CONTRANS GROUP INC.

VAN

FLATBED

WASTE

TANK/LIQUID

DUMP

ANNUAL REPORT 2011

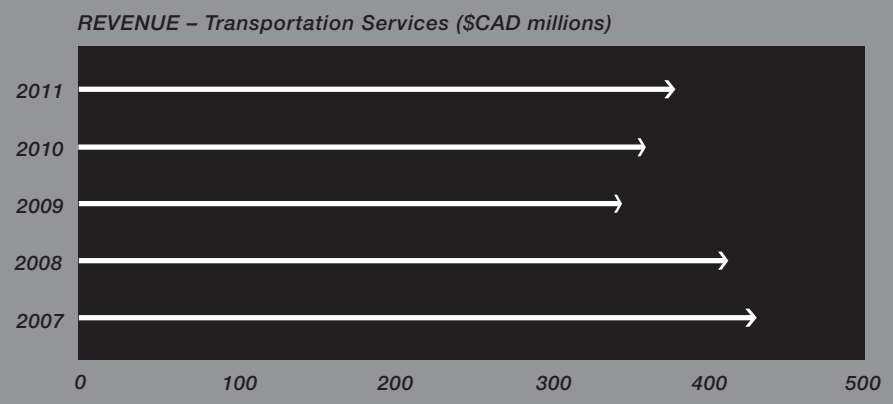
Contrans is a leader in the Canadian transportation industry and has been providing exemplary service to its customers since 1926. With the widest array of trailer configurations available for shippers, Contrans is Canada's most diversified transportation company.

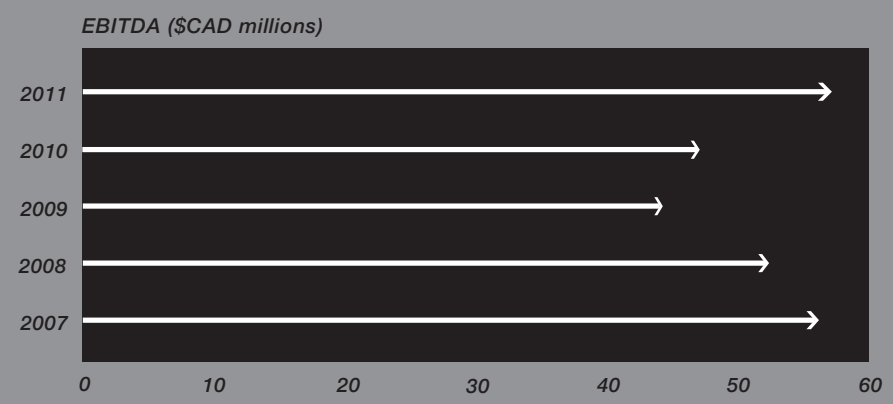
FINANCIAL HIGHLIGHTS

($CAD thousands)	2011	2010	2009[1]	2008[1][2]	2007[1]
Revenue – as stated	$ 438,763	$ 396,277	$ 373,587	$ 488,832	$ 485,865
– fuel surcharges	(60,747)	(37,747)	(30,443)	(79,158)	(56,682)
Revenue – transportation services	$ 378,016	$ 358,530	$ 343,144	$ 409,674	$ 429,183
Earnings before income taxes, depreciation and amortizaton [3]	$ 56,514	$ 46,768	$ 43,700	$ 52,172	$ 56,007
	15.0%	13.0%	12.7%	12.7%	13.0%
Earnings before income taxes	$ 29,789	$ 24,831	$ 22,202	$ 30,302	$ 34,251
	7.9%	6.9%	6.5%	7.4%	8.0%

(1) Amounts reported using Canadian GAAP in effect prior to the adoption of IFRS.
(2) Includes an unrealized foreign exchange loss of $5.1 million.
(3) Refer to Management's Discussion and Analysis for reconciliations to nearest GAAP financial measures and a cautionary note, "Use of non-GAAP Financial Measures".

Contrans' flexible cost model and conservative capital structure have kept the Company financially sound through both good times and bad times





Contrans' pre-tax profit margin continued to improve in 2011 and approached Company records

2011 was another great year for Contrans' shareholders. In January 2011, Contrans' Board of Directors approved a 25% increase in the quarterly dividend rate from $0.08 to $0.10 per share after considering the improvement in the Company's financial performance in 2010 and its expectations for continued improvement. These expectations proved to be well-founded as Contrans grew steadily in 2011 highlighted by winning two major tenders and completing several acquisitions. Contrans' pre-tax profit margin continued to improve in 2011 and approached Company records achieved in the years just prior to the recession. This was quite an accomplishment considering that the North American economy was stagnant for much of 2011.

In November, 2011, after concluding that Contrans' shares were undervalued, the Board of Directors approved a plan to purchase Company shares under a normal course issuer bid. To date, 1,581,000 shares have been purchased. This has created additional value for the shareholders who appreciate Contrans' past consistent financial performance and Contrans' future profit potential.

Contrans completed four acquisitions in 2011 that have solidified our presence in several key markets. S&S Enterprises, a dump trailer operation, has positioned Contrans to benefit from increasing activity in the resource sector in Quebec. AIM Transportation Systems, a flatbed operation, has added outbound traffic and has benefitted from backhaul freight provided by our Ontario flatbed operation. TBM Transportation Ltd., a tank operation, has given Contrans a larger footprint in the oil patch. Ever Green Ecological Services has given us a greater piece of the waste collection market in Edmonton.

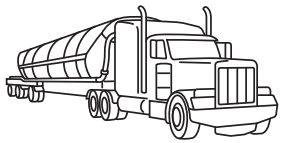
Contrans' balance sheet remains strong and has enabled further growth in 2012. In January, Contrans acquired Archer Trucking, a tank operation. Archer is primarily engaged in the transportation of nepheline syenite, a raw material that is essential to the efficient production of glass and is mined in only a few places in the world. Such a niche market is as rare as the mineral itself and adds sustainability to Contrans' earnings. Contrans also acquired the van division of MacKinnon Transport Inc. in January. Management deemed the 70 owner-operators and company drivers who were integral to this deal to be a very valuable resource given the growing driver shortage that is crippling industry capacity. The MacKinnon acquisition is a unique example of how management has been able to leverage Contrans' financial strength for the ongoing benefit of its shareholders.

