingly, the Fund sold this excess for proceeds of \$3.7 million resulting in a pre-tax gain of \$2.9 million and a related income tax provision of \$0.4 million (net impact of \$0.09 per unit).

### Seasonality

Generally, the second quarter is the Fund’s strongest period. Volumes from customers in the construction industry typically build as temperatures warm in the spring, peak in the autumn and then drop off with 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. Harsh winter weather conditions hinder traffic and increase operating costs.

### Cash Flow

Cash flow from continuing operating activities before changes in non-cash working capital balances amounted to \$14.6 million

in the second quarter of 2006 (\$25.7 million year-to-date) compared to \$10.9 million in the second quarter of 2005 (\$19.4 million year-to-date). This improvement resulted primarily from the increase in net income of the Fund.

Unitholders have increased their participation in the distribution reinvestment plan in 2006 resulting in an increase in the proceeds from the issuance of trust units compared to 2005.

Non-cash working capital items have increased in 2006 due to the additional revenue contributed by acquisitions. In addition, increased fuel surcharges have added approximately \$3.0 million to the Fund's accounts receivable.

The Fund paid a special distribution of \$6.5 million in the first quarter of 2006 to enable its unitholders to pay their additional taxes resulting from the sale by the Fund of the school bus business in 2005.

Management's first priority is to find suitable acquisition opportunities. In addition, management believes it is an effective investment to purchase its own units for cancellation when they are trading at depressed prices. The following table summarizes activity in 2006 from the Fund's normal course issuer bid:

	Units Purchased	Total Cost	Average Cost Per Unit
First quarter	25,000	\$ 295,500	—
Second quarter	80,000	981,909	—
Total	105,000	\$ 1,277,409	\$ 12.17

The Fund is authorized to purchase an additional 1,605,000 units through September 14, 2006 under the terms of its normal course issuer bid.

## UNITHOLDER DISTRIBUTIONS

### Distributable Cash (1)

(unaudited)

Period ended June 30

(in thousands except per unit amounts)

	Three Months		Six Months	
	2006	2005	2006	2005
Cash flow from operating activities	\$ 8,314	\$ 9,380	\$ 15,044	\$ 14,960
Net change in non-cash working capital (2)	6,267	1,495	10,610	4,442
Proceeds from sale of equipment (3)	449	951	1,220	2,087
Asset retirement obligations – settlements	(40)	—	(52)	—
Maintenance capital expenditures (1) (4)	(1,970)	(2,044)	(3,781)	(4,158)
Distributable cash earned from continuing operations before land proceeds	13,020	9,782	23,041	17,331
Distributable cash earned from discontinued operations	—	2,876	—	4,374
Total distributable cash earned before land proceeds	13,020	12,658	23,041	21,705
Proceeds from sale of land (3)	—	—	3,717	—
Total distributable cash earned	13,020	12,658	26,758	21,705
Distributions declared	(8,900)	(8,741)	(17,780)	(17,451)
Surplus of excess distributable cash earned vs. distributions declared	\$ 4,120	\$ 3,917	\$ 8,978	\$ 4,254
Distributable cash earned per unit (basic) from:				
Continuing operations before proceeds from sale of land	\$ 0.46	\$ 0.35	\$ 0.81	\$ 0.62
Proceeds from sale of land	—	—	0.13	—
Discontinued operations	—	0.10	—	0.16
	0.46	0.45	0.94	0.78
Distributions declared per unit (basic)	(0.31)	(0.31)	(0.63)	(0.63)
Surplus of excess distributable cash earned per unit (basic) vs. distributions declared per unit	\$ 0.15	\$ 0.14	\$ 0.31	\$ 0.15
Weighted average number of units outstanding (basic)	28,472	27,946	28,426	27,898
Capital Expenditures – continuing operations				
Maintenance capital expenditures	\$ 1,970	\$ 2,044	\$ 3,781	\$ 4,158
Growth capital expenditures (1)	4,320	1,602	8,767	2,919
Total capital expenditures	\$ 6,290	\$ 3,646	\$ 12,548	\$ 7,077

(1) Distributable cash, maintenance capital expenditures and growth capital expenditures are not measures recognized by GAAP, do not have standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similarly named measures presented by other issuers. However, management believes that they are important and useful measures for readers to evaluate the performance of the Fund.

