



CONTRANS GROUP INC.

*FIRST QUARTER REPORT
MARCH 31, 2011*

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REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER



We have been encouraged by evidence that the economic recovery is gaining momentum. Shipping activity has increased with many of our customers. We are also beginning to see more tenders for freight. Recently, Contrans was awarded two major contracts. In addition, thanks to last year's equity issue, Contrans has a very strong balance sheet that has the Company well-positioned to act on opportunities to grow accretively.

Contrans' new waste collection business has shown steady organic growth that has produced results that have exceeded our expectations. We believe that this business can provide excellent long-term value to Contrans' shareholders and we anticipate growing this business further.

For years, Contrans has had equipment that has been the envy of the industry and the standard against which others have measured themselves. Last year, in anticipation of an improving economy, we decided to invest in further upgrading

our equipment. We now have the youngest, most competitive fleet that we have ever had.

On January 19, 2011, after considering Contrans' financial results and improving outlook, the Company's Board of Directors concluded that it was appropriate to announce an increase in the dividend rate payable to the Company's shareholders by 25% from \$0.08 per share per quarter to \$0.10 per share per quarter.

Respectfully submitted,

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

*Stan G. Dunford
Chairman and Chief Executive Officer
May 30, 2011*

MANAGEMENT'S DISCUSSION AND ANALYSIS

The consolidated interim financial statements contained in this interim report have been reported in Canadian funds and have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") and with International Financial Reporting Standards ("IFRS") 1, First-time Adoption of IFRS. The financial statements should be read in conjunction with the analysis that follows. A cautionary note regarding non-GAAP financial measures and forward-looking statements follows this Management's Discussion and Analysis of operations and financial condition.

Financial Highlights

Three months ended March 31

(\$CAD millions except per share amounts)

	2011		2010	
Revenue – as stated	\$ 101.1		\$ 93.8	
– fuel surcharges	(12.5)		(9.3)	
Revenue – transportation services	88.6	100.0%	84.5	100.0%
Direct operating expenses – net of fuel surcharges ⁽¹⁾	72.4	81.7	69.0	81.7
Gross margin	16.2	18.3	15.5	18.3
General and administration expenses	9.9	11.2	8.8	10.4
Net financing costs	1.2	1.4	1.5	1.8
Earnings before income taxes (EBT)	5.1	5.7	5.2	6.1
Income tax expense	1.6	1.8	1.6	1.9
Net earnings and comprehensive income	\$ 3.5	3.9%	\$ 3.6	4.2%
Earnings per share – basic and diluted	\$ 0.10		\$ 0.12	
Weighted average shares outstanding	35,794		29,938	

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

Results from Operations

Revenue

Contrans acquired its waste collection business near the end of the third quarter in 2010. This business contributed \$3.5 million to 2011 first quarter ("2011 Q1") revenue from transportation services ("revenue"). Contrans' other operations produced mixed results leading to revenue being flat year over year. Revenue from fuel surcharges was higher in 2011 Q1 than in the first quarter of 2010 ("2010 Q1") due to higher diesel prices.

Direct operating expenses

Management negotiated lower insurance premiums that reduced operating expenses when measured as a percentage of revenue in 2011 Q1 compared to 2010 Q1. This reduction was partially offset by increased fuel prices that outpaced the fuel surcharge programs that Contrans has in place with its customers. In addition, depreciation of company-owned tractors

and trailers increased in 2011 Q1 compared to 2010 Q1 due to higher than normal capital expenditures in 2010 and in 2011 Q1.

General and administration expenses ("G&A")

G&A expenses have increased in 2011 Q1 compared to 2010 Q1 primarily due to the cancellation, in March 2010, of Contrans' wage roll-back program. Salaries and wages were rolled back and management bonuses were eliminated in 2009 as part of company-wide cost savings initiatives in response to the poor business climate at that time. Contrans' waste collection business added \$0.6 million in G&A in 2011 Q1. During 2011 Q1, management reduced provisions for doubtful accounts by \$0.4 million.

Net financing costs

Net financing costs decreased in 2011 Q1 compared to 2010 Q1 primarily due to the additional cash and cash equivalents and short-term investments made available from the issue of shares in 2010.

Summary of Quarterly Results

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
(\$CAD millions except per share amounts)	2011	2010	2010 ⁽¹⁾	2009 ⁽¹⁾	2010 ⁽¹⁾	2009 ⁽¹⁾	2010 ⁽¹⁾	2009 ⁽¹⁾
Revenue – as stated	\$ 101.1	\$ 93.8	\$ 101.0	\$ 87.4	\$ 101.7	\$ 99.0	\$ 99.8	\$ 99.2
Revenue – fuel surcharges	(12.5)	(9.3)	(9.9)	(6.0)	(8.9)	(8.0)	(9.7)	(9.3)
Revenue – transportation services	88.6	84.5	91.1	81.4	92.8	91.0	90.1	89.9
Net earnings	\$ 3.5	\$ 3.6	\$ 5.2	\$ 6.2	\$ 4.4	\$ 6.8	\$ 4.6	\$ 8.5
Earnings per share – basic and diluted	\$ 0.10	\$ 0.12	\$ 0.16	\$ 0.20	\$ 0.12	\$ 0.23	\$ 0.14	\$ 0.29

(1) Amounts reported using Canadian GAAP in effect prior to the adoption of IFRS.

On December 1, 2009, Contrans converted from an income trust to a corporation and became subject to corporate income taxes. Net earnings were adversely affected accordingly.

Seasonality

Generally, the second quarter is Contrans' strongest period. Volumes from customers in the construction industry typically increase in the spring, peak in the fall and then decline with the onset of winter. 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.

Cash Flow

Contrans incurred \$10.8 million of capital expenditures in 2011 Q1, of which approximately half was financed through finance leases. These capital expenditures consisted mainly of purchases of trailers and tractors. Management currently expects to incur a similar level of capital expenditure in 2011 as it did in 2010.

On January 19, 2011, a dividend of \$0.08 per share, paid on February 15, 2011 and totalling \$2.9 million, was declared by Contrans' Board of Directors. On April 18, 2011, the Board declared a dividend of \$0.10 per share, totalling \$3.6 million, that was paid on May 13, 2011. The payment of dividends is subject to the discretion of Contrans' Board of Directors. Prior to declaring dividends, the Board of Directors considers many factors including Contrans' overall financial condition, its expected future financial performance, its anticipated capital requirements as well as its debt repayment obligations and compliance with the covenants that are contained in Contrans' loan agreements.

