

# NEWS RELEASE

## CONTRANS INCOME FUND ANNOUNCES SECOND QUARTER RESULTS

(Woodstock, Ontario—August 5, 2009)

(TSX. Symbol CSS.UN)

### FINANCIAL HIGHLIGHTS

(unaudited)

(in millions except per unit amounts)

For the periods ended June 30

	Three Months				Six Months			
	2009		2008		2009		2008	
<b>Revenue - as stated</b>	\$ 87.4		\$ 129.7		\$ 175.4		\$ 250.3	
- fuel surcharges <sup>(1)</sup>	(6.0)		(23.9)		(13.1)		(42.2)	
<b>Revenue - transportation services <sup>(1)</sup></b>	<b>81.4</b>	<b>100.0 %</b>	105.8	100.0 %	<b>162.3</b>	<b>100.0 %</b>	208.1	100.0 %
Operating expenses - net of fuel surcharges	63.7	78.3	78.4	74.1	127.6	78.6	160.0	76.9
Selling, general and administration expenses	7.5	9.2	11.1	10.5	16.7	10.3	22.0	10.6
Foreign exchange gain	(1.8)	(2.2)	-	-	(0.6)	(0.4)	(0.5)	(0.2)
<b>Earnings before amortization, interest and income taxes</b>	<b>12.0</b>	<b>14.7</b>	16.3	15.4	<b>18.6</b>	<b>11.5</b>	26.6	12.7
Amortization of property and equipment	3.1	3.8	3.0	2.8	6.1	3.8	6.1	2.9
Amortization of intangible assets	1.0	1.2	1.0	1.0	1.9	1.2	1.9	0.9
Net interest expense	1.4	1.7	1.5	1.4	2.8	1.7	2.8	1.3
<b>Earnings before income taxes</b>	<b>6.5</b>	<b>8.0</b>	10.8	10.2	<b>7.8</b>	<b>4.8</b>	15.8	7.6
Income tax provision (recovery):								
Current	2.1	2.6	-	-	1.9	1.2	0.3	0.2
Future	(1.8)	(2.2)	0.6	0.6	(1.8)	(1.1)	0.3	0.1
	<b>0.3</b>	<b>0.4</b>	0.6	0.6	<b>0.1</b>	<b>0.1</b>	0.6	0.3
<b>Net earnings</b>	<b>\$ 6.2</b>	<b>7.6 %</b>	\$ 10.2	9.6 %	<b>\$ 7.7</b>	<b>4.7 %</b>	\$ 15.2	7.3 %
Earnings per unit - basic and diluted	\$ 0.20		\$ 0.35		\$ 0.26		\$ 0.52	

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

"The current recession is continuing to have a profound impact on the global economy. In fact, many economists have stated that it is the worst recession since World War II," stated Contrans' Chairman and Chief Executive Officer, Stan Dunford. "Its effects on the North American transportation industry have been reflected in greatly diminished shipping volumes. While our 2009 operating results have declined compared to 2008, the current year's results have been buoyed by the diversity of Contrans' operations and customer base. We are also encouraged by the discipline and determination with which management has responded to deteriorating business conditions. These efforts have produced new sources of revenue and have significantly reduced costs."

"In spite of recent reports that the recession may have ended, management has not seen sufficient evidence of an economic recovery and remains skeptical as to the prospects for significant improvement in the near term," continued Mr. Dunford. "As a result, when Contrans' Board of Trustees met on July 15, 2009, it decided to extend the suspension of distribution payments. The Board also believes that the advantages originally offered by the income trust model to Contrans and to its unitholders have been greatly diminished by the poor business environment. Income trusts will be subject to taxation beginning in 2011 and, as that date draws nearer, the advantages of continuing as an income trust are disappearing. In addition, there is a limited timeframe to convert from an income trust to a corporation through a tax-free rollover. In consideration of these factors, Contrans' Board of Trustees passed a resolution today that it intends to proceed with and to recommend to unitholders to approve converting the Fund back to a corporate entity. The Board anticipates that the effective date of the conversion will be on or about December 1, 2009."

"Contrans remains fundamentally sound and profitable. It possesses a solid balance sheet, the strength of which management is fiercely committed to preserving. Management continues to scrutinize capital spending without losing sight of the importance of safety and the fact that operating the finest fleet of rolling stock has always been one of Contrans' competitive advantages. Contrans' long-term debt facility, which does not require any principal repayments until December 2013, has provided assurance against any serious refinancing risk posed by lingering uncertainty in the credit market. In addition, the Fund had approximately \$30 million in cash as at the end of the second quarter. Accordingly, the Fund is well-positioned to persevere through troubled times and to take advantage of new opportunities to create greater long-term value for unitholders."

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The attached consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and reported in Canadian funds, detail the performance and financial position of Contrans Income Fund (the "Fund") for the periods ended June 30, 2009 and 2008. 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 management's discussion and analysis of operations and financial condition.

### **RESULTS FROM OPERATIONS**

The current recession has significantly affected the North American trucking industry. The Fund's revenue from transportation services ("revenue") was \$24.4 million lower in the second quarter of 2009 compared to the second quarter of 2008. Year-to-date revenue has been similarly affected. In addition, lower fuel prices have reduced fuel surcharge revenue in 2009 compared to 2008.

