

NEWS RELEASE

Woodstock, Ontario
 March 1, 2005

CONTRANS INCOME FUND (TSX.CSS.UN) ANNOUNCES FOURTH QUARTER RESULTS

Highlights

Period ended December 31	Fourth Quarter		Year	
(\$ millions except per unit amounts)	2004	2003	2004	2003
Revenue ¹	\$ 99.1	\$ 76.9	\$ 371.9	\$ 306.0
EBITDA	\$ 11.1	\$ 6.3	\$ 42.6	\$ 32.9
Earnings Before Taxes	\$ 6.5	\$ 2.4	\$ 24.9	\$ 18.5
Net income	\$ 6.1	\$ 1.9	\$ 24.5	\$ 17.8
Distributions per unit	\$ 0.31	\$ 0.31	\$ 1.25	\$ 1.25

¹ Revenue reported in 2003 has been increased by \$2.7 million and \$13.1 million for the three and twelve month periods ended December 31 respectively. This reclassification is a result of treating amounts billed for fuel surcharges as a revenue item. Previously, amounts billed as fuel surcharges were treated as a recovery of costs. There has been no impact on earnings as a result of this reclassification.

“Contrans had a phenomenal year in 2004. We made several accretive acquisitions. We also enjoyed internal growth with our operating margins returning to levels to which we are more accustomed,” stated Chairman and Chief Executive Officer, Stan Dunford. “These two factors enabled us to lower our payout ratio. To top it off, the market began to recognize Contrans’ value with unitholders benefiting from a total return for the twelve months ended December 31, 2004 of 52.5%.” (Total return is defined as distributions plus unit price appreciation.)

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 years ended December 31, 2004 and 2003. The financial statements should be read in conjunction with the analysis that follows.

FINANCIAL HIGHLIGHTS

Year ended December 31

<i>(in millions except per unit amounts)</i>	2004 <i>(Audited)</i>		2003 <i>(Audited)</i>		2002 ⁽¹⁾ <i>(Unaudited)</i>	
Revenue - transportation services	\$ 347.9	100.0 ⁽²⁾ %	\$ 292.9	100.0 %	\$ 280.0	100.0 %
Revenue - fuel surcharges	24.0		13.1		7.0	
Revenue - total	371.9		306.0		287.0	
Earnings before interest, taxes and amortization (EBITDA) ⁽³⁾	42.6	12.2 %	32.9	11.2 %	35.8	12.8 %
Total amortization charges	15.2	4.4	12.7	4.3	11.2	4.0
Interest	2.5	0.7	1.7	0.6	2.0	0.7
Earnings before taxes (EBT)	24.9	7.1	18.5	6.3	22.6	8.1
Income tax provision	0.4	0.1	0.7	0.2	4.9	1.8
Net income	\$ 24.5	7.0 %	\$ 17.8	6.1 %	\$ 17.7	6.3 %
Earnings per unit – basic and diluted	\$ 0.90		\$ 0.75		\$ 0.84 ⁽⁴⁾	
Total assets	219.5		160.4		171.8	
Long-term debt ⁽⁵⁾	43.0		14.6		26.7	
Cash (operating loan)	20.7		(7.6)		4.8	
Distributions declared per unit	\$ 1.25		\$ 1.25		\$ 0.52	

Percentages calculated using revenue from transportation services as a base.

(1) 2002 figures are the combined results of Contrans Income Fund and its corporate predecessor, Contrans Corp.

(2) 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.

(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.

(4) Imputes a 4:1 split of the outstanding shares of Contrans Corp. as at July 22, 2002 and, for the purpose of calculating basic earnings per share, treats this as the average number of shares outstanding for the period January 1, 2002 through July 22, 2002.

(5) Includes current portion.

Revenue from transportation services (“revenue”) increased in 2004 due to acquisitions and increased numbers of owner-operators and company drivers in core freight operations. Rate increases obtained from freight customers also increased revenues and helped to offset the increased costs of insurance as well as driver and owner-operator pay that have arisen in recent years. Income tax expenses were substantially eliminated when Contrans Corp. converted into an income trust on July 22, 2002.

FOURTH QUARTER RESULTS

(Unaudited)

Quarter ended December 31

<i>(in millions except per unit amounts)</i>	2004		2003	
<i>Revenue - transportation services</i>	\$ 90.0	100.0 %	\$ 74.2	100.0 %
<i>Revenue - fuel surcharge</i>	9.1		2.7	
<i>Revenue - Total</i>	\$ 99.1		\$ 76.9	
<i>Earnings before interest, taxes and amortization (EBITDA)</i>	11.1	12.3 %	6.3	8.5 %
<i>Total amortization charges</i>	4.0	4.4	3.4	4.6
<i>Interest</i>	0.6	0.7	0.5	0.7
<i>Earnings before taxes (EBT)</i>	6.5	7.2	2.4	3.2
<i>Income tax provision</i>	0.4	0.4	0.5	0.7
<i>Net income</i>	\$ 6.1	6.8 %	\$ 1.9	2.5 %
 <i>Earnings per unit - basic and diluted</i>	 \$ 0.22		 \$ 0.08	

Percentages calculated using revenue from transportation services as a base.