Contractual Obligations

As at March 31, 2011
(\$CAD millions)

	2011	2012	2013	2014	2015	Thereafter	Total
Senior secured notes payable	\$ 4.0	\$ 5.2	\$ 37.0	\$ 3.4	\$ 3.5	\$ 54.8	\$ 107.9
Equipment financing agreements	1.2	1.5	1.6	1.6	0.9	0.1	6.9
Finance lease liabilities	2.9	3.7	3.3	3.0	0.7	—	13.6
Operating lease commitments	2.6	2.1	1.2	0.5	—	—	6.4
Accounts payable and accrued liabilities	31.0	—	—	—	—	—	31.0
Equipment purchase commitments	13.5	—	—	—	—	—	13.5
Total	\$ 55.2	\$ 12.5	\$ 43.1	\$ 8.5	\$ 5.1	\$ 54.9	\$ 179.3

Outstanding Shares

As at April 30, 2011
(in thousands)

Class A Subordinate Voting Shares	34,326
Class B Multiple Voting Shares	1,468
Total	35,794

Liquidity and Capital Resources

As at March 31, 2011
(\$CAD millions)

Cash and cash equivalents	\$	18.4
Short-term investments	\$	61.5
Operating line cash available	\$	24.5
Current ratio		3.0:1
Total debt (including future tax obligations) to equity ratio		0.9:1

Contrans currently has a very strong balance sheet. This is primarily due to the raising of share capital through an equity issue by the Company in June 2010. Management is seeking to deploy part or all of this capital by making further acquisitions.

Contrans requires working capital to fund day-to-day operating activities and to pay dividends to its shareholders. These requirements are sourced from operating cash flows that management believes are sufficient to meet these needs. The Company's operating line, which is secured by and margined with accounts receivable, is believed to be adequate to meet seasonal working capital requirements.

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

(\$CAD millions)

December 15, 2013	\$	31.9
October 15, 2016	\$	50.0

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:

<i>Financial Statement Item</i>	<i>Methodology, Assumptions</i>
<i>Accounts receivable – provisions for doubtful accounts</i>	<i>Specific account analysis performed and provisions created. A general provision is also established based on past experience of write-offs.</i>
<i>Property, equipment and intangible assets – useful lives, rates of depreciation</i>	<i>Based on past experience.</i>
<i>Provisions – matters involving litigation or accident claims</i>	<i>Settlement estimates are based on information provided by legal counsel or insurance claims professionals and based on levels of insurance coverage and of deductibles in place.</i>
<i>Income tax estimates</i>	<i>Requires estimates of future taxable income and exercise of judgement regarding the probability that the future tax assets will be realized.</i>
<i>Lease classification</i>	<i>Determining whether substantially all the risks and rewards incidental to ownership have been transferred to the Company is based on past experience and the terms of lease agreements.</i>
<i>Share-based payments</i>	<i>Estimates of risk-free rates of return, expected volatility, expected life of options and market conditions based on past experience, current market values and discussions with investment bankers.</i>
<i>Purchase price allocations</i>	<i>Values for tangible assets are based on estimates of current market values. Values for customer relationships and non-competition agreements are based on discounted expected future cash flows and estimates of the impact of possible competition from the vendor.</i>
<i>Cash generating units – impairment testing</i>	<i>Based on expected future earnings. Consideration is given to past performance and future conditions that are known or expected to change. Consideration is also given to opinions received from third party advisors regarding the application of appropriate earnings multiples.</i>

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

International Financial Reporting Standards

The accompanying consolidated interim financial statements have been prepared in accordance with IAS 34 and with IFRS 1. These are Contrans' first IFRS consolidated interim financial statements and do not include all of the information required for full annual financial statements.

The impact of adopting IFRS is fully described in the notes to the financial statements. Management believes that the following standards will have the most significant ongoing impact on Contrans' financial statements and should be considered if comparing IFRS financial statements with Contrans' financial statements prepared under Canadian GAAP prior to the adoption of IFRS ("CGAAP").

IAS 36 – Impairment of Assets

Under IAS 36, testing for impairment is carried out on the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows

of other assets or groups of assets. Testing must be carried out the earlier of once per year or sooner if there is an indication of possible impairment. The entire group of assets to be tested is therefore comprised of tangible and intangible assets, including goodwill, belonging to the same cash generating unit ("CGU"). Under IFRS, CGUs align with Contrans' legal entities.

Under CGAAP, goodwill impairment was tested at the reporting unit level. A reporting unit consisted of a group of independent operating entities (similar to CGUs under IFRS) that had similar economic characteristics. Under CGAAP, Contrans had six reporting units, each aligned with Contrans' service lines. Impairment losses for individual operating entities within Contrans' reporting units were more than offset by the total surplus of fair values over carrying values of the other operating entities within the same reporting unit. Accordingly, Contrans did not record any goodwill impairment losses under CGAAP.

After the implementation of IFRS, however, any impairment arising on an individual operating entity will be recognized and charged to earnings in the period in which the impairment occurs.

Management had previously intended to apply the provisions of IFRS 3, Business Combinations, retrospectively. After consultations with the Company's auditor, however, management concluded that the benefits of applying this standard retrospectively were neither practical nor appropriate.

New Accounting Pronouncements

In October 2010, the International Accounting Standards Board issued IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amount, timing and uncertainty of an entity's future cash flows. This new standard is effective for Contrans' interim and annual consolidated financial statements commencing January 1, 2013. Contrans is assessing the impact of this new standard on its consolidated financial statements.

Financial Instruments

Contrans enters into foreign exchange contracts from time to time to manage its exposure to currency fluctuations. As at March 31, 2011, Contrans had no exchange contracts outstanding.

Business Risks

The MD&A contained on pages 10 and 11 in Contrans' 2010 annual report discusses business risks. Those risks remain in effect as at the date of this report.

Controls and Procedures

Management is in the process of designing and implementing a system of controls in its waste collection business. This operation had total assets of \$18 million as at March 31, 2011.

No changes were made in Contrans' systems that have materially affected the Company's internal control over financial reporting during the three month period ended March 31, 2011.

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 any instances of fraud, 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 2011 Q1, Contrans paid \$1.8 million to Peterbilt of Ontario Inc., a company controlled by the Chairman of Contrans, for tractor repairs, vehicle maintenance, equipment purchases and lease costs. In addition, Contrans leased certain premises to Peterbilt of Ontario Inc. in 2011 Q1 for \$0.1 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 a non-GAAP financial measure, "Operating expenses – net of fuel surcharges", to supplement its consolidated financial statements. This non-GAAP measure does not have any standardized meaning prescribed under IFRS and therefore it 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 IFRS.

Management believes that it is important to isolate the effects of fuel surcharges, a volatile source of revenue and operating expenses, when analyzing operating results. 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 expenses and profit margins 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 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 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. 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.

