

NEWS RELEASE

CONTRANS INCOME FUND ANNOUNCES FOURTH QUARTER RESULTS

(Woodstock, Ontario—March 5, 2007) Contrans Income Fund (TSX. Symbol CSS.UN)

(unaudited)

Period ended December 31

(in millions except per unit amounts)

	Three Months		Twelve Months	
	2006	2005	2006	2005
Revenue - transportation services	\$ 103.6	\$ 90.0	\$ 399.9	\$ 342.1
Revenue - fuel surcharges	12.0	9.5	55.3	43.4
Revenue - total	\$ 115.6	\$ 99.5	\$ 455.2	\$ 385.5
Earnings before gain on sale of land, income taxes and discontinued operations	\$ 7.3	\$ 6.5	\$ 34.2	\$ 28.4
Gain on sale of land	-	-	2.9	-
	7.3	6.5	37.1	28.4
Income taxes	(0.5)	0.2	1.3	0.9
Net income from continuing operations	7.8	6.3	35.8	27.5
Net income from discontinued operations net of tax	-	-	-	1.0
Net income	\$ 7.8	\$ 6.3	\$ 35.8	\$ 28.5
Distributable cash earned per unit from:				
Continuing operations before proceeds from sale of land	\$ 0.34	\$ 0.33	\$ 1.55	\$ 1.33
Proceeds from sale of land	-	-	0.13	-
Discontinued operations	-	-	-	0.14
Total distributable cash earned per unit	0.34	0.33	1.68	1.47
Distributions declared per unit	0.31	0.31	1.25	1.25
Surplus of distributable cash earned per unit over distributions declared per unit	\$ 0.03	\$ 0.02	\$ 0.43	\$ 0.22
Payout ratio ⁽¹⁾				
Excluding sale of land	91%	94%	81%	85%
Including sale of land	91%	94%	74%	85%

(1) Payout ratio is calculated by dividing distributable cash earned by distributions paid. Neither payout ratio nor distributable cash have standardized meanings prescribed under Canadian GAAP and therefore they are unlikely to be comparable to similar measures employed by other issuers. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. Management believes that these measures help readers assess the Fund's performance and the sustainability of its distributions.

“After achieving another record year in 2005, I would have been quite pleased to have matched those results in 2006,” stated Stan Dunford, Chief Executive Officer and Chairman of the Board of Contrans Income Fund. “Instead, we surpassed those results and had yet another record year in 2006. We continued to grow our business by making some key, strategic acquisitions. In addition, and far more importantly, we also managed to improve upon one of the highest profit margins in our history. And this was achieved in spite of some significant challenges in our markets. To say that I am pleased would be an understatement.”

“The businesses that we acquired made important contributions to our success in 2006,” continued Mr. Dunford. “Furthermore, with these acquisitions, we have continued our expansion into specialized areas of transportation, some of which are less sensitive to fluctuations in general economic cycles. By broadening our customer base, we have increased market diversity thus adding stability to our distributions.”

“We believe that the uncertainty over the tax status of income trusts has not only had a negative impact on the entire sector and investors, but on the economy in general. The new limits on the amount of equity that a trust can raise have compounded this effect by further restricting growth. We intend to continue to operate our business the way we always have in spite of these burdens and constraints. Our focus will remain on operating intelligently. Our growth will continue to be measured and selective. Our goal will always be set on increasing unitholder value.”

“Over the past 10 years Contrans has made 30 acquisitions and today it is approaching \$500 million in annual revenues making it one of the leading freight transportation companies in Canada. We are proud of the successes of everyone in our organization, from the owner-operator with a brand new truck that is paid for to the people that we hired out of school who are now senior managers. Contrans’ success is truly a reflection of our ability to provide our people with opportunities to realize their full potential.”

MANAGEMENT'S DISCUSSION AND ANALYSIS

The consolidated financial statements contained in this annual report, 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, 2006 and 2005. The financial statements should be read in conjunction with the analysis that follows. A cautionary note regarding non-GAAP measures and forward-looking statements follows this Management's Discussion and Analysis of Operations and Financial Condition.

Financial Highlights

<i>Years ended December 31</i> <i>(in millions except per unit amounts)</i>	2006		2005		2004	
Revenue - transportation services	\$ 399.9	100.0 %	\$ 342.1	100.0 %	\$ 323.3	100.0 %
Revenue - fuel surcharges	55.3		43.4		24.0	
Revenue - total	455.2		385.5		347.3	
Operating expenses - net of fuel surcharges	309.5	77.4	266.0	77.8	254.4	78.7
Selling, general and administration expenses	38.2	9.6	35.0	10.2	31.3	9.7
Earnings before amortization, gain on sale of land, interest, income taxes and discontinued operations (EBITDA)	52.2	13.0	41.1	12.0	37.6	11.6
Amortization of property and equipment	13.4	3.4	10.3	3.0	9.7	3.0
Amortization of intangible assets	2.2	0.5	1.3	0.4	1.4	0.4
Net interest expense	2.4	0.6	1.1	0.3	1.3	0.4
Earnings before gain on sale of land, income taxes and discontinued operations	34.2	8.5	28.4	8.3	25.2	7.8
Gain on sale of land	2.9	0.7	-	-	-	-
Earnings before taxes and discontinued operations (EBT)	37.1	9.2	28.4	8.3	25.2	7.8
Income taxes	1.3	0.3	0.9	0.3	0.4	0.1
Net income from continuing operations	35.8	8.9 %	27.5	8.0 %	24.8	7.7 %
Income (loss) from discontinued operations	-		1.0		(0.3)	
Net income	\$ 35.8		\$ 28.5		\$ 24.5	
Earnings (loss) per unit - basic						
Continuing operations	\$ 1.26		\$ 0.98		\$ 0.91	
Discontinued operations	-		0.04		(0.01)	
	\$ 1.26		\$ 1.02		\$ 0.90	
Earnings (loss) per unit - diluted						
Continuing operations	\$ 1.25		\$ 0.97		\$ 0.91	
Discontinued operations	-		0.04		(0.01)	
	\$ 1.25		\$ 1.01		\$ 0.90	
Total assets	\$ 260.9		\$ 220.5		\$ 219.5	
Long-term debt	75.3		40.6		43.0	
Cash	2.8		46.3		20.7	
Distributions declared per unit						
Regular	\$ 1.25		\$ 1.25		\$ 1.25	
Special	-		0.23		-	