Contrans has been a leading freight transportation provider in North America for the past two decades. No other company can offer shippers as wide an array of transportation solutions or better service. We believe Contrans' fleet of tractors and trailers is the best and most competitive on the road. This promotes pride in the Company from the driver's seat to the boardroom table. Contrans' flexible cost model and conservative capital structure have kept the Company financially sound through both good times and bad times. This has allowed management to operate from a position of strength in its quest to add value for Contrans' shareholders who have benefitted in 2011 from a dividend increase, from shares being purchased and from outstanding business growth. Moreover, we believe that the prospects for further enhancement of long-term value for Contrans' shareholders are excellent.

Respectfully submitted,

Stan G. Dunford
Chairman and Chief Executive Officer

March 5, 2012



The consolidated financial statements contained in this report have been reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements should be read in conjunction with the analysis that follows. A cautionary note regarding non-GAAP financial measures and forward-looking statements follows this Management's Discussion and Analysis of operations and financial condition.

Financial Highlights

For the years ended December 31
($CAD millions except per share amounts)

	2011		2010		2009[3]	
Revenue – as stated	$ 438.8		$ 396.3		$ 373.6	
– fuel surcharges	(60.7)		(37.8)		(30.4)	
Revenue – transportation services	378.1	100.0%	358.5	100.0%	343.2	100.0%
Direct operating expenses – net of fuel surcharges [1]	299.0	79.1	288.5	80.5	278.3	81.1
Gross margin	79.1	20.9	70.0	19.5	64.9	18.9
General and administration expenses	43.7	11.5	39.8	11.1	37.0	10.8
Net financing costs	5.6	1.5	5.4	1.5	5.7	1.6
Earnings before income taxes	29.8	7.9	24.8	6.9	22.2	6.5
Income tax expense [2]	9.3	2.5	7.1	2.0	(0.8)	(0.2)
Net earnings and comprehensive income	$ 20.5	5.4%	$ 17.7	4.9%	$ 23.0	6.7%
Earnings per share – basic and diluted	$ 0.57		$ 0.53		$ 0.77	
Weighted average shares outstanding (000s)	35,759		33,339		29,897	
Total assets	$ 376.0		$ 329.9		$ 260.4	
Long-term debt and finance lease obligations	132.4		98.5		94.4	
Cash and cash equivalents, short-term investments and restricted cash	71.1		85.8		37.6	
Dividends declared per share	0.38		0.24		0.80	
Depreciation	17.1		12.8		12.0	
Amortization of intangibles	$ 4.0		$ 3.7		$ 3.8	

(1) See "Use of non-GAAP Financial Measures" below.
(2) The Company's income tax provision increased significantly in 2010 due to the conversion to a corporation from an income trust on December 1, 2009.
(3) Amounts reported using Canadian GAAP in effect prior to the adoption of IFRS.

Contrans grew steadily in 2011 highlighted by winning two major tenders and by completing several acquisitions

Fourth Quarter Results

($CAD millions except per share amounts)

For the quarters ended December 31	2011		2010	
Revenue – as stated	$ 113.8		$ 99.8	
– fuel surcharges	(16.4)		(9.6)	
Revenue – transportation services	97.4	100.0%	90.2	100.0%
Direct operating expenses – net of fuel surcharges (1)	76.6	78.6	72.1	79.9
Gross margin	20.8	21.4	18.1	20.1
General and administration expenses	11.1	11.4	11.1	12.3
Net financing costs	1.5	1.6	1.1	1.2
Earnings before income taxes	8.2	8.4	5.9	6.6
Income tax expense	2.7	2.8	1.2	1.3
Net earnings and comprehensive income	$ 5.5	5.6%	$ 4.7	5.3%
Earnings per share – basic and diluted	$ 0.15		$ 0.14	

(1) See "Use of non-GAAP Financial Measures" below.

Results from Operations

Revenue

Contrans' revenue from transportation services ("revenue") has increased in 2011 as a result of acquisitions and from internal growth. Acquisitions contributed $17.0 million of revenue in 2011 [$3.7 million in the fourth quarter of 2011 ("2011 Q4")]. Revenue from new major customers in 2011 amounted to $15.5 million ($11.4 million in 2011 Q4). Contrans' 2011 revenue was, however, adversely affected by business lost in competitive bid processes. This reduced revenue by $7.3 million in 2011 compared to 2010 [$2.0 million reduction in 2011 Q4 compared to the fourth quarter of 2010 ("2010 Q4")]. Revenue has also been adversely impacted by a shortage of owner-operators that is affecting the entire trucking industry. Revenue from fuel surcharges was higher in 2011 Q4 than in 2010 Q4 due to higher diesel prices and increased revenue.

Direct operating expenses

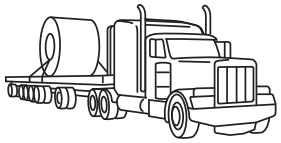
Acquisitions completed in 2011 and during 2010 added $12.4 million of direct operating expenses in 2011 compared to 2010 ($3.6 million added expenses in 2011 Q4 compared to 2010 Q4). Depreciation of rolling stock, excluding that relating to acquisitions, increased in 2011 by $3.5 million compared to 2010 ($1.6 million increase in 2011 Q4 compared to 2010 Q4) due to increased capital expenditures in 2010 and in 2011. These expenditures were incurred in respect of growth opportunities, to take advantage of favourable pricing conditions and to replace equipment that had been previously financed through operating leases with owned equipment. Equipment lease expenses were $2.2 million lower in 2011 as a result ($0.3 million lower in 2011 Q4 than in 2010 Q4). Provisions for insurance claims were $0.8 million lower in 2011 than in 2010 ($0.2 million lower in 2011 Q4 than in 2010 Q4). Management also negotiated insurance premiums that were $0.3 million lower in 2011 than in 2010.

General and administration expenses

Stock options were granted to certain officers, directors and employees of Contrans in April 2011. As a result, $1.3 million was charged to general and administration ("G&A") expenses in 2011 ($0.2 million in 2011 Q4). Acquisitions added approximately $2.0 million to Contrans' G&A expenses in 2011 ($0.3 million in 2011 Q4). G&A expenses in 2011 were favourably impacted by a reduction in the provisions for doubtful accounts of $0.4 million recorded in the first quarter.