May 30, 2011

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(\$CAD thousands except for per share amounts)

(unaudited)

<i>For the three months ended March 31</i>	2011	2010
Revenue		
<i>Transportation services</i>	\$ 88,605	\$ 84,446
<i>Fuel surcharges</i>	12,489	9,346
	101,094	93,792
<i>Direct operating expenses</i>	84,936	78,332
Gross Margin	16,158	15,460
<i>General and administration expenses</i>	9,890	8,813
<i>Finance costs</i>	1,542	1,494
<i>Finance income</i>	(303)	(35)
Earnings Before Income Taxes	5,029	5,188
<i>Income tax expense</i>	1,577	1,638
Net Earnings and Comprehensive Income	\$ 3,452	\$ 3,550
<i>Earnings per share - basic and diluted (Note 10)</i>	\$ 0.10	\$ 0.12
<i>Weighted average number of shares outstanding – basic and diluted</i>	35,794	29,938

The accompanying notes are an integral part of these consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(\$CAD thousands)

(unaudited)

	Contributed Surplus	Share Capital	Retained Deficit	Total
<i>Balance at January 1, 2011</i>	\$ 961	\$ 182,922	\$ (5,655)	\$ 178,228
<i>Net earnings and comprehensive income</i>	—	—	3,452	3,452
<i>Dividends declared ⁽¹⁾</i>	—	—	(2,864)	(2,864)
Balance at March 31, 2011	\$ 961	\$ 182,922	\$ (5,067)	\$ 178,816
<i>Balance at January 1, 2010</i>	\$ 961	\$ 128,716	\$ (15,199)	\$ 114,478
<i>Net earnings and comprehensive income</i>	—	—	3,550	3,550
<i>Balance at March 31, 2010</i>	\$ 961	\$ 128,716	\$ (11,649)	\$ 118,028

The accompanying notes are an integral part of these consolidated interim financial statements.

(1) \$0.08 per share.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(\$CAD thousands)

(unaudited)

As at	March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current Assets			
Cash and cash equivalents (Note 3)	\$ 18,424	\$ 24,442	\$ 30,193
Short-term investments	61,539	61,318	—
Trade and other receivables	50,345	48,378	48,909
Income tax recoverable	—	—	495
Other current assets	5,827	5,446	5,089
Total Current Assets	136,135	139,584	84,686
Non-Current Assets			
Restricted cash	—	—	7,375
Note receivable	—	—	88
Property and equipment (Note 4)	122,677	116,253	103,185
Intangible assets (Note 5)	72,992	74,041	65,020
Total Non-Current Assets	195,669	190,294	175,668
Total Assets	\$ 331,804	\$ 329,878	\$ 260,354
Liabilities			
Current Liabilities			
Trade and other payables	\$ 30,985	\$ 32,234	\$ 32,849
Distributions payable	—	—	4,491
Income taxes payable	8,754	6,556	—
Finance lease liabilities (Note 6)	3,183	2,049	1,921
Long-term debt	1,724	1,632	339
Total Current Liabilities	44,646	42,471	39,600
Non-Current Liabilities			
Finance lease liabilities (Note 6)	9,137	5,552	6,978
Long-term debt	89,301	89,221	85,193
Deferred tax liabilities	9,904	14,406	14,105
Total Non-Current Liabilities	108,342	109,179	106,276
Total Liabilities	152,988	151,650	145,876
Equity			
Contributed surplus	961	961	961
Share capital	182,922	182,922	128,716
Retained deficit	(5,067)	(5,655)	(15,199)
Total Equity	178,816	178,228	114,478
Total Liabilities and Equity	\$ 331,804	\$ 329,878	\$ 260,354

Contingency and Commitments (Note 8). Subsequent Events (Note 14).

The accompanying notes are an integral part of these consolidated interim financial statements.

Signed on behalf of the Board of Directors



Stan G. Dunford, Director



Archie M. Leach, C.A., Director

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(\$CAD thousands)

(unaudited)

<i>For the three months ended March 31</i>	2011	2010
Cash Provided by (Used in) Operating Activities		
Net earnings	\$ 3,452	\$ 3,550
Income tax expense	1,577	1,638
Net financing costs	1,239	1,459
Change in unrealized gain on foreign exchange	(72)	(20)
Long-term debt – accretion	20	20
Asset retirement obligations – accretion	—	7
Depreciation (Note 4)	3,611	3,052
Amortization (Note 5)	1,049	764
Gain on sale of equipment	(162)	(86)
	10,714	10,384
Changes in non-cash working capital (Note 7)	(3,606)	284
	7,108	10,668
Taxes refunded (paid)	(3,881)	61
Interest paid	(1,535)	(1,488)
Cash Provided by Operating Activities	1,692	9,241
Cash Provided by (Used in) Investing Activities		
Proceeds from sale of property and equipment	878	497
Proceeds from note receivable	—	31
Purchase of short-term investments	(15,063)	—
Proceeds from sale of short-term investments	15,000	—
Asset retirement obligations – settlement	—	(61)
Interest received	147	35
Acquisition of business (Note 9)	—	(448)
Purchase of property and equipment	(5,290)	(4,257)
Net Cash Used in Investing Activities	(4,328)	(4,203)
Cash Provided by (Used in) Financing Activities		
Proceeds from long-term debt	1,007	118
Repayment of long-term debt	(797)	(197)
Payment of finance lease liabilities	(728)	(566)
Dividends paid	(2,864)	(4,491)
Net Cash Used in Financing Activities	(3,382)	(5,136)
Decrease in Cash and Cash Equivalents	(6,018)	(98)
Cash and Cash Equivalents – Beginning of Period	24,442	30,193
Cash and Cash Equivalents – End of Period	\$ 18,424	\$ 30,095

The accompanying notes are an integral part of these consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the periods ended March 31, 2011 and 2010

(Unaudited, tabular amounts in \$CAD thousands except for per share amounts)

1. General Information

Contrans Group Inc. ("CGI") is located at 1179 Ridgeway Road, Woodstock, Ontario, Canada. The consolidated interim financial statements as at and for the three months ended March 31, 2011 comprise CGI and its subsidiaries ("Contrans"). Contrans operates in a single reportable industry segment, freight transportation. CGI's Class A Subordinate Voting Shares are listed on the Toronto Stock Exchange under the symbol "CSS". 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.

The consolidated interim financial statements were authorized for issuance on May 30, 2011 by CGI's Board of Directors.

2. Significant Accounting Policies

Basis of preparation

These consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") and with International Financial Reporting Standards ("IFRS") 1, First-time Adoption of IFRS. These are Contrans' first IFRS consolidated interim financial statements. These consolidated interim financial statements do not include all of the information required for full annual financial statements. The policies set out below were consistently applied to all the periods presented unless otherwise noted below. Prior to adoption of IFRS, Contrans prepared its financial statements in accordance with Canadian generally accepted accounting principles ("CGAAP").

