

## NEWS RELEASE

### Contrans Income Fund Announces Third Quarter Results

(Woodstock, Ontario – November 6, 2008)

TSX: Symbol CSS.UN)

#### FINANCIAL HIGHLIGHTS

(unaudited)

For the periods ended September 30

(in millions except per unit amounts)

	Three Months				Nine Months			
	2008		2007		2008		2007	
<b>Revenue - as stated</b>	<b>128.9</b>		122.1		<b>379.2</b>		367.4	
<b>Revenue - fuel surcharges <sup>(1)</sup></b>	<b>(24.3)</b>		(13.9)		<b>(66.5)</b>		(41.5)	
<b>Revenue - transportation services <sup>(1)</sup></b>	<b>\$ 104.6</b>	<b>100.0 %</b>	\$ 108.2	100.0 %	<b>\$ 312.7</b>	<b>100.0 %</b>	\$ 325.9	100.0 %
Operating expenses - net of fuel surcharges	<b>77.0</b>	<b>73.6</b>	82.3	76.1	<b>237.0</b>	<b>75.8</b>	249.6	76.6
Selling, general and administration expenses	<b>10.6</b>	<b>10.1</b>	11.2	10.4	<b>32.6</b>	<b>10.4</b>	32.5	10.0
Foreign exchange loss (gain)	-	-	(0.9)	(0.8)	<b>(0.5)</b>	<b>(0.2)</b>	0.2	0.1
<b>Earnings before amortization, interest and income taxes</b>	<b>17.0</b>	<b>16.3</b>	15.6	14.3	<b>43.6</b>	<b>14.0</b>	43.6	13.3
Amortization of property and equipment	<b>3.2</b>	<b>3.1</b>	3.2	3.0	<b>9.3</b>	<b>3.0</b>	9.8	3.0
Amortization of intangible assets	<b>0.9</b>	<b>0.9</b>	0.9	0.8	<b>2.8</b>	<b>0.9</b>	2.9	0.9
Net interest expense	<b>1.5</b>	<b>1.4</b>	1.2	1.1	<b>4.3</b>	<b>1.4</b>	3.8	1.2
<b>Earnings before income taxes</b>	<b>11.4</b>	<b>10.9</b>	10.3	9.4	<b>27.2</b>	<b>8.7</b>	27.1	8.2
Income tax provision:								
Current	<b>0.1</b>	<b>0.1</b>	0.6	0.5	<b>0.5</b>	<b>0.1</b>	1.2	0.4
Future	<b>(0.1)</b>	<b>(0.1)</b>	0.6	0.6	<b>0.2</b>	<b>0.1</b>	7.2	2.2
	-	-	1.2	1.1	<b>0.7</b>	<b>0.2</b>	8.4	2.6
<b>Net earnings</b>	<b>\$ 11.4</b>	<b>10.9 %</b>	\$ 9.1	8.3 %	<b>\$ 26.5</b>	<b>8.5 %</b>	\$ 18.7	5.6 %
Earnings per unit - basic and diluted	<b>\$ 0.40</b>		\$ 0.32		<b>\$ 0.92</b>		\$ 0.65	

<sup>(1)</sup> See "Use of non-GAAP Financial Measures" below.

"We enjoyed another solid financial performance in the third quarter," stated Stan Dunford, Chairman and Chief Executive Officer of Contrans Income Fund. "Aggressive sales efforts this year have resulted in new sources of revenue that have mitigated the impact of falling manufacturing output. Management has continued to react quickly and decisively to these and other challenges posed by the current market conditions."

"As much as we have enjoyed our success, we are very focused on the present and foreseeable future," continued Mr. Dunford. "Economic forecasts indicate that things are going to get worse before they get better and could stay that way for a period of time. We expect that the diversity of our customer base and the non-cyclical elements within it will continue to provide us with some shelter from the effects of reduced shipping volumes."