Acquisitions contributed additional revenue of \$13.7 million and EBITDA of \$1.8 million in the fourth quarter. During the fourth quarter of 2003 certain expenses were incurred that do not reflect typical operations of the fund. These included:

- \$600,000 - closure of an underperforming freight operation and related write-downs and losses on the disposal of redundant equipment
- \$500,000 - provision against amounts receivable from a freight customer that entered into CCAA protection
- \$200,000 - prepayment penalty recognized as a result of management’s decision to terminate a third party equipment loan prior to maturity.
- \$200,000 - professional fees arising from certain contemplated school bus company acquisitions which were abandoned

SUMMARY OF QUARTERLY RESULTS

<i>(Unaudited)</i> <i>(in millions except per unit amounts)</i>	<i>First Quarter</i>		<i>Second Quarter</i>		<i>Third Quarter</i>		<i>Fourth Quarter</i>	
	2004	2003	2004	2003	2004	2003	2004	2003
Revenue – transportation services	\$ 79.8	\$ 75.4	\$ 91.2	\$ 72.7	\$ 86.9	\$ 70.6	\$ 90.0	\$ 74.2
Revenue – fuel surcharges	3.6	3.8	5.3	4.0	6.0	2.6	9.1	2.7
Revenue	\$ 83.4	\$ 79.2	\$ 96.5	\$ 76.7	\$ 92.9	\$ 73.2	\$ 99.1	\$ 76.9
Net income	5.3	4.5	8.4	5.5	4.7	5.9	6.1	1.9
Earnings per unit – basic and diluted	\$ 0.21	\$ 0.19	\$ 0.30	\$ 0.23	\$ 0.17	\$ 0.25	\$ 0.22	\$ 0.08

RESULTS FROM OPERATIONS Freight Transportation

(Unaudited)

Year ended December 31

<i>(in millions)</i>	2004		2003	
Revenue - transportation services	\$ 323.3	100.0 %	\$ 270.1	100.0 %
Revenue - fuel surcharges	24.0		13.1	
Revenue - total	\$ 347.3		\$ 283.2	
EBITDA	40.7	12.6 %	32.7	12.1 %
Total amortization charges	10.6	3.3	8.1	3.0
Interest	4.0	1.2	5.8	2.1
EBT	\$ 26.1	8.1 %	\$ 18.8	7.0 %

Percentages calculated using revenue from transportation services as a base.

EBT includes allocations of head office costs.

Acquisitions completed in 2004 generated revenues of \$36.8 million and EBITDA of \$6.2 million. Rate increases amounting to \$6.3 million and other sources of internal growth in core operations accounted for the remainder of the increase in revenue.

Pay rates for company drivers and owner-operators have been increased in an effort to compete more effectively in this labour market resulting in additional operating costs of \$3.2 million.

Insurance premiums were \$1.8 million higher in 2004 than they were in 2003. Management believes that the increase in these costs is a result of the lingering effects of September 11, 2001 and the fact that there are a limited number of insurers in the transportation segment. The Fund's insurance rates, however, were stabilized with its annual policy renewal which took effect October 1, 2004. There is no guarantee that these premiums will not increase with the scheduled renewal on October 1, 2005.

Foreign exchange losses amounted to \$600,000 in 2004 compared to \$1.3 million in 2003. Approximately 13% of the Fund's freight revenues were billed in U.S. dollars in 2004. Management's controls its currency risk by converting customers to Canadian dollar billing wherever possible, putting foreign exchange escalators in U.S. dollar rate agreements, entering foreign exchange contracts and by denominating equipment financing in U.S. dollars.

A stronger Canadian dollar also makes U.S. carriers more price competitive. Management believes, however, that increased border security and consequent delays coupled with a driver shortage in the U.S. deters many American carriers from hauling freight into Canada.

SEASONALITY

Generally the second and fourth quarters are the strongest periods for freight operations. 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.

School Bus Transportation

(Unaudited)

Year ended December 31

<i>(in millions)</i>	2004		2003	
<i>Revenue</i>	\$ 24.6	100.0 %	\$ 22.8	100.0 %
<i>EBITDA</i>	5.0	20.3	5.2	22.8
<i>Total amortization charges</i>	4.1	16.7	4.0	17.5
<i>Interest</i>	1.2	4.8	1.0	4.4
<i>EBT</i>	\$ (0.3)	(1.2) %	\$ 0.2	0.9 %

EBT includes allocations of head office costs.

Acquisitions contributed \$1.3 million of additional revenue in 2004. Fuel costs were \$600,000 higher in 2004 than they were in 2003 and insurance premiums were \$400,000 higher in 2004 than they were in 2003. The Fund has been aggressively pursuing recovery of these increased costs from the school boards that it services.

SEASONALITY

The Fund's school bus operations typically incur operating losses during the third quarter. Revenues from school bus operations fluctuate with the number of school days in a period. During the summer school break, revenue is derived solely from private charter services. In addition, relatively little revenue is generated during March and Christmas breaks thus adversely affecting first and fourth quarter results respectively.

CASH FLOW

Cash flow from operating activities before changes in non-cash working capital balances amounted to \$39.5 million in 2004 compared to \$30.5 million in 2003. This improvement was primarily due to the increase in net income. Non-cash working capital increased in 2004 by \$7.3 million. The increase was due primarily to the increase in accounts receivable which arose primarily from substantially increased volumes compared to the previous year.