The preparation of the consolidated interim financial statements in accordance with IAS 34 resulted in changes to the accounting policies compared to the financial statements prepared as at and for the year ended December 31, 2010. The impact of the transition from CGAAP to IFRS on the reported financial position, financial performance and cash flows is explained in Note 15.

These consolidated interim financial statements have been prepared on the historical cost basis with the following exceptions:

- Certain land and buildings have been restated to fair value as at January 1, 2010 in accordance with IFRS 1;
- Liabilities for cash-settled, share-based payment arrangements have been measured at their fair value in accordance with IFRS 2.

Basis of consolidation of subsidiaries

Subsidiaries are legal entities controlled by CGI. Control exists when CGI has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

Business combinations

Goodwill arising from business combinations is measured as the excess of the fair value of consideration paid or payable less the fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date. When this excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Contingent consideration is included in total consideration and is recognized at its fair value as at the acquisition date. These fair values are updated at each reporting date. Changes in fair value are recognized in profit or loss. Transaction costs associated with a business combination, other than those associated with the issue of debt or securities, are expensed as incurred.

Contrans elected to apply IFRS 3, Business Combinations, from the date of transition January 1, 2010. In respect of acquisitions prior to this date, goodwill represents the amount recognized under CGAAP.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Actual results may differ from these estimates.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Management periodically reviews its estimates and underlying assumptions relating to the following items:

(i) Provision for claims

Provisions are made for accident costs based on past experience, level of insurance coverage and deductibles and are recorded as direct operating expenses in the period that the accident occurs.

(ii) **Provision against accounts receivable**

Management makes estimates on the recoverability of accounts receivable balances based on specific facts and circumstances as well as past experience of write-offs. Changes in the economic conditions in which Contrans' customers operate and their underlying financial stability may impact these estimates.

(iii) **Lease classification**

Contrans enters into leases for premises and rolling stock that may be classified as operating or finance leases. Management exercises judgement to determine whether substantially all the risks and rewards incidental to ownership have been transferred to Contrans.

(iv) **Business combinations**

Management estimates the fair value of identifiable assets acquired and liabilities assumed in allocating the purchase price of an acquisition. In addition, management estimates, where applicable, the timing and amount of contingent consideration to determine the purchase price of an acquisition.

(v) **Impairment tests**

Management exercises judgement to identify its cash-generating units ("CGUs") and to calculate value in use and fair value less costs to sell.

(vi) **Tax assets**

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Management has assessed that no valuation allowance is required against the deferred tax asset as at March 31, 2011.

(vii) **Stock options**

Management exercises judgement or makes estimates with respect to risk-free rates of return, expected volatility, expected dividends, expected life of options, expected forfeitures and future market conditions to calculate the fair value of stock options.

(viii) **Depreciation and amortization**

Management estimates future residual values and the rate at which the useful lives of property, equipment and intangible assets are consumed to determine appropriate depreciation and amortization charges. These estimates are evaluated annually and adjusted prospectively, where necessary, to reflect actual experience.

Foreign currency

Management has determined that the Canadian dollar is the functional currency of CGI and all of its subsidiaries. Revenues and expenses denominated in US dollars are translated into Canadian dollars at average weekly rates of exchange which approximate the actual rates of exchange at the dates of the transactions. Monetary assets and liabilities denominated in US dollars are translated to Canadian dollars at the foreign exchange rate in effect at each reporting date. Foreign exchange losses and gains arising on translation are recognized as general and administration expenses. Non-monetary assets and liabilities that are measured at historical cost in US dollars are translated using historical exchange rates.

Property and equipment

(i) **Recognition and measurement**

Items of property and equipment are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Certain land and buildings were revalued to fair value on January 1, 2010, the date of transition to IFRS. When significant parts of an item of property and equipment have different useful lives, those components are accounted for as separate items of property and equipment and depreciated separately.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss.

(ii) **Depreciation**

The cost of property and equipment, less their residual values, are depreciated on a straight-line or declining balance basis over the estimated useful lives of each significant component of an item of property and equipment. Land is not depreciated.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the periods ended March 31, 2011 and 2010

(Unaudited, tabular amounts in \$CAD thousands except for per share amounts)

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that Contrans will obtain ownership by the end of the lease term. In this case, the leased asset is depreciated over its useful life. Depreciation is charged in profit or loss.

The estimated useful lives and depreciation methods are as follows:

• Buildings	15 – 40 years	Straight-line
• Rolling Stock – Highway Tractors	25%	Declining balance
• Rolling Stock – Waste Trucks	8 years	Straight-line
• Rolling Stock – Trailers	10 – 25 years	Straight-line
• Waste bins	10 years	Straight-line
• Service Vehicles	20% – 30%	Declining balance
• Other Equipment	20% – 30%	Declining balance

Management reviews depreciation methods, residual values and the estimated useful lives of these assets annually and adjusts amortization accordingly on a prospective basis.

Intangible assets

(i) Goodwill

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested for impairment annually or more frequently if events or circumstances indicate impairment may exist.

(ii) Other intangible assets

Other intangible assets with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Amortization of other intangible assets

Amortization of other intangible assets is recognized in profit or loss on a straight-line basis over their estimated useful lives. Intangible assets are amortized from the date that they are available for use. The estimated useful lives are as follows:

• Customer relationships	5 – 10 years
• Non-competition agreements	5 – 10 years (term of agreement)

Balances relating to expired non-competition agreements are removed from cost and accumulated amortization.

Financial assets and financial liabilities

(i) Initial recognition

Contrans recognizes loans and receivables on the date that they originate. All other financial assets and financial liabilities are recognized initially on the trade date at which Contrans becomes a party to the contractual provisions of the instrument. All of Contrans' financial assets are classified as loans and receivables. Under IFRS, loans and receivables are defined as financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Contingent consideration is classified as fair value through profit and loss. All of Contrans' other financial liabilities are classified as other liabilities. Other liabilities are recognized initially at fair value plus any directly attributable transaction costs.

(ii) Measurement

Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest rate method less any impairment losses. Loans and receivables comprise trade and other receivables, note receivable, cash and cash equivalents, restricted cash and short-term investments.

Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Trade and other payables, distributions payable and long-term debt are classified as other liabilities. Contingent consideration is measured at fair value as at each reporting date. Changes in fair value are recognized in profit or loss in the period in which they occur.

(iii) Offsetting policy

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when Contrans has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) **Derecognition policy**

Contrans derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Contrans is recognized as a separate asset or liability. Contrans derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(v) **Impairment**

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset is measured at amortized cost, calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, Contrans uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Losses are recognized in the statement of comprehensive income and reflected in an allowance account against accounts receivable.