FOURTH QUARTER RESULTS

(unaudited)

Quarters ended December 31

(in millions except per unit amounts)

	2006		2005			
Revenue - transportation services	\$	103.6	100.0 %	\$	90.0	100.0 %
Revenue - fuel surcharges		12.0			9.5	
Revenue - total		115.6			99.5	
Operating expenses net of fuel surcharges		80.6	77.8		69.9	77.7
Selling, general and administration expenses		10.6	10.2		10.0	11.1
EBITDA		12.4	12.0		10.1	11.2
Amortization of property and equipment		3.5	3.4		2.9	3.2
Amortization of intangible assets		0.6	0.6		0.4	0.4
Net interest expense		1.0	1.0		0.3	0.3
EBT		7.3	7.0		6.5	7.3
Income taxes		(0.5)	(0.5)		0.2	0.2
Net income	\$	7.8	7.5 %	\$	6.3	7.1 %
<i>Continuing Operations</i>						
Earnings per unit – basic	\$	0.27		\$	0.23	
Earnings per unit – diluted		0.27			0.22	
	\$	0.27		\$	0.22	

RESULTS FROM CONTINUING OPERATIONS

Acquisitions generated additional revenues from transportation services (“revenue”) of \$49.4 million (\$17.3 million in the fourth quarter of 2006) and additional earnings before tax and discontinued operations (“EBT”) of \$3.6 million (\$1.5 million in the fourth quarter of 2006) compared to the same periods in 2005. Core operations (operations on hand at the beginning of 2005) have been adversely affected by the strong Canadian dollar and slowing economies in Central and Eastern Canada as well as by a cooling of the housing market. The impact of these factors increased in effect through the second half of 2006 but were offset by the resumption of operations at UPM, a major customer of the Fund, after plant shutdowns in 2005 and early 2006. This resumption in business contributed approximately \$8.7 million of additional revenue in 2006 compared to 2005 (\$2.6 million of additional revenue in the fourth quarter of 2006 compared to 2005). A relatively mild winter also favourably affected the Fund’s 2006 revenues compared to 2005.

The impact of reduced equipment utilization on operating expenses as a percentage of revenue was offset in 2006 by rate increases obtained from customers, lower insurance expenses and reduced maintenance expenses. Acquisitions added \$4.3 million to selling, general and administration costs (“SG&A”) during the year compared to 2005 (\$2.2 million increase in the fourth quarter of 2006 compared to the fourth quarter of 2005). SG&A was also higher due to special tax planning work, severance costs and a provision for a sales tax assessment that together totalled \$1.1 million in 2006 (\$0.5 million higher in the fourth quarter of 2006 compared to the fourth quarter of 2005). These increases were partially offset by a revision to management’s incentive compensation that reduced SG&A expenses by \$1.2 million in the second quarter and a \$0.2 million favourable swing in foreign exchange gains and losses for the year (\$0.5 million in the fourth quarter). The Fund closed one of its subsidiaries, Fillion Transport Inc., in 2005, at a cost of approximately \$0.8 million.

Amortization of property and equipment as well as amortization of intangibles increased in 2006 primarily due to acquisitions. Average net debt increased during 2006 due to the acquisitions that were made. Net interest expense increased as a result.

In the first quarter of 2006, the Fund sold vacant land that exceeded its foreseeable needs for \$3.7 million. This sale resulted in a pre-tax gain of \$2.9 million and a related income tax provision of \$0.4 million (net impact of \$0.09 per unit). The land, adjacent to one of the Fund’s existing terminals in Woodstock, Ontario, had been acquired in 2002 and 2003 for potential future expansion.

The Fund reorganized its operations in the fourth quarter which eliminated certain future income tax obligations within its structure. The effect of this has been reflected in the income tax provision.

Summary of Quarterly Results

<i>(unaudited)</i> <i>(in millions except per unit amounts)</i>	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenue – transportation services	\$ 94.6	\$ 82.7	\$ 102.2	\$ 86.1	\$ 99.5	\$ 83.3	\$ 103.6	\$ 90.0
Revenue – fuel surcharges	12.9	9.0	15.4	11.4	14.9	13.4	12.0	9.5
Revenue	\$ 107.5	\$ 91.7	\$ 117.6	\$ 97.5	\$ 114.4	\$ 96.7	\$ 115.6	\$ 99.5
Net income from continuing operations	\$ 9.7	\$ 5.6	\$ 10.3	\$ 8.0	\$ 7.9	\$ 7.5	\$ 7.8	\$ 6.3
Earnings (loss) from discontinued operations	-	0.4	-	1.4	-	(0.7)	-	-
Net income	\$ 9.7	\$ 6.0	\$ 10.3	\$ 9.4	\$ 7.9	\$ 6.8	\$ 7.8	\$ 6.3
<i>Earnings (loss) per unit – basic</i>								
Continuing operations	\$ 0.34	\$ 0.20	\$ 0.36	\$ 0.28	\$ 0.28	\$ 0.27	\$ 0.27	\$ 0.23
Discontinued operations	-	0.01	-	0.05	-	(0.03)	-	-
	\$ 0.34	\$ 0.21	\$ 0.36	\$ 0.33	\$ 0.28	\$ 0.24	\$ 0.27	\$ 0.23
<i>Earnings (loss) per unit – diluted</i>								
Continuing operations	\$ 0.34	\$ 0.20	\$ 0.36	\$ 0.28	\$ 0.28	\$ 0.27	\$ 0.27	\$ 0.22
Discontinued operations	-	0.01	-	0.05	-	(0.03)	-	-
	\$ 0.34	\$ 0.21	\$ 0.36	\$ 0.33	\$ 0.28	\$ 0.24	\$ 0.27	\$ 0.22