Net financing costs

Net financing costs have increased as Contrans increased its fleet of rolling stock through finance leases and utilization of cash. Interest earned increased as Contrans had a higher average cash balance in 2011 as a result of having the use of the proceeds received from the issue of shares in June 2010 for a full year.



Summary of Quarterly Results

($CAD millions except per share amounts)	First Quarter 2011	First Quarter 2010	Second Quarter 2011	Second Quarter 2010	Third Quarter 2011	Third Quarter 2010	Fourth Quarter 2011	Fourth Quarter 2010
Revenue – as stated	**$ 101.1**	$ 93.8	**$ 107.6**	$ 101.0	**$ 116.2**	$ 101.7	**$ 113.8**	$ 99.8
– fuel surcharges	**(12.5)**	(9.3)	**(15.8)**	(9.9)	**(16.0)**	(9.0)	**(16.4)**	(9.6)
Revenue – transportation services	**88.6**	84.5	**91.8**	91.1	**100.2**	92.7	**97.4**	90.2
Net earnings	**$ 3.5**	$ 3.6	**$ 5.2**	$ 5.1	**$ 6.3**	$ 4.4	**$ 5.5**	$ 4.7
Earnings per share – basic and diluted	**$ 0.10**	$ 0.12	**$ 0.15**	$ 0.16	**$ 0.18**	$ 0.12	**$ 0.15**	$ 0.14

Seasonality

Generally, the second quarter is Contrans' strongest period. Volumes from customers in the construction industry typically increase in the spring, peak in the fall and then decline with the onset of winter. 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.

Cash Flow

Contrans purchased 536,000 shares for $4.0 million under its normal course issuer bid initiated in November, 2011. Contrans continued to purchase shares in 2012 and has purchased 1,045,000 shares for $9.0 million up to the date of this report. Management believes that Contrans shares have been undervalued historically and that buying back shares will add value for Contrans' remaining shareholders.

Contrans purchased land in Calgary, Alberta and Edmonton, Alberta for the purpose of developing terminals to replace rented premises for total consideration of approximately $8.0 million in 2011. Building construction is expected to commence in 2012 and the cost to complete the plans is expected to range between $5.0 million to $8.0 million. Contrans also purchased a terminal in Oakville, Ontario in 2011 for $6.5 million that it had been renting since 2006 in conjunction with an acquisition.

Approximately $9.8 million has been expended in 2011 to replace tractors and trailers that had been previously financed through operating leases. In addition, approximately $4.9 million of expenditures have been incurred to acquire specialized equipment to service new customer contracts.

Contrans' Board of Directors has declared the following dividends:

Declaration date	Paid on	Per share amount	Total
January 19, 2011	February 15, 2011	$0.08	$2.9 million
April 18, 2011	May 13, 2011	$0.10	$3.6 million
July 18, 2011	August 15, 2011	$0.10	$3.6 million
October 17, 2011	November 15, 2011	$0.10	$3.6 million
January 18, 2012	February 15, 2012	$0.10	$3.4 million

The payment of dividends is subject to the discretion of Contrans' Board of Directors. Prior to declaring a dividend, the Board of Directors considers many factors including Contrans' overall financial condition, its expected future financial performance, its anticipated capital requirements as well as its debt repayment obligations and the covenants that are contained in Contrans' loan agreements.

Contrans spent $6.1 million on acquisitions in 2011. Further details of these acquisitions can be found in note 7 of our consolidated financial statements for the year ended December 31, 2011.

Liquidity and Capital Resources

As at December 31, 2011

($CAD millions)	
Cash and cash equivalents	$ 25.3
Short-term investments	$ 45.8
Operating line cash available	$ 28.7
Current ratio	2.4:1
Total liabilities to total equity ratio	1.1:1

In January 2011, Contrans' Board of Directors approved a 25% increase in the quarterly dividend rate

Contrans currently has a strong balance sheet. This is primarily due to the raising of cash of $53.5 million through an equity issue in June, 2010. Management intends to use these proceeds primarily by making further acquisitions in a manner that will maximize shareholder value.

Contrans requires working capital to fund day-to-day operating activities and to pay dividends to its shareholders. These requirements are sourced from operating cash flows that management believes are sufficient to meet these needs. Contrans' operating line, which is secured by and margined with accounts receivable, is believed to be adequate to meet seasonal working capital requirements.

Principal maturities of Contrans' senior secured debt are as follows:

($CAD millions)	
December 15, 2013	$ 31.9
October 15, 2016	$ 55.0

Contractual Obligations

As at December 31, 2011

($CAD millions)	2012	2013	2014	2015	2016	Thereafter	Total
Senior secured notes payable	$ 5.4	$ 37.2	$ 3.5	$ 3.5	$ 58.1	$ —	$107.7
Bankers' acceptance	0.2	0.2	0.2	0.2	5.2	—	6.0
Other unsecured loans	—	—	—	—	—	1.9	1.9
Equipment financing agreements	2.7	2.7	2.5	1.6	0.1	—	9.6
Finance lease liabilities	8.7	8.3	8.1	4.2	1.5	2.3	33.1
Operating lease liabilities	4.8	3.6	2.7	1.4	—	—	12.5
Accounts payable and accrued liabilities	35.3	—	—	—	—	—	35.3
Other long-term liabilities	—	1.5	0.4	0.1	—	0.3	2.3
Equipment purchase commitments	9.7	—	—	—	—	—	9.7
Total	$ 66.8	$ 53.5	$ 17.4	$ 11.0	$ 64.9	$ 4.5	$218.1

Stock Options

Contrans has a stock option plan designed to encourage ownership of Contrans' shares by its directors, officers and key employees. On April 5, 2011, 1,615,000 Class A Subordinate Voting Share ("Class A shares") stock options were granted to certain directors, officers and employees of Contrans. Upon issuance, 20% of the stock options vested immediately and the remainder will vest at a rate of 20% per year. The exercise price of the options is $8.95, the closing price of Contrans' Class A shares on April 4, 2011. These options expire on April 4, 2021.