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. Bank overdrafts that are repayable on demand and form an integral part of Contrans' cash management are included as a component of cash and cash equivalents in the statement of cash flow.

Short-term investments

Short-term investments consist of interest-bearing securities with maturities at purchase date of more than three months but less than one year.

Impairment of non-financial assets

The carrying amount of Contrans' non-financial assets, other than deferred tax assets, are reviewed for any indication of impairment at each reporting date. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Impairment losses are recognized immediately in profit or loss.

An impairment loss in respect of goodwill is not subsequently reversed. Other assets that have been impaired in prior periods are assessed for possible reversal of impairment whenever events or changes in circumstance indicate that the impairment has decreased or no longer exists. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods, net of depreciation and amortization. A reversal of an impairment loss is recognized immediately in profit or loss.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if Contrans has a present legal or constructive obligation to pay this amount as a result of past service by the employee and the obligation can be estimated readily.

Share-based compensation

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to

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be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service performance conditions at the vesting date.

Share-based payment plans that will be settled in cash are accounted for as liabilities based on the fair value of the awards that have been granted. These awards are accrued over the vesting period based on the expected payments that, in turn, are based on the quoted market value of Contrans' Class A subordinate voting shares. Accordingly, these awards can be affected by the quoted market value of the shares and earnings achieved by Contrans. As these awards will be settled in cash, changes in their fair value will be recognized in profit or loss in each subsequent reporting period. These awards are classified as trade and other payables and the expenses are included in employee benefits in general and administration expenses in profit or loss.

Provisions

A provision is recognized when Contrans has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by Contrans from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected cost of continuing with the contract. Before a provision is established, Contrans recognizes any impairment loss on the assets associated with the contract.

Revenue recognition

Revenue for transportation services and fuel surcharges is recognized upon delivery of services to customers and when collection is reasonably assured.

Lease payments

(i) Operating lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(ii) Finance lease payments

Leased assets from which Contrans receives substantially all of the risks and rewards of ownership of the asset are capitalized as finance leases and measured initially at the lower of the fair value of the asset and the estimated present value of the minimum lease payments. The corresponding lease obligation is recorded as finance lease liabilities in the statement of financial position. These liabilities are reduced as payments are made. A finance charge is recognized using the rates implicit in the leases.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is recognized in each period during the lease term in a manner that produces a constant periodic rate of interest on the remaining balance of the liability.

Finance costs and finance income

Finance costs consist of interest on borrowings and finance leases, long-term debt accretion and unwinding of the discounts on provisions. Finance income consists of interest earned on cash and cash equivalents and short-term investments.

Finance costs and finance income are recognized as they accrue using the effective interest rate method.

Income tax

Income tax for the periods presented comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss unless they arise from business combinations or items charged directly to equity.

Current tax is the expected taxes payable within the following twelve months and is based on taxable income using tax rates enacted or substantively enacted at the reporting date combined with any adjustments to taxes payable in respect of previous years.

Deferred tax assets and liabilities are recognized based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced when, in management's judgement, it is no longer probable that the related tax benefit will be realized.

Earnings per share

CGI presents basic and diluted earnings per share ("EPS") data for its shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of CGI by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting both the profit or loss attributable to shareholders and the weighted average number of shares outstanding for the dilutive effects of any outstanding share options granted.

3. Cash and Cash Equivalents

As at	March 31, 2011 December 31, 2010	
Cash	\$ 3,322	\$ 9,379
Cash equivalents ⁽¹⁾	15,102	15,063
	\$ 18,424	\$ 24,442

(1) Due to the short-term nature of cash equivalents held by Contrans, these instruments have been valued at cost plus accrued interest, which together approximate fair value.

4. Property and Equipment

	Rolling Stock and Other				
	Land	Buildings	Owned	Leased	Total
Cost or Deemed Cost					
Balance at January 1, 2011	\$ 7,740	\$ 27,927	\$ 137,974	\$ 13,527	\$ 187,168
Additions	486	63	4,702	5,500	10,751
Buyout of leased assets	—	—	118	(118)	—
Disposals	—	—	(1,037)	(967)	(2,004)
Balance at March 31, 2011	\$ 8,226	\$ 27,990	\$ 141,757	\$ 17,942	\$ 195,915
Accumulated Depreciation and Impairment Losses					
Balance at January 1, 2011	\$ —	\$ 10,820	\$ 56,996	\$ 3,099	\$ 70,915
Depreciation	—	254	3,061	296	3,611
Buyout of leased assets	—	—	26	(26)	—
Disposals	—	—	(846)	(442)	(1,288)
Balance at March 31, 2011	\$ —	\$ 11,074	\$ 59,237	\$ 2,927	\$ 73,238
Carrying Amount at March 31, 2011	\$ 8,226	\$ 16,916	\$ 82,520	\$ 15,015	\$ 122,677

	Rolling Stock and Other				
	Land	Buildings	Owned	Leased	Total
Cost or Deemed Cost					
Balance at January 1, 2010	\$ 7,460	\$ 25,679	\$ 124,771	\$ 12,728	\$ 170,638
Additions	280	2,248	19,500	783	22,811
Acquired through business combinations	—	—	5,608	90	5,698
Disposals	—	—	(11,905)	(74)	(11,979)
Balance at December 31, 2010	\$ 7,740	\$ 27,927	\$ 137,974	\$ 13,527	\$ 187,168
Accumulated Depreciation and Impairment Losses					
Balance at January 1, 2010	\$ —	\$ 9,765	\$ 55,813	\$ 1,875	\$ 67,453
Depreciation	—	1,055	10,545	1,238	12,838
Disposals	—	—	(9,362)	(14)	(9,376)
Balance at December 31, 2010	\$ —	\$ 10,820	\$ 56,996	\$ 3,099	\$ 70,915
Carrying Amount at December 31, 2010	\$ 7,740	\$ 17,107	\$ 80,978	\$ 10,428	\$ 116,253

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5. Intangible Assets

	Goodwill	Non-competition Agreements	Customer Relationships	Total
Cost				
Balance at January 1, 2011	\$ 57,841	\$ 9,468	\$ 27,679	\$ 94,988
Expired	—	(1,276)	—	(1,276)
Balance at March 31, 2011	\$ 57,841	\$ 8,192	\$ 27,679	\$ 93,712
Accumulated amortization and impairment losses				
Balance at January 1, 2011	\$ —	\$ 7,397	\$ 13,550	\$ 20,947
Amortization charge for the period	—	393	656	1,049
Expired	—	(1,276)	—	(1,276)
Balance at March 31, 2011	\$ —	\$ 6,514	\$ 14,206	\$ 20,720
Carrying amount				
Balance at March 31, 2011	\$ 57,841	\$ 1,678	\$ 13,473	\$ 72,992