Typically the second quarter is the Fund's busiest period resulting in increased equipment utilization. This helps to reduce operating expenses measured as a percentage of revenue. In 2009, however, second quarter business activity was essentially flat compared to the first quarter. Overcapacity in the industry has also continued to apply downward pressure to freight rates squeezing margins as a result. Accident claim costs fell \$0.2 million in the second quarter of 2009 compared to the second quarter of 2008. For the year-to-date, accident claims were \$1.1 million lower in 2009 compared to 2008. This has partially offset the increase in operating expenses in 2009 measured as a percentage of revenue.

Selling, general and administration expenses were lower in the second quarter of 2009 compared to 2008 primarily due to initiatives taken by management to reduce costs. Reductions to staff levels and the management incentive program have lowered compensation expenses by \$2.4 million in the second quarter of 2009 compared to the second quarter of 2008 (\$2.9 million lower year-to-date). Discretionary spending has been minimized as management is continuing to rationalize costs wherever practical. A further provision of \$0.3 million was taken against a long-term note receivable. The additional provision reflects the increased credit risk associated with this receivable in the current economic climate.

Improved accounts receivable aging has reduced the Fund's exposure to credit risk and has contributed to reduced provisions for doubtful accounts in 2009. In the second quarter of 2009, the Fund recognized a charge to income of \$0.4 million (2008 - \$Nil). There has been no change in the provision for doubtful accounts for the year-to-date in 2009 (2008 - \$0.3 million provision). In light of deteriorating economic conditions, management has been increasingly diligent in its collection efforts. In spite of these efforts, one of the Fund's major customers, Abitibi-Bowater, filed for creditor protection in April, 2009 resulting in a total charge to income of \$0.4 million. Of this amount, \$0.1 million was recognized in the first quarter and \$0.3 million was recognized in the second quarter. The Fund is continuing to provide transportation services to this customer but under stricter credit terms.

The foreign exchange gains in 2009 have resulted primarily from mark-to-market adjustments to the Fund's outstanding foreign exchange contracts (See "Financial Instruments" below).

Net debt levels fell in 2009 compared to 2008 and as a result interest expense has decreased by \$0.1 million. Typically the Fund utilizes its operating line to fund operating cash flows during the second quarter. However, due to the decision taken by management to conserve cash in 2008, the Fund has not had to use its operating line during 2009, other than for letters of credit. Interest earned on cash balances has fallen due to lower average interest rates.

### **SUMMARY OF QUARTERLY RESULTS**

<i>(unaudited)</i> <i>(in millions except per unit amounts)</i>	<b>First Quarter</b>		<b>Second Quarter</b>		<b>Third Quarter</b>		<b>Fourth Quarter</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Revenue – as stated	\$ 88.0	\$ 120.5	\$ 87.4	\$ 129.7	\$ 128.9	\$ 122.1	\$ 109.6	\$ 118.5
– fuel surcharges <sup>(1)</sup>	(7.1)	(18.2)	(6.0)	(23.9)	(24.3)	(13.9)	(12.7)	(15.2)
Revenue – transportation services <sup>(1)</sup>	\$ 80.9	\$ 102.3	\$ 81.4	\$ 105.8	\$ 104.6	\$ 108.2	\$ 96.9	\$ 103.3
Net earnings	\$ 1.5	\$ 5.0	\$ 6.2	\$ 10.2	\$ 11.4	\$ 9.1	\$ 3.0	\$ 7.5
Earnings per unit – basic and diluted	\$ 0.05	\$ 0.17	\$ 0.20	\$ 0.35	\$ 0.40	\$ 0.32	\$ 0.10	\$ 0.26

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

## **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, peak in the fall 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.

## **CASH FLOW**

The Fund's Board of Trustees suspended distributions in March 2009 in reaction to the Fund's operating results and the recession. In May 2009, the Fund's distribution reinvestment plan ("DRIP") was formally terminated. The DRIP provided \$1.5 million year-to-date in 2009 (2008 - \$2.9 million) and \$1.8 million in the second quarter of 2008.

The balances of accounts receivable and accounts payable have fallen in 2009 due to the economic downturn, lower fuel prices and reduced fuel surcharges. In addition, improved aging has also reduced accounts receivable. Income taxes payable have increased in 2009 primarily due to the suspension of distributions. Accrued liabilities have been reduced by \$2.6 million in 2009 due to the settlement of foreign exchange contracts that were on hand at December 31, 2008 against which a mark-to-market provision had been made. In addition, approximately \$1.1 million of these mark-to-market losses have been reversed in 2009 that relate to foreign exchange contracts that remain outstanding as at June 30, 2009.

Due to the achievement of certain performance objectives contained in the purchase agreement with respect to Tripar Transportation Inc., a company acquired by the Fund in 2006, a final payment of \$3 million was paid out of the Fund's restricted cash and cash equivalents in January, 2009 to its former owners.

During the second quarter of 2009 the Fund combined two operating divisions, allowing the Fund to sell a terminal for proceeds of \$0.6 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

*(unaudited)*  
*(in millions)*

As at	June 30, 2009	December 31, 2008
Cash and cash equivalents		
Unrestricted	\$ 22.9	\$ 18.4
Restricted	\$ 7.4	\$ 10.4
Operating line available	\$ 24.0	\$ 29.1
Current ratio	2.9:1	2.2:1
Total debt (including future tax obligations) to equity ratio	1.0:1	1.1:1

The Fund requires working capital, sourced by operating cash flows and an operating line, to fund day-to-day operating activities. Management believes that the Fund's operating line is adequate to meet seasonal fluctuations in working capital requirements. The operating line availability has reduced in line with the reduction in accounts receivable balances.