"Contrans' balance sheet is very strong and will enable us to withstand a recession better than most of our competitors," added Mr. Dunford. "We believe that currently there are many trucking companies that are burdened with debt, and if the current recession is prolonged, it is likely that there will be attrition within our

industry. Management is committed to remaining vigilant for resulting growth opportunities and to continue to operate in a disciplined, intelligent manner.”

### ***RESULTS FROM OPERATIONS***

Revenue from fuel surcharges increased in 2008 as a result of higher fuel prices particularly in the third quarter of 2008. Revenue – transportation services has been affected by the current adverse economic conditions, most notably in the Fund’s van operation. Revenue in this operation was \$5.1 million lower in the third quarter of 2008 compared to 2007 and \$16.6 million lower in the first nine months compared to 2007. UPM, a major east coast van customer, closed its plant in August 2007. Revenue from this customer in the third quarter of 2007 was \$3.2 million and \$10.9 million for the first nine months of 2007. In addition, the Fund’s van operations have rationalized unprofitable traffic lanes in conjunction with a realignment of its operations occurring in the first quarter of 2008. The decrease in revenue from the Fund’s van operations has been mitigated by internal growth in certain of the Fund’s other businesses.

Operating expenses, expressed as a percentage of revenue, decreased in the third quarter of 2008 compared to 2007. Internal growth has improved equipment utilization and overall revenue quality. In addition, the Fund’s profitability has benefitted as a result of the rationalization of unprofitable traffic lanes. Offsetting these improvements were accident claim costs which increased \$0.8 million in the third quarter of 2008 compared to 2007 (\$1.3 million increase year-to-date). In the third quarter of 2008, the Fund benefitted from the lag between falling fuel prices and fuel surcharge adjustments. The opposite effect occurred in the first quarter of 2008 when fuel prices increased.

Third quarter selling, general and administration expenses decreased in 2008 compared to 2007 due to savings realized on the east coast realignment. However, approximately \$1.0 million of costs have been incurred to date in 2008 from this realignment as a result of penalties for the early return of leased equipment and from severance costs.

Net interest expense increased as a result of the average long-term debt, net of cash, being higher in 2008 compared to 2007 and due to the Fund’s increasing use of capital leases for its rolling stock additions.

**DISTRIBUTABLE CASH <sup>(1)</sup>***(unaudited)*

For the periods ended September 30

(in thousands except per unit amounts)

	<i>Three months</i>		<i>Nine months</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Cash flow provided by operating activities	\$ 18,909	\$ 20,417	\$ 30,833	\$ 34,797
Change in non-cash working capital	(3,013)	(8,294)	8,499	1,827
Proceeds on sale of equipment	833	2,264	2,496	5,039
Asset retirement obligations - settlements	(121)	(2)	(144)	(52)
Capital lease repayments where no financing available <sup>(1)</sup>	(938)	-	(1,260)	-
Long-term debt repayments where no financing available <sup>(1)</sup>	-	-	(378)	-
Maintenance capital expenditures <sup>(1)</sup>	(883)	(884)	(3,226)	(3,813)
Distributable cash earned before proceeds from sale of plant services operation <sup>(1)</sup>	14,787	13,501	36,820	37,798
Proceeds from sale of plant services operation	2,107	-	2,107	-
Distributable cash earned <sup>(1)</sup>	16,894	13,501	38,927	37,798
Distributions declared	9,146	9,011	27,228	27,047
Surplus of distributable cash earned vs. distributions declared	\$ 7,748	\$ 4,490	\$ 11,699	\$ 10,751
Per unit calculations:				
Distributable cash earned before proceeds from sale of plant services operation	\$ 0.51	\$ 0.47	\$ 1.27	\$ 1.31
Proceeds from sale of plant services operation	0.07	-	0.07	-
	0.58	0.47	1.34	1.31
Distributions declared per unit	0.31	0.31	0.94	0.94
Surplus of distributable cash earned vs. distributions declared per unit	\$ 0.27	\$ 0.16	\$ 0.40	\$ 0.37
Weighted average number of units outstanding	29,219	28,907	29,003	28,851
<i>Purchase of property and equipment</i>				
Maintenance capital expenditures <sup>(1)</sup>	\$ 883	\$ 884	\$ 3,226	\$ 3,813
Growth capital expenditures <sup>(1)</sup>	111	1,339	2,547	4,092
Total	\$ 994	\$ 2,223	\$ 5,773	\$ 7,905
Capital lease repayments where no financing available <sup>(1)</sup>	\$ 938	\$ -	\$ 1,260	\$ -
Capital lease repayments funded out of surplus cash <sup>(1)</sup>	-	78	-	220
Repayment of capital lease obligations	938	78	1,260	220
Long-term debt repayments where no financing available <sup>(1)</sup>	-	-	378	-
Long-term debt repayments funded out of surplus cash <sup>(1)</sup>	-	21	-	178
Repayment of long-term debt	\$ -	\$ 21	\$ 378	\$ 178