Outstanding Shares

As at March 5, 2012

(in thousands)	
Class A Subordinate Voting Shares	32,745
Class B Multiple Voting Shares	1,468
Total	34,213

Critical Accounting Estimates

Management is required to make estimates and assumptions in preparing its consolidated 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 provisions created. A general provision is also established based on past experience of write-offs.
Property, equipment and intangible assets – useful lives, rates of depreciation	Based on past experience.
Provisions – matters involving litigation or accident claims	Settlement estimates are based on information provided by legal counsel or insurance claims professionals, based on levels of insurance coverage and deductibles that are in place.

Financial Statement Item	*Methodology, Assumptions*
Income tax estimates	*Requires estimates of future taxable income and exercise of judgement regarding the probability that deferred tax assets will be realized.*
Lease classification	*Determining whether substantially all the risks and rewards incidental to ownership have been transferred to Contrans is based on past experience and the terms of lease agreements.*
Share-based payments	*Estimates of risk-free rates of return, expected volatility, expected life of options and market conditions based on past experience, current market values and discussions with investment bankers.*
Business combinations	*Values for tangible assets are based on estimates of current market values. Values for customer relationships and non-competition agreements are based on discounted expected future cash flows and estimates of the impact of possible competition from the vendor. Values for contingent consideration are based on management's best estimates of future operating results for the acquired entity.*
Cash-generating units – impairment testing	*Based on expected future earnings. Consideration is given to past performance and future conditions that are known or expected to change. Consideration is also given to opinions received from third party advisors regarding the application of appropriate earnings multiples.*

Management does not believe that there are changes that are reasonably likely to occur in the foregoing estimates and assumptions that have been used that will have a material impact on Contrans' financial position, changes in financial condition or results from operations.

International Financial Reporting Standards

The accompanying consolidated financial statements have been prepared in accordance with IFRS 1, First-time Adoption of IFRS*. These consolidated financial statements are Contrans' first set of consolidated financial statements prepared under IFRS.*

The impact of adopting IFRS is fully described in the notes to the consolidated financial statements. Management believes that the following standards have had and continue to have the most significant impact on Contrans' consolidated financial statements and should be considered if comparing IFRS financial statements with Contrans' consolidated financial statements prepared under Canadian GAAP prior to the adoption of IFRS ("CGAAP").

IAS 36, Impairment of Assets

Under IAS 36, testing for impairment is carried out on the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Testing must be carried out once per year or sooner if there is an indication of possible impairment. The entire group of assets to be tested is therefore comprised of tangible and intangible assets belonging to the same cash-generating unit ("CGU"). Under IFRS, CGUs align with Contrans' legal entities.

Under CGAAP, goodwill impairment was tested at the reporting unit level. A reporting unit consisted of a group of independent operating entities (similar to CGUs under IFRS) that had similar economic characteristics. Under CGAAP, Contrans had six reporting units, each aligned with Contrans' service lines. Impairment losses for individual operating entities within Contrans' reporting units were more than offset by the

Purchasing Contrans' shares has created additional value for the shareholders who appreciate Contrans' past consistent financial performance and Contrans' future profit potential

total surplus of fair values over carrying values of the other operating entities within the same reporting unit. Accordingly, Contrans did not record any goodwill impairment losses under CGAAP. Under IFRS, any impairment arising on an individual operating entity will be recognized and charged to earnings in the period in which the impairment occurs.

IFRS 3, Business Combinations

Under IFRS 3, Business Combinations, costs relating to acquisitions are required to be recognized as an expense in the period that they are incurred. Under CGAAP, these costs were required to be capitalized as part of the cost of the acquisition. In addition, under IFRS, management must make an estimate of the amount that it expects to pay out in the future as consideration for the purchase of a business and treat it as part of the acquisition cost in the period that the transaction is completed. Under CGAAP, Contrans recognized contingent consideration when probable.

Impact of IFRS on Internal Controls over Financial Reporting ("ICFR")

Contrans is in the freight transportation business. The business is not complex although there is a high volume of relatively low-value transactions. Management believes that its system of internal control is effective in ensuring that all transactions are recorded completely and accurately and reported in accordance with IFRS free of material error. The adoption of IFRS has not necessitated significant changes in Contrans' ICFR or its information technology systems.

Impact of IFRS on Disclosure Controls and Procedures

The effectiveness of Contrans' disclosure controls and procedures rests essentially upon management's ability to remain informed of the activities of the various accounting standard-setting bodies and market regulators. Management attends educational seminars and webinars, reads relevant literature and consults its advisors regularly.

Impact of IFRS on Business Activities

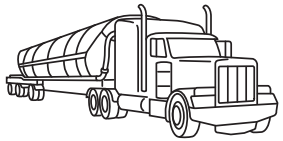
The implementation of IFRS did not significantly affect Contrans' business or operations. The Board of Directors decided to revalue certain of Contrans' properties on the implementation of IFRS. The impact on Contrans' business activities and on its debt covenants as a result of this change was not material.

New Accounting Pronouncements

Accounting standards and amendments issued but not yet adopted:

i) *IFRS 9,* Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39,* Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income ("OCI"). Contrans intends to adopt IFRS 9 (2010) in its consolidated financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.*

ii) *IFRS 10,* Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12,* Consolidation – Special Purpose Entities *and parts of IAS 27,* Consolidated and Separate Financial Statements*. Contrans intends to adopt IFRS 10 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 10 has not yet been determined.*



iii) *IFRS 13,* Fair Value Measurement, *replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Contrans intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.*

iv) *Amendments to IAS 1,* Presentation of Financial Statements, *require an entity to present separately the items of OCI that may be reclassified to profit and loss in the future from those that would never be reclassified to profit and loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories. The existing option to present the profit and loss and other comprehensive income in two statements has remained unchanged. Contrans intends to adopt the amendments in its consolidated financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, Contrans does not expect the amendments to IAS 1 to have a material impact on its consolidated financial statements.*

v) *Amendments to IAS 19,* Employee Benefits, *require recognition of actuarial gains and losses immediately in other comprehensive income and full recognition of past service costs immediately in profit and loss. Recognition of expected return on plan assets in profit and loss is to be calculated based on the rate used to discount the defined benefit obligation. IAS 19 has additional disclosure requirements that explain the characteristics of the entity's defined benefit plans and risks associated with the plans, as well as disclosures that describe how defined benefit plans may affect the amount, timing and uncertainty of future cash flows, and details of any asset-liability match strategies used to manage risks. Amendments also impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37,* Provisions*, and when the entity can no longer withdraw the offer of the termination benefits. Contrans intends to adopt the amendments in its consolidated financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.*

vi) *Amendments to IAS 32 and IFRS 7,* Offsetting Financial Assets and Liabilities, *clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar arrangements. Contrans intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning on January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.*

Financial Instruments

Contrans from time to time enters into foreign exchange contracts to manage its exposure to currency fluctuations. As at December 31, 2011, Contrans had no exchange contracts outstanding.