Under the terms of its long-term credit agreement, the Fund's restricted cash and cash equivalents can only be used to finance growth activities or to repay senior secured notes.

Principal maturities of the Fund's senior secured debt are as follows:

*(millions)*

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

## CASH DISTRIBUTIONS

<i>(unaudited)</i> <i>(\$ thousands)</i>	Three Months		Six Months	
	ended June 30		ended December 31	
	2009	2009	2008	2007
Cash flow provided by operating activities <sup>(1)</sup>	\$ 4,702	\$ 16,022	\$ 50,474	\$ 46,597
Net earnings	6,110	7,657	29,512	26,225
Distributions declared	-	6,203	36,457	36,033
Surplus of cash flow from operating activities over distributions declared	\$ 4,702	\$ 9,819	\$ 14,017	\$ 10,564
Surplus (deficit) of net earnings over distributions declared	\$ 6,110	\$ 1,454	\$ (6,945)	\$ (9,808)

Net earnings	\$ 6,110	\$ 7,657	\$ 29,512	\$ 26,225
Change in unrealized loss (gain) on foreign exchange	(3,310)	(3,825)	5,131	(553)
Amortization of intangible assets	941	1,885	3,778	3,881
Income tax provision (recovery) - future	(1,768)	(1,831)	113	6,897
Net earnings before change in unrealized loss (gain) on foreign exchange, amortization of intangible assets and future income tax provision (recovery)	\$ 1,973	\$ 3,886	\$ 38,534	\$ 36,450
Surplus (deficit) of net earnings before change in unrealized loss (gain) on foreign exchange, amortization of intangible assets and future income tax provision over distributions declared	\$ 1,973	\$ (2,317)	\$ 2,077	\$ 417

<sup>(1)</sup> Includes changes in non-cash working capital balances.

## DISTRIBUTABLE CASH <sup>(1)</sup>

*(unaudited)*

*(in thousands except per unit amounts)*

For the periods ended June 30	Three Months		Six Months	
	2009	2008	2009	2008
Cash flow provided by operating activities	\$ 4,702	\$ 12,136	\$ 16,022	\$ 11,924
Change in non-cash working capital	605	2,637	(6,050)	11,512
Proceeds on sale of equipment	1,325	538	2,507	1,663
Asset retirement obligations - settlements	(2)	(19)	(58)	(23)
Capital lease repayments	(478)	(254)	(882)	(322)
Long-term debt repayments	(85)	(210)	(354)	(378)
Maintenance capital expenditures <sup>(1)</sup>	(1,279)	(369)	(2,476)	(2,343)
Distributable cash earned <sup>(1)</sup>	4,788	14,459	8,709	22,033
Distributions declared	-	9,074	6,203	18,082
Distributable cash earned vs. distributions declared	\$ 4,788	\$ 5,385	\$ 2,506	\$ 3,951
Distributable cash earned per unit	\$ 0.16	\$ 0.50	\$ 0.29	\$ 0.76
Distributions declared per unit	-	0.31	0.21	0.63
Distributable cash earned vs. distributions declared per unit	\$ 0.16	\$ 0.19	\$ 0.08	\$ 0.13
Weighted average number of units outstanding	29,937	28,993	29,857	28,894
<b>Purchase of property and equipment</b>				
Maintenance capital expenditures <sup>(1)</sup>	\$ 1,279	\$ 369	\$ 2,476	\$ 2,343
Growth capital expenditures <sup>(1)</sup>	1,189	644	2,820	2,436
Total	\$ 2,468	\$ 1,013	\$ 5,296	\$ 4,779

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

On April 30, 2009 the Fund's unitholders voted to accept the recommendation of the Fund's trustees to amend the Fund's indenture to adjust the frequency of distribution declarations to a quarterly basis in arrears, rather than a monthly basis in advance. On July 15, 2009 the Board of Trustees met and resolved not to declare a distribution for the second quarter of 2009. This decision was made after careful consideration of many factors including the Fund's financial performance to date in 2009, its financial condition and the uncertainty surrounding the prospects for economic recovery. In addition, the Board considered the financial covenants that are contained in the Fund's loan agreements.

On August 5, 2009, the Fund's Board of Trustees announced that it will be recommending to unitholders that they approve a conversion of the Fund into a corporate entity. The Board anticipates that the effective date of the conversion will be on or about December 1, 2009. The Board of Trustees believes that these measures were necessary and will be sufficient to preserve the financial strength of the Fund and to maintain its ability to compete and succeed in a challenging operating environment.

### ***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 need to 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 deducted from cash provided by (used in) operating activities in the consolidated statements of cash flow. Maintenance capital expenditures refer to capital expenditures that are necessary to sustain current revenue levels and therefore reduce the amount of cash that is available for distribution.

### ***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.

A detailed discussion on the Fund's expected future maintenance capital expenditures together with the factors that affect these expenditures is contained on page 9 of the Fund's 2008 annual report. Neither management's expectations nor the factors that can affect these requirements have changed materially since the date of publication of that annual report.