The Fund expended \$13.3 million on property and equipment in 2004. Of this amount, \$5.5 million related to growth expenditures the majority of which consisted of trailers bought to service new business. The remaining \$7.8 million was spent to replace retired assets of which \$3.3 million was for new buses and \$4.2 million was for new tractors and trailers. There has been little need for replacement capital in the Fund's freight operations in each of the past two years. The rolling stock is relatively new and well-maintained. Furthermore, the Fund has a refurbishment program for certain trailing fleets to prolong their working lives. Management estimates the average annual requirement for maintenance capital expenditures will approximate \$10 million over the next 10 years. Actual expenditures will vary from year to year depending on the age and condition of the fleet and may also be affected by regulatory changes.

UNITHOLDER DISTRIBUTIONS
Distributable Cash⁽¹⁾

(Unaudited)

Period ended December 31

(in thousands except per unit amounts)

	<i>Three months</i>		<i>Twelve months</i>	
	2004	2003	2004	2003
Cash flow from operating activities	\$ 13,311	\$ 11,090	\$ 32,171	\$ 35,727
Proceeds from sale of property and equipment ⁽²⁾	2,044	1,777	4,206	7,985
Net change in non-cash working capital ⁽³⁾	(3,198)	(5,146)	7,319	(5,231)
Maintenance capital expenditures ⁽¹⁾⁽⁴⁾	(1,143)	(261)	(7,804)	(5,912)
Distributable cash	\$ 11,014	\$ 7,460	\$ 35,892	\$ 32,569
Distributions declared	8,691	7,459	33,881	29,722
Distributable cash per unit	\$0.40	\$0.31	\$1.33	\$1.37
Distributions declared per unit	\$0.31	\$0.31	\$1.25	\$1.25
Weighted average number of units outstanding	27,792	23,846	27,087	23,763
Capital expenditures				
Maintenance capital expenditures	\$ 1,143	\$ 261	\$ 7,804	\$ 5,912
Growth capital expenditures ⁽¹⁾	1,571	1,226	5,469	3,986
Total	\$ 2,714	\$ 1,487	\$ 13,273	\$ 9,898

(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) Proceeds from the sale of property and equipment are considered distributable to unitholders when there are not any prior ranking claims on these funds.

(3) It is important to note that cash used to fund working capital or growth capital expenditures does not affect amounts that can be distributed to unitholders where financing is available other than with respect to financing costs. Similarly, cash generated by changes in non-cash working capital that is part of a normal operating cycle is not considered distributable to unitholders.

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

Fourth quarter distributable cash was greater in 2004 than in 2003 due to a stronger earnings performance. During the third quarter of 2003, the Fund received \$4.3 million in proceeds from the sale of its Calgary property which resulted in a gain on sale of \$300,000. This property exceeded the Fund's operating requirements for terminal space. The Fund does not customarily dispose of its real estate holdings and has made no such disposals in 2004.

Management makes distributions based on the actual and expected performance of operations and expected average net annual capital requirements to maintain its fleet. The trustees of the Fund assess the level of distribution each month based on the Fund's actual performance.

LIQUIDITY AND CAPITAL RESOURCES

On January 8, 2004, the Fund entered into new borrowing arrangements that provided a \$37.5 million term loan and a \$30 million demand loan. The term loan is repayable with a single principal payment due December 15, 2008 and bears interest at a fixed rate of 6.589%. Proceeds from the term loan were used to repay certain existing indebtedness. The demand loan provides funding for acquisitions and other growth opportunities as well as for working capital needs.

On March 1, 2004, the Fund issued 3.7 million subordinate voting trust units at a price of \$11.00 each. Some of the net proceeds of the offering have been used to fund acquisitions. As at December 31, 2004, the Fund had \$20.7 million in cash as well as \$23.5 million available in its operating line. As at December 31, 2004, the current ratio was 2.1 : 1 and the total debt (including future tax obligations) to equity ratio was 0.6 : 1.

As at December 31, 2004, the Fund had 347 tractors and 509 trailers under operating leases as well as 801 tractors and 143 trailers that were under contract with owner-operators. As at December 31, 2004, the Fund owned 1,477 trailers, 164 tractors, 717 school buses and 19 of its major office and terminal facilities.

OUTSTANDING UNITS

As at January 31, 2005

(Unaudited)

(in thousands)

Subordinate voting trust units	21,421
Class A LP units	4,951
Class B LP units	1,468
Total	27,840

CONTRACTUAL OBLIGATIONS

(Unaudited)

(in millions)	2005	2006	2007	2008	2009	Thereafter	Total
Long-term debt	\$ 1.4	\$ 1.0	\$ 0.6	\$ 37.5	\$ -	\$ 2.5	\$ 43.0
Lease obligations	10.7	7.7	5.1	2.8	1.2	0.7	\$ 28.2
Total	\$ 12.1	\$ 8.7	\$ 5.7	\$ 40.3	\$ 1.2	\$ 3.2	\$ 71.2

CHANGES IN ACCOUNTING POLICIES AND RECOMMENDATIONS

The CICA has issued new recommendations on the recognition of asset retirement obligations, which establishes standards for recognizing, measuring and disclosing liabilities for asset retirement obligations and the associated asset retirement costs. A liability is recognized at fair value when an obligation is incurred and it can be reasonably estimated. The asset retirement cost is allocated to expense using a systematic and rational method over the estimated useful life of the related asset. The recommendations were applied effective January 1, 2004 and have not had a material impact on the Fund.

