

NEWS RELEASE

CONTRANS INCOME FUND ANNOUNCES FOURTH QUARTER RESULTS

(Woodstock, Ontario—February 27, 2008) (TSX:CSS.UN)

<i>(unaudited)</i> Period ended December 31 <i>(in millions except per unit amounts)</i>	Three Months		Twelve Months	
	2007	2006	2007	2006
Revenue - transportation services	\$ 103.3	\$ 103.6	\$ 429.2	\$ 399.9
Revenue - fuel surcharges	15.2	12.0	56.7	55.3
Revenue - total	\$ 118.5	\$ 115.6	\$ 485.9	\$ 455.2
Earnings before gain on sale of land and income taxes	\$ 7.1	\$ 7.3	\$ 34.2	\$ 34.2
Gain on sale of land	-	-	-	2.9
	7.1	7.3	34.2	37.1
Income taxes	(0.4)	(0.5)	8.0	1.3
Net earnings	7.5	7.8	26.2	35.8
Distributable cash earned per unit from:				
Continuing operations before proceeds from sale of land	\$ 0.41	\$ 0.34	\$ 1.72	\$ 1.55
Proceeds from sale of land	-	-	-	0.13
Total distributable cash earned per unit	0.41	0.34	1.72	1.68
Distributions declared per unit	0.31	0.31	1.25	1.25
Surplus of distributable cash earned per unit over distributions declared per unit	\$ 0.10	\$ 0.03	\$ 0.47	\$ 0.43
Payout ratio ⁽¹⁾				
Excluding sale of land	76%	91%	73%	81%
Including sale of land	76%	91%	73%	74%

(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 generally accepted accounting principles (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.

“The past year was marked by an increasingly challenging environment in our industry,” stated Stan Dunford, Chief Executive Officer and Chairman of the Board of Contrans Income Fund. “These challenges included the strengthening Canadian dollar, rising fuel costs and a slowing economy. These factors resulted in an overcapacity of equipment for the volume of freight to be transported. “

“In addressing these changing business conditions, we focused on and succeeded in maintaining the profitability of our operations. We are proud of the fact that we were able to maintain our EBITDA margins of profit while at the same time increasing our revenue. We view our performance as a significant achievement, particularly given the number of companies that have recorded steep declines in their operating results.”

“Our positive performance reflects our management team’s longstanding commitment to maintaining and improving our profit margins. While many companies can maintain or grow their profits in good times, the mark of a truly focused company is its ability to maintain those results in a challenging business climate.”

“The fact is that Contrans has demonstrated an ability to create more sustainable unitholder value in difficult times than in good ones. We expect to maintain shareholder value, based on our disciplined operating principles, skilled managers and proven ability to take the proactive measures needed to maintain and to grow the profitability of our operations.”

“Given our track record, our time-tested approach and our dedicated workforce, we face the future with confidence. We believe that the current challenging conditions will create opportunities for us to continue to strengthen our operations and to significantly increase unitholder value.”

MANAGEMENT'S DISCUSSION AND ANALYSIS

The consolidated financial statements contained in this annual report, which have been prepared in accordance with Canadian GAAP and reported in Canadian funds, detail the performance and financial position of Contrans Income Fund (the "Fund") for the years ended December 31, 2007 and 2006. The financial statements should be read in conjunction with the analysis that follows. A cautionary note regarding non-GAAP measures and forward-looking statements follows this Management's Discussion and Analysis of Operations and Financial Condition.

Financial Highlights

Years ended December 31

(in millions except per unit amounts)

	2007		2006		2005	
Revenue - transportation services	\$ 429.2	100.0 %	\$ 399.9	100.0 %	\$ 342.1	100.0 %
- fuel surcharges	56.7		55.3		43.4	
Revenue - total	485.9		455.2		385.5	
Operating expenses - net of fuel surcharges	330.0	76.9	309.5	77.4	266.0	77.8
Selling, general and administration expenses	43.2	10.1	38.2	9.6	35.0	10.2
Earnings before amortization, interest, gain on sale of land, income taxes and discontinued operations (EBITDA)	56.0	13.0	52.2	13.0	41.1	12.0
Amortization of property and equipment	12.9	3.0	13.4	3.4	10.3	3.0
Amortization of intangible assets	3.9	0.8	2.2	0.5	1.3	0.4
Net interest expense	5.0	1.2	2.4	0.6	1.1	0.3
Earnings before gain on sale of land, income taxes and discontinued operations	34.2	8.0	34.2	8.5	28.4	8.3
Gain on sale of land	-	-	2.9	0.7	-	-
Earnings before income taxes and discontinued operations (EBT)	34.2	8.0	37.1	9.2	28.4	8.3
Income tax provision - Current	1.1	0.3	0.6	0.1	0.3	0.1
- Future ⁽¹⁾	6.9	1.6	0.7	0.2	0.6	0.2
Net earnings from continuing operations	26.2	6.1 %	35.8	8.9 %	27.5	8.0 %
Earnings from discontinued operations	-		-		1.0	
Net earnings	\$ 26.2		\$ 35.8		\$ 28.5	
Earnings per unit basic - Continuing operations	\$ 0.91		\$ 1.26		\$ 0.98	
- Discontinued operations	-		-		0.04	
	\$ 0.91		\$ 1.26		\$ 1.02	
Earnings per unit diluted - Continuing operations	\$ 0.91		\$ 1.25		\$ 0.97	
- Discontinued operations	-		-		0.04	
	\$ 0.91		\$ 1.25		\$ 1.01	
Total assets	\$ 270.6		\$ 260.9		\$ 220.5	
Long-term debt	90.4		75.3		40.6	
Cash	18.3		2.8		46.3	
Distributions declared per unit						
Regular	\$ 1.25		\$ 1.25		\$ 1.25	
Special	-		-		0.23	