(2) Cash used to fund working capital, growth capital expenditures or debt repayments does not affect amounts that can be distributed to unitholders where financing is available. Similarly, cash generated by changes in non-cash working capital is not considered distributable to unitholders.

(3) Proceeds from the sale of property and equipment effectively reduce the cost of maintenance capital expenditures. Therefore these proceeds are considered distributable to unitholders.

(4) Maintenance capital expenditures refer to capital expenditures that are necessary to sustain current revenue levels.

During the first six months of 2006, the Fund has invested \$1.3 million in real estate and \$7.5 million in equipment relating to a number of growth initiatives. A terminal is under construction in Edmonton, Alberta, with completion expected this fall, to support growth in that region. As part of a strategy to gain greater market share in the scrap metal transportation business, the Fund has acquired \$2.0 million of new rolling stock for its newly-formed plant services operation in Ontario. The Fund has also expended \$3.1 million to meet additional demands for dedicated equipment from customers. Due to a change in regulations that govern weights and dimensions of multi-axle trailers, the Fund purchased \$2.4 million of new

trailing equipment in advance of the date that the new regulations became effective. With the new regulations now in effect, the cost of new multi-axle equipment has increased. Although there was not an immediate need for the equipment when purchased, the purchases have allowed the Fund to react more quickly to new opportunities. Based on recent internal growth, management expects that these expenditures will continue to generate additional revenue.

Each month the Fund's trustees assess the Fund's actual and expected performance as well as the Fund's expected capital requirements to maintain its fleet prior to declaring a distribution.

### Liquidity and Capital Resources

(unaudited)

As at June 30, 2006

(in millions)

Cash and cash equivalents	\$ 13.4
Operating line cash available	30.0
Current ratio	2.2:1
Total debt (including future tax obligations) to equity ratio	0.6:1

### Property and Equipment

(unaudited)

As at June 30, 2006

	Owned	Leased	Owner-operated	Total
Tractors	284	465	881	1,630
Trailers	1,746	553	105	2,404
Major office and terminal locations	17	2	—	19

### Contractual Obligations

(unaudited)

(in millions)	2006	2007	2008	2009	2010	Thereafter	Total
Long-term debt	\$ 0.7	\$ 0.4	\$ 37.8	\$ 0.4	\$ 0.1	\$ 2.7	\$ 42.1
Lease obligations	6.3	11.1	9.5	6.2	2.5	0.6	36.2
Total	\$ 7.0	\$ 11.5	\$ 47.3	\$ 6.6	\$ 2.6	\$ 3.3	\$ 78.3

### Outstanding Units

(unaudited)

As at July 31, 2006

(in thousands)

Subordinate voting trust units	22,261
Class A LP units	4,810
Class B LP units	1,468
Total	28,539

### Critical Accounting Estimates

Management is required to make significant estimates and assumptions in preparing its financial statements. Management's discussion and analysis in the Fund's 2005 annual report contains a discussion of critical accounting estimates on page 10. These estimates have remained substantially unchanged. Furthermore, 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 the Fund's financial position, changes in financial condition or results of operations.

### **Financial Instruments**

The Fund, from time to time, enters into foreign exchange contracts to manage its exposure to currency fluctuations. The Fund has entered into foreign exchange contracts with an aggregate value of US \$10 million to sell U.S. funds during the period August 2006 to December 2006. The contracts expire on a monthly basis starting in August and enable the Fund to sell U.S. dollars between CAD \$1.10 and CAD \$1.1465.

### **Business Risks**

Management's discussion and analysis in the Fund's 2005 annual report contains a discussion of business risks on pages 10 and 11. Those risks remain in effect as at June 30, 2006.

### **Transactions with Related Parties**

In the second quarter of 2006, the Fund purchased certain highway tractors for consideration of \$0.5 million (\$0.7 million year-to-date) from Peterbilt of Ontario Inc., a company controlled by the Chairman of the Fund. In addition, \$1.0 million (\$1.9 million year-to-date) of expenses related to the Fund's tractor repairs, maintenance and lease costs were paid to this company during the quarter. These transactions were carried

out in the normal course of business and recorded at the exchange amount, which management believes approximates an arm's length arrangement.