The CICA has issued new recommendations on impairment of long-lived assets, which establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. Impairment is recognized when the carrying amount of an asset to be held and used exceeds the sum of undiscounted cash flows expected from its use and disposal. Impairment is measured as the amount by which the carrying amount of long-lived assets exceeds their fair value. The recommendations were applied effective January 1, 2004. As at December 31, 2004, there was no impairment in the carrying value of the Fund's long-lived assets.

On March 25, 2004, the Fund granted options to acquire trust units to key employees, directors and trustees to encourage their ownership of the Fund. The CICA has issued new recommendations recognizing stock-based compensation as an expense. Accordingly, the fair value method has been applied and a charge to earnings of \$330,000 resulted from the granting of these options.

The Fund enters into foreign exchange contracts periodically to hedge against its U.S. dollar-denominated revenues. The Fund applies the standards set out in the CICA's Accounting Guideline 13 to account for these contracts. Gains and losses arising from these contracts are recognized in the same period as the foreign currency revenues to which they relate. The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking these transactions. The Fund also formally assesses, both at inception and on an ongoing basis, the effectiveness of all hedges.

On January 19, 2005 the Canadian Institute of Chartered Accountants issued emerging issues committee abstract 151 ("EIC 151"), "Exchangeable Securities Issued by Subsidiaries of Income Trusts". The abstract sets out the conditions that must be met in order to present exchangeable securities representing the retained interest in a subsidiary of an income trust as part of unitholders' equity. Management has determined, after obtaining an opinion from its legal counsel, that the characteristics of the Class A and B Limited Partnership units of Contrans Holding Limited Partnership, a subsidiary of the Fund, satisfy the conditions of EIC 151 and are therefore appropriately presented as part of unitholders' equity.

CRITICAL ACCOUNTING ESTIMATES

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

Financial Statement Item

Methodology, assumptions

Accounts receivable – provisions for doubtful accounts

Specific account analysis performed and a general provision is established based on past performance.

Goodwill and long-lived assets – impairment testing

Based on expected future cash flows. Consideration given to past performance and future conditions that are known or expected to change that will affect future cash flows.

Property, equipment and intangible assets – useful lives

Based on past performance.

Accrued liabilities – matters involving litigation

Accruals for settlement established based on information provided by legal counsel or insurance claims professionals.

Management does not believe that there are changes that are reasonably likely to occur in the assumptions that have been used that will have a material impact on 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. As at December 31, 2004, the Fund had foreign exchange contracts with an aggregate value of U.S. \$18,000,000 to sell U.S. funds throughout 2005. The contracts expire on a monthly basis over the year and enable the Fund to sell U.S. dollars between \$1.20 and \$1.2695.

BUSINESS RISKS

Legislation has been introduced and taken effect in the U.S. with respect to hours of service for truck drivers, with similar legislation anticipated to be introduced in Canada in the near future. Generally, under the U.S. legislation, drivers are restricted to on-duty time of 14 hours, a maximum 11 of which may be driving hours. Non-driving time spent, such as loading product or crossing borders, is included as on-duty time. These changes may result in a reduction in productivity of some drivers. Management believes that this potential loss in productivity can be mitigated by charging customers for inefficiencies such as undue delays in loading, unloading and waiting time.

The Fund is affected by economic cycles. Freight transportation operations service approximately 6,000 customers in various industries and geographic regions with a fleet of dry van, flatbed, dump, dry bulk and liquid tank trailers. Some of the largest freight customers are in industries where demand for their goods is relatively inelastic. School bus operations provide transportation services to school boards which are unaffected by economic cycles.

The diversity of the customer base also limits concentration of credit risk. No single customer accounts for more than 10% of the Fund's revenue.

Cross-border travel is required to service many customers in the Fund's freight operations. Approximately 40% of the total distance travelled by the Fund's trucks is travelled in the U.S. Accordingly, border crossings and customs clearances affect these shipments. Today's political uncertainties and border security concerns present risks to the efficiency of cross-border traffic. The Fund participates in professional and industry associations designed to lobby for the transportation industry's interests. In addition, management is informing customers about the loss of efficiency and costs of border delays and seeks fair compensation for lost productivity.

The Fund is subject to certain foreign exchange risks as it has positive U.S. dollar cash flow arising from its freight operations. Management manages this risk through foreign exchange contracts, denominating equipment leases in U.S. dollars and through customer negotiations.

Changes in the relative value of the Canadian dollar against the U.S. dollar also affect both the flow of goods between Canada and the U.S. and competition for freight. Management competes for this freight by providing high levels of service to service-sensitive customers.

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

The Fund's freight operations rely primarily on the services of owner-operators and professional drivers. As at December 31, 2004 the Fund had 801 owner-operators under contract, employed 512 company truck drivers and 708 school bus drivers. Besides offering competitive rates of pay, management is conscious of the quality of the working environment. In addition, when the Fund lacks its own hauling resources, partner carriers can provide additional capacity.

The price of fuel is an expense over which management has little or no control. Although the Fund has fuel surcharge programs with most of its customers that offset higher fuel prices, the effectiveness of these programs during times of sudden, significant increases in fuel prices is diminished. Rapid fluctuations in fuel prices, moreover, absorb a lot of management time and redirects management's attention from other aspects of operations.

Changes in interest rates affect both interest paid on floating rate debt and interest received on surplus cash. After giving effect to the Fund's refinancing on January 8, 2004, approximately 94% of long-term debt has a fixed interest rate.