	Goodwill	Non-competition Agreements	Customer Relationships	Total
Cost				
Balance at January 1, 2010	\$ 51,118	\$ 8,658	\$ 22,565	\$ 82,341
Acquired through business combinations	6,723	930	5,114	12,767
Expired	—	(120)	—	(120)
Balance at December 31, 2010	\$ 57,841	\$ 9,468	\$ 27,679	\$ 94,988
Accumulated amortization and impairment losses				
Balance at January 1, 2010	\$ —	\$ 5,990	\$ 11,331	\$ 17,321
Amortization charge for the period	—	1,527	2,219	3,746
Expired	—	(120)	—	(120)
Balance at December 31, 2010	\$ —	\$ 7,397	\$ 13,550	\$ 20,947
Carrying amount				
Balance at December 31, 2010	\$ 57,841	\$ 2,071	\$ 14,129	\$ 74,041

Contrans assessed its goodwill for impairment as at the IFRS transition date of January 1, 2010. This resulted in a decrease in goodwill of \$12.7 million, a decrease in non-competition agreements of \$0.3 million, a decrease in customer relationships of \$0.9 million and a decrease in land values of \$0.4 million with a corresponding charge to opening retained deficit of \$14.3 million. See Note 15 A i) for further details.

6. Finance Lease Liabilities

Contrans has entered into finance leases for rolling stock with the following liabilities:

As at March 31

2011	\$ 2,853
2012	3,653
2013	3,294
2014	3,046
2015	734
Thereafter	—
Minimum lease payments	\$ 13,580
Lease amount representing interest at rates ranging from 4.3% to 7.8% (2010 – 4.8% to 8.4%)	(1,260)
Present value of net minimum finance lease payments	12,320
Less current portion	(3,183)
	\$ 9,137

7. Non-Cash Working Capital

For the three months ended March 31

	2011	2010
Change in non-cash working capital		
Decrease (increase) in trade and other receivables	\$ (1,967)	\$ 1,722
Increase in other current assets	(381)	(858)
Decrease in trade and other payables	(1,258)	(580)
Changes in non-cash working capital	\$ (3,606)	\$ 284
Non-cash transactions		
Value of equipment financed through finance leases	\$ 5,500	\$ 702

8. Contingency and Commitments

Letters of credit

In the ordinary course of business, Contrans had issued and outstanding letters of credit amounting to \$2.2 million as at March 31, 2011 (December 31, 2010 – \$2.2 million). These letters of credit expire at various dates from April 2011 to February 2012.

Capital commitments

At March 31, 2011, Contrans had entered into contracts to purchase trucks and trailers for \$13.5 million that are expected to be delivered during Q2 2011.

9. Acquisition of Business

On January 29, 2010, Contrans acquired certain assets of Truboy Freight International Inc. ("Truboy") for consideration of \$0.4 million cash at closing. Truboy was based in Ontario and operated a fleet of flatbed trailers. An additional \$0.5 million of consideration was negotiated to be paid over the three years following the acquisition contingent upon the achievement of certain financial objectives. The financial objectives for the first year were met and \$0.1 million of the contingent consideration was paid to the former owners during Q1 of 2011. A balance of \$0.4 million remains outstanding and is included in trade and other payables at March 31, 2011 in the statements of financial position.

This acquisition has been accounted for using the acquisition method. The results of operations from the acquisition date have been included in these consolidated interim financial statements.

10. Earnings per Share

There are no dilutive items outstanding at March 31, 2011 or at March 31, 2010.

11. Related Party Transactions

Contrans had business transactions with and had balances owing to and from Peterbilt of Ontario Inc., a company controlled by the Chairman of CGL, as follows:

As at	March 31, 2011	December 31, 2010
Accounts payable	\$ 661	\$ 430
Accounts receivable	9	8

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For the three months ended March 31	2011	2010
Repairs, maintenance, purchases and leases	\$ 1,814	\$ 1,440
Rental income	52	50

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

12. Financial Instruments – Risk Management

Contrans is exposed to credit risk, foreign exchange risk, interest rate risk and liquidity risk from its financial assets and liabilities. Risk management strategies are designed to ensure Contrans' risks and related exposures are consistent with its business objectives and risk tolerance. There have been no significant changes to Contrans' risk management strategies since December 31, 2010.

13. Seasonality of Operations

Generally, the second quarter is Contrans' strongest period. Volumes from customers in the construction industry typically increase in the spring, peak in the fall and then decline with the onset of winter. 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.

14. Subsequent Events

a) CGI has a stock option plan to encourage ownership of CGI by directors, officers and key employees. Under the terms of the plan, 2,993,739 Class A Subordinate Voting Shares ("Class A shares") have been reserved for issuance. The maximum number of options that can be granted to insiders cannot exceed 10% of the total number of Class A shares and Class B Multiple Voting Shares ("Class B shares") then outstanding. The number of options that can be granted to an individual insider in a one-year period cannot exceed 5% of the total number of Class A shares and Class B shares then outstanding. Upon issuance, 20% of the options vest immediately and the remainder vest at a rate of 20% per year. In the event of their termination or retirement, participants will have 30 days, or such longer period as decided by the Board, in which to exercise their options. All options outstanding become exercisable in the event of a change in control over CGI. CGI's Board of Directors, in their discretion, may require holders to exercise their options within a 30 day period in the event of a sale of CGI, provided that such a sale is completed within 180 days.

On April 5, 2011, 1,615,000 stock options were granted to directors, officers and key employees of Contrans. The exercise price of the options is \$8.95, the closing price of CGI's Class A shares on April 4, 2011. These options expire on April 4, 2021.

b) On April 18, 2011, CGI announced a dividend of \$0.10 per share. As a result, approximately \$3.6 million was paid on May 13, 2011 to shareholders of record as at April 30, 2011.

c) A normal course issuer bid commenced on April 22, 2010 and expired on April 21, 2011 with no repurchases of shares.

d) On April 15, 2011, Contrans purchased land in Calgary, Alberta for total consideration of \$4.8 million.

15. Transition to IFRS

The impact of the transition from CGAAP to IFRS is set out in the following tables and notes.