<sup>(1)</sup> See "Use of non-GAAP Financial Measures" below.

Operating cash flow and net earnings are important indicators of financial performance. However, there are other important indicators, both historical and prospective, that management also considers when recommending to the Board of Trustees a rate of distribution to be paid to unitholders. Historical considerations include factors listed in the table "Distributable Cash" above. Explanations why these factors are taken into consideration are

provided below under the caption “Distributable Cash Earned – Reconciliation”. The seasonality of the Fund’s business is another historical consideration. Due to customarily slow first quarter business activity and working capital requirements as business levels increase, the Fund’s distributions typically exceed its operating cash flow as well as its net earnings until later in the year. Management also considers expectations for future financial performance and future net capital requirements.

Differences between distributions declared and net earnings also arise due to amortization of intangible assets and future income tax expenses. Amortization of intangible assets, a non-cash expense, does not give rise to productive capacity concerns. Accordingly, management adds amortization of intangible assets back to net earnings when considering the sustainability of the Fund’s distributions. Additionally, the likelihood and timing of the Fund’s long-term, future income tax liabilities that will require settlement in cash is sufficiently uncertain that management adds back future income tax provisions to (or deducts future income tax recoveries from) earnings for the same reason.

The Fund’s Board of Trustees believe that the current level of distributions being declared are appropriate under the circumstances and have not compromised the long-term interests of the Fund’s unitholders. The Board of Trustees does not anticipate a need to suspend distributions in the reasonably foreseeable future. However, in light of the uncertainty surrounding current global economic circumstances, the Board of Trustees will continue to closely monitor the Fund’s performance as well as the business environment. See also “Forward-looking Statements”.

#### ***DISTRIBUTABLE CASH EARNED – RECONCILIATION***

Cash used to fund working capital, capital expenditures, capital lease repayments 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 are 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 are considered when determining distributable cash earned since they are not deducted from cash provided by operating activities in the consolidated statements of cash flow. Maintenance capital expenditures are necessary to sustain current revenue levels and therefore reduce the amount of cash that is available for distribution. In addition, the Fund is contractually obligated to repay its lenders who rank ahead of the Fund’s unitholders. Accordingly, in the absence of surplus cash, repayments of long-term debt or capital lease obligations reduce the amount of cash available for distribution.

#### ***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.

*Distributable cash flow, maintenance capital expenditures, growth capital expenditures, capital lease repayments where no financing available, capital lease repayments funded out of surplus cash, long-term debt repayments funded out of surplus cash, long-term debt repayments where no financing available:*

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](http://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.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME***(in thousands except for per unit amounts)**(unaudited)*