(1) Reflects a \$7.6 million non-cash charge resulting from the enactment of new taxes on income trusts commencing in 2011. This \$7.6 million future income tax provision has reduced the Fund's earnings per unit for 2007 (basic and diluted) from \$1.17 to \$0.91.

FOURTH QUARTER RESULTS

(unaudited)

Quarters ended December 31

(in millions except per unit amounts)

	2007		2006	
Revenue – transportation services	\$ 103.3	100.0 %	\$ 103.6	100.0 %
– fuel surcharges	15.2		12.0	
Revenue – total	118.5		115.6	
Operating expenses net of fuel surcharges	80.3	77.7	80.6	77.8
Selling, general and administration expenses	10.6	10.3	10.6	10.2
EBITDA	12.4	12.0	12.4	12.0
Amortization of property and equipment	3.1	3.0	3.5	3.4
Amortization of intangible assets	1.0	1.0	0.6	0.6
Net interest expense	1.2	1.2	1.0	1.0
EBT	7.1	6.8	7.3	7.0
Income tax provision – Current	(0.1)	(0.1)	-	
– Future	(0.3)	(0.3)	(0.5)	(0.5)
Net earnings	\$ 7.5	7.2 %	\$ 7.8	7.5 %
Earnings per unit – basic and diluted	\$ 0.26		\$ 0.27	

RESULTS FROM CONTINUING OPERATIONS

Acquisitions generated additional revenues from transportation services (“revenue”) of \$53.7 million (\$3.2 million in the fourth quarter of 2007) and additional earnings before tax and discontinued operations (“EBT”) of \$6.2 million (\$0.6 million in the fourth quarter of 2007) compared to the same periods in 2006. In addition, management of the Fund spent considerable time negotiating with and securing new customers. The Fund was also awarded new work from existing customers during the year. These positive impacts have been offset by several significant events and circumstances. In August 2007, UPM, a major customer of the Fund, closed down its plant in Eastern Canada. Revenues in 2007 from this customer were approximately \$11.2 million (2006 revenues - \$10.0 million) and amounted to \$3.6 million in the fourth quarter of 2006. Management has been soliciting new business to replace this lost revenue. The Fund has closed several underperforming operations dating back to late 2006. The closures included terminals located in Regina SK, Hamilton ON, Milton ON, Woodstock NB and Winnipeg MB. The effect of these closures was to reduce revenues in 2007 by \$15.2 million compared to 2006 (\$4.3 million in the fourth quarter of 2007).

The Fund has also been adversely affected by a reduction in volumes of export shipments to the U.S. caused by the weakening of both the American economy and the U.S. dollar. Approximately 25% of the Fund’s revenues are billed in U.S. dollars. The stronger Canadian dollar has resulted in a reduction in the value of the U.S. dollar denominated revenues by approximately \$6.3 million in 2007. The Fund has some natural hedges in the form of U.S. dollar expenses, however, the majority of the Fund’s expenses are incurred in Canadian funds. Management mitigates this risk by entering into foreign exchange forward contracts and through customer negotiations. The Fund has converted some customers to Canadian dollar-based billing from U.S. dollar-based billing and has adjustment clauses with many customers that automatically revise freight rates as exchange rates fluctuate.

The Fund’s operating expense percentage has remained relatively constant in 2007 compared to 2006. Reduced empty miles, most notably in the Fund’s van operations, and the impact of the Fund’s less than truckload (LTL) operation acquired in the fourth quarter of 2006 have offset the effects of pricing pressure. This LTL operation has lower operating costs but higher selling, general and administration expenses (“SG&A”) as a percentage of revenue compared to the Fund’s other operations.

Acquisitions added \$4.7 million (2006 – \$4.3 million) to SG&A expenses during the year (\$0.2 million in the fourth quarter of 2007). In 2007, the Fund recognized a foreign exchange loss of \$0.4 million (2006 – gain of \$0.1 million) which included an unrealized gain on forward contracts of \$0.6 million. Foreign exchange losses in the fourth quarter of 2007 amounted to \$0.2 million (2006 – exchange gain of \$0.4 million).

Net interest expense increased due to the higher average debt levels in 2007. This increase was largely caused by the acquisitions made in the second half of 2006 and also due to purchases of property and equipment.

Amortization of intangibles increased in 2007 primarily due to having a full year’s amortization from the acquisitions made in the second half of 2006.

On June 22, 2007, federal legislation (the “SIFT Rules”) received royal assent. This has caused publicly-traded income trusts and partnerships to be subject to income taxes in the same manner as corporations commencing on January 1, 2011. Accordingly, the Fund was required to recognize a non-cash, future income tax provision of \$7.6 million (\$0.26 per unit) in 2007.