Contrans also uses interest rate swaps to manage its exposure to fluctuating interest rates on borrowings. At December 31, 2011, Contrans had interest rate swaps in place which converted $5.0 million of floating rate debt to $5.0 million of fixed rate debt at a fixed interest rate of 3.9% until October 2016.

Contrans' fleet of tractors and trailers promotes pride in the Company from the driver's seat to the boardroom table

Business Risks

Contrans is affected by economic cycles. Contrans provides freight transportation services to many customers in various industries and geographic regions and has recently diversified into the waste collection business. Contrans' freight transportation business has operations that haul freight on van, flatbed, dump, dry bulk and liquid tank trailers. Contrans also provides logistics and waste collection services independently of its asset-based, freight transportation operations. Some of Contrans' customers are in industries where demand for their goods is relatively inelastic. No single customer accounts for more than 10% of Contrans' revenue. Contrans' diverse customer base limits credit risk.

Cross-border travel is required to service many customers. Approximately 32% of the total distance travelled by Contrans' trucks is travelled in the US. Accordingly, border crossings and customs clearances affect these shipments. Today's political uncertainties and border security concerns affect cross-border traffic. Contrans 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.

Contrans is subject to certain foreign exchange risks as it has positive net US dollar cash flow. Management manages this risk by entering into foreign exchange contracts from time to time, denominating equipment financing in US dollars where practical and through exchange rate indices negotiated with customers.

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

Contrans' 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.

Contrans 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 Contrans lacks its own hauling resources, partner carriers can provide additional capacity.

Contrans has fuel surcharge programs that offset the impact of fluctuating fuel prices. For practical purposes, fuel surcharge rates are only updated periodically. Accordingly, the Company is at risk during times of sudden, significant changes in fuel prices.

As at December 31, 2011, approximately 98% of Contrans' long-term debt had fixed interest rates. Accordingly, changes in interest rates will have a limited impact on Contrans' interest expense.

Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures. This system provides reasonable assurance that all required public disclosures will be made in a timely manner. Management is also responsible for establishing and maintaining adequate internal controls over financial reporting. This provides reasonable assurance that financial reporting is reliable and that financial statements for external purposes are prepared in accordance with IFRS. Contrans' system of internal controls has been documented at all material operating divisions of Contrans. Contrans' management, including the Chief Executive Officer and the Chief Financial Officer, have caused the design and operation of Contrans' internal controls to be evaluated as at December 31, 2011 and have concluded that the design and operation of Contrans' disclosure controls and procedures, as well as the internal controls over financial reporting, were effective as at December 31, 2011.

No changes were made in Contrans' systems that have materially affected Contrans' internal control over financial reporting during the year ended December 31, 2011.

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 any instances of fraud, 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 2011, Contrans paid $4.7 million ($0.5 million in 2011 Q4) to Peterbilt of Ontario Inc., a company controlled by the Chairman of Contrans, for tractor repairs, vehicle maintenance, equipment purchases and lease costs. Contrans also acquired highway trucks originally supplied by Peterbilt of Ontario Inc. The total value of trucks acquired in 2011 was $9.7 million. In addition, Contrans leased certain premises to Peterbilt of Ontario Inc. in 2011 for $0.2 million ($0.1 million in 2011 Q4). These transactions were carried out in the normal course of business and recorded at the exchange amount, which management has concluded approximates an arm's-length arrangement.

Contrans provided truck transportation services in 2011 for a total consideration of $0.4 million (2010 – $0.3 million) to Brick Brewing Co. Limited, a company in which the Chairman of Contrans has a financial interest.

Use of Non-GAAP Financial Measures

Management has included non-GAAP financial measures, "Earnings before income taxes, depreciation and amortization" ("EBITDA") and "Direct operating expenses – net of fuel surcharges", to supplement its consolidated financial statements. Management believes that EBITDA is a useful supplement to the information contained in Contrans' consolidated statements of cash flow as it facilitates a greater depth of analysis. Accordingly, these measures can enhance the evaluation of Contrans' historical and prospective operating performances.

Management believes that it is important to isolate the effects of fuel surcharges, a volatile source of revenue and direct operating expenses, 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 alone as the base. In addition, direct operating expenses are stated after netting fuel surcharges against fuel expenses in the Financial Highlights table. Management believes that this facilitates a better comparison of direct operating costs between periods.

These non-GAAP measures do not have any standardized meaning prescribed under IFRS and therefore may not 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 IFRS.

We believe that the prospects for further enhancement of long-term value for Contrans' shareholders are excellent

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 Contrans' 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 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 Contrans' Annual Information Form, which is available at www.sedar.com. Although Contrans 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. Contrans is under no obligation (and expressly disclaims any such 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 is available at www.sedar.com.
March 5, 2012

The accompanying consolidated financial statements of Contrans Group Inc. and all the information in this annual report are the responsibility of management and have been reviewed and approved by the Board of Directors ("Board").

Management has prepared the consolidated financial statements in accordance with International Financial Reporting Standards. Where alternative accounting methods exist, management has chosen those methods most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has ensured that the financial information presented throughout the annual report is consistent with that in the consolidated financial statements.

Management has established and maintains systems of internal control, including disclosure controls and procedures and internal controls over financial reporting, that are designed and operate to provide reasonable assurance that financial and non-financial information that is disclosed is accurate and complete. These systems of internal control also serve to ensure that Contrans' assets are adequately safeguarded.