	Three Months		Nine Months	
	2008	2007	2008	2007
For the periods ended September 30				
<b>Revenue</b>	\$ 128,933	\$ 122,110	\$ 379,204	\$ 367,363
Operating expenses	101,234	96,208	303,465	291,148
Selling, general and administration expenses	10,643	11,193	32,611	32,464
Foreign exchange loss (gain)	17	(863)	(502)	175
Amortization of property and equipment	3,164	3,168	9,240	9,802
Amortization of intangible assets	944	945	2,833	2,936
	12,931	11,459	31,557	30,838
Net interest expense (income) - long-term	1,609	1,240	4,695	3,739
- short-term	(118)	(6)	(360)	45
<b>Earnings before Income Taxes</b>	<b>11,440</b>	<b>10,225</b>	<b>27,222</b>	<b>27,054</b>
<b>Income Tax Provision (Recovery):</b>				
Current	158	561	452	1,149
Future	(140)	557	200	7,187
	18	1,118	652	8,336
<b>Net Earnings and Comprehensive Income</b>	<b>\$ 11,422</b>	<b>\$ 9,107</b>	<b>\$ 26,570</b>	<b>\$ 18,718</b>
Earnings per unit - basic and diluted	\$ 0.40	\$ 0.32	\$ 0.92	\$ 0.65
Weighted average number of units outstanding - basic and diluted	29,219	28,907	29,003	28,851

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS***(in thousands)**(unaudited)*

	Three Months		Nine Months	
	2008	2007	2008	2007
For the periods ended September 30				
<b>Retained Earnings – Beginning of Period</b>	\$ 4,446	\$ 10,502	\$ 7,380	\$ 18,975
Net earnings	11,422	9,107	26,570	18,718
Premium paid on units repurchased	-	(1,739)	-	(1,787)
Distributions declared	(9,146)	(9,011)	(27,228)	(27,047)
<b>Retained Earnings – End of Period</b>	<b>\$ 6,722</b>	<b>\$ 8,859</b>	<b>\$ 6,722</b>	<b>\$ 8,859</b>

*The accompanying notes are an integral part of these statements.*

**CONSOLIDATED BALANCE SHEETS***(in thousands)*

As at

	<b>September 30 2008</b>	<b>December 31 2007</b>
	<i>(unaudited)</i>	<i>(audited)</i>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 24,241	\$ 18,301
Accounts receivable	63,856	54,599
Income taxes recoverable	474	-
Other current assets	6,783	6,021
	95,354	78,921
<b>Note Receivable</b> (Note 3)	687	-
<b>Property and Equipment</b> (Note 4)	107,387	107,295
<b>Intangible Assets</b>	19,850	22,905
<b>Goodwill</b>	60,978	61,478
	<b>\$ 284,256</b>	<b>\$ 270,599</b>
<b>Liabilities and Unitholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 33,200	\$ 31,191
Distributions payable	3,057	2,996
Income taxes payable	-	417
Current portion of capital lease obligations (Note 5)	1,734	398
Current portion of long-term debt	7,467	7,408
	45,458	42,410
<b>Long-term Debt</b>	82,065	82,071
<b>Capital Lease Obligations</b> (Note 5)	6,680	482
<b>Asset Retirement Obligations</b>	1,095	1,192
<b>Future Income Taxes</b>	15,860	15,660
	151,158	141,815
<b>Unitholders' Equity</b> (Note 6)		
Contributed surplus	811	744
Trust units	125,565	120,660
Retained earnings	6,722	7,380
	133,098	128,784
	<b>\$ 284,256</b>	<b>\$ 270,599</b>

*The accompanying notes are an integral part of these statements.*

## CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands)

(unaudited)