SUMMARY OF QUARTERLY RESULTS

<i>(unaudited)</i>	<i>First Quarter</i>		<i>Second Quarter</i>		<i>Third Quarter</i>		<i>Fourth Quarter</i>	
<i>(in millions except for per unit amounts)</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Revenue – transportation services	\$ 106.4	\$ 94.6	\$ 111.2	\$ 102.2	\$ 108.2	\$ 99.5	\$ 103.3	\$ 103.6
– fuel surcharges	13.0	12.9	14.6	15.4	13.9	14.9	15.2	12.0
Revenue – total	\$ 119.4	\$ 107.5	\$ 125.8	\$ 117.6	\$ 122.1	\$ 114.4	\$ 118.5	\$ 115.6
Net earnings	\$ 8.1	\$ 9.7	\$ 1.5	\$ 10.3	\$ 9.1	\$ 7.9	\$ 7.5	\$ 7.8
Earnings per unit – basic and diluted	\$ 0.28	\$ 0.34	\$ 0.05	\$ 0.36	\$ 0.32	\$ 0.28	\$ 0.26	\$ 0.27

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 \$49.0 million in 2007 compared to \$49.6 million in 2006. This decline was primarily due to the decrease in net income.

Non-cash working capital items have increased in 2007 due principally to a decrease in accounts payable and accrued liabilities. Accounts payable and accrued liabilities decreased as a result of settlement of liabilities related to acquisitions made in the latter part of 2006. Fourth quarter business activity levels in 2007 were lower than in 2006. This reduced amounts owing to owner-operators and partner carriers by approximately \$1.0 million. Accounts receivable have decreased due to the settlement of a non-trade receivable related to acquisitions, of approximately \$2.0 million.

Capital expenditures made by the Fund decreased in 2007 compared to 2006. Capital expenditures in 2006 were higher as the Fund purchased equipment to service the Alberta market and acquired equipment in advance of changes to new trailing equipment regulations. The slowdown in the economy also reduced the necessity to replace some equipment in the short-term. The Fund has continued to invest in equipment for its Alberta operations, purchasing \$1.5 million of rolling stock in 2007. The Fund has also expended \$1.7 million to meet specialized requirements for customers in the Fund’s bulk operations. The new multi-axle equipment purchased in 2006 prior to the implementation of changes in regulations governing weights and dimensions have been deployed in the tank operations. Proceeds from the sale of property and equipment in 2007 were higher than normal. During 2007, proceeds of \$1.3 million were generated from the sale of real estate resulting from terminal closures. In addition, \$1.0 million resulted from the sale of a small bulk operation.

The Fund drew down the remaining \$16 million of term debt prior to the expiry of its availability in November 2007. These funds are being held in an interest bearing account until a suitable acquisition or growth opportunity arises.

The Fund's dividend reinvestment plan ("DRIP") was suspended effective in October 2007. This reduced the funds received from the issuance of units in 2007 to \$4.9 million (2006 - \$6.4 million). The DRIP was reinstated in January 2008. The Fund also exercised part of its normal course issuer bid and repurchased units during 2007 at a cost of \$ 3.9 million (2006 - \$1.3 million).

Cash Distributions

(unaudited)

Periods ended December 31

(in thousands)

	<i>Three months</i>		<i>Twelve months</i>	
	<i>2007</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Cash flow from operating activities ⁽¹⁾	\$ 11,800	\$ 46,597	\$ 42,392	\$ 39,813
Net earnings	7,507	26,225	35,789	28,512
Cash distributions declared to unitholders ⁽²⁾	8,986	36,033	35,670	41,512
Excess (shortfall) of cash flows from operating activities over distributions declared	\$ 2,814	\$ 10,564	\$ 6,722	\$ (1,699)
Excess (shortfall) of net earnings over distributions declared	\$ (1,479)	\$ (9,808)	\$ 119	\$ (13,000)

(1) Includes changes in non-cash working capital balances.

(2) Includes a special distribution of \$6.5 million declared in 2005, to offset the unitholders' potential income tax consequences arising from the disposal of the Fund's school bus business.

The shortfall of net earnings over distributions declared does not reflect an economic return of capital. The shortfall in 2007 is comprised principally of two no-cash expenses: a future tax charge of \$7.6 million and amortization of intangibles of \$3.9 million.