TRANSACTIONS WITH RELATED PARTIES

The Fund purchased certain highway tractors for consideration of \$1.5 million from Peterbilt of Ontario Inc., a company controlled by the Chairman of the Fund. In addition, certain of the Fund's tractor repairs and maintenance were carried out by this company for consideration of \$2.1 million. 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.

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. These factors may cause actual results to differ materially from any forward-looking statement.

March 1, 2005

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31

(in thousands except per unit amounts)

	2004	2003 (Note 16)
Revenue	\$ 371,856	\$ 305,993
Operating expenses	294,845	244,688
Selling, general and administration expenses	34,414	28,391
Amortization of property and equipment	13,649	12,509
Amortization of intangible assets	1,579	169
	27,369	20,236
Net interest expense (Note 6)	2,500	1,660
Income Before Income Taxes	24,869	18,576
Income taxes (Note 7)	369	731
Net Income	\$ 24,500	\$ 17,845
Earnings per unit – basic and diluted (Note 15)	\$ 0.90	\$ 0.75
Weighted average number of units outstanding (Note 15)		
Basic	27,087	23,763
Diluted	27,206	23,763

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31

(in thousands)

	2004	2003
Retained Earnings – Beginning of Year	\$ 42,010	\$ 53,887
Net income	24,500	17,845
Distributions declared	(33,881)	(29,722)
Retained Earnings – End of Year	\$ 32,629	\$ 42,010

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

As at December 31

(in thousands)

	2004	2003
Assets		
Current Assets		
Cash and cash equivalents	\$ 20,699	\$ 137
Accounts receivable	42,943	30,190
Other current assets	6,330	5,741
	69,972	36,068
Property and Equipment (Note 4)	104,531	91,777
Goodwill	32,666	29,135
Intangible Assets (Note 5)	12,355	3,387
	\$ 219,524	\$ 160,367
Liabilities		
Current Liabilities		
Operating loan (Note 6)	\$ -	\$ 7,701
Accounts payable and accrued liabilities	27,782	22,783
Distributions payable	2,899	2,489
Income taxes payable	699	119
Current portion of long-term debt (Note 6)	1,334	7,317
	32,714	40,409
Long-Term Debt (Note 6)	41,645	7,254
Future Income Taxes (Note 7)	6,058	5,463
	80,417	53,126
Unitholders' Equity		
Contributed surplus (Note 8)	330	-
Trust units (Note 8)	106,148	65,231
Retained earnings	32,629	42,010
	139,107	107,241
	\$ 219,524	\$ 160,367

Commitments and contingencies (Notes 9 and 10)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31

(in thousands)

	2004	2003
Cash Provided by (Used in)		
Operating Activities		
Net income	\$ 24,500	\$ 17,845
Items not affecting cash:		
Unit-based compensation cost (Note 8)	330	-
Amortization of property and equipment	13,649	12,509
Amortization of intangible assets	1,579	169
Future income taxes	(137)	335
Gain on sale of property and equipment	(431)	(362)
	39,490	30,496
Net change in non-cash working capital (Note 13)	(7,319)	5,231
	32,171	35,727
Investing Activities		
Expended on acquisitions (Note 3)	(23,877)	(5,710)
Proceeds from sale of property and equipment	4,206	7,985
Purchase of property and equipment	(13,273)	(9,898)
	(32,944)	(7,623)
Financing Activities		
Distributions paid	(33,471)	(29,705)
Proceeds from long-term debt	37,500	1,288
Repayment of long-term debt	(15,270)	(13,466)
Proceeds from (repayment of) operating loan	(8,341)	7,701
Proceeds from issuance of units (Note 8)	40,917	1,406
	21,335	(32,776)
Increase (Decrease) in Cash and Cash Equivalents	20,562	(4,672)
Cash and Cash Equivalents – Beginning of Year	137	4,809
Cash and Cash Equivalents – End of Year	\$ 20,699	\$ 137

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2004 and 2003

(tabular amounts in thousands except for per unit amounts)

1. Organization

Contrans Income Fund (the “Fund”) is an unincorporated, open-ended limited purpose trust established under the laws of the province of Ontario. The Fund was created for the purpose of acquiring and holding certain investments, initially through the effective acquisition of Contrans Corp. and its direct and indirect operating entities.

The Fund operates in the freight and school bus transportation industries.

2. Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION

The purchase method of accounting for business combinations has been used and the accounts of all subsidiaries have been consolidated with those of the Fund.

GOODWILL AND INTANGIBLE ASSETS

Goodwill is tested for impairment on an annual basis. Management periodically reviews the estimated lives of intangible assets and adjusts amortization accordingly. Intangible assets are amortized as follows:

Non-competition agreements – Straight-line over the life of the agreement

Customer relationships – Straight-line over 10 years

PROPERTY AND EQUIPMENT

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

Buildings – Straight-line over 15 to 40 years

Rolling Stock

Tractors – 25% declining balance

Trailers – Straight-line over 10 to 15 years

School buses – Based on usage over 8 to 12 years

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

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

REVENUE RECOGNITION

Revenue for freight transportation is recognized upon delivery of the goods to the customer. Revenue for school bus transportation services is recognized when services are provided.

INCOME TAXES

The Fund is a mutual fund trust as defined under the Income Tax Act (Canada). Pursuant to the Declaration of Trust, all of the taxable income earned directly by the Fund in the period is distributable to unitholders and such distributions are deducted for income tax purposes. Consequently,

no provision for income taxes is required for the Fund. Certain of the Fund's subsidiaries are, however, subject to income taxation and provide for income tax obligations based upon statutory corporate tax rates and provide for federal large corporations taxes as necessary.