#### ***Productive Capacity Management Strategy***

The Fund generally prefers to utilize owner-operators' tractors over Fund 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. The Fund expanded its use of capital leases in 2008 to fund some of

its equipment purchases. The Fund will continue to evaluate the financing options available to it as it purchases equipment in 2009.

### **PROPERTY AND EQUIPMENT**

(unaudited)

As at June 30, 2009

	Owned	Leased	Owner-operated	Total
Tractors	172	327	693	1,192
Trailers	1,552	632	95	2,279
Major office and terminal locations	15	4	-	19

### **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](http://www.contrans.ca) under Investor Relations.

### **CONTRACTUAL OBLIGATIONS**

(unaudited)

(in millions)

As at June 30, 2009	2009	2010	2011	2012	2013	2014	Thereafter	Total
Principal and interest payments:								
Senior secured notes payable	\$ 2.6	\$ 5.1	\$ 5.1	\$ 5.1	\$ 37.0	\$ 3.3	\$ 57.9	\$ 116.1
Capital leases	1.2	2.0	2.0	1.7	1.3	1.1	0.5	9.8
Operating leases	5.3	7.4	2.3	0.7	0.1	-	-	15.8
Derivative financial instruments <sup>(1)</sup>	27.8	-	-	-	-	-	-	27.8
Accounts payable and accrued liabilities	24.0	-	-	-	-	-	-	24.0
<b>Total</b>	<b>\$ 60.9</b>	<b>\$ 14.5</b>	<b>\$ 9.4</b>	<b>\$ 7.5</b>	<b>\$ 38.4</b>	<b>\$ 4.4</b>	<b>\$ 58.4</b>	<b>\$ 193.5</b>

(1) See "Financial Instruments" below.

### **OUTSTANDING UNITS**

(unaudited)

(in thousands)

As at July 31, 2009

Subordinate voting trust units	23,799
Class A LP units	4,671
Class B LP units	1,468
<b>Total</b>	<b>29,938</b>

### **CRITICAL ACCOUNTING ESTIMATES**

Management is required to make significant estimates and assumptions in preparing its financial statements. Management's discussion and analysis in the Fund's 2008 annual report contains a discussion of critical accounting estimates on page 11 of that annual report. These estimates have remained substantially unchanged. Furthermore, 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, or results of operations.

## ***NEW ACCOUNTING PRONOUNCEMENTS***

Effective January 1, 2009, the Fund adopted the Canadian Institute of Chartered Accountants (“CICA”) revised Handbook Section 3064 – Goodwill and Intangible Assets. This section establishes new standards for the recognition and measurement of intangible assets, but does not affect accounting for goodwill. The adoption of this revised section had no impact on the Fund’s financial statements.

Effective January 20, 2009 the Fund adopted the Emerging Issues Committee (“EIC”) abstract EIC 173 – Credit Risks and the Fair Value of Financial Assets and Liabilities. This provides further guidance on CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement and concludes that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities. Adoption of EIC 173 had no impact on the Fund’s financial statements.

## ***INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)***

In February 2008 the Accounting Standards Board announced that publicly-listed companies would, for fiscal years beginning on or after January 1, 2011, be required to report their results under IFRS. Management is in the process of assessing the impact of the implementation of IFRS on its accounting policies and financial statements. IFRS allows for different accounting treatments on first implementing IFRS and management is evaluating its alternatives. Management will also be assessing possible changes that may need to be implemented to ensure that adequate internal controls over financial reporting and disclosure controls and procedures will remain in place once IFRS is implemented. In addition, the impact on information systems will be addressed, as will the training needs for the Fund’s finance and accounting personnel.

## ***FINANCIAL INSTRUMENTS***

The Fund from time to time enters into foreign exchange contracts to manage its exposure to currency fluctuations. As at the date of this report the Fund has contracts to sell US \$4.0 million in August 2009 and US \$2.0 million per month from September to December 2009. These contracts settle at exchange rates between \$1.0200 and \$1.1095 (August to October) and between \$1.0500 and \$1.1529 (November and December).

## ***BUSINESS RISKS***

Management’s discussion and analysis in the Fund’s 2008 annual report contains a discussion of business risks on page 13. Those risks remain in effect as at June 30, 2009. Since December 31, 2008, the Fund has been affected by worsening economic conditions.

## ***TRANSACTIONS WITH RELATED PARTIES***

In the second quarter of 2009 the Fund paid \$1.4 million (year-to-date \$2.9 million) to Peterbilt of Ontario Inc., a company controlled by the Chairman of the Fund, for tractor repairs, maintenance and equipment lease costs. The Fund also leased certain premises to Peterbilt of Ontario Inc. for consideration of \$45,000 (year-to-date \$96,000) in the second quarter of 2009. 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.

### ***Distributable cash, distributable cash earned, maintenance capital expenditures, growth capital expenditures:***

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

***Revenue – transportation services, revenue – fuel surcharges:***

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

***FORWARD-LOOKING STATEMENTS***

Management’s discussion and analysis contains certain forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements relate to future events or future performance and include, but are not limited to, changes in government regulations regarding weights and dimensions of highway equipment, the age and condition of the transportation fleet and the growth of the Fund’s business. Often, but not always, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other comparable terminology. Such statements reflect the current views and estimates of management of the Fund with respect to future events, as of the date such statements are made, and they involve known and unknown risks and uncertainties which may cause actual events or results to differ materially from those expressed or implied by forward-looking statements. In evaluating these statements, readers should specifically consider factors such as the risks outlined under “Risk Factors” in the Fund’s Annual Information Form, which is available at [www.sedar.com](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.