Consolidated Statements of Financial Position – Effect of Transition to IFRS

As at	January 1, 2010			March 31, 2010			December 31, 2010		
	CGAAP ⁽¹⁾	Effects of transition to IFRS ⁽²⁾	IFRS	CGAAP ⁽¹⁾	Effects of transition to IFRS ⁽²⁾	IFRS	CGAAP ⁽¹⁾	Effects of transition to IFRS ⁽²⁾	IFRS
Assets									
Current Assets									
Cash and cash equivalents	\$ 30,193	\$ —	\$ 30,193	\$ 30,095	\$ —	\$ 30,095	\$ 24,442	\$ —	\$ 24,442
Short-term investments	—	—	—	—	—	—	61,318	—	61,318
Trade and other receivables	48,909	—	48,909	47,187	—	47,187	48,378	—	48,378
Income tax receivable	495	—	495	—	—	—	—	—	—
Other current assets	5,089	—	5,089	5,947	—	5,947	5,446	—	5,446
Total current assets	84,686	—	84,686	83,229	—	83,229	139,584	—	139,584
Non-current Asset									
Restricted cash	7,375	—	7,375	7,375	—	7,375	—	—	—
Note receivable	88	—	88	57	—	57	—	—	—
Property and equipment	104,381	(1,196)	103,185	104,411	(1,194)	103,217	117,440	(1,187)	116,253
Intangible assets	78,899	(13,879)	65,020	78,361	(13,211)	65,150	87,246	(13,205)	74,041
Total non-current assets	190,743	(15,075)	175,668	190,204	(14,405)	175,799	204,686	(14,392)	190,294
Total assets	\$ 275,429	\$ (15,075)	\$ 260,354	\$ 273,433	\$ (14,405)	\$ 259,028	\$ 344,270	\$ (14,392)	\$ 329,878
Liabilities									
Current Liabilities									
Trade and other payables	\$ 32,057	\$ 792	\$ 32,849	\$ 29,355	\$ 1,275	\$ 30,630	\$ 31,068	\$ 1,166	\$ 32,234
Distributions payable	4,491	—	4,491	—	—	—	—	—	—
Income taxes payable	—	—	—	3,325	—	3,325	6,556	—	6,556
Finance lease liabilities	1,921	—	1,921	2,007	—	2,007	2,049	—	2,049
Long-term debt	339	—	339	624	—	624	1,632	—	1,632
Total current liabilities	38,808	792	39,600	35,311	1,275	36,586	41,305	1,166	42,471
Non-current Liabilities									
Finance lease liabilities	6,978	—	6,978	7,008	—	7,008	5,552	—	5,552
Long-term debt	85,193	—	85,193	85,422	—	85,422	89,221	—	89,221
Asset retirement obligations	720	(720)	—	696	(696)	—	637	(637)	—
Deferred tax liabilities	14,531	(426)	14,105	12,358	(374)	11,984	14,629	(223)	14,406
Total non-current liabilities	107,422	(1,146)	106,276	105,484	(1,070)	104,414	110,039	(860)	109,179
Total liabilities	146,230	(354)	145,876	140,795	205	141,000	151,344	306	151,650
Equity									
Contributed surplus	961	—	961	961	—	961	961	—	961
Share capital	128,716	—	128,716	128,716	—	128,716	182,922	—	182,922
Retained earnings (deficit)	(478)	(14,721)	(15,199)	2,961	(14,610)	(11,649)	9,043	(14,698)	(5,655)
Total equity	129,199	(14,721)	114,478	132,638	(14,610)	118,028	192,926	(14,698)	178,228
Total liabilities and equity	\$ 275,429	\$ (15,075)	\$ 260,354	\$ 273,433	\$ (14,405)	\$ 259,028	\$ 344,270	\$ (14,392)	\$ 329,878

(1) Certain of the CGAAP balances have been reclassified to conform to IFRS presentation.

(2) See "Table 1 Summary of IFRS Transition Adjustments" below.

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Consolidated Statements of Comprehensive Income – Effect of Transition to IFRS

For the Three Months Ended
March 31, 2010

For the Year Ended
December 31, 2010

	Effect of Transition to IFRS ⁽¹⁾			Effect of Transition to IFRS ⁽¹⁾		
	CGAAP		IFRS	CGAAP		IFRS
Revenue						
Transportation services	\$ 84,446	\$ —	\$ 84,446	\$ 358,530	\$ —	\$ 358,530
Fuel surcharges	9,346	—	9,346	37,747	—	37,747
	93,792	—	93,792	396,277	—	396,277
Direct operating expenses	—	78,332	78,332	—	326,323	326,323
Gross Margin	—	—	15,460	—	—	69,954
Operating expenses	75,049	(75,049)	—	313,493	(313,493)	—
General and administration expenses	8,146	667	8,813	35,884	3,886	39,770
	10,597	(3,950)	—	46,900	(16,716)	—
Foreign exchange loss	116	(116)	—	114	(114)	—
Depreciation	3,054	(3,054)	—	12,847	(12,847)	—
Amortization of intangible assets	949	(949)	—	4,012	(4,012)	—
Earnings from Operations Before Financing Costs and Income Taxes	6,478	169	—	29,927	257	—
Finance cost	1,488	6	1,494	6,011	31	6,042
Finance income	(35)	—	(35)	(689)	—	(689)
Net Financing Costs	1,453	6	—	5,322	31	—
Earnings Before Income Taxes	5,025	163	5,188	24,605	226	24,831
Income tax expense						
Income tax expense	—	1,638	1,638	—	7,165	7,165
Current	3,759	(3,759)	—	6,772	(6,772)	—
Deferred	(2,173)	2,173	—	190	(190)	—
	1,586	52	—	6,962	203	—
Net Earnings and Comprehensive Income	\$ 3,439	\$ 111	\$ 3,550	\$ 17,643	\$ 23	\$ 17,666
Earnings per Share – Basic and Diluted	\$ 0.11	\$ 0.00	\$ 0.12	\$ 0.53	\$ 0.00	\$ 0.53
Weighted Average Number of Shares Outstanding – Basic and Diluted	29,938	29,938	29,938	33,339	33,339	33,339

(1) See "Table 1 Summary of IFRS Transition Adjustments" below.