UNITHOLDER DISTRIBUTIONS

Distributable Cash

(unaudited)

Periods ended December 31

(in thousands except per unit amounts)

	<i>Three months</i>		<i>Twelve months</i>		
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Cash flow from operating activities	\$ 11,800	\$ 11,808	\$ 46,597	\$ 42,392	\$ 39,813
Net change in non-cash working capital	527	(79)	2,354	7,174	(242)
Proceeds from sale of property and equipment excluding land	2,324	2,485	7,363	4,888	4,503
Asset retirement obligations - settlements	(3)	(150)	(55)	(250)	(140)
Maintenance capital expenditures	(2,893)	(4,224)	(6,707)	(10,056)	(6,661)
Distributable cash from continuing operations before land proceeds	11,755	9,840	49,552	44,148	37,273
Distributable cash earned from discontinued operations	-	-	-	-	3,834
Total distributable cash earned before land proceeds	11,755	9,840	49,552	44,148	41,107
Proceeds from sale of land	-	-	-	3,717	-
Distributable cash earned	11,755	9,840	49,552	47,865	41,107
Distributions declared					
Regular	8,986	8,955	36,033	35,670	35,011
Special	-	-	-	-	6,501
	8,986	8,955	36,033	35,670	41,512
Surplus of distributable cash earned vs. regular distributions declared	\$ 2,769	\$ 885	\$ 13,519	\$ 12,195	\$ 6,096
Distributable cash earned per unit from:					
Continuing operations	\$ 0.41	\$ 0.34	\$ 1.72	\$ 1.55	\$ 1.33
Proceeds from sale of land	-	-	-	0.13	-
Discontinued operations	-	-	-	-	0.14
	0.41	0.34	1.72	1.68	1.47
Distribution declared per unit - regular	0.31	0.31	1.25	1.25	1.25
Surplus of distributable cash earned vs. regular distributions declared	\$ 0.10	\$ 0.03	\$ 0.47	\$ 0.43	\$ 0.22
Weighted average number of units outstanding	28,749	28,644	28,826	28,513	27,980
Capital expenditures - continuing operations					
Maintenance capital expenditures	\$ 2,893	\$ 4,224	\$ 6,707	\$ 10,056	\$ 6,661
Growth capital expenditures	1,620	2,296	5,711	15,707	9,769
Total capital expenditures	\$ 4,513	\$ 6,520	\$ 12,418	\$ 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, 2007, 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".

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 amounts 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 the 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.

PRODUCTIVE CAPACITY***Definition***

The Fund's productive capacity is a function of the following service modes:

- Tractors and trailers owned or leased by the Fund
- Tractors and trailers of owner-operators under contract with the Fund
- Partner carriers under contract with the Fund

The Fund's capital requirements are affected by each of the foregoing service modes. In addition, capital requirements vary by the type of trailer used within each of Contrans' operating divisions. For example, a dry van trailer can cost between \$25,000 and \$40,000 whereas a pneumatic tank trailer can cost more than \$150,000.

Management Strategy

The Fund generally prefers to utilize owner-operators' tractors over company tractors. Owner-operators own their own tractors providing the Fund with equipment that it would otherwise have to lease or purchase. Some owner-operators also own their own trailers. Accordingly, these individuals are effectively a source of capital as well as providers of freight-hauling capacity. In addition, owner-operators' goals are generally well-aligned with those of the Fund. As a result, the Fund is very focused on recruiting and retaining qualified owner-operators.

The Fund is also focused on maintaining good working relationships with partner carriers that are safe, provide reliable service and have adequate insurance coverage. The Fund is often an important source of revenue for these carriers who, in turn, provide service to the Fund's customers when the Fund cannot provide its own equipment or when it is more efficient to make use of partner carrier capacity.

Financing Strategy

The Fund prefers to lease rather than purchase tractors and certain types of trailers due to the risk associated with fluctuations in the market for used equipment. Terms of tractor leases usually coincide with engine warranty periods to protect the Fund from costly repairs.

LIQUIDITY AND CAPITAL RESOURCES

(unaudited)

As at December 31, 2007

(in millions)

Cash and cash equivalents	\$ 18.3
Operating line cash available	\$ 30.0
Current ratio	1.9:1
Total debt (including future tax obligations) to equity ratio	1.1:1

The Fund requires working capital to meet day-to-day operating activities, to fund maintenance capital expenditures and to pay distributions. In 2008, 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.

Senior secured notes amounting to \$37.5 million were otherwise repayable on December 15, 2008. However, on February 27, 2008 the Fund entered into an agreement, under substantially the same terms and conditions, to renew \$30.0 million of this amount for a further term of seven years.

PROPERTY AND EQUIPMENT

(unaudited)

	Owned	Leased	Owner-operated	Total
Tractors	214	451	792	1,457
Trailers	1,644	611	129	2,384
Major office and terminal locations	15	5	-	20

TAX ATTRIBUTES OF DISTRIBUTIONS

The tax attributes of the distributions made to holders of the Fund's subordinate voting trust units can be found on the Fund's website at www.contrans.ca under Investor Relations.

CONTRACTUAL OBLIGATIONS

(unaudited)

(in \$ millions)	2008	2009	2010	2011	2012	Thereafter	Total
Long-term debt	7.8	0.4	0.1	-	-	82.1	90.4
Lease obligations	14.7	11.2	7.1	2.0	0.4	-	35.4
Total	22.5	11.6	7.2	2.0	0.4	82.1	125.8

OUTSTANDING UNITS

(unaudited)

As at January 31, 2008

(in thousands)

Subordinate Voting Trust units	22,471
Class A LP units	4,810
Class B LP units	1,468
Total	28,749

NORMAL COURSE ISSUER BID

The Fund repurchased 0.4 million of its outstanding Subordinate Voting Trust Units at a cost of \$3.9 million during 2007. The units repurchased pursuant to the bid were 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

The Fund has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income; CICA Handbook Section 3251, Equity; CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement; CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation; and CICA Handbook Section 3865, Hedges. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

The adoption of CICA Handbook Section 3855, has reduced each of other current assets and long-term loans by \$0.5 million at December 31, 2007 and has resulted in \$0.1 million being reclassified from selling, general and administration expenses to interest expense for the year ended December 31, 2007. Financing fees and related transaction costs are offset against long-term debt and charged against income using the effective interest method over the life of the long-term debt.