### **Additional Information**

Additional information, including the Fund's Annual Information Form, is available at [www.sedar.com](http://www.sedar.com).

### **Forward-looking Statements**

Management's discussion and analysis contains certain forward-looking statements. These statements relate to future events or future performance. In some cases, forward-looking statements can be identified 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 of management of the Fund with respect to future events. Actual events or results may differ materially. In evaluating these statements, readers should specifically consider various factors, including the risks outlined under "Risk Factors" in the Fund's Annual Information Form which is available at [www.sedar.com](http://www.sedar.com). These factors may cause actual results to differ materially from any forward-looking statement.

August 11, 2006

## CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands except per unit amounts)

(unaudited)

For the period ended June 30	Three Months		Six Months	
	2006	2005	2006	2005
<b>Revenue</b>	<b>\$ 117,560</b>	\$ 97,535	<b>\$ 225,055</b>	\$ 189,267
Operating expenses	<b>93,370</b>	77,513	<b>179,888</b>	152,580
Selling, general and administration expenses	<b>9,021</b>	8,701	<b>18,481</b>	16,620
Amortization of property and equipment	<b>3,380</b>	2,513	<b>6,483</b>	4,893
Amortization of intangible assets	<b>565</b>	304	<b>1,031</b>	606
	<b>11,224</b>	8,504	<b>19,172</b>	14,568
Net interest (income) expense – long-term	<b>675</b>	570	<b>1,326</b>	1,220
– short-term	<b>(169)</b>	(305)	<b>(460)</b>	(694)
<b>Income before Income Taxes, Discontinued Operations and Gain on Sale of Land</b>	<b>10,718</b>	8,239	<b>18,306</b>	14,042
Gain on sale of land (Note 7)	<b>—</b>	—	<b>2,867</b>	—
<b>Income before Income Taxes and Discontinued Operations</b>	<b>10,718</b>	8,239	<b>21,173</b>	14,042
Income taxes	<b>424</b>	291	<b>1,140</b>	472
<b>Net Income from Continuing Operations</b>	<b>10,294</b>	7,948	<b>20,033</b>	13,570
Income from discontinued operations net of tax	<b>—</b>	1,444	<b>—</b>	1,796
<b>Net Income</b>	<b>\$ 10,294</b>	\$ 9,392	<b>\$ 20,033</b>	\$ 15,366
Net income per unit – basic				
Continuing operations	<b>\$ 0.36</b>	\$ 0.28	<b>\$ 0.70</b>	\$ 0.49
Discontinued operations	<b>—</b>	0.05	<b>—</b>	0.06
	<b>\$ 0.36</b>	\$ 0.33	<b>\$ 0.70</b>	\$ 0.55
Net income per unit – diluted				
Continuing operations	<b>\$ 0.36</b>	\$ 0.28	<b>\$ 0.70</b>	\$ 0.48
Discontinued operations	<b>—</b>	0.05	<b>—</b>	0.06
	<b>\$ 0.36</b>	\$ 0.33	<b>\$ 0.70</b>	\$ 0.54
Weighted average number of units outstanding – basic	<b>28,472</b>	27,946	<b>28,426</b>	27,898
Weighted average number of units outstanding – diluted	<b>28,540</b>	28,318	<b>28,553</b>	28,266

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands)

(unaudited)

For the period ended June 30	Three Months		Six Months	
	2006	2005	2006	2005
<b>Retained Earnings</b> – Beginning of Period	<b>\$ 20,312</b>	\$ 29,893	<b>\$ 19,629</b>	\$ 32,629
Net income	<b>10,294</b>	9,392	<b>20,033</b>	15,366
Premium paid on units repurchased	<b>(597)</b>	—	<b>(773)</b>	—
Distributions declared	<b>(8,900)</b>	(8,741)	<b>(17,780)</b>	(17,451)
<b>Retained Earnings</b> – End of Period	<b>\$ 21,109</b>	\$ 30,544	<b>\$ 21,109</b>	\$ 30,544

The accompanying notes are an integral part of these statements.