SEASONALITY

Generally, the second quarter is the Fund's strongest period. Volumes from customers in the construction industry typically build as temperatures warm in the spring, peak in the autumn and then drop off with winter weather. Some manufacturing customers close their plants during the summer and many customers either shut down their production facilities or otherwise reduce shipments during the Christmas holiday season. Harsh winter weather conditions hinder traffic and increase operating costs.

CASH FLOW

Cash flow from continuing operating activities (before changes in non-cash working capital balances) amounted to \$49.6 million in 2006 compared to \$39.6 million in 2005. This improvement was primarily due to the increase in net income.

Non-cash working capital items have increased in 2006 due principally to a decrease in accounts payable and accrued liabilities and a growth in receivables. Accounts payable and accrued liabilities decreased as a result of post-closing payments of \$2.5 million relating to businesses acquired by the Fund. In addition, fourth quarter core business activity levels were lower in 2006 compared to 2005. This reduced amounts owing to owner-operators and partner carriers by approximately \$2.0 million. Receivables have increased due to the additional revenue contributed by acquisitions and due to an increase in revenue from fuel surcharges in core operations.

The Fund paid a special distribution of \$6.5 million to unitholders in the first quarter of 2006 to offset the adverse tax consequences resulting from the sale of the school bus business in 2005.

Unitholders increased their participation in the Fund's distribution reinvestment plan in 2006. This has resulted in an increase in both the number of units outstanding and the proceeds from the issuance of trust units compared to 2005.

UNITHOLDER DISTRIBUTIONS
Distributable Cash

(unaudited)

Periods ended December 31

(in thousands except per unit amounts)

	Three months		Twelve months	
	2006	2005	2006	2005
Cash flow from operating activities	\$ 11,808	\$ 14,432	\$ 42,392	\$ 39,813
Net change in non-cash working capital	(79)	(4,482)	7,174	(242)
Proceeds from sale of property and equipment	2,485	829	4,888	4,503
Asset retirement obligations - settlements	(150)	(9)	(250)	(140)
Maintenance capital expenditures	(4,224)	(1,410)	(10,056)	(6,661)
Distributable cash from continuing operations before land proceeds	9,840	9,360	44,148	37,273
Distributable cash earned from discontinued operations	-	-	-	3,834
Distributable cash earned before land proceeds	9,840	9,360	44,148	41,107
Proceeds from sale of land	-	-	3,717	-
Distributable cash earned	9,840	9,360	47,865	41,107
Distributions declared				
Regular	8,955	8,800	35,670	35,011
Special	-	51	-	6,501
	8,955	8,851	35,670	41,512
Surplus of distributable cash earned vs. regular distributions declared	\$ 885	\$ 560	\$ 12,195	\$ 6,096
Distributable cash earned per unit from:				
Continuing operations	\$ 0.34	\$ 0.33	\$ 1.55	\$ 1.33
Proceeds from sale of land	-	-	0.13	-
Discontinued operations	-	-	-	0.14
	0.34	0.33	1.68	1.47
Distribution declared per unit - regular	0.31	0.31	1.25	1.25
Surplus of distributable cash earned vs. regular distributions declared	\$ 0.03	\$ 0.02	\$ 0.43	\$ 0.22
Weighted average number of units outstanding	28,644	28,107	28,513	27,980
Capital expenditures - continuing operations				
Maintenance capital expenditures	\$ 4,224	\$ 1,410	\$ 10,056	\$ 6,661
Growth capital expenditures	2,296	4,954	15,707	9,769
Total capital expenditures	\$ 6,520	\$ 6,364	\$ 25,763	\$ 16,430

The amount of distributable cash earned has exceeded distributions to unitholders in the current year. Management believes that current unitholders appreciate a stable rate of distributions. Furthermore, the Fund's management believes that it is necessary to retain this surplus amount of cash since higher levels of maintenance capital expenditures are anticipated in the future. Based on the Fund's scope of operations as at December 31, 2006, management expects that the Fund's average net maintenance capital expenditure will approximate \$13 million per year over the next ten years. The actual amount that will be expended in a year may vary depending on factors that include, but are not necessarily limited to, the age and condition of the fleet, the growth of the Fund's business and changes in government regulations regarding the weights and dimensions of highway equipment. See also "Forward-Looking Statements".

The Fund has invested in a number of growth initiatives in 2006 including the construction of a new terminal facility in Edmonton, Alberta, at a cost of \$2.1 million, and the purchase of \$3.5 million of rolling stock to take advantage of the economic boom in that region. As part of a strategy to gain greater market share in the scrap metal transportation business, the Fund has acquired \$2.1 million of new rolling stock for its newly-formed plant services operation. Due to a change in regulations governing weights and dimensions of multi-axle trailers, the Fund purchased \$2.6 million of new trailing equipment in advance of the date that the new regulations became effective. With the new regulations now in effect, the cost of new multi-axle equipment has increased. Although there was not an immediate need for the equipment when purchased, the purchases have allowed operations to react more

quickly to new opportunities. The Fund has also expended \$5.4 million to meet specialized requirements for various customers.