For the periods ended September 30

	Three Months		Nine Months	
	2008	2007	2008	2007
<b>Cash Provided by (Used in):</b>				
<b>Operating Activities</b>				
Net earnings	\$ 11,422	\$ 9,107	\$ 26,570	\$ 18,718
Items not affecting cash:				
Unrealized foreign exchange loss (gain)	445	(1,456)	388	(1,536)
Unit-based compensation expense (Note 7)	22	23	67	82
Long-term debt – accretion	36	28	110	92
Loss related to sale of plant services operations - net (Note 3)	79	-	79	-
Asset retirement obligations - accretion	12	13	38	40
Amortization of property and equipment	3,164	3,168	9,240	9,802
Amortization of intangible assets	944	945	2,833	2,936
Future income taxes	(140)	557	200	7,187
Gain on sale of equipment	(88)	(262)	(193)	(697)
	15,896	12,123	39,332	36,624
Change in non-cash working capital (Note 9)	3,013	8,294	(8,499)	(1,827)
	18,909	20,417	30,833	34,797
<b>Investing Activities</b>				
Expended on acquisitions	-	(2,500)	-	(5,756)
Asset retirement obligations - settlements	(121)	(2)	(144)	(52)
Proceeds from sale of plant services operation (Note 3)	2,107	-	2,107	-
Proceeds from sale of equipment	833	2,264	2,496	5,039
Purchase of property and equipment	(994)	(2,223)	(5,773)	(7,905)
	1,825	(2,461)	(1,314)	(8,674)
<b>Financing Activities</b>				
Distributions paid	(9,122)	(9,035)	(27,167)	(27,153)
Repayment of operating loan	(4,851)	-	-	-
Proceeds from long-term debt	68	-	321	80
Repayment of long-term debt	-	(21)	(378)	(178)
Repayment of capital lease obligations	(938)	(78)	(1,260)	(220)
Repurchase of trust units	-	(3,759)	-	(3,850)
Issuance of trust units (Note 6)	1,992	1,711	4,905	4,905
	(12,851)	(11,182)	(23,579)	(26,416)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>7,883</b>	<b>6,774</b>	<b>5,940</b>	<b>(293)</b>
<b>Cash and Cash Equivalents – Beginning of Period</b>	<b>16,358</b>	<b>(4,223)</b>	<b>18,301</b>	<b>2,844</b>
<b>Cash and Cash Equivalents – End of Period</b>	<b>\$ 24,241</b>	<b>\$ 2,551</b>	<b>\$ 24,241</b>	<b>\$ 2,551</b>

The accompanying notes are an integral part of these statements.

**CONTRANS INCOME FUND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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For the periods ended September 30, 2008 and 2007  
(Unaudited, tabular amounts in thousands except for per unit amounts)

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**1. BASIS OF PRESENTATION**

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements using the same accounting policies as were applied in the audited consolidated financial statements for the year ended December 31, 2007 except as described in note 2. These interim financial statements do not conform in all respects with disclosure required for annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Fund for the year ended December 31, 2007.

**2. ADOPTION OF ACCOUNTING STANDARDS**

Effective January 1, 2008, the Fund adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1535, Capital Disclosures; CICA Handbook Section 3862, Financial Instruments – Disclosures; and CICA Handbook Section 3863, Financial Instruments – Presentation. The adoption of these standards did not have an impact on the Fund’s financial results or financial position.

Handbook Section 1535 requires the Fund to disclose information that enables users of its financial statements to evaluate the Fund’s objectives, policies and processes for managing capital. This includes disclosures of any externally imposed covenants and the consequences for non-compliance. These new disclosures are included in note 6.

Handbook Section 3862 requires the Fund to revise and enhance disclosure requirements to provide additional information on the nature and extent of risks arising from financial instruments to which the entity is exposed and how it manages those risks. The new disclosures, pursuant to this new Handbook Section, are included in note 8. Handbook Section 3863 carries forward the presentation standards which previously existed under Handbook Section 3861.

**3. DISPOSAL OF PLANT SERVICES OPERATION**

In September 2008, the Fund disposed of its plant services operation, located in Hamilton, Ontario.

Net book value of assets disposed:

Property and Equipment	\$ 2,885
Intangible Assets	222
Goodwill	500
Deferred Income	(427)
	<u>\$ 3,180</u>

Consideration received:

Cash	\$ 2,107
Note receivable (fair value):	
Current	307
Long-term	687
	<u>\$ 3,101</u>
Charge to earnings	<u>\$ 79</u>

The note receivable has a face value of \$1.5 million, bears interest at 5% above the Bank of Canada prime rate and is payable quarterly. Future principal repayments will be conditional upon covenant compliance and future free cash flows of the purchaser. The current portion of the note receivable is included in accounts receivable.