***ADDITIONAL INFORMATION***

Additional information, including the Fund’s Annual Information Form, is available at [www.sedar.com](http://www.sedar.com).

August 5, 2009

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(in thousands except for per unit amounts)

(unaudited)

For the periods ended June 30

	Three Months		Six Months	
	2009	2008	2009	2008
<b>Revenue</b>	\$ 87,433	\$ 129,743	\$ 175,393	\$ 250,271
Operating expenses	69,860	102,319	140,786	202,231
Selling, general and administration expenses	7,474	11,145	16,680	21,968
Foreign exchange gain	(1,773)	(25)	(615)	(519)
Amortization of property and equipment	3,039	3,045	6,077	6,076
Amortization of intangible assets	941	945	1,885	1,889
	7,892	12,314	10,580	18,626
Net interest expense (income) - long-term	1,451	1,557	2,916	3,086
- short-term	(31)	(79)	(110)	(242)
<b>Earnings before Income Taxes</b>	6,472	10,836	7,774	15,782
<b>Income Tax Provision (Recovery)</b>				
Current	2,130	32	1,948	294
Future	(1,768)	620	(1,831)	340
	362	652	117	634
<b>Net Earnings and Comprehensive Income</b>	\$ 6,110	\$ 10,184	\$ 7,657	\$ 15,148
Earnings per unit - basic and diluted	\$ 0.20	\$ 0.35	\$ 0.26	\$ 0.52
Weighted average number of units outstanding - basic and diluted	29,937	28,993	29,857	28,894

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands)

(unaudited)

For the periods ended June 30

	Three Months		Six Months	
	2009	2008	2009	2008
<b>Retained Earnings (Deficit) – Beginning of Period</b>	\$ (4,221)	\$ 3,336	\$ 435	\$ 7,380
Net earnings	6,110	10,184	7,657	15,148
Distributions declared	-	(9,074)	(6,203)	(18,082)
<b>Retained Earnings – End of Period</b>	\$ 1,889	\$ 4,446	\$ 1,889	\$ 4,446

The accompanying notes are an integral part of these statements.

## CONSOLIDATED BALANCE SHEETS

(in thousands)

As at

	<b>June 30</b>	<b>December 31</b>
	<b>2009</b>	<b>2008</b>
	<i>(unaudited)</i>	<i>(audited)</i>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 30,253	\$ 28,826
Accounts receivable	42,097	49,089
Income taxes recoverable	-	538
Other current assets	6,256	6,167
	<b>78,606</b>	84,620
<b>Notes Receivable</b>	624	538
<b>Property and Equipment</b>	103,534	106,551
<b>Intangible Assets</b>	17,020	18,905
<b>Goodwill</b>	63,689	63,978
	<b>\$ 263,473</b>	<b>\$ 274,592</b>
<b>Liabilities and Unitholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 23,973	\$ 33,215
Distributions payable	-	3,087
Income taxes payable	1,180	-
Current portion of capital lease obligations	1,799	1,823
	<b>26,952</b>	38,125
<b>Long-term Debt</b>	83,497	83,686
<b>Capital Lease Obligations</b>	6,605	7,518
<b>Asset Retirement Obligations</b>	995	1,036
<b>Future Income Taxes</b>	13,942	15,773
	<b>131,991</b>	146,138
<b>Unitholders' Equity (Note 4)</b>		
Contributed surplus	877	834
Trust units	128,716	127,185
Retained earnings	1,889	435
Subsequent events (Note 11)	131,482	128,454
	<b>\$ 263,473</b>	<b>\$ 274,592</b>

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)

(unaudited)