DISTRIBUTABLE CASH EARNED – RECONCILIATION

Cash used to fund working capital, growth capital expenditures or debt repayments does not affect amounts that can be distributed to unitholders when financing is available. Similarly, cash generated by changes in non-cash working capital is not considered distributable to unitholders. Proceeds from the sale of retired highway equipment effectively reduce the cost of maintenance capital expenditures and therefore these proceeds should be considered when determining what can be distributed to unitholders. Settlements of asset retirement obligations reflect amounts paid by the Fund, at the termination of equipment leases, to bring such equipment to a condition that was stipulated and agreed to in each lease contract. Accordingly, these settlements need to be considered when determining distributable cash earned since they are not included in cash provided by operating activities in the statements of cash flow. Maintenance capital expenditures refer to capital expenditures that are necessary to sustain current revenue levels.

LIQUIDITY AND CAPITAL RESOURCES

(unaudited)

As at December 31, 2006

(in millions)

Cash and cash equivalents	\$	2.8
Operating line cash available - continuing operations	\$	30.0
Long-term debt available ⁽¹⁾	\$	16.0
Current ratio		1.7:1
Total debt (including future tax obligations) to equity ratio		0.9:1

⁽¹⁾ Availability expires November 1, 2007 but may be renewed by lender. Draws on this facility can be made for growth purposes only.

The Fund requires working capital to meet day-to-day operating activities, to fund maintenance capital expenditures and to pay distributions. In 2007, management expects that the Fund’s cash flow from operating activities will be sufficient to meet these requirements. Management believes that the Fund’s operating line is adequate to meet seasonal fluctuations in working capital requirements. The trustees of the fund assess the level of distribution each month based on the Fund’s actual and expected performance as well as on the expected capital requirements to maintain its fleet over the longer term. The long-term debt facility is available to fund growth opportunities.

PROPERTY AND EQUIPMENT

(unaudited)

	Owned	Leased	Owner-operated	Total
Tractors	323	472	827	1,622
Trailers	1,738	531	107	2,376
Major office and terminal locations	16	4	-	20

Owner-operators own their own equipment that the Fund would otherwise have to acquire or source elsewhere. Accordingly, these individuals are effectively a source of capital as well as hauling capacity.

CONTRACTUAL OBLIGATIONS*(unaudited)*

(in \$ millions)	2007	2008	2009	2010	2011	Thereafter	Total
Long-term debt	0.4	37.8	0.4	0.1	-	36.6	75.3
Lease Obligations	14.4	12.8	9.3	5.2	1.5	-	43.2
Total	14.8	50.6	9.7	5.3	1.5	36.6	118.5

OUTSTANDING UNITS*(unaudited)*

As at January 31, 2007

(in thousands)

Subordinate Voting Trust units	22,440
Class A LP units	4,810
Class B LP units	1,468
Total	28,718

NORMAL COURSE ISSUER BID

The Fund announced it would make a normal course issuer bid (the “bid”) to purchase up to 1,412,973 of its outstanding Subordinate Voting Trust Units through November 19, 2007. Management intends to buy back these units only if it feels such purchases will benefit remaining unitholders. Units purchased pursuant to the bid will be cancelled.

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 is given to past performance and future conditions that are known, or expected to change, that will affect future cash flows.
Property, equipment and intangible assets – useful lives	Based on past 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.

NEW ACCOUNTING PRONOUNCEMENTS*CICA Handbook Section 1530, Comprehensive Income*

Comprehensive income represents the change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period, except those resulting from investments by and distributions to owners. A statement of comprehensive

income will be required in a complete set of financial statements for both interim and annual periods. The new statement will present net income and each component to be recognized in comprehensive income, such as certain gains and losses arising from changes in fair value. This new section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

CICA Handbook Section 3251, Equity

The current Handbook Section 3250 is to be replaced by this section. This standard incorporates the consequential amendments resulting from the issuance of Handbook Section 1530.

CICA Handbook Section 3855, Recognition and Measurement, Financial Instruments

Section 3855 prescribes when, how much and by what method a financial asset, financial liability, or non-financial derivative is to be recognized in the financial statements. It also specifies how financial instrument gains and losses are to be presented. This pronouncement applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

FINANCIAL INSTRUMENTS

The Fund from time to time enters into foreign exchange contracts to manage its net exposure to currency fluctuations against the US dollar. As at December 31, 2006, the Fund had contracts with an aggregate value of CAD \$4.0 million to sell US funds throughout the first quarter of 2007. The contracts expire on a monthly basis over the period and require the Fund to sell US Dollars at rates between \$1.1293 and \$1.1632. As at December 31, 2006, the fair value of these contracts was a liability of \$0.1 million.

TAXATION

On October 31, 2006 the Canadian Federal government announced its intention to apply corporate tax to income trusts beginning in 2011. If enacted, the income tax will reduce the net income of the Fund and the amount of cash that will be available to distribute to its unitholders. Had the government of Canada's proposal to tax income trusts been substantively enacted as at December 31, 2006, the Fund would have recognized an additional future income tax charge of approximately \$8 million.

BUSINESS RISKS

The Fund is affected by economic cycles. The Fund provides transportation services to over 6,000 customers in various industries and geographic regions. The Fund's asset-based operations haul freight on 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.

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. Approximately 40% of the total distance travelled by the Fund's trucks is travelled in the US. Accordingly, border crossings and customs clearances affect these shipments. Today's political uncertainties and border security concerns affect cross-border traffic. The Fund participates in professional and industry associations designed to lobby for the transportation industry's interests. In addition, management informs customers about border delays and seeks fair compensation for lost productivity.

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

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

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

Management has no control over fuel prices. 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 can be diminished. Rapid fluctuations in fuel prices also absorb more management time.

Changes in interest rates affect both interest paid on floating rate debt and interest received on surplus cash. As at December 31, 2006, approximately 96% of the Fund's long-term debt had fixed interest rates.

CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Fund's management, including the Chief Executive Officer and the Chief Financial Officer, assessed the design of the Fund's internal controls over financial reporting as at December 31, 2006 and determined that there were no material weaknesses in the Fund's internal controls over financial reporting and concluded that the Fund's disclosure controls and procedures were effective.

No changes were made in the Fund's internal control over financial reporting during the three months ended December 31, 2006, that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

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

TRANSACTIONS WITH RELATED PARTIES

In 2006, the Fund purchased certain highway tractors for consideration of \$0.9 million from Peterbilt of Ontario Inc., a company controlled by the Chairman of the Fund. In addition, \$4.2 million was paid by the Fund to Peterbilt of Ontario Inc. in 2006 for tractor repairs, maintenance and lease costs. The Fund also leased certain premises to Peterbilt of Ontario Inc. in 2006 for consideration of \$0.2 million. These transactions were carried out in the normal course of business and recorded at the exchange amount, which management believes approximates an arm's length arrangement.

USE OF NON-GAAP FINANCIAL MEASURES

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

EBITDA, distributable cash, maintenance capital expenditures and growth capital expenditures:

Management believes that these measures are useful supplements to the information contained in the Fund's statements of cash flow as they facilitate a greater depth of analysis. Accordingly, these measures can enhance the evaluation of the Fund's historical and prospective operating performances as well as the sustainability of the Fund's distributions.

Revenue – transportation services, revenue – fuel surcharges:

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

FORWARD-LOOKING STATEMENTS

Management's discussion and analysis contains certain forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements relate to future events or future performance and include, but are not limited to, changes in government regulations regarding weights and dimensions of highway equipment, the age and condition of the transportation fleet and the growth of the Fund's 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 the Fund 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 the Fund's Annual Information Form, which is available at www.sedar.com. Although the Fund 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. The Fund undertakes no 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.

CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands except for per unit amounts)

For the years ended December 31	2006	2005
Revenue	\$ 455,246	\$ 385,490
Operating expenses	364,875	309,367
Selling, general and administration expenses	38,156	35,017
Amortization of property and equipment	13,388	10,266
Amortization of intangible assets	2,238	1,355
	36,589	29,485
Net interest (income) expense - long-term	3,002	2,519
- short-term	(635)	(1,449)
Income before Gain on Sale of Land, Income Taxes and Discontinued Operations		
Discontinued Operations	34,222	28,415
Gain on sale of land (Note 14)	2,867	-
Income before Income Taxes and Discontinued Operations	37,089	28,415
Income taxes (Note 7)	1,300	946
Net Income from Continuing Operations	35,789	27,469
Income from discontinued operations net of tax (Note 16)	-	1,043
Net Income	\$ 35,789	\$ 28,512
Net income per unit – basic		
Continuing operations	\$ 1.26	\$ 0.98
Discontinued operations	-	0.04
	\$ 1.26	\$ 1.02
Net income per unit – diluted		
Continuing operations	\$ 1.25	\$ 0.97
Discontinued operations	-	0.04
	\$ 1.25	\$ 1.01
Weighted average number of units outstanding – basic	28,513	27,980
Weighted average number of units outstanding – diluted	28,643	28,277

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands)

For the years ended December 31	2006	2005
Retained Earnings – Beginning of Year	\$ 19,629	\$ 32,629
Net income	35,789	28,512
Premium paid on units repurchased	(773)	-
Distributions declared	(35,670)	(41,512)
Retained Earnings – End of Year	\$ 18,975	\$ 19,629

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

(in thousands)

As at December 31	2006	2005
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,844	\$ 46,259
Accounts receivable	55,615	45,124
Other current assets	6,389	5,460
	64,848	96,843
Property and Equipment (Note 4)	112,747	90,989
Goodwill	56,987	18,318
Intangible Assets (Note 5)	26,314	14,382
	\$ 260,896	\$ 220,532
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 35,138	\$ 29,516
Distributions payable	3,102	9,447
Income taxes payable	87	440
Current portion of long-term debt (Note 6)	420	577
	38,747	39,980
Long-Term Debt (Note 6)	74,914	40,038
Asset Retirement Obligations	1,029	939
Future Income Taxes (Note 7)	8,763	7,675
	123,453	88,632
Unitholders' Equity		
Contributed surplus	663	413
Trust units (Note 8)	117,805	111,858
Retained earnings	18,975	19,629
	137,443	131,900
	\$ 260,896	\$ 220,532

Commitments and contingencies (Notes 9 and 10)

The accompanying notes are an integral part of these statements.

Signed on behalf of the Board of Trustees

Stan G. Dunford, Trustee

Archie M. Leach, C.A., Trustee

CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands)

For the years ended December 31	2006	2005
Cash Provided by (Used in)		
Operating Activities		
Net income from continuing operations	\$ 35,789	\$ 27,469
Items not affecting cash:		
Unit-based compensation cost (Note 8)	288	175
Unrealized foreign exchange loss	64	-
Asset retirement obligations - accretion	48	50
Amortization of property and equipment	13,388	10,266
Amortization of intangible assets	2,238	1,355
Future income taxes	755	602
Gain on sale of land (Note 14)	(2,867)	-
Gain on sale of equipment	(137)	(346)
	49,566	39,571
Change in non-cash working capital (Note 13)	(7,174)	242
	42,392	39,813
Investing Activities		
Sale of school bus segment (Note 16)	-	55,253
Expended on acquisitions (Note 3)	(64,772)	(24,948)
Asset retirement obligations - settlements	(250)	(140)
Sale of land (Note 14)	3,717	-
Sale of equipment	4,888	4,503
Purchase of property and equipment	(25,763)	(16,430)
	(82,180)	18,238
Financing Activities		
Distributions paid - Regular	(35,514)	(34,964)
- Special	(6,501)	-
Proceeds from long-term debt	34,041	693
Repayment of long-term debt	(789)	(2,781)
Issuance of units	6,413	5,618
Repurchase of units	(1,277)	-
	(3,627)	(31,434)
Increase (Decrease) in Cash and Cash Equivalents		
Continuing operations	(43,415)	26,617
Discontinued operations (Note 16)	-	(1,057)
Cash and Cash Equivalents – Beginning of Year	46,259	20,699
Cash and Cash Equivalents – End of Year	\$ 2,844	\$ 46,259

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2006 and 2005
(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 investments.