#### 4. PROPERTY AND EQUIPMENT

At at September 30, 2008	Cost	Accumulated amortization	Net
Land	\$ 8,474	\$ -	\$ 8,474
Buildings	25,986	8,621	17,365
Rolling stock and other - owned	124,124	51,855	72,269
Rolling stock - capital leases	9,816	537	9,279
	<b>\$ 168,400</b>	<b>\$ 61,013</b>	<b>\$ 107,387</b>

At at December 31, 2007	Cost	Accumulated amortization	Net
Land	\$ 8,243	\$ -	\$ 8,243
Buildings	24,525	7,790	16,735
Rolling stock and other - owned	130,807	49,450	81,357
Rolling stock - capital leases	1,078	118	960
	<b>\$ 164,653</b>	<b>\$ 57,358</b>	<b>\$ 107,295</b>

Rolling stock under capital leases is amortized using the same methods and rates as owned rolling stock.

#### 5. OBLIGATIONS UNDER CAPITAL LEASES

As at	September 30, 2008	December 31, 2007
2008	\$ 545	\$ 448
2009	2,106	409
2010	1,792	94
2011	1,697	-
2012	1,418	-
2013	1,062	-
Thereafter	1,226	-
Minimum lease payments	<b>9,846</b>	951
Less amount representing interest (at rates ranging from 4.8% to 9.2%)	<b>1,432</b>	71
Present value of net minimum capital lease payments	<b>8,414</b>	880
Less current portion	<b>1,734</b>	398
	<b>\$ 6,680</b>	<b>\$ 482</b>

Interest of \$222,000 (2007 - \$64,000) relating to capital lease obligations has been included in interest expense - long-term.

## 6. UNITHOLDERS' EQUITY

	Contributed		Retained		
	Surplus	Trust Units	Earnings		Total
<b>Balance - December 31, 2007</b>	\$ 744	\$ 120,660	\$ 7,380	\$	128,784
Net earnings for the period	-	-	26,570		26,570
Distributions declared	-	-	(27,228)		(27,228)
Unit-based compensation	67	-	-		67
Issuance of units	-	4,905	-		4,905
<b>Balance - September 30, 2008</b>	\$ 811	\$ 125,565	\$ 6,722	\$	133,098

### Capital management

The Fund's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of internal and acquisitive growth and to provide returns to its unitholders.

Management defines capital as unitholders' equity and net debt. Net debt is defined as all interest-bearing debt, including obligations under capital leases, less cash and cash equivalents.

### Capital under management

As at	September 30,		December 31,	
	2008		2007	
Long-term debt	\$	89,532	\$	89,479
Obligations under capital leases		8,414		880
Cash and cash equivalents		(24,241)		(18,301)
Net debt		73,705		72,058
Unitholders' equity		133,098		128,784
Total capital	\$	206,803	\$	200,842

The Board of Trustees approves monthly distributions, annual operating plans and business acquisitions.

The Fund's debt covenants are based on cash flow, leverage and asset cover ratios. If the Fund exceeds these covenant limits the lenders can restrict the Fund from paying distributions. The Fund monitors its compliance with all covenants and the factors affecting their calculation. At September 30, 2008, the Fund was in compliance with all its covenants. The Fund's lenders have a security interest in all of the assets of the Fund.

The Fund's dividend reinvestment plan ("DRIP") provides capital for future business development. This plan allows existing unitholders to automatically reinvest their monthly dividend into new units. The new units are issued at 95% of the average market price for the preceding ten trading days.

## 7. *UNIT-BASED COMPENSATION*

	Units		Weighted Average Exercise Price Per Unit
Unit options outstanding, December 31, 2007	2,029	\$	12.23
Cancelled	(10)		14.90
Unit options outstanding, September 30, 2008	2,019	\$	12.22
Unit options exercisable, end of period	1,654	\$	12.03

The amount charged to unit-based compensation expense for the three month period to September 30, 2008 was \$22,000 (2007 - \$23,000) and year-to-date was \$67,000 (2007 - \$82,000).