The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Board appoints an Audit Committee, which is comprised entirely of outside directors. The Audit Committee meets quarterly with management and with Contrans' external auditors, KPMG LLP, to discuss internal controls, auditing matters and financial reporting issues. KPMG LLP has full and free access to the Audit Committee. The Audit Committee reports its findings to the Board who approve the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the auditors.

Stan G. Dunford
Chairman and Chief Executive Officer
March 5, 2012

To the Shareholders of Contrans Group Inc.

We have audited the accompanying consolidated financial statements of Contrans Group Inc., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Contrans Group Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
London, Canada
March 5, 2012

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($CAD thousands except for per share amounts)

For the years ended December 31	2011	2010
Revenue		
Transportation services	$ 378,016	$ 358,530
Fuel surcharges	60,747	37,747
	438,763	396,277
Direct operating expenses	359,707	326,323
Gross Margin	79,056	69,954
General and administration expenses	43,712	39,770
Finance costs (Note 5)	6,783	6,042
Finance income (Note 5)	(1,228)	(689)
Earnings Before Income Taxes	29,789	24,831
Income tax expense (Note 6)	9,304	7,165
Net Earnings and Comprehensive Income	$ 20,485	$ 17,666
Earnings per share – basic and diluted (Note 21)	$ 0.57	$ 0.53
Weighted average number of shares outstanding – basic and diluted	35,759	33,339

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

($CAD thousands except for per share amounts)

	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total
Balances at January 1, 2010	$ 128,716	$ 961	$ (15,199)	$ 114,478
Share issue (Note 17)	54,206	—	—	54,206
Net earnings and comprehensive income	—	—	17,666	17,666
Dividends declared (1)	—	—	(8,122)	(8,122)
Balances at December 31, 2010	$ 182,922	$ 961	$ (5,655)	$ 178,228
Share-based compensation expense (Note 20)	—	1,319	—	1,319
Shares purchased (Note 17)	(2,740)	(1,299)	—	(4,039)
Net earnings and comprehensive income	—	—	20,485	20,485
Dividends declared (2)	—	—	(13,602)	(13,602)
Balances at December 31, 2011	$ 180,182	$ 981	$ 1,228	$ 182,391

The accompanying notes are an integral part of these consolidated financial statements.

(1) 2010 Q2, Q3 and Q4 – $0.08 per share
(2) 2011 Q2, Q3 and Q4 – $0.10 per share, 2011 Q1 – $0.08 per share

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($CAD thousands)

As at	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current Assets			
Cash and cash equivalents (Note 8)	$ 25,282	$ 24,442	$ 30,193
Short-term investments (Note 9)	45,847	61,318	—
Trade and other receivables (Note 26)	59,083	48,378	48,909
Income tax recoverable	—	—	495
Other current assets	6,338	5,446	5,089
Total Current Assets	136,550	139,584	84,686
Non-Current Assets			
Restricted cash (Note 10)	—	—	7,375
Note receivable	—	—	88
Property and equipment (Note 11)	165,048	116,253	103,185
Intangible assets (Note 12)	74,381	74,041	65,020
Total Non-Current Assets	239,429	190,294	175,668
Total Assets	$ 375,979	$ 329,878	$ 260,354
Liabilities			
Current Liabilities			
Trade and other payables	$ 35,279	$ 31,548	$ 32,849
Distributions payable	—	—	4,491
Income taxes payable	12,673	6,556	—
Finance lease liabilities (Note 14)	7,533	2,049	1,921
Long-term debt (Note 15)	2,285	1,632	339
Total Current Liabilities	57,770	41,785	39,600
Non-Current Liabilities			
Finance lease liabilities (Note 14)	22,652	5,552	6,978
Long-term debt (Note 15)	99,882	89,221	85,193
Other long-term liabilities	2,269	686	—
Deferred tax liabilities (Note 16)	11,015	14,406	14,105
Total Non-Current Liabilities	135,818	109,865	106,276
Total Liabilities	193,588	151,650	145,876
Equity			
Share capital (Note 17)	180,182	182,922	128,716
Contributed surplus	981	961	961
Retained earnings (deficit)	1,228	(5,655)	(15,199)
Total Equity	182,391	178,228	114,478
Total Liabilities and Equity	$ 375,979	$ 329,878	$ 260,354

Contingencies (Note 27). Subsequent events (Note 30).

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of the Board of Directors

Stan G. Dunford, Director

Archie M. Leach, C.A., Director

CONSOLIDATED STATEMENTS OF CASH FLOW

($CAD thousands)

For the years ended December 31	2011	2010
Cash Provided by (Used in) Operating Activities		
Net earnings	$ 20,485	$ 17,666
Income tax expense	9,304	7,165
Net financing costs	5,555	5,353
Share-based compensation expense (Note 20)	1,319	—
Change in unrealized loss (gain) on foreign exchange	507	(52)
Unrealized gain on short-term investments	(55)	(74)
Long-term debt – accretion	81	80
Asset retirement obligations – accretion	—	27
Depreciation (Note 11)	17,132	12,838
Amortization (Note 12)	4,038	3,746
Gain on sale of equipment	(1,012)	(295)
	57,354	46,454
Changes in non-cash working capital (Note 13)	(7,555)	1,397
	49,799	47,851
Taxes paid	(7,426)	(78)
Interest paid	(6,733)	(5,834)
Cash Provided by Operating Activities	35,640	41,939
Cash Provided by (Used in) Investing Activities		
Proceeds from sale of property and equipment	3,685	2,886
Proceeds from note receivable	—	120
Purchase of short-term investments	(45,063)	(131,164)
Proceeds from sale of short-term investments	60,664	70,000
Asset retirement obligations – settlement	—	(153)
Interest received	1,148	767
Acquisition of businesses (Note 7)	(6,130)	(16,873)
Purchase of property and equipment	(35,325)	(24,106)
Net Cash Used in Investing Activities	(21,021)	(98,523)
Cash Provided By (Used in) Financing Activities		
Proceeds from issuance of shares (Note 17)	—	53,505
Proceeds from long-term debt	13,565	5,716
Proceeds from restricted cash (Note 10)	—	7,375
Purchase of shares (Note 17)	(4,039)	—
Repayment of long-term debt	(4,484)	(1,012)
Payment of finance lease liabilities	(5,202)	(2,123)
Dividends paid	(13,602)	(12,613)
Net Cash Provided by (Used in) Financing Activities	(13,762)	50,848
Increase (Decrease) in Cash and Cash Equivalents	857	(5,736)
Effect of exchange rate fluctuations on cash and cash equivalents	(17)	(15)
Cash and Cash Equivalents – Beginning of Period	24,442	30,193
Cash and Cash Equivalents – End of Period	$ 25,282	$ 24,442

The accompanying notes are an integral part of these consolidated financial statements.