Table 1
Summary of IFRS Transition Adjustments

		Statement of Financial Position As at			Profit/Loss for the Period Ended	
		Increase in Asset/Decrease in Liability (Decrease in Asset)/(Increase in Liability)			Decrease Expense (Increase Expense)	
Note	Accounts	January 1, 2010	March 31, 2010	December 31, 2010	March 31, 2010	December 31, 2010
A i)	Land impairment	\$ (343)	\$ (343)	\$ (343)	\$ —	\$ —
B i)	Land valuation	(572)	(572)	(572)	—	—
B i)	Building valuation	(281)	(279)	(272)	2	9
		(1,196)	(1,194)	(1,187)	2	9
A i)	Goodwill	(12,709)	(12,709)	(12,709)	—	—
A i)	Other intangible assets	(1,233)	(1,048)	(967)	185	266
A ii)	Truboy goodwill – earn-out liability	—	501	501	—	—
A iii)	Truboy goodwill – acquisition costs	—	(18)	(18)	—	—
A iii)	Truboy acquisition costs	—	—	—	(18)	(18)
A ii)	Narum reversal of goodwill	—	—	(75)	—	—
A ii)	Narum goodwill	63	63	63	—	—
		(13,879)	(13,211)	(13,205)	167	248
A ii)	Narum contingent consideration	(72)	(73)	(75)	(1)	(3)
A ii)	Narum settlement of earn-out liability	—	—	75	—	—
A ii)	Truboy contingent consideration	—	(506)	(529)	(5)	(28)
B ii)	Asset retirement obligation	(720)	(696)	(637)	—	—
		(792)	(1,275)	(1,166)	(6)	(31)
B ii)	Asset retirement obligation	720	696	637	—	—
C	Deferred tax	426	374	223	(52)	(203)
		\$ (14,721)	\$ (14,610)	\$ (14,698)	\$ 111	\$ 23

Notes to the reconciliation of equity and earnings

A. Mandatory adjustments arising from the implementation of IFRS reporting.

i) CGU impairment

Upon transition to IFRS, Contrans was required to assess its CGUs for impairment as at January 1, 2010. Contrans' CGUs are identified as each of CGI's subsidiaries. Under CGAAP, goodwill impairment was tested at the reporting unit (service line) level.

The impairment test was performed by comparing the carrying value and the recoverable amount of each CGU. Under IFRS, the recoverable amount is the higher of the CGU's fair value less costs to sell and value in use. Fair value is calculated by applying a multiple to management's best estimate of sustainable earnings. Management applied a 7.1 times multiple, obtained from an independent investment analyst, to calculate the recoverable amounts in the impairment test. Management used the four-year weighted average of historical annual earnings (before interest, income tax, depreciation and amortization of intangible assets, reduced by a corporate overhead allocation) to estimate sustainable earnings. An estimate of costs to sell was then deducted from the calculated fair value to arrive at fair value less costs to sell. The value in use of each CGU was determined by considering the future expected cash flow over the next four years, expected growth rates and an estimated terminal value discounted at a risk-adjusted rate. Future expected cash flows were based on historical performance, known trends and anticipated capital expenditures. Growth rates were assumed to be 2% and a discount rate of 14% was applied.

Four CGUs were found to be impaired by a combined total of \$14.3 million. This amount was charged to the opening retained deficit and corresponding reductions were made to the carrying amounts of goodwill, other intangible assets and land. As a result of the impairment charge, intangible asset amortization was reduced by \$0.2 million for the three month period ended March 31, 2010 (2010 – twelve months \$0.3 million).

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the periods ended March 31, 2011 and 2010

(Unaudited, tabular amounts in \$CAD thousands except for per share amounts)

Two of the CGUs that were found to be impaired, Tripar Transportation LP and Tri-Line Carriers LP, each make up a significant portion of the carrying value of Contrans' remaining intangibles. The carrying amount of their goodwill and intangibles as at January 1, 2010 are summarized as follows:

	Tri-line	Tripar
Goodwill	\$ 2,943	\$ 21,991
Other intangible assets	468	5,479
Basis on which the CGU's recoverable amount has been determined	Value in use	Fair value less costs to sell

ii) Contingent consideration on acquisitions

Contingent consideration for Narum, a business acquired in 2007, was outstanding as at the transition date. The fair value of this contingent consideration was \$0.1 million as at January 1, 2010 and was recorded as an increase to goodwill and trade and other payables upon transition to IFRS. The fair value was increased by \$1,000 for the three months ended March 31, 2010 (2010 – twelve months \$3,000).

The fair value of contingent consideration outstanding in respect of the acquisition of Truboy was \$0.5 million as at March 31, 2010. This amount was recorded as an increase to goodwill and trade and other payables. The fair value was increased by \$5,000 for the three month period ended March 31, 2010 (2010 – twelve months \$28,000) and was charged to income as a finance cost.

iii) Acquisition costs

Under IFRS 3, an amount of \$18,000 relating to acquisition costs of Truboy was charged to general and administration expenses for the three month period ended March 31, 2010 (2010 – twelve months \$18,000) and reduced goodwill as previously reported under CGAAP as at March 31, 2010 and December 31, 2010.

iv) Reclassification of CGAAP balances

Contrans has chosen to classify its expenses according to their function. Accordingly, operating expenses presented under CGAAP have been reclassified to direct operating expenses. Depreciation has been reclassified partially into direct operating expenses and partially into general and administration expenses depending on the nature of the property and equipment. Amortization of intangible assets and foreign exchange loss have been reclassified into general and administration expenses. Current and deferred income tax expenses have been reclassified into income tax expense.

B. Optional adjustments arising from IFRS 1 on the implementation of IFRS reporting.

i) Land and buildings valuations

Under IFRS 1, Contrans elected to revalue certain of its land and buildings at January 1, 2010 and has treated the revalued amounts as deemed cost as at that date. The impact on Contrans of the revaluations was a net decrease in land and building values of \$0.5 million and \$0.3 million respectively with a corresponding increase in the opening retained deficit. Depreciation expense for the three months ended March 31, 2010 was reduced by \$2,000 (2010 – twelve months \$9,000).

ii) Reclassifications on transition to IFRS

Asset retirement obligations are considered to be provisions under IFRS and have been included in trade and other payables accordingly. In addition, interest paid and income taxes paid have been moved into the body of the consolidated interim statements of cash flow as part of operating activities, whereas they were previously disclosed as supplementary information under CGAAP.

C. The above adjustments decreased the deferred tax liability as follows:

As at	January 1, 2010	March 31, 2010	December 31, 2010
Deductible reserves	\$ 220	\$ 100	\$ 148
Property and equipment	(59)	(70)	(100)
Intangible assets	265	344	175
Decrease in deferred tax liability	\$ 426	\$ 374	\$ 223

	Three months ended March 31, 2010	Year ended December 31, 2010
Increase in tax expense for the period	\$ 52	\$ 203

D. The effects of the above adjustments on equity were as follows:

	Note	January 1, 2010	March 31, 2010	December 31, 2010
Goodwill	A i)	\$ 12,709	\$ 12,709	\$ 12,709
Acquisition costs	A iii)	—	18	18
Intangible assets	A i), A iii)	1,233	1,048	967
Change in fair value of contingent consideration	A ii)	9	15	40
Property and equipment	A i), B i)	1,196	1,194	1,187
Deferred tax liability	C	(426)	(374)	(223)
Total increase in opening deficit		14,721	14,610	14,698
Equity per CGAAP		129,199	132,638	192,926
Equity per IFRS		\$ 114,478	\$ 118,028	\$ 178,228

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