FINANCIAL INSTRUMENTS

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, 2007, the Fund had contracts with an aggregate value of U.S. \$10.4 million to sell U.S. funds throughout the first five months of 2008. The contracts expire on a monthly basis over the period and require the Fund to sell U.S. dollars at rates between \$1.077 and \$0.9325. At December 31, 2007, the net fair value of these contracts comprised an asset of CAD \$0.6 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 U.S. 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 protect 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 U.S. dollar cash flow. 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 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 arising from accidents and other insurable risks. Management maintains prudent levels of insurance coverage and high safety standards to minimize this exposure. Furthermore, management contracts only with insurers licensed to underwrite in Canada. The Canadian insurance industry is highly regulated with stringent capital and liquidity requirements.

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 are diminished. Rapid fluctuations in fuel prices, moreover, absorb more management time.

Changes in interest rates affect both interest paid on floating rate debt and interest received on surplus cash. As at December 31, 2007, approximately 97% 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 system of internal controls has been documented at all material operating divisions of the Fund. 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, 2007 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 year ended December 31, 2007, 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 2007, the Fund paid \$6.1 million to Peterbilt of Ontario Inc., a company controlled by the Chairman of the Fund, for tractor repairs, vehicle maintenance and lease costs. In addition, the Fund also leased certain premises to Peterbilt of Ontario Inc. in 2007 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 facilitates a 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, 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.

ADDITIONAL INFORMATION

Additional information, including the Fund's Annual Information Form, is available at www.sedar.com.

February 27, 2008

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands except for per unit amounts)

Years ended December 31	2007	2006
Revenue	\$ 485,865	\$ 455,246
Operating expenses	386,686	364,875
Selling, general and administration expenses	43,172	38,156
Amortization of property and equipment	12,854	13,388
Amortization of intangible assets	3,881	2,238
	39,272	36,589
Net interest expense (income) - long-term	5,113	3,002
- short-term	(92)	(635)
Earnings before Gain on Sale of Land and Income Taxes	34,251	34,222
Gain on sale of land (Note 17)	-	2,867
Earnings before Income Taxes	34,251	37,089
Income tax provision (Note 8):		
Current	1,129	545
Future	6,897	755
	8,026	1,300
Net Earnings and Comprehensive Income	\$ 26,225	\$ 35,789
Earnings per unit – basic	\$ 0.91	\$ 1.26
– diluted	\$ 0.91	\$ 1.25
Weighted average number of units outstanding (Note 15) – basic	28,826	28,513
– diluted	28,826	28,643

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands)

Years ended December 31	2007	2006
Retained Earnings – Beginning of Year	\$ 18,975	\$ 19,629
Net earnings	26,225	35,789
Premium paid on units repurchased	(1,787)	(773)
Distributions declared	(36,033)	(35,670)
Retained Earnings – End of Year	\$ 7,380	\$ 18,975

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS*(in thousands)*

As at December 31	2007	2006
Assets		
Current Assets		
Cash and cash equivalents (Note 7)	\$ 18,301	\$ 2,844
Accounts receivable	54,599	55,615
Other current assets	6,021	6,389
	78,921	64,848
Property and Equipment (Note 5)	107,295	112,747
Intangible Assets (Note 6)	22,905	26,314
Goodwill	61,478	56,987
	\$ 270,599	\$ 260,896
Liabilities and Unitholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 31,191	\$ 35,138
Distributions payable	2,996	3,102
Income taxes payable	417	87
Current portion of long-term debt (Note 7)	7,806	420
	42,410	38,747
Long-Term Debt (Note 7)	82,553	74,914
Asset Retirement Obligations	1,192	1,029
Future Income Taxes (Note 8)	15,660	8,763
	141,815	123,453
Unitholders' Equity (Note 9)		
Contributed surplus	744	663
Trust units	120,660	117,805
Retained earnings	7,380	18,975
	128,784	137,443
	\$ 270,599	\$ 260,896

*Commitments and contingencies (Notes 10 and 11)**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)