1. General Information

Contrans Group Inc. is located at 1179 Ridgeway Road, Woodstock, Ontario, Canada. The consolidated financial statements as at and for the year ended December 31, 2011 comprise Contrans Group Inc. and its subsidiaries (together referred to as "Contrans"). Contrans operates in a single reportable industry segment, freight transportation. Contrans' Class A Subordinate Voting Shares ("Class A shares") are listed on the Toronto Stock Exchange under the symbol "CSS". Contrans operates in both Canada and the United States. Due to the nature of the operations and inherent system limitations, however, it is impracticable to split the results from operations between the two countries.

The consolidated financial statements were authorized for issuance on March 5, 2012 by Contrans' Board of Directors.

2. Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are Contrans' first consolidated financial statements prepared in accordance with IFRS and IFRS 1, First-time Adoption of International Financial Reporting Standards *("IFRS 1"). Prior to adoption of IFRS, Contrans prepared its financial statements in accordance with Canadian generally accepted accounting principles ("CGAAP").*

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of Contrans is provided in note 31.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis with the following exceptions:

- *Certain land and buildings have been restated to fair value as at January 1, 2010 in accordance with IFRS 1*
- *Liabilities for cash-settled, share-based payment arrangements have been measured at their fair value in accordance with IFRS 2,* Share-based payment
- *Derivative financial instruments are measured at fair value*
- *Contingent consideration is measured at fair value*

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Actual results may differ from these estimates.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Management periodically reviews its estimates and underlying assumptions relating to the following items:

(i) Provision for claims

Provisions are made for accident costs based on past experience, level of insurance coverage and deductibles, and are recorded as direct operating expenses in the period that the accident occurs.

(ii) Provision against accounts receivable

Management makes estimates on the recoverability of accounts receivable balances based on specific facts and circumstances as well as past experience of write-offs. Changes in the economic conditions in which Contrans' customers operate and their underlying financial stability may impact these estimates.

(iii) Lease classification

Contrans enters into leases for premises and rolling stock that may be classified as operating or finance leases. Management exercises judgement to determine whether substantially all the risks and rewards incidental to ownership have been transferred to Contrans.

(iv) Business combinations

Management estimates the fair value of identifiable assets acquired and liabilities assumed in allocating the purchase price of an acquisition. In addition, management estimates, where applicable, the timing and amount of contingent consideration expected to be paid to determine the purchase price of an acquisition.

*(v) **Impairment tests***

Management exercises judgement to identify its cash-generating units ("CGUs") and to calculate value in use and fair value less costs to sell.

*(vi) **Tax assets***

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Management has assessed that no valuation allowance is required against the deferred tax asset as at December 31, 2011.

*(vii) **Stock options***

Management exercises judgement or makes estimates with respect to risk-free rates of return, expected volatility, expected dividends, expected life of options, expected forfeitures and future market conditions to calculate the fair value of stock options.

*(viii) **Depreciation and amortization***

Management estimates future residual values and the rate at which the useful lives of property, equipment and intangible assets are consumed to determine appropriate depreciation and amortization charges. These estimates are evaluated annually and adjusted prospectively, where necessary, to reflect actual experience.

Functional and presentation currency

Management has determined that the Canadian dollar is the functional currency of Contrans. Revenues and expenses denominated in US dollars are translated into Canadian dollars at average weekly rates of exchange which approximate the actual rates of exchange at the dates of the transactions. Monetary assets and liabilities denominated in US dollars are translated to Canadian dollars at the foreign exchange rate in effect at each reporting date. Foreign exchange losses and gains arising on translation are recognized as general and administration expenses. Non-monetary assets and liabilities that are measured at historical cost in US dollars are translated using historical exchange rates.

3. Significant Accounting Policies

The policies set out below were consistently applied to all the periods presented and in preparing the opening IFRS statement of financial position at January 1, 2010 (the "date of transition") for the purposes of transition to IFRS unless otherwise noted below.

Basis of consolidation of subsidiaries

Subsidiaries are legal entities controlled by Contrans. Control exists when Contrans has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions are eliminated in preparing the consolidated financial statements. The accounting policies have been consistently applied by all subsidiaries.

Business combinations

Goodwill arising from business combinations is measured as the excess of the fair value of consideration paid or payable less the fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date. When this excess is negative, a bargain purchase gain is recognized immediately in profit and loss. Contingent consideration is included in total consideration and is recognized at its fair value as at the acquisition date. The fair values of contingent consideration are updated at each reporting date and are included in trade and other payables or other long-term liabilities as appropriate. Changes in fair value are recognized in profit and loss.

Transaction costs associated with a business combination are expensed as incurred.

Contrans elected to apply IFRS 3, Business Combinations*, from the date of transition to IFRS. In respect of acquisitions prior to date of transition, goodwill represents the amount recognized under CGAAP.*

Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Certain land and buildings were revalued to fair value on the transition date. When significant parts of an item of property and equipment have different useful lives, those components are accounted for as separate items of property and equipment and depreciated separately.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit and loss.

(ii) Depreciation

Property and equipment is depreciated on a straight-line or declining balance basis over the estimated useful lives of each significant component of an item of property and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that Contrans will obtain ownership by the end of the lease term. In this case, the leased asset is depreciated over its useful life.