For the periods ended June 30

	Three Months		Six Months	
	2009	2008	2009	2008
<b>Cash Provided by (Used in):</b>				
<b>Operating Activities</b>				
Net earnings	\$ 6,110	\$ 10,184	\$ 7,657	\$ 15,148
Items not affecting cash:				
Change in unrealized loss on foreign exchange	(3,310)	(112)	(3,825)	(57)
Unit-based compensation expense (Note 6)	(7)	23	43	45
Long-term debt – accretion	19	37	39	74
Gain on sale of business unit (Note 3)	-	-	(23)	-
Fair value adjustment of notes receivable (Note 5)	257	-	257	-
Asset retirement obligations - accretion	10	13	20	26
Amortization of property and equipment	3,039	3,045	6,077	6,076
Amortization of intangible assets	941	945	1,885	1,889
Future income taxes	(1,768)	620	(1,831)	340
Loss (gain) on sale of equipment	16	18	(327)	(105)
	<b>5,307</b>	<b>14,773</b>	<b>9,972</b>	<b>23,436</b>
Change in non-cash working capital (Note 7)	(605)	(2,637)	6,050	(11,512)
	<b>4,702</b>	<b>12,136</b>	<b>16,022</b>	<b>11,924</b>
<b>Investing Activities</b>				
Expended on acquisitions (Note 8)	-	-	(3,000)	-
Asset retirement obligations - settlements	(2)	(19)	(58)	(23)
Proceeds on disposal of business unit (Note 3)	21	-	121	-
Proceeds on sale of equipment	1,325	538	2,507	1,663
Purchase of property and equipment	(2,468)	(1,013)	(5,296)	(4,779)
	<b>(1,124)</b>	<b>(494)</b>	<b>(5,726)</b>	<b>(3,139)</b>
<b>Financing Activities</b>				
Distributions paid	-	(9,051)	(9,290)	(18,045)
Proceeds from operating loan	-	(3,997)	-	4,851
Proceeds from long-term debt	32	209	126	253
Repayment of long-term debt	(85)	(210)	(354)	(378)
Repayment of capital lease obligations	(478)	(254)	(882)	(322)
Distribution reinvestment plan (Note 4)	-	1,788	1,531	2,913
	<b>(531)</b>	<b>(11,515)</b>	<b>(8,869)</b>	<b>(10,728)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,047</b>	<b>127</b>	<b>1,427</b>	<b>(1,943)</b>
<b>Cash and Cash Equivalents – Beginning of Period</b>	<b>27,206</b>	<b>16,231</b>	<b>28,826</b>	<b>18,301</b>
<b>Cash and Cash Equivalents – End of Period</b>	<b>\$ 30,253</b>	<b>\$ 16,358</b>	<b>\$ 30,253</b>	<b>\$ 16,358</b>

The accompanying notes are an integral part of these statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2009 and 2008  
(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, 2008 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, 2008.

## 2. Adoption of Accounting Standards

Effective January 1, 2009, the Fund adopted the Canadian Institute of Chartered Accountants (“CICA”) revised Handbook Section 3064 - Goodwill and Intangible Assets. This section establishes new standards for the recognition and measurement of intangible assets, but does not affect accounting for goodwill. Adoption of this revised section had no impact on the Fund’s financial statements.

Effective January 20, 2009 the Fund adopted the Emerging Issues Committee (“EIC”) abstract EIC 173 – Credit Risks and the Fair Value of Financial Assets and Liabilities. This provides further guidance on CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement and concludes that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities. Adoption of EIC 173 had no impact on the Fund’s financial statements.

## 3. Disposal of Business Unit

In March 2009, the Fund disposed of its fuel tax reporting and driver log checking operation. This operation was acquired by the Fund in 2005 and generated \$0.2 million of revenues for the year ended December 31, 2008.

Net book value of assets disposed:

Property and Equipment	\$ 53
Goodwill	289
Other current assets	10
Accounts receivable	31
Accounts payable and accrued liabilities	(6)
	\$ 377
Consideration received:	
Cash	\$ 121
Note receivable (fair value):	
Current	137
Long-term	142
	\$ 400
Gain on sale of business unit	\$ (23)

The note receivable has a face value of \$0.3 million. Future principal payments are conditional on revenues generated and are payable monthly. In the three month period to June 30, 2009, \$21,000 of the outstanding amount was paid and was deducted from the value of the note receivable. The current portion of the note receivable is included in accounts receivable.

#### 4. Unitholders' Equity

	Contributed Surplus	Trust Units	Retained Earnings	Total
Balance at December 31, 2008	\$ 834	\$ 127,185	\$ 435	\$ 128,454
Net earnings	-	-	7,657	7,657
Distributions declared	-	-	(6,203)	(6,203)
Distribution reinvestment plan	-	1,531	-	1,531
Unit-based compensation	43	-	-	43
<b>Balance at June 30, 2009</b>	<b>\$ 877</b>	<b>\$ 128,716</b>	<b>\$ 1,889</b>	<b>\$ 131,482</b>

#### Capital Management

The Fund's objectives in managing capital are to ensure sufficient liquidity exists to pursue its strategy of growth, both internally and through accretive acquisitions, 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	June 30, 2009	December 31, 2008
Long-term debt	\$ 83,497	\$ 83,686
Capital lease obligations	8,404	9,341
Cash and cash equivalents	(30,253)	(28,826)
Net debt	61,648	64,201
Unitholders' equity	131,482	128,454
Total capital	\$ 193,130	\$ 192,655

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

The Fund's debt covenants are based on earnings, leverage and asset cover ratios. If the Fund breaches any of these covenants the lenders can restrict the Fund from paying distributions. The Fund monitors its compliance with all covenants and the factors affecting their calculation. At June 30, 2009, the Fund was in compliance with all of its covenants. The Fund's lenders have a security interest in all of the assets of the Fund.

The Fund's distribution reinvestment plan ("DRIP") was terminated in May 2009. The DRIP allowed unitholders to automatically reinvest their distributions into new units. New units were issued at 95% of the average market price for the preceding ten trading days. Prior to terminating the DRIP, the Fund had issued 318,152 new units in 2009.

At the Fund's special and annual general meeting held on April 30, 2009, the Fund's unitholders voted in favour of amending the Fund's trust indenture. Distribution declarations are now to be made on a quarterly basis in arrears except for the fourth quarter in which case a declaration will be made prior to the end of the quarter. Previously, distribution declarations were made on a monthly basis in advance. On July 15, 2009 the Board of Trustees met and decided not to declare a distribution for the second quarter of 2009. This decision was made after careful consideration of many factors including the Fund's financial performance to date in 2009, its financial condition and the uncertainty surrounding the prospects for economic recovery as well as the financial covenants that are contained in the Fund's loan agreements.