Years ended December 31	2007	2006
Cash Provided by (Used in)		
Operating Activities		
Net earnings	\$ 26,225	\$ 35,789
Items not affecting cash:		
Unit-based compensation expense (Note 9)	94	288
Unrealized foreign exchange (gain) loss (Note 12)	(553)	64
Long-term debt – accretion	136	-
Asset retirement obligations - accretion	54	48
Amortization of property and equipment	12,854	13,388
Amortization of intangible assets	3,881	2,238
Future income taxes	6,897	755
Gain on sale of land (Note 17)	-	(2,867)
Gain on sale of equipment	(637)	(137)
	48,951	49,566
Change in non-cash working capital (Note 14)	(2,354)	(7,174)
	46,597	42,392
Investing Activities		
Expended on acquisitions (Note 4)	(6,423)	(64,772)
Asset retirement obligations - settlements	(55)	(250)
Proceeds on sale of land (Note 17)	-	3,717
Proceeds on sale of equipment (Note 16)	7,363	4,888
Purchase of property and equipment	(12,418)	(25,763)
	(11,533)	(82,180)
Financing Activities		
Distributions paid – regular	(36,139)	(35,514)
– special	-	(6,501)
Proceeds from long-term debt	16,099	34,041
Repayment of long-term debt	(622)	(789)
Repurchase of trust units (Note 9)	(3,850)	(1,277)
Issuance of trust units (Note 9)	4,905	6,413
	(19,607)	(3,627)
Increase (decrease) in Cash and Cash Equivalents:	15,457	(43,415)
Cash and Cash Equivalents – Beginning of Year	2,844	46,259
Cash and Cash Equivalents – End of Year	\$ 18,301	\$ 2,844

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2007 and 2006

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

2. CHANGES IN ACCOUNTING POLICIES

The Fund has adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1530, Comprehensive Income; CICA Handbook Section 3251, Equity; CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement; CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation; and CICA Handbook Section 3865, Hedges. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value, with the exception of loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the assets are removed from the balance sheet.

The standards also require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

Upon adoption of these new standards, the Fund has designated its financial instruments as follows: cash and cash equivalents as held for trading, accounts receivable as loans and receivables, and accounts payable and accrued liabilities, distributions payable and long-term debt as other financial liabilities. The Fund classifies derivative financial instruments which have not been designated in a hedging relationship as held for trading and values them at fair value each period with changes in fair value recorded in earnings.

The adoption of these standards by the Fund has reduced both prepaid expenses and long term loans by \$0.5 million at December 31, 2007 and has resulted in a nominal amount being reclassified from selling, general and administration expenses to interest expense for the year ended December 31, 2007. Financing fees and related transaction costs are offset against long-term debt and charged against income using the effective interest method over the life of the long-term debt.

3. 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 the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is tested for impairment on an annual basis or more frequently, if events or changes in circumstances indicate that the asset might be impaired. Management periodically reviews the estimated lives of intangible assets and adjusts amortization accordingly. Intangible assets, with finite lives, are amortized on a straight-line basis over a period of up to 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 approach and accordingly the change in the obligation due to the passage of time is recognised 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 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. Under the SIFT rules, (see note 8) the Fund is also required to recognize future income tax assets and liabilities with respect to the temporary differences between the carrying amount and the tax bases of its assets and liabilities and those of its flow-through entities that are expected to reverse in or after 2011.

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 earnings.

HEDGING RELATIONSHIPS

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

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 9. Upon the exercise of options consideration received is recorded as trust units. In addition, the value of the options, at the grant date, is recorded as trust units and offset by a reduction of contributed surplus.

EARNINGS PER UNIT

Basic earnings per unit is computed by dividing net earnings by the weighted average trust units outstanding during the year. Diluted earnings per unit is similarly computed except that the weighted average units outstanding are increased to include additional trust 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 trust 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 earnings in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include accounts receivable, property and equipment, goodwill, intangible assets, accounts payable and accrued liabilities, future income taxes and asset retirement obligations.

4. ACQUISITIONS

2007	Marco	ECL	Cornerstone	Firm	Other	Total
Accounts receivable	\$ 706	\$ -	\$ -	\$ -	\$ -	\$ 706
Other current assets	8	-	-	-	-	8
Property and equipment	1,147	-	-	-	199	1,346
Intangible assets						
Customer relationships	200	-	-	-	80	280
Non-competition agreements	282	-	-	-	40	322
Goodwill	-	1,694	2,200	667	-	4,561
Fair value of assets acquired	2,343	1,694	2,200	667	319	7,223
Accounts payable & accrued liabilities	781	-	-	-	19	800
Fair value of liabilities assumed	781	-	-	-	19	800
	\$ 1,562	\$ 1,694	\$ 2,200	\$ 667	\$ 300	\$ 6,423
Consideration						
Cash	\$ 1,562	\$ 1,694	\$ 2,200	\$ 667	\$ 300	\$ 6,423

Entity acquired	Date	% Shares Acquired	Base	Service Area
Marco Transport Inc. ("Marco")	1-Mar-07	100%	Quebec	Bulk
Narum Transport Ltd. ("Other")	24-Sept-07	Assets acquired	Alberta	Tank

Acquisitions have been accounted for using the purchase method. The results of operations from the acquisition date have been included in these consolidated financial statements. The purchase price and fair value allocation are subject to final adjustments.

Due to the achievement of certain performance objectives, additional consideration was paid to the former owners of Elgin Cartage Limited ("ECL"), a company acquired by the Fund in 2004. Similarly additional consideration was paid to the former owners of Cornerstone Logistics Inc. ("Cornerstone"), a company acquired by the Fund in 2006 and to the former owners of Firm Transportation and Distributions Services Inc. ("Firm"), a company acquired by the Fund in 2004.