FUTURE INCOME TAXES

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

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.

UNIT-BASED COMPENSATION

The Fund applies the fair value-based method to account for awards made under its long-term incentive plan described in Note 8.

HEDGING RELATIONSHIPS

The Fund enters into foreign exchange contracts periodically to hedge against its U.S. dollar-denominated revenues. The Fund applies the standards set out in the CICA's Accounting Guideline 13, "Hedging Relationships" and the CICA's Emerging Issues Committee's abstract 128 "Accounting for Trading, Speculative or Non-hedging Derivative Financial Instruments" to account for these contracts when the following conditions are met. The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking these transactions. The Fund also formally assesses, both at inception and on an ongoing basis, whether the contracts are highly effective as hedges.

Gains and losses arising from these contracts are recognized in the same period as the foreign currency revenues to which they relate.

IMPAIRMENT OF LONG-LIVED ASSETS

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

ASSET RETIREMENT OBLIGATIONS

The Fund recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The Fund concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset.

EARNINGS PER UNIT

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

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts at the date of, and for the period of, the financial statements. Actual results could differ from those estimates. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in income in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include accounts receivable, property and equipment, goodwill, intangible assets, accounts payable and accrued liabilities and future income taxes.

3. Acquisitions

2004

	Olinyk	Elgin	Clark	KTS	Pickway	Walsh	Firm	Total
Accounts receivable	\$ 263	\$ 2,323	\$ 1,416	\$ 582	\$ -	\$ 124	\$ 1,288	\$ 5,996
Other current assets	62	298	250	48	22	147	30	857
Property and equipment	562	9,371	4,318	1,056	129	1,390	79	16,905
Intangible assets with finite lives								
Customer relationships	210	1,692	2,170	920	150	685	2,610	8,437
Non-competition agreements	40	840	420	40	40	40	690	2,110
Goodwill	65	470	868	324	103	1,342	359	3,531
<i>Fair value of assets acquired</i>	1,202	14,994	9,442	2,970	444	3,728	5,056	37,836
Operating loan	-	640	-	-	-	-	-	640
Accounts payable & accrued liabilities	219	1,664	1,343	901	26	716	1,026	5,895
Income taxes payable	6	464	30	-	-	-	14	514
Long-term debt	-	4,890	-	195	116	977	-	6,178
Future income taxes	80	282	175	54	-	141	-	732
<i>Fair value of liabilities acquired</i>	305	7,940	1,548	1,150	142	1,834	1,040	13,959
	\$ 897	\$ 7,054	\$ 7,894	\$ 1,820	\$ 302	\$ 1,894	\$ 4,016	\$ 23,877
Consideration								
Cash	\$ 897	\$ 7,054	\$ 7,894	\$ 1,820	\$ 302	\$ 1,894	\$ 4,016	\$ 23,877

On January 1, 2004, the Fund acquired all of the outstanding shares of Olinyk Trucking Ltd. (“Olinyk”), a flatbed trucking operation located in Edmonton, Alberta.

On March 1, 2004, the Fund acquired all of the outstanding shares of Elgin Cartage Limited (“Elgin”). Located in London, Ontario, Elgin provides a range of truckload transportation services principally focused on transportation of industrial dry waste. Elgin also transports other bulk commodities in dump and liquid trailers. The business operates mainly within Ontario and Michigan. Approximately \$1.5 million of additional consideration is payable contingent upon Elgin achieving certain performance objectives over the next three years. Any additional consideration that is paid will be charged to goodwill.

On April 1, 2004, the Fund acquired all of the outstanding shares of Clark Leasing Limited (“Clark”). Located in Perth, Ontario, Clark provides a range of truckload transportation services utilizing refrigerated and dry van trailers and ocean containers. The business operates mainly within Ontario, Quebec and the northeastern United States.

On June 1, 2004, the Fund acquired all of the outstanding shares of Keruda Traffic Service Inc. (“KTS”). Located in Waterford, Ontario, KTS provides truckload transportation services utilizing dry van trailers mainly within Ontario, Michigan, Ohio and Indiana.

On July 1, 2004, the Fund acquired all operating assets of Pickway Transportation Inc. (“Pickway”). Located in Pickering, Ontario, Pickway provides school bus transportation services.

On October 1, 2004, the Fund acquired all of the outstanding shares of Walsh Transportation Ltd. (“Walsh”). Located in Haileybury, Ontario, Walsh provides school bus and other transportation services in Northeastern Ontario.

On November 1, 2004, the Fund acquired all of the outstanding shares of Firm Transportation and Distribution Services Inc. (“Firm”). Located in Toronto, Ontario, Firm is a third party logistics provider. Approximately \$2.0 million of additional consideration is payable contingent upon Firm achieving certain performance objectives over the next three years. Any additional consideration that is paid will be charged to goodwill.