## CONSOLIDATED BALANCE SHEETS

(in thousands)

As at	<b>June 30</b> <b>2006</b>	<b>December 31</b> <b>2005</b>
<b>Assets</b>	<i>(unaudited)</i>	<i>(audited)</i>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 13,388	\$ 46,259
Accounts receivable	53,342	45,124
Other current assets	8,224	5,460
	<b>74,954</b>	96,843
<b>Property and Equipment</b>	<b>105,258</b>	90,989
<b>Goodwill</b>	<b>24,279</b>	18,318
<b>Intangible Assets</b>	<b>17,821</b>	14,382
	<b>\$ 222,312</b>	\$ 220,532
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 30,097	\$ 29,516
Distributions payable	2,971	9,447
Income taxes payable	—	440
Current portion of long-term debt	902	577
	<b>33,970</b>	39,980
<b>Long-term Debt</b>	<b>41,212</b>	40,038
<b>Asset Retirement Obligations</b>	<b>980</b>	939
<b>Future Income Taxes</b>	<b>8,818</b>	7,675
	<b>84,980</b>	88,632
<b>Unitholders' Equity</b>		
Contributed surplus	556	413
Trust units	115,667	111,858
Retained earnings	21,109	19,629
	<b>137,332</b>	131,900
	<b>\$ 222,312</b>	\$ 220,532

The accompanying notes are an integral part of these statements.

Signed on behalf of the Board of Trustees



**Stan G. Dunford**, Trustee



**Archie M. Leach, C.A.**, Trustee

## CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands)  
(unaudited)

For the period ended June 30	Three Months		Six Months	
	2006	2005	2006	2005
<b>Cash Provided by (Used in)</b>				
<b>Operating Activities</b>				
Net income from continuing operations	\$ 10,294	\$ 7,948	\$ 20,033	\$ 13,570
Items not affecting cash:				
Unit-based compensation cost (Note 4)	(12)	(20)	180	163
Unrealized foreign exchange loss (gain)	—	121	—	(31)
Asset retirement obligations – accretion	12	26	23	26
Amortization of property and equipment	3,380	2,513	6,483	4,893
Amortization of intangible assets	565	304	1,031	606
Future income taxes	250	157	810	332
Gain on sale of land (Note 7)	—	—	(2,867)	—
Loss (gain) on sale of equipment	92	(174)	(39)	(157)
	14,581	10,875	25,654	19,402
Change in non-cash working capital (Note 5)	(6,267)	(1,495)	(10,610)	(4,442)
	8,314	9,380	15,044	14,960
<b>Investing Activities</b>				
Expended on acquisitions (Note 2)	(13,854)	(1,020)	(19,027)	(1,020)
Asset retirement obligations – settlements	(40)	—	(52)	—
Sale of land (Note 7)	—	—	3,717	—
Sale of equipment	449	951	1,220	2,087
Purchase of property and equipment	(6,290)	(3,646)	(12,548)	(7,077)
	(19,735)	(3,715)	(26,690)	(6,010)
<b>Financing Activities</b>				
Distributions paid – Regular	(8,894)	(8,731)	(17,755)	(17,434)
– Special	—	—	(6,501)	—
Proceeds from long-term debt	11	548	125	548
Repayment of long-term debt	(64)	(273)	(93)	(857)
Repurchase of units	(981)	—	(1,277)	—
Issuance of units	1,967	1,303	4,276	2,251
	(7,961)	(7,153)	(21,225)	(15,492)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
Continuing operations	(19,382)	(1,488)	(32,871)	(6,542)
Discontinued operations	—	(1,980)	—	64
<b>Cash and Cash Equivalents – Beginning of Period</b>	32,770	17,689	46,259	20,699
<b>Cash and Cash Equivalents – End of Period</b>	\$ 13,388	\$ 14,221	\$ 13,388	\$ 14,221

The accompanying notes are an integral part of these statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the periods ended June 30, 2006 and 2005  
(Unaudited, tabular amounts in thousands except for per unit amounts)

**1. Basis of Presentation**

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements using the same accounting policies as were applied in the audited consolidated financial statements for the year ended December 31, 2005. These interim financial statements do not conform in all respects with disclosure required for annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Fund for the year ended December 31, 2005.