## 8. *FINANCIAL INSTRUMENTS*

Cash and cash equivalents are designated as held for trading and are measured at fair value with all gains and losses included in net earnings in the period in which they arise. Accounts receivable and note receivable are classified as loans and receivables. Accounts payable and accrued liabilities, distributions payable and long-term debt are classified as other financial liabilities and, along with loans and receivables, are measured at amortized cost using the effective interest method.

### a) **Fair values**

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and distributions payable approximate their fair values due to the relatively short period to maturity of these instruments. The fair value of foreign exchange contracts is disclosed in note 8 (b).

Long-term debt with a carrying value of \$89.5 million (December 31, 2007 - \$89.5 million) has a fair value of \$91.5 million at September 30, 2008 (December 31, 2007 - \$89.6 million). The fair value is calculated using discounted cash flows at current market rates.

The fair value of the note receivable is \$1.0 million based on the expected future payments discounted at current market rates.

### b) **Derivative financial instruments**

The Fund from time to time enters into foreign exchange contracts to manage its net exposure to currency fluctuations. As at September 30, 2008, the Fund had contracts to sell \$4.0 million of US funds per month from October 2008 to July 2009. These contracts settle at exchange rates between \$1.0000 and \$1.0935. The Fund also has contracts to sell \$4.0 million of US funds per month from August 2009 to October 2009. These contracts settle at exchange rates between \$1.0200 and \$1.1095. As at September 30, 2008, the fair value of these contracts was recorded as a liability of \$0.3 million and included in accounts payable and accrued liabilities on the consolidated balance sheets. The value of the contracts was provided by the counter-party on an open market basis.

### **c) Risk management**

The Fund has exposure to the following risks from its use of financial instruments:

#### ***i) Credit risk***

Credit risk is the risk that a counterparty to a financial instrument will fail to meet their payment obligations and is primarily attributable to accounts receivable and note receivable. The Fund manages its credit risk by having a diverse range of customers, monitoring the aging of its accounts receivable and through credit checks that are carried out on new customers. General provisions for doubtful accounts are made based on past experience.

Specific provisions are made against trade receivables for any customer that is known to be in poor financial condition. The bad debt expense, both specific and general, for the third quarter of 2008 was \$0.4 million (2007 – \$0.4 million) and an expense of \$0.8 million year-to-date in 2008 (2007 – \$0.5 million).

The movement in the provision for doubtful accounts is as follows:

Provision as at December 31, 2007	\$	2,081
Accounts written off		(47)
Bad debt expense		756
<u>Provision as at September 30, 2008</u>	<u>\$</u>	<u>2,790</u>

The Fund has a provision of \$1.6 million for accounts receivable that were considered to be impaired as at September 30, 2008. Management considers the financial health of the customer as well as the aging of the account when considering whether an account is impaired. At September 30, 2008, approximately \$11.8 million of receivables are overdue but are not considered impaired.

A provision for doubtful accounts of \$2.8 million (December 31, 2007 - \$2.1 million) is netted against accounts receivable on the consolidated balance sheets. In addition, the deferred income on disposal of the plant services operation was reclassified as an allowance for note receivable impairment and the total allowance of \$0.5 million was applied to reduce the face value of the note receivable to its estimated fair value of \$1.0 million as at September 30, 2008. Bad debt expenses and provision for note receivable impairment are included in selling, general and administration expenses in the consolidated statements of comprehensive income.

#### ***ii) 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. Approximately 20 - 25% of the Fund's revenue is billed in US dollars and accordingly is subject to foreign exchange risk. Management manages this risk through foreign exchange contracts, denominating equipment leases in US dollars and through customer negotiations. The impact of a 1% strengthening (weakening) of the Canadian dollar against the US dollar would result in a decrease (increase) in net earnings of \$0.1 million as at September 30, 2008, all other things being equal.