2003

	Bird	RLL	CASCO	Total
Other current assets	\$ —	\$ 17	\$ 50	\$ 67
Property and equipment	1,000	567	967	2,534
Goodwill	—	133	—	133
Intangible assets				
Customer relationships	—	—	2,215	2,215
Non-competition agreements	—	900	—	900
Fair value of assets acquired	1,000	1,617	3,232	5,849
Accounts payable and accrued liabilities	—	(117)	(22)	(139)
Fair value of liabilities assumed	—	(117)	(22)	(139)
	\$ 1,000	\$ 1,500	\$ 3,210	\$ 5,710
Consideration				
Cash	\$ 1,000	\$ 1,500	\$ 3,210	\$ 5,710

On January 29, 2003, the Fund acquired the business and certain operating assets of Harold Bird Trucking Inc. (“Bird”), a provider of bulk transportation services. Rolling stock consisting of highway tractors and trailing equipment was acquired.

On April 15, 2003, the Fund entered into an agreement, which became effective May 1, 2003, to acquire the shares of Robert Lindsay Limited (“RLL”), a school bus transportation provider based in Nanticoke, Ontario. RLL operates its fleet under the name Lindsay Bus Lines.

On May 16, 2003, the Fund acquired certain highway tractors, liquid tank and van trailers and other transportation assets (the “equipment”) from one of its customers, Canada Starch Company (“CASCO”). In conjunction with transportation and logistics contracts executed on the same day, the Fund will use the equipment as the exclusive transportation supplier to this customer.

The acquisitions have been accounted for by the purchase method and the results of operations from the acquisition date have been included in these consolidated financial statements.

4. Property and Equipment

2004	Cost	Accumulated amortization	Net
Land	\$ 7,135	\$ —	\$ 7,135
Buildings	19,862	6,009	13,853
Rolling stock and other equipment	131,074	47,531	83,543
	\$ 158,071	\$ 53,540	\$ 104,531

2003	Cost	Accumulated amortization	Net
Land	\$ 6,449	\$ —	\$ 6,449
Buildings	18,105	5,283	12,822
Rolling stock and other equipment	110,292	37,786	72,506
	\$ 134,846	\$ 43,069	\$ 91,777

5. Intangible Assets

	2004	2003
Customer relationships	10,652	2,215
Non-competition agreements	3,520	1,410
Accumulated amortization	(1,817)	(238)
	12,355	3,387

7. Income Taxes

The following table reconciles the provision for income taxes recorded in the statement of earnings with a statutory income tax rate of 35.7% :

	2004	2003
Income before income taxes	\$ 24,869	\$ 18,576
Computed income tax expense at Canadian statutory rate	8,878	6,633
Reduction of taxes due to taxable income allocated to unitholders	(8,878)	(6,633)
Increase in future tax liability associated with changes in substantively enacted tax rates	-	335
Reduction in future tax liability associated with dilution of ownership on public offering	(521)	-
Large corporation tax	100	300
U.S. taxes	315	175
Other	475	(79)
Income tax expense	\$ 369	\$ 731

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

	2004	2003
Future tax assets		
Non-capital loss carry forwards	\$ (2,541)	\$ (1,403)
Future tax liabilities		
Property and equipment – differences between tax and accounting values	9,009	8,456
Other	(410)	(1,590)
Net future income tax liability	\$ 6,058	\$ 5,463

8. Trust Units

AUTHORIZED

Unlimited numbers of Subordinate Voting Trust units (“Trust units”) and Class A Limited Partnership (“LP”) units and 1,467,724 Class B LP units are authorized.

ISSUED AND FULLY PAID

	2004		2003	
	Units	\$	Units	\$
<i>Trust units</i>	21,404	\$ 98,067	16,970	\$ 56,465
<i>Class A LP units</i>	4,951	6,783	5,451	7,468
<i>Class B LP units</i>	1,468	1,298	1,468	1,298
<i>Total</i>	27,823	\$ 106,148	23,889	\$ 65,231

VOTING, DISTRIBUTION AND EXCHANGE RIGHTS

The Trust units and the Class A LP units are entitled to one vote each. The Class B LP units are entitled to ten votes each. Distributions are made equally on a pro rata basis. Each Class A LP unit and Class B LP unit is exchangeable for a Trust unit effectively giving the Class A and Class B LP units the same rights and entitlements as the Trust units.

REDEMPTION RIGHTS

Trust units are redeemable by the Fund at any time at a price equal to the lesser of 90% of their market price during the five trading day period commencing immediately after the date of surrender and 100% of the closing market price on the redemption date.

ISSUE OF TRUST UNITS

On March 1, 2004, the Fund issued 3,700,000 Trust units at a price of \$11.00 each. Proceeds of the offering were used for working capital purposes and for funding strategic growth opportunities. The net proceeds after deducting costs of the offering were \$38.3 million. The first cash distribution in which purchasers of this issue were entitled to participate was for the month of March 2004 with a record date of March 31, 2004 and a payment date of April 15, 2004. The Fund also received proceeds of \$2.6 million (2003 - \$1.4 million) from the issuance of 234,000 (2003 – 166,000) Trust units under the dividend reinvestment plan and the optional cash plan. In addition, 500,000 Class A LP units were exchanged for an equal number of Trust units.

UNIT-BASED COMPENSATION PLAN

The Fund maintains a unit option plan to encourage ownership of the Fund by directors, officers and key employees of the Fund. Under the terms of the plan, 2,762,165 Trust units have been reserved for issuance. The maximum number of options that can be issued to an individual is 5% of the subordinate voting trust units outstanding at the time of the grant.