The Fund operates in the freight transportation industry.

2. SIGNIFICANT ACCOUNTING POLICIES

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

PRINCIPLES OF CONSOLIDATION

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

CASH AND CASH EQUIVALENTS

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

PROPERTY AND EQUIPMENT

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

Buildings – Straight-line over 15 to 40 years

Rolling Stock – Tractors – 25% declining balance

Trailers – Straight-line over 10 to 15 years

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

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

GOODWILL AND INTANGIBLE ASSETS

Goodwill is tested for impairment on an annual basis or more frequently, if events or changes in circumstances indicate that the asset might be impaired. Management periodically reviews the estimated lives of intangible assets and adjusts amortization accordingly. Intangible assets are amortized on a straight-line basis over a period of up to 10 years.

IMPAIRMENT OF LONG-LIVED ASSETS

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

ASSET RETIREMENT OBLIGATIONS

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

or normal use of the assets. The fair value of the asset retirement obligation is determined using the discounted expected cash flow and accordingly the change in the obligation due to the passage of time is recognized in income as an operating expense. Any change in the obligation due to changes in estimated cash flow is recognized as an adjustment to the carrying amount of the obligation. The Fund concurrently recognizes a corresponding change in the carrying amount of the related long-lived asset. This asset is amortized over the term of the lease agreement.

REVENUE RECOGNITION

Revenue is recognized upon delivery of goods to customers.

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 enacted or substantively enacted tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. The effects of changes in income tax rates are reflected in future income tax assets and liabilities in the period that the rate changes are substantively enacted.

FOREIGN CURRENCY

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

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. Consideration received on exercise of unit options is recorded as trust units. In addition, the value of the options is also recorded as trust units and a reduction of contributed surplus.

HEDGING RELATIONSHIPS

The Fund enters into foreign exchange contracts periodically to hedge against its US dollar-denominated revenues. These contracts are marked to market with the related gains or losses included in earnings for each reported period.

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

2006

	General	Spectrum	Future	Cornerstone	Garcha	Tripair	Other	Firm	Total
Accounts receivable	\$ 949	\$ 1,101	\$ -	\$ 3,262	\$ -	\$ 2,923	\$ -	\$ -	\$ 8,235
Other current assets	533	267	-	63	-	718	-	-	1,581
Property and equipment	4,059	3,653	1,793	121	1,374	3,032	660	-	14,692
Intangible assets									
Customer relationships	-	-	-	2,400	50	6,060	210	-	8,720
Non-competition agreements	120	790	350	450	50	3,650	40	-	5,450
Goodwill	1,081	5,906	1,384	6,829	476	21,776	550	667	38,669
Fair value of assets acquired	6,742	11,717	3,527	13,125	1,950	38,159	1,460	667	77,347
Accounts payable & accrued liabilities	1,607	757	205	3,084	-	5,072	50	-	10,775
Long-term debt	-	-	1,322	-	-	-	145	-	1,467
Future income taxes	85	248	-	-	-	-	-	-	333
Fair value of liabilities assumed	1,692	1,005	1,527	3,084	-	5,072	195	-	12,575
	\$ 5,050	\$ 10,712	\$ 2,000	\$ 10,041	\$ 1,950	\$ 33,087	\$ 1,265	\$ 667	\$ 64,772
Consideration									
Cash	\$ 5,050	\$ 10,712	\$ 2,000	\$ 10,041	\$ 1,950	\$ 33,087	\$ 1,265	\$ 667	\$ 64,772

Entity acquired	Date	% Shares Acquired	Base	Service Area
General Freight Carriers Inc. ("General")	17-Jan-06	100%	New Brunswick	Flatbed
Spectrum Transport Ltd. ("Spectrum")	04-Apr-06	100%	Alberta	Tank & Dump
Vanadium Machines Ltd. ("Other")	26-Apr-06	100%	Ontario	Dump
Future Transfer Co. Inc. ("Future")	01-May-06	Assets acquired	Ontario	Tank
B.I.Z. Mechanical Inc. ("Other")	02-Jun-06	Assets acquired	Ontario	Dump
Cornerstone Logistics Inc. ("Cornerstone")	05-Sept-06	100%	Ontario New York	Logistics
Garcha Transport Inc. ("Garcha")	03-Nov-06	Assets acquired	Ontario	Waste
Tripair Transportation Inc. ("Tripair")	06-Nov-06	100%	Ontario New Jersey	Van

An additional \$2 million of consideration is payable contingent upon Cornerstone achieving certain performance objectives over the next year. Further consideration shall also be paid in the initial year and second year after purchase if certain additional performance objectives are met. Any additional consideration that is paid will be allocated to goodwill.

An additional \$3 million of consideration is payable contingent upon Tripair achieving certain performance objectives over the next two years. Any additional consideration that is paid will be allocated to goodwill.

The preliminary purchase accounting for the acquisitions of General and Spectrum was amended during the fourth quarter of 2006 and \$3.0 million was reallocated from intangible assets to goodwill. The impact on the results was not significant.

Contingent consideration of \$667,000 was paid to the vendor of Firm. This amount has been included in goodwill. Further consideration of \$667,000 is payable contingent upon Firm achieving certain performance objectives during 2007 and will be recorded as goodwill if paid.