The Fund operates in both Canada and the United States. However, due to the nature of the operations and inherent system limitations, it is impracticable to split the results from operations between the two countries.

#### ***iii) Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument will change with market interest rates. Changes in interest rates affect both interest paid on floating rate debt and interest received on surplus cash and cash equivalents and note receivable. As at September 30, 2008, approximately 97% of the Fund's long-term debt had fixed interest rates. A 1% change in the interest rate on the floating rate debt, cash and cash equivalents and note receivable would only have a nominal impact on net earnings, all other things being equal.

#### ***iv) Liquidity risk***

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. The Fund ensures that it has sufficient cash or credit lines to meet these obligations. The Fund has a demand operating line of \$30 million to meet seasonal fluctuations in working capital requirements, for letters of credit and to fund growth opportunities. At September 30, 2008, the Fund had \$0.9 million of letters of credit outstanding (December 31, 2007 – \$0.9 million).

The Fund had \$16.0 million of cash and cash equivalents at September 30, 2008 that may only be used to fund growth opportunities or to repay senior secured notes payable.

The Fund has contractual maturities of financial liabilities as follows:

<i>(in \$ millions)</i>	2008	2009	2010	2011	2012	2013	Thereafter	Total
Blended principal and interest payments in respect of:								
Senior secured notes payable	\$ 38.8	\$ 3.3	\$ 3.3	\$ 3.3	\$ 3.3	\$ 3.3	\$ 59.1	\$ 114.4
Obligations under capital leases	0.5	2.1	1.8	1.7	1.4	1.1	1.2	9.8
Derivative financial instruments	13.1	43.9	-	-	-	-	-	57.0
Accounts payable and accrued liabilities	33.2	-	-	-	-	-	-	33.2
Operating leases	3.2	10.5	6.8	1.6	0.3	-	-	22.4
Distributions payable	3.1	-	-	-	-	-	-	3.1
Equipment purchase commitments	0.9	-	-	-	-	-	-	0.9
<b>Total</b>	<b>\$ 92.8</b>	<b>\$ 59.8</b>	<b>\$ 11.9</b>	<b>\$ 6.6</b>	<b>\$ 5.0</b>	<b>\$ 4.4</b>	<b>\$ 60.3</b>	<b>\$ 240.8</b>

On February 27, 2008, the Fund entered into an agreement to renew \$30.0 million of its existing \$37.5 million credit facility, due on December 15, 2008, for another term of seven years, at a rate to be set at closing, under substantially the same terms and conditions.

## 9. CASH FLOW

Change in non-cash working capital:

For the periods ended September 30	Three Months		Nine Months	
	2008	2007	2008	2007
Decrease (increase) in accounts receivable	\$ (561)	\$ 2,987	\$ (8,860)	\$ (303)
Decrease (increase) in other current assets	613	1,669	(762)	(125)
Increase (decrease) in accounts payable and accrued liabilities	2,846	3,063	2,014	(1,773)
Increase (decrease) in income taxes payable (recoverable)	115	575	(891)	374
<b>Net change in non-cash working capital</b>	<b>\$ 3,013</b>	<b>\$ 8,294</b>	<b>\$ (8,499)</b>	<b>\$ (1,827)</b>
Cash paid in respect of:				
Interest	\$ 1,664	\$ 1,281	\$ 4,750	\$ 3,784
Income taxes	119	433	1,556	1,249

## 10. 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:

As at	September 30, 2008		December 31, 2007	
Accounts payable	\$	111	\$	231
Accounts receivable		17		11

  

For the periods ended September 30	Three Months		Nine Months	
	2008	2007	2008	2007
Repairs, maintenance and leases	\$ 1,473	\$ 1,457	\$ 4,734	\$ 4,583
Rental income	45	46	142	144

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

## 11. SEASONALITY

Generally, the second quarter is the Fund's strongest period. Volumes from customers in the construction industry typically increase as temperatures warm in the spring and then decline with the onset of 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.

## 12. COMPARATIVE FIGURES

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

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