On March 25, 2004, the Fund granted 1,575,000 options to key employees, trustees and directors. Upon issuance, 20% of the options vested immediately and the remainder vest at a rate of 20% annually over the next four anniversary dates. The exercise price is \$11.50, which was the closing trading price of the Fund on the day prior to the date of the grant. Unexercised options expire on March 25, 2014. Options issued under the plan are non-transferable. Any option granted which is cancelled or terminated for any reason prior to exercise will be returned to the pool and will be available for future unit option grants. During the year, 35,000 options were terminated leaving 1,540,000 outstanding as at December 31, 2004.

The estimated grant-date fair value was \$0.47 per unit. The amount charged to compensation cost and contributed surplus during the year was \$330,000.

Below are the assumptions used to determine the fair value of the options on the grant date:

<i>Risk-free interest rate</i>	4.62%
<i>Expected life</i>	9 years
<i>Expected volatility</i>	20%
<i>Expected dividend yield</i>	10.87%

9. Lease Commitments

Future minimum payments for operating lease obligations are as follows:

2005	\$ 10,724
2006	7,706
2007	5,080
2008	2,778
2009	1,167
Thereafter	691

10. Contingencies

OUTSTANDING LITIGATION

In September 1994, two actions were filed by separate groups of former employees against Laidlaw Carriers Inc. (“Laidlaw”) and an Ontario loan and trust company. These actions involved the valuation of the employees’ benefit plans in 1988. In 2001, after application for leave to appeal an earlier court decision was denied, these actions became a single class proceeding. Management is unable to determine the outcome of this lawsuit at this time.

Laidlaw had been a wholly-owned subsidiary of Contrans Corp. and, upon amalgamations that took place on July 23, 2002, the potential liability surrounding these actions was combined with Contrans Corp., a corporation controlled by the Fund that continues to provide administrative services to the Fund and the operating entities.

11. Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, distributions payable and long-term debt approximate their fair value. The fair value of long-term debt is determined at the net present value of contractual future payments of principal discounted at current market rates of interest for similar debt instruments with terms stretching over the remaining lives of the outstanding loans. Floating rate debt is assumed to be carried at fair value.

The Fund services a large customer base in various industries which helps limit concentration of credit risk. Some of the Fund's largest customers are in industries where demand for their goods is relatively inelastic. The Fund undertakes credit checks on new accounts and closely monitors the credit performance of all its customers.

The Fund from time to time enters into foreign exchange contracts to manage its net exposure to currency fluctuations against the U.S. dollar. As at December 31, 2004, the Fund had contracts with an aggregate value of U.S. \$18,000,000 to sell U.S. funds throughout 2005. The contracts expire on a monthly basis over the year and enable the Fund to sell U.S. dollars at amounts between a minimum of \$1.20 and a maximum of \$1.2695. As at December 31, 2004, the fair value of these contracts was a nominal amount.

12. Related Party Transactions

The Fund had business transactions with a company controlled by the Chairman of the Fund as follows:

	2004	2003
Transactions during the year		
Equipment and purchases	\$ 1,534	\$ 119
Repairs and maintenance	2,149	2,044
Rental income	179	145
Balances at end of year		
Accounts payable	118	113
Accounts receivable	9	2

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.

13. Cash Flow

Change in non-cash working capital:

	2004	2003
Decrease (increase) in accounts receivable	(6,757)	3,137
Decrease (increase) in other current assets	268	(917)
Increase (decrease) in accounts payable and accrued liabilities	(896)	3,501
Increase (decrease) in income taxes payable	66	(490)
Net change in non-cash working capital	(7,319)	5,231
Cash paid in respect of:		
Interest	2,616	1,646
Income taxes	440	886

14. Segmented Information

The Fund operates in the freight and school bus transportation industries, both based in Canada. There have been no transactions between operating segments. Certain of the costs incurred at the Fund's head office, denoted as "Other" in the table below, are allocated to each operating segment.

2004	Revenue	Net interest expense (income)	Amortization of property and equipment	Income (loss) before income taxes	Goodwill	Total assets	Capital expenditures
Freight	\$ 347,255	\$ 3,985	\$ 9,22	\$ 26,126	\$ 12,161	\$ 112,317	\$ 8,654
School bus	24,601	1,153	3,900	(257)	20,505	54,525	4,313
Other	—	(2,638)	528	(1,000)	—	52,682	306
	\$ 371,856	\$ 2,500	\$ 13,649	\$ 24,869	\$ 32,666	\$ 219,524	\$ 13,273

2003	Revenue	Net interest expense (income)	Amortization of property and equipment	Income (loss) before income taxes	Goodwill	Total assets	Capital expenditures
Freight	\$ 283,173	\$ 5,761	\$ 8,069	\$ 18,791	\$ 10,074	\$ 88,796	\$ 3,011
School bus	22,820	960	3,935	236	19,061	51,587	6,105
Other	—	(5,061)	505	(451)	—	19,984	782
	\$ 305,993	\$ 1,660	\$ 12,509	\$ 18,576	\$ 29,135	\$ 160,367	\$ 9,898

15. Earnings per Unit

The computations for earnings per unit are based on the following:

	2004	2003
Weighted average number of units outstanding:		
Basic	27,087	23,763
Effect of unit options	119	-
Diluted	27,206	23,763

As at December 31, 2003, no unit options were outstanding.

16. Comparative Figures

The 2003 comparative figures have been reclassified to reflect amounts billed for fuel surcharge as revenue. The effect of the reclassification was to increase revenue and operating expenses each by \$13,112,000.

For further information please contact Stan Dunford or Greg Rumble:

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