Approximately \$1.5 million of additional consideration is payable in 2007, contingent upon Elgin achieving certain performance objectives over the three year period since its acquisition. Any additional consideration that is paid will be allocated to goodwill.

Approximately \$10.2 million of the amount allocated to goodwill is tax deductible.

2005

	Wood	Overland	Veritrans	L.A. Dalton	Hopefield	Firm	Total
Accounts receivable	\$ -	\$ -	\$ 49	\$ 1,629	\$ 786	\$ -	\$ 2,464
Other current assets	-	-	-	74	43	-	117
Property and equipment	670	600	112	5,404	6,515	-	13,301
Intangible assets							
Customer relationships	130	250	-	2,080	1,500	-	3,960
Non-competition agreements	100	50	-	1,050	90	-	1,290
Goodwill	160	360	289	3,222	1,460	666	6,157
Fair value of assets acquired	1,060	1,260	450	13,459	10,394	666	27,289
Accounts payable & accrued liabilities	40	10	33	634	677	-	1,394
Income taxes payable (recoverable)	-	-	-	(16)	158	-	142
Future income taxes	-	-	-	295	510	-	805
Fair value of liabilities assumed	40	10	33	913	1,345	-	2,341
	\$ 1,020	\$ 1,250	\$ 417	\$ 12,546	\$ 9,049	\$ 666	\$ 24,948
Consideration							
Cash	\$ 1,020	\$ 1,250	\$ 417	\$ 12,546	\$ 9,049	\$ 666	\$ 24,948

Entity acquired	Date	% Shares Acquired	Base	Service Area
Howard L. Wood Transport Ltd. ("Wood")	1-Jun-05	Assets acquired	Ontario	Dump
Overland Carriers Ltd. ("Overland")	1-Aug-05	Assets acquired	Alberta	Tank
Veritrans LP ("Veritrans")	31-Aug-05	100%	Ontario	Compliance/ Reporting
L.A. Dalton Systems Inc. ("L.A. Dalton")	3-Oct-05	100%	Ontario	Flatbed
Hopefield Trucking Limited ("Hopefield")	14-Oct-05	100%	Ontario	Flatbed

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

4. PROPERTY AND EQUIPMENT

2006	Cost	Accumulated amortization	Net
Land	\$ 8,458	\$ -	\$ 8,458
Buildings	24,022	7,255	16,767
Rolling stock and other	130,880	43,358	87,522
	\$ 163,360	\$ 50,613	\$ 112,747

2005	Cost	Accumulated amortization	Net
Land	\$ 9,129	\$ -	\$ 9,129
Buildings	20,229	6,493	13,736
Rolling stock and other	108,892	40,768	68,124
	\$ 138,250	\$ 47,261	\$ 90,989

5. INTANGIBLE ASSETS

2006	Cost	Accumulated amortization	Net
Customer relationships	\$ 22,495	3,669	\$ 18,826
Non-competition agreements	8,849	1,361	7,488
	\$ 31,344	\$ 5,030	\$ 26,314

2005	Cost	Accumulated amortization	Net
Customer relationships	\$ 13,775	\$ 2,236	\$ 11,539
Non-competition agreements	3,399	556	2,843
	\$ 17,174	\$ 2,792	\$ 14,382

6. LONG-TERM DEBT

	2006	2005
Senior secured notes payable with fixed interest rates ranging from 6.5% to 6.6%	\$ 71,500	\$ 37,500
Equipment finance contracts with implicit interest rates between 8.0% and 9.3%	1,254	-
Notes payable (2005 - fixed interest rates between 2.7% and 6.9%)	-	577
Other unsecured loans with varying interest rates and due dates	2,580	2,538
	75,334	40,615
Less: current portion	420	577
	\$ 74,914	\$ 40,038

The senior secured notes payable provide for monthly payments of interest only. The principal repayments are due on December 15, 2008 (\$37.5 million) and October 31, 2016 (\$34 million). Liens on rolling stock with a net book value of approximately \$83 million have been provided as security for the senior secured notes.

As at December 31, 2006 and 2005, there were no restrictions preventing the Fund from making distributions to unitholders.

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

2007	\$ 420
2008	37,800
2009	399
2010	127
2011	9
Thereafter	36,579
	\$ 75,334

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 35.6%:

	2006	2005
Income before income taxes and discontinued operations	\$ 37,089	\$ 28,415
Computed income tax expense at Canadian statutory rate	13,204	10,121
Reduction of taxes due to taxable income allocated to unitholders	(10,983)	(9,320)
U.S. state taxes	329	396
Change to future Canadian statutory tax rate	(250)	-
Reduction of taxes on reorganization	(620)	-
Large corporation tax	8	120
Other	(388)	(371)
	\$ 1,300	\$ 946

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

	2006	2005
Future tax assets		
Non-capital loss carry forwards	\$ (310)	\$ (2,664)
Issue costs and financing fees	(191)	(411)
Deductible reserves	(765)	(468)
Other	(537)	(391)
Future tax liabilities		
Property, equipment and intangible assets	5,491	6,909
Impact of off-calendar year end of corporate subsidiary	5,075	4,700
Net future income tax liability	\$ 8,763	\$ 7,675

The table above consists solely of the proportional ownership of tax assets and liabilities that relate to the fund's corporate subsidiary, an entity that is subject to income taxation. The fund owns the remaining assets and liabilities, the income from which is taxed directly in the hands of subordinate voting trust unitholders as well as limited partnership unitholders. As at December 31, 2006, the accounting net book value of these additional net assets exceeded their tax basis by approximately \$24 million.

Non-capital losses carried forward amounting to \$875,000 expire as follows 2010 - \$298,000 and 2015 - \$577,000.