2006

	General	Spectrum	Future	Cornerstone	Garcha	Tripair	Firm	Other	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	667	550	38,669
<i>Fair value of assets acquired</i>	6,742	11,717	3,527	13,125	1,950	38,159	667	1,460	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
<i>Fair value of liabilities assumed</i>	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	\$ 667	\$ 1,265	\$ 64,772
Consideration									
Cash	\$ 5,050	\$ 10,712	\$ 2,000	\$ 10,041	\$ 1,950	\$ 33,087	\$ 667	\$ 1,265	\$ 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 & Bulk
Vanadium Machines Ltd. ("Other")	26-Apr-06	100%	Ontario	Bulk
Future Transfer Co. Inc. ("Future")	01-May-06	Assets acquired	Ontario	Tank
B.I.Z. Mechanical Inc. ("Other")	02-Jun-06	Assets acquired	Ontario	Bulk
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 \$3 million of consideration is payable contingent upon Tripair achieving certain performance objectives over the next year. Additional contingent consideration is also payable to the former owners of Cornerstone based upon this operation's financial performance. Any additional consideration that is paid will be allocated to goodwill.

5. PROPERTY AND EQUIPMENT

2007	Cost	Accumulated amortization	Net
Land	\$ 8,243	\$ -	\$ 8,243
Buildings	24,525	7,790	16,735
Rolling stock and other	131,885	49,568	82,317
	\$ 164,653	\$ 57,358	\$ 107,295

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

6. INTANGIBLE ASSETS

2007	Cost	Accumulated amortization	Net
Customer relationships	\$ 22,775	\$ 5,970	\$ 16,805
Non-competition agreements	8,994	2,894	6,100
	\$ 31,769	\$ 8,864	\$ 22,905

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

7. LONG-TERM DEBT

	2007	2006
Senior secured notes payable with fixed interest rates between 6.5% and 6.6%	\$ 87,048	\$ 71,500
Equipment finance contracts with interest rates between 8.0% and 9.2%	879	1,254
Other unsecured loans with varying interest rates and due dates	2,432	2,580
	90,359	75,334
Less: current portion	7,806	420
	\$ 82,553	\$ 74,914

The senior secured notes payable are stated net of financing transaction costs of \$0.5 million and provide for monthly payments of interest only. On February 27, 2008 the Fund entered into an agreement, under substantially the same terms and conditions, to renew \$30.0 million of its existing \$37.5 million credit facility for another term of seven years at a rate, to be fixed in the future, based on Government of Canada bond rates. Other terms and covenants of the existing facility will remain unchanged. The principal repayments are due on December 15, 2008 (\$7.5 million), October 15, 2016 (\$50 million) and December 15, 2017 (\$30.0 million). Liens on rolling stock with a net book value of approximately \$75 million have been provided as security for the senior secured notes.

As at December 31, 2007 and 2006, 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:

2008	\$ 7,806
2009	388
2010	93
2011	-
2012	-
Thereafter	82,072
	\$ 90,359

CASH AND CASH EQUIVALENTS

\$16 million of the cash and cash equivalents on hand at December 31, 2007 is restricted and may only be used to fund future acquisition of businesses, operating assets or repayment of specified senior secured notes as they mature.

8. INCOME TAXES

The following table reconciles the provision for income taxes recorded in the statement of earnings with a statutory income tax rate of 35.0% (2006 – 35.6%):

	2007	2006
Earnings before income taxes	\$ 34,251	\$ 37,089
Computed income tax expense at Canadian statutory rate	11,988	13,204
Reduction of taxes due to taxable income allocated to unitholders	(11,691)	(10,983)
U.S. state taxes	664	329
Change to future Canadian statutory tax rate	(265)	(250)
Change in SIFT rules	7,600	-
Reduction of taxes on reorganization	-	(620)
Other	(270)	(380)
Income tax provision	\$ 8,026	\$ 1,300

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

	2007	2006
Future tax assets		
Deductible reserves	\$ (794)	\$ (765)
Issue costs and financing fees	(72)	(191)
Non-capital loss carry forwards	-	(310)
Other	(581)	(537)
Future tax liabilities		
Property, equipment and intangible assets	13,854	5,491
Impact of off-calendar year end of corporate subsidiary	3,253	5,075
Net future income tax liability	\$ 15,660	\$ 8,763

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 currently deducted for income tax purposes.

However, on June 22, 2007, legislation (the “SIFT Rules”) relating to the federal income taxation of publicly-listed or traded trusts (such as income trusts and real estate investment trusts) and partnerships received royal assent. The SIFT Rules apply to a publicly-traded trust that is a specified investment flow-through entity (a “SIFT”) which existed before November 1, 2006 (“Existing Trust”) commencing with taxation years ending in 2011.

From January 1, 2011, certain distributions attributable to a SIFT will not be deductible in computing the SIFT’s taxable income, and the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Distributions paid by a SIFT as returns of capital will not be subject to this tax. There may be circumstances where an Existing Trust could lose its transitional relief where its equity capital grows beyond certain dollar limits measured by reference to the Existing Trust’s market capitalization at the close of trading on October 31, 2006.