#### 5. Financial Instruments

##### a) Fair values

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities 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 5 (b).

Long-term debt with a carrying value of \$83.5 million (December 31, 2008 - \$83.7 million) has a fair value of \$87.2 million at June 30, 2009 (December 31, 2008 - \$88.1 million). At June 30, 2009, the fair value of capital

lease obligations was \$8.2 million (December 31, 2008 - \$9.2 million). The fair values are calculated using discounted cash flows at current market rates.

Notes receivable with a face value of \$1.8 million (December 31, 2008 \$1.5 million) are being carried at a fair value of \$0.8 million (December 31, 2008 \$0.8 million) based on the expected future payments discounted at current market rates. The current portion of notes receivable of \$0.2 million (December 31, 2008 - \$0.3 million) is included in accounts receivable on the consolidated balance sheets.

**b) Derivative financial instruments**

The Fund, from time to time, enters into foreign exchange contracts to manage its exposure to currency fluctuations. As at June 30, 2009 the Fund had the following contracts in place to sell US dollars in order to hedge foreign exchange risk on US dollar-denominated net assets:

<b>Maturity dates</b>	<b>Monthly amount</b>	<b>CAD \$ Settlement rates</b>
July 2009	US \$4 million	\$1.0000 – \$1.0935
Aug to Oct 2009	US \$4 million	\$1.0200 – \$1.1095
Nov and Dec 2009	US \$4 million	\$1.0500 – \$1.1529

As at June 30, 2009, the fair value of these contracts was recorded as a liability of \$1.2 million (December 31, 2008 – liability of \$4.9 million) and is included in accounts payable and accrued liabilities on the consolidated balance sheets. The fair value of the contracts was provided by the counterparty on an open market basis.

In July, 2009, the Fund disposed of certain portions of its outstanding contracts for a nominal fee. As a result, the Fund has the following contracts in place as at August 5, 2009:

<b>Maturity dates</b>	<b>Monthly amount</b>	<b>CAD \$ Settlement rates</b>
Aug 2009	US \$4 million	\$1.0200 – \$1.1095
Sept and Oct 2009	US \$2 million	\$1.0200 – \$1.1095
Nov and Dec 2009	US \$2 million	\$1.0500 – \$1.1529

**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 notes 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 bad debt experience. Specific provisions are made against trade receivables for any customer that is known to be in poor financial condition. The overall provision for doubtful accounts increased in the second quarter of 2009 by \$0.4 million (2008 –\$0.3 million).

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

<b>For the six months ended June 30</b>	<b>2009</b>	<b>2008</b>
Provision as at January 1	\$ 2,321	\$ 2,081
Accounts written off	(305)	(47)
Increase (decrease) in provision	(13)	339
<b>Provision as at June 30</b>	<b>\$ 2,003</b>	<b>\$ 2,373</b>

The Fund has specifically provided for \$1.4 million of accounts receivable that were considered to be impaired as at June 30, 2009 (December 31, 2008 - \$1.3 million). Management considers the financial health of the customer as well as the aging of the account when considering whether an account is impaired. At June 30, 2009, approximately \$7.0 million (December 31, 2008 - \$14.6 million) of receivables were overdue but were not considered impaired.

As at June 30, 2009 the Fund had a provision for doubtful accounts of \$2.0 million (December 31, 2008 - \$2.3 million) netted against accounts receivable. In addition, a provision of \$1.0 million has been netted against notes receivable as at June 30, 2009 (December 31, 2008 – \$0.7 million). Bad debt expenses or recoveries and

provisions are included in selling, general and administration expenses in the consolidated statements of earnings and 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 15% – 20% of the Fund’s revenue has been billed in US dollars in 2009 (2008 - 20% – 25%). Accordingly, the Fund is subject to foreign exchange risk. Management manages this risk through foreign exchange contracts, denominating certain of its 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 nominal decrease/increase in net earnings as at June 30, 2009, all other things being equal.

The Fund operates in both Canada and the United States. 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 notes receivable. As at June 30, 2009, approximately 97% of the Fund’s long-term debt, including capital lease obligations, had fixed interest rates. A 1% change in the interest rate on the Fund’s floating rate instruments would have a nominal impact on net earnings.

**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. The availability of this operating line depends on the balance and age of accounts receivable. At June 30, 2009, the Fund had \$24.0 million (December 31, 2008 - \$30 million) available on its demand operating line of which it had used \$0.9 million for outstanding letters of credit (December 31, 2008 – \$0.9 million).

Under the terms of the long-term debt facility, \$7.4 million of the cash and cash equivalents on hand at June 30, 2009 (December 31, 2008 - \$10.4 million) is restricted and may only be used to repay senior secured notes and to fund growth opportunities.