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

	Trust Units		Class A LP Units		Class B LP Units		Total	
	Units	Value	Units	Value	Units	Value	Units	Value
Balance at December 31, 2004	21,404	\$ 98,067	4,951	\$ 6,783	1,468	\$ 1,298	27,823	\$ 106,148
Distribution reinvestment plan	244	3,322	-	-	-	-	244	3,322
Exchanges	141	193	(141)	(193)	-	-	-	-
Options exercised	199	2,388	-	-	-	-	199	2,388
Balance at December 31, 2005	21,988	\$ 103,970	4,810	\$ 6,590	1,468	\$ 1,298	28,266	\$ 111,858
Distribution reinvestment plan	446	5,482	-	-	-	-	446	5,482
Options exercised	81	969	-	-	-	-	81	969
Units repurchased	(105)	(504)	-	-	-	-	(105)	(504)
Balance at December 31, 2006	22,410	\$ 109,917	4,810	\$ 6,590	1,468	\$ 1,298	28,688	\$ 117,805

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.

UNIT-BASED COMPENSATION PLAN

The Fund maintains a unit option plan to encourage ownership of the Fund by directors, officers and key employees. Under the terms of the plan, a total of 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 trust units outstanding at the time of the grant. Upon issuance, 20% of the options vest immediately and the remainder vest at a rate of 20% annually over the next four anniversary dates. The exercise prices are established based on the closing trading price of the Fund on the day prior to the date of the grant. 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. Below are facts and assumptions used to determine the fair value of the options on the grant dates:

Options grant dates	March 25, 2004	March 1, 2005	March 9, 2006
Expiration dates	March 25, 2014	March 1, 2015	March 9, 2016
Risk-free interest rates	4.62%	4.60%	4.21%
Expected life	9 years	9 years	7 years
Expected volatility	20%	20%	20%
Expected dividend yield	10.87%	8.33%	9.61%
Estimated grant-date fair value per unit	\$0.47	\$0.89	\$0.43
Exercise price	\$11.50	\$14.90	\$13.01

Year ended December 31	2006		2005	
	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price
Unit options outstanding, beginning of year	1,331	\$ 11.56	1,540	\$ 11.50
Granted	975	13.01	25	14.90
Cancelled	(46)	11.50	(35)	11.50
Exercised	(81)	11.50	(199)	11.50
Unit options outstanding, end of year	2,179	\$ 12.21	1,331	\$ 11.56
Unit options exercisable, end of year	818	\$ 11.90	420	\$ 11.54
Amount charged to compensation expense		\$ 288		\$ 175

9. LEASE COMMITMENTS

Future minimum payments under operating leases for rolling stock and property are as follows:

2007	\$ 14,447
2008	12,760
2009	9,257
2010	5,200
2011	1,477
Thereafter	62

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.

11. FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and distributions payable approximate their fair value due to the short-term nature of these instruments. The fair value of long-term debt, which approximates its carrying value, 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 from time to time enters into foreign exchange contracts to manage its net exposure to currency fluctuations against the US dollar. As at December 31, 2006, the Fund had contracts with an aggregate value of CAD \$4.0 million to sell CAD funds throughout the first four months of 2007. The contracts expire on a monthly

basis over the period and require the Fund to sell CAD dollars for US Dollars at rates of between \$1.1293 and \$1.1632. As at December 31, 2006, the fair value of these contracts was a liability of \$0.1 million.

12. RELATED PARTY TRANSACTIONS

The Fund had business transactions with and had balances owing to and from a company controlled by the Chairman of the Fund as follows:

	2006	2005
Transactions during the year		
Equipment and purchases	\$ 943	\$ 252
Repairs, maintenance and leases	4,247	2,926
Rental income	186	179
Balances at end of year		
Accounts payable	277	171
Accounts receivable	10	11

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

13. CASH FLOW

Change in non-cash working capital:

	2006	2005
Increase in accounts receivable	\$ (2,256)	\$ (1,186)
Decrease (increase) in other current assets	588	(11)
Increase (decrease) in accounts payable and accrued liabilities	(5,153)	1,831
Decrease in income taxes payable	(353)	(392)
Net change in non-cash working capital	\$ (7,174)	\$ 242
Cash paid in respect of:		
Interest	\$ 2,259	\$ 1,064
Income taxes	858	736

14. SALE OF LAND

During the first quarter of 2006, the Fund sold a vacant parcel of surplus land that was in excess of operating requirement for proceeds of \$3.7 million. This transaction resulted in a gain of \$2.9 million before an income tax charge of \$0.4 million.

15. EARNINGS PER UNIT

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

	2006	2005
Weighted average number of units outstanding:		
Basic	28,513	27,980
Effect of unit options	130	297
Diluted	28,643	28,277

16. DISCONTINUED OPERATIONS

On August 4, 2005, the Fund sold its school bus segment for net cash proceeds of \$55.2 million. The effective closing date of this transaction was July 31, 2005. Results from operations of this segment are included in the Fund's consolidated financial statements up to and including this date and have been disclosed as discontinued operations.

Year ended December 31	2006	2005
Revenue	\$ -	\$ 18,351
Income (loss) from operating activities	-	1,209
Gain on disposal before income tax provision	-	1,862
Future income tax provision	-	(2,028)
Income (loss) from discontinued operations	\$ -	\$ 1,043

Cash provided by (used in) discontinued operations were as follows:

Year ended December 31	2006	2005
Operating activities	\$ -	\$ 3,503
Investing activities	-	(4,560)
Financing activities	-	-
	\$ -	\$ (1,057)

17. DISTRIBUTIONS

The Fund's trust indenture requires distribution of the Fund's cash flow to unitholders after giving consideration to such items as expected capital requirements, unit redemptions or any amounts which the Fund's trustees may reasonably consider necessary to provide for as administrators of the Fund.

18. COMPARATIVE FIGURES

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

For further information please contact:

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