The Fund is a SIFT as defined in the Legislation. Accordingly the Fund will be subject to taxes on distributions of certain income earned from investments in its trading partnerships made after 2010. The Fund is also required to recognize future income tax assets and liabilities with respect to the temporary differences between the carrying amount and the tax bases of its assets and liabilities and those of its flow-through entities that are expected to reverse in or after 2011. The impact of this legislation in 2007 was a future income tax expense of \$7.6 million.

Certain of the Fund's subsidiaries are currently 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.

9. UNITHOLDERS' EQUITY

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, 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
Distribution reinvestment plan	471	4,905	-	-	-	-	471	4,905
Units repurchased	(410)	(2,050)	-	-	-	-	(410)	(2,050)
Balance at December 31, 2007	22,471	\$ 112,772	4,810	\$ 6,590	1,468	\$ 1,298	28,749	\$ 120,660

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. 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. 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 in the Black-Scholes option pricing model to calculate the fair value of the options on the grant dates and to determine the unit based compensation expense:

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

Period ended December 31

12 months

Years ended December 31

2007

2006

	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price
Unit options outstanding, beginning of year	2,179	\$ 12.21	1,331	\$ 11.56
Granted	-	-	975	13.01
Cancelled	(150)	12.00	(46)	11.50
Exercised	-	-	(81)	11.50
Unit options outstanding, end of year	2,029	\$ 12.23	2,179	\$ 12.21
Unit options exercisable, end of year	1,201	\$ 12.01	818	\$ 11.90
Amount charged to compensation expense		\$ 94		\$ 288

UNITHOLDERS EQUITY

	Contributed Surplus	Trust Units	Retained Earnings	Total
Balance at December 31, 2005	\$ 413	\$ 111,858	\$ 19,629	\$ 131,900
Net earnings	-	-	35,789	35,789
Distributions declared	-	-	(35,670)	(35,670)
Distribution reinvestment plan	-	5,482	-	5,482
Options exercised	(38)	969	-	931
Unit-based compensation	288	-	-	288
Units repurchased	-	(504)	(773)	(1,277)
Balance at December 31, 2006	\$ 663	\$ 117,805	\$ 18,975	\$ 137,443
Net earnings	-	-	26,225	26,225
Distributions declared	-	-	(36,033)	(36,033)
Distribution reinvestment plan	-	4,905	-	4,905
Unit-based compensation	94	-	-	94
Units repurchased	(13)	(2,050)	(1,787)	(3,850)
Balance at December 31, 2007	\$ 744	\$ 120,660	\$ 7,380	\$ 128,784

10. LEASE COMMITMENTS

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

2008	\$ 14,747
2009	11,246
2010	7,128
2011	2,008
2012	350
Thereafter	20

11. CONTINGENCIES

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.

In the ordinary course of business, the Fund had issued letters of credit amounting to \$0.9 million at December 31, 2007.

12. 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 U.S. dollar. As at December 31, 2007, the Fund had contracts with an aggregate value of US \$10.4 million to sell US funds throughout the first five months of 2008. The contracts expire on a monthly basis over the period and require the Fund to sell US dollars for CAD Dollars at rates of between \$1.077 and \$0.9325. As at December 31, 2007, the fair value of these contracts comprised an asset of \$0.6 million (2006 – liability of \$0.1 million), which is included in accounts receivable in the consolidated balance sheets.

a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to meet their contractual obligations as they fall due. The diversity of the customer base helps limit concentration of credit risk. No single customer accounts for more than 10% of the Fund’s revenue.

b) Foreign exchange risk:

Foreign exchange risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. 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.

c) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will change adversely if market interest rates change. Changes in interest rates affect both interest paid on floating rate debt and interest received on surplus cash. As at December 31, 2007, approximately 97% of the Fund’s long-term debt had fixed interest rates.

d) Liquidity risk:

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. The Fund requires working capital to meet day-to-day operating activities, to fund maintenance capital expenditures and to pay distributions. In 2008, 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.

13. 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:

	2007	2006
Transactions during the year:		
Repairs, maintenance and leases	\$ 6,136	\$ 4,247
Rental income	192	186
Equipment and parts purchases	-	943
Balances at end of year:		
Accounts payable	231	277
Accounts receivable	11	10

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

14. CASH FLOW

Change in non-cash working capital:

	2007	2006
Decrease (increase) in accounts receivable	\$ 2,275	\$ (2,256)
Decrease (increase) in other current assets	(212)	588
Decrease in accounts payable and accrued liabilities	(4,747)	(5,153)
Increase (decrease) in income taxes payable	330	(353)
Net change in non-cash working capital	\$ (2,354)	\$ (7,174)
Cash paid in respect of:		
Interest	\$ 4,847	\$ 2,259
Income taxes	790	858

15. EARNINGS PER UNIT

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

	2007	2006
Weighted average number of units outstanding:		
Basic	28,826	28,513
Effect of unit options	-	130
Diluted	28,826	28,643

16. SALE OF EQUIPMENT

Sale of equipment includes proceeds of \$950,000 relating to the sale of a small bulk operation in Calgary, Alberta. The disposal consisted of rolling stock and trailers with a value of \$750,000, goodwill with a value of \$70,000 and intangibles with a value of \$130,000. There was no gain or loss on the disposal.

17. SALE OF LAND

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

18. COMPARATIVE FIGURES

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

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