The Fund has contractual obligations to make cash payments in regard to financial liabilities as follows:

<i>(in millions)</i>	2009	2010	2011	2012	2013	2014	Thereafter	Total
Principal and interest payments:								
Senior secured notes payable	\$ 2.6	\$ 5.1	\$ 5.1	\$ 5.1	\$ 37.0	\$ 3.3	\$ 57.9	\$ 116.1
Capital leases	1.2	2.0	2.0	1.7	1.3	1.1	0.5	9.8
Operating leases	5.3	7.4	2.3	0.7	0.1	-	-	15.8
Derivative financial instruments	27.8	-	-	-	-	-	-	27.8
Accounts payable and accrued liabilities	24.0	-	-	-	-	-	-	24.0
<b>Total</b>	<b>\$ 60.9</b>	<b>\$ 14.5</b>	<b>\$ 9.4</b>	<b>\$ 7.5</b>	<b>\$ 38.4</b>	<b>\$ 4.4</b>	<b>\$ 58.4</b>	<b>\$ 193.5</b>

**6. Unit-based Compensation**

	Units	Weighted Average Exercise Price
Unit options outstanding - December 31, 2008	2,019	\$12.22
Terminated	(2,014)	-
Cancelled	(5)	-
Unit options outstanding - June 30, 2009	-	-
Unit options exercisable - end of period	-	-

All outstanding unit options were returned by employees during the second quarter of 2009 and cancelled by the Trust.

## 7. Cash Flow

Change in non-cash working capital:

Period ended June 30	Three Months		Six Months	
	2009	2008	2009	2008
Decrease (increase) in accounts receivable	<b>(\$124)</b>	(\$3,252)	<b>\$6,898</b>	(\$8,299)
Decrease (increase) in other current assets	<b>191</b>	322	<b>(99)</b>	(1,375)
Increase (decrease) in accounts payable and accrued liabilities	<b>(2,916)</b>	447	<b>(2,467)</b>	(832)
Increase (decrease) in income taxes payable	<b>2,244</b>	(154)	<b>1,718</b>	(1,006)
Net change in non-cash working capital	<b>(\$605)</b>	(\$2,637)	<b>\$6,050</b>	(\$11,512)

Cash paid (received) in respect of:

Interest	<b>\$1,458</b>	\$1,562	<b>\$2,916</b>	\$3,086
Income taxes - net	<b>(153)</b>	233	<b>288</b>	1,437
Non-cash transactions				
Value of equipment financed through capital leases	-	6,006	-	6,641

## 8. Acquisitions

Due to the achievement of certain performance objectives, in January, 2009, additional consideration of \$3 million was paid out of restricted cash and cash equivalents, to the former owners of Tripar Transportation Inc (“Tripar”), a company acquired by the Fund in 2006. This additional consideration was accrued in the financial statements at December 31, 2008 and was allocated to goodwill.

## 9. Comparative Figures

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

## 10. 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, peak in the fall 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.

## 11. Subsequent Events

- a) On August 5, 2009, the Fund’s Board of Trustees announced that it will be recommending to unitholders that they approve a conversion of the Fund into a corporate entity. If the Fund’s unitholders approve this recommendation, the conversion will be treated as a change in business form and will be accounted for as a continuity of interests in accordance with EIC 170, “Conversion of an Unincorporated Entity to an Incorporated Entity”. Transaction costs will be treated as an expense in the period in which they are incurred, comparative information will be that of the pre-conversion entity as previously reported and changes in tax balances will be included as part of the income tax provision.
- b) In September 1994, former employees filed a lawsuit against a subsidiary of the Fund. These actions involved the valuation of the employees’ benefits plans in 1988. In July 2009 the Fund settled this lawsuit, subject to court approval. The settlement amount is for \$0.8 million. This settlement will result in a third quarter charge to income of \$0.1 million.

## 12. Future Accounting Changes

### a) Financial Instruments – Disclosure

In June 2009, the CICA amended Section 3862, “Financial Instruments – Disclosures” to include additional disclosure requirements about fair value measurement of financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3

valuations are based on inputs that are not based on observable market data. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Fund is assessing the impact of these amendments on its consolidated financial statements.

**b) International Financial Reporting Standards (“IFRS”)**

In February 2008 the Accounting Standards Board (“AcSB”) announced that publicly-listed companies would, for fiscal years beginning on or after January 1, 2011, be required to report their results under IFRS. The Fund is in the process of assessing the impact of the implementation of IFRS on its financial statements, accounting policies and information systems. IFRS allows for different accounting treatments on first implementing IFRS and the Fund is evaluating these options at present.

**c) Consolidated Financial Statements**

The AcSB issued a revised Section 1601 – Consolidated Financial Statements. This revised section is applicable to accounting periods beginning on or after January 1, 2011. This section establishes standards for the preparation of consolidated financial statements. Management does not expect that the adoption of this revised section will have a material impact on the Fund’s financial statements.

**d) Non-controlling Interests**

The AcSB issued a revised Section 1602 – Non-controlling Interests. This revised section is applicable to accounting periods beginning on or after January 1, 2011. This section establishes standards for accounting for a non-controlling interest in a subsidiary within consolidated financial statements subsequent to a business combination. There are currently no non-controlling interests, nor are there any expected, in the Fund’s subsidiaries. Accordingly, management does not expect that the adoption of this revised section will have a material impact on the Fund’s financial statements.

**e) Business Combinations**

The AcSB issued a revised Section 1582 – Business Combinations. This revised section is applicable to accounting periods beginning on or after January 1, 2011. The objective of this section is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The adoption of this revised section could have a material impact on the accounting for business acquisitions that occur after January 1, 2011.

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For further information please contact:

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