**2. Acquisitions**

Six months ended June 30, 2006	General Freight	Spectrum	Future	Other	Total
Accounts receivable	\$ 949	\$ 1,226	\$ —	\$ —	\$ 2,175
Other current assets	533	248	—	—	781
Property and equipment	4,059	3,653	1,793	660	10,165
Intangible assets					
Customer relationships	550	2,370	—	210	3,130
Non-competition agreements	160	790	350	40	1,340
Goodwill	491	3,536	1,384	550	5,961
<b>Fair value of assets acquired</b>	<b>6,742</b>	<b>11,823</b>	<b>3,527</b>	<b>1,460</b>	<b>23,552</b>
Accounts payable and accrued liabilities	1,607	863	205	50	2,725
Long-term debt	—	—	1,322	145	1,467
Future income taxes	85	248	—	—	333
<b>Fair value of liabilities assumed</b>	<b>1,692</b>	<b>1,111</b>	<b>1,527</b>	<b>195</b>	<b>4,525</b>
	<b>\$ 5,050</b>	<b>\$ 10,712</b>	<b>\$ 2,000</b>	<b>\$ 1,265</b>	<b>\$ 19,027</b>
<b>Consideration</b>					
Cash	\$ 5,050	\$ 10,712	\$ 2,000	\$ 1,265	\$ 19,027

Entity acquired	Date	% Shares Acquired	Province	Service Area
General Freight Carriers Inc. ("General")	17-Jan-06	100%	New Brunswick	Flatbed
Spectrum Transport Ltd. ("Spectrum")	04-Apr-06	100%	Alberta	Tank & Dump
Vanadium Machines Ltd. ("Other")	26-Apr-06	100%	Ontario	Dump
Future Transfer Co. Inc. ("Future")	01-May-06	Assets acquired	Ontario	Tank
B.I.Z. Mechanical Inc. ("Other")	02-Jun-06	Assets acquired	Ontario	Dump

These acquisitions have been accounted for using the purchase method and the results of operations from the acquisition dates have been included in these consolidated financial statements. The purchase prices are subject to final adjustments.

**3. Financial Instruments**

The Fund, from time to time, enters into foreign exchange contracts to mitigate its exposure to currency fluctuations. The Fund has entered into foreign exchange contracts with an aggregate value of US \$10 million to sell U.S. funds during the period August 2006 to December 2006. The contracts expire on a monthly basis starting in August and enable the Fund to sell U.S. dollars between CAD \$1.10 and CAD \$1.1465.

#### 4. Unit-based Compensation

Period ended June 30, 2006

	Three Months		Six Months	
	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price
Unit options outstanding, beginning of period	2,306	\$ 12.18	1,331	\$ 11.56
Granted	—	—	975	13.01
Cancelled	(46)	11.50	(46)	11.50
Exercised	(81)	11.50	(81)	11.50
Unit options outstanding, end of period	2,179	\$ 12.21	2,179	\$ 12.21
Unit options exercisable, end of period	818	\$ 11.90	818	\$ 11.90
Amount charged to compensation expense		\$ (12)		\$ 180

#### 5. Cash Flow

Change in non-cash working capital:

Period ended June 30

	Three Months		Six Months	
	2006	2005	2006	2005
Decrease (increase) in accounts receivable	\$ (4,274)	\$ 201	\$ (6,043)	\$ (1,167)
Increase in other current assets	(158)	(367)	(1,983)	(1,211)
Decrease in accounts payable and accrued liabilities	(2,127)	(1,593)	(2,144)	(1,427)
Increase (decrease) in income taxes payable	292	264	(440)	(637)
Change in non-cash working capital	\$ (6,267)	\$ (1,495)	\$ (10,610)	\$ (4,442)
Cash paid in respect of:				
Interest	\$ 489	\$ 265	\$ 835	\$ 526
Income taxes (net of refunds received)	(80)	(129)	808	777

#### 6. Seasonality

The Fund is subject to seasonal influences. Freight transportation volumes have historically peaked in the second and third quarters of the year. Freight shipments in the first and fourth quarters are affected by winter weather conditions and plant closings during the Christmas holiday season.

#### 7. Sale of Land

During the first quarter, the Fund sold a vacant parcel of land that was in excess of operating requirements for proceeds of \$3.7 million. This transaction resulted in a gain of \$2.9 million before an income tax charge of \$0.4 million.





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