The estimated useful lives and depreciation methods are as follows:

Description	Estimated useful life	Depreciation method	Recorded as
Buildings	15–40 years	Straight-line	General and administration expense
Rolling stock – highway tractors	25%	Declining balance	Direct operating expense
Rolling stock – waste trucks	8 years	Straight-line	Direct operating expense
Rolling stock – trailers	10–25 years	Straight-line	Direct operating expense
Waste bins	10 years	Straight-line	Direct operating expense
Service vehicles	20%–30%	Declining balance	General and administration expense
Other equipment	20%–30%	Declining balance	General and administration expense

Management reviews depreciation methods, residual values and the estimated useful lives of these assets annually and adjusts amortization accordingly on a prospective basis.

Intangible assets

(i) Goodwill

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to CGUs and is tested for impairment annually or more frequently, if events or circumstances indicate impairment may exist.

(ii) Other intangible assets

Other intangible assets with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses and are included in general and administration expenses in the consolidated statements of comprehensive income.

(iii) Amortization of other intangible assets

Amortization of other intangible assets is recognized in profit and loss on a straight-line basis over their estimated useful lives.

Intangible assets are amortized from the date that they are available for use. The estimated useful lives are as follows:

- *Customer relationships 5–10 years*
- *Non-competition agreements 5–10 years (term of agreement)*

Balances relating to expired non-competition agreements are removed from cost and accumulated amortization.

Financial assets and financial liabilities

(i) Initial recognition

Contrans recognizes loans and receivables on the date that they originate. All other financial assets and financial liabilities are recognized initially on the trade date at which Contrans becomes a party to the contractual provisions of the instrument. All of Contrans' financial assets are classified as loans and receivables. Under IFRS, loans and receivables are defined as financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Contingent consideration is classified as fair value through profit and loss. All of Contrans' other financial liabilities are classified as other liabilities. Other liabilities are recognized initially at fair value plus any directly attributable transaction costs.

(ii) Measurement

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method less any impairment losses. Loans and receivables comprise trade and other receivables, note receivable, cash and cash equivalents, restricted cash and short-term investments.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Trade and other payables, dividends payable and long-term debt are classified as other liabilities. Contingent consideration is measured at fair value as at each reporting date. Changes in fair value are recognized in profit and loss in the period in which they occur.

(iii) Offsetting policy

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when Contrans has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Derecognition policy

Contrans derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Contrans is recognized as a separate asset or liability. Contrans derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(v) Impairment

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset is measured at amortized cost, calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, Contrans uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Losses are recognized in the statements of comprehensive income and reflected in an allowance account against accounts receivable.

(vi) Share capital

Shares are classified as equity. Costs directly attributable to the issue of shares are recognized as a deduction from equity, net of any tax effects.

When Contrans purchases its own shares, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Purchased shares are cancelled.

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. Bank overdrafts that are repayable on demand and form an integral part of Contrans' cash management are included as a component of cash and cash equivalents in the consolidated statements of cash flow.

Short-term investments

Short-term investments consist of interest-bearing securities with maturities at purchase date of more than three months but less than one year.

Impairment of non-financial assets

The carrying amount of Contrans' non-financial assets, other than deferred tax assets, are reviewed for any indication of impairment at each reporting date or more often if events or circumstances indicate impairment may exist. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Impairment losses are recognized immediately in profit and loss.

An impairment loss in respect of goodwill is not subsequently reversed. Other assets that have been impaired in prior periods are assessed for possible reversal of impairment whenever events or changes in circumstance indicate that the impairment has decreased or no longer exists. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods, net of depreciation and amortization. A reversal of an impairment loss is recognized immediately in profit and loss.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if Contrans has a present legal or constructive obligation to pay this amount as a result of past service by the employee and the obligation can be estimated reliably.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Contrans' net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. This benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of Contrans' obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually using the projected unit credit method.

Share-based compensation

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in contributed surplus in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service performance conditions at the vesting date.

Share-based payment plans that will be settled in cash are accounted for as liabilities based on the fair value of the awards that have been granted. These awards are accrued over the vesting period based on the expected payments that, in turn, are based on the quoted market value of Contrans' Class A shares. Accordingly, these awards can be affected by the quoted market value of the shares and earnings achieved by Contrans. As these awards will be settled in cash, changes in their fair value will be recognized in profit and loss in each subsequent reporting period. These awards are classified as trade and other payables, or other long-term liabilities as appropriate, and the expenses are included in employee benefits in general and administration expenses in profit and loss.

Provisions

A provision is recognized when Contrans has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by Contrans from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected cost of continuing with the contract. Before a provision is established, Contrans recognizes any impairment loss on the assets associated with the contract.

Revenue recognition

Revenue for transportation services and fuel surcharges is recognized upon delivery of services to customers and when collection is reasonably assured.

Leases

(i) Operating leases

Payments made under operating leases are recognized in profit and loss on a straight-line basis over the term of the lease.

(ii) Finance leases

Leased assets from which Contrans receives substantially all of the risks and rewards of ownership of the asset are capitalized as finance leases and measured initially at the lower of the fair value of the asset and the estimated present value of the minimum lease payments. The corresponding lease obligation is recorded as finance lease liabilities in the consolidated statements of financial position. These liabilities are reduced as payments are made. A finance charge is recognized using the rates implicit in the leases.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is recognized in each period during the lease term in a manner that produces a constant periodic rate of interest on the remaining balance of the liability.

Finance costs and finance income

Finance costs consist of interest on borrowings and finance leases, long-term debt accretion and unwinding of the discounts on provisions. Finance income consists of interest earned on cash and cash equivalents and short-term investments.

Finance costs and finance income are recognized as they accrue using the effective interest rate method.

Income tax

Income tax expense for the periods presented comprises current and deferred tax. Current tax and deferred tax are recognized in profit and loss unless they arise from business combinations or items charged directly to equity.

Current tax is the expected taxes payable within the following twelve months and is based on taxable income using tax rates enacted or substantively enacted at the reporting date combined with any adjustments to taxes payable in respect of previous years.

Deferred tax assets and liabilities are recognized based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced when, in management's judgement, it is no longer probable that the related tax benefit will be realized.

Earnings per share

Contrans presents basic and diluted earnings per share ("EPS") data for its shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of Contrans by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to shareholders and the weighted average number of shares outstanding for the dilutive effects of outstanding share options granted.

New standards and interpretations not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

i) *IFRS 9,* Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39,* Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. Contrans intends to adopt IFRS 9 (2010) in its consolidated financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.*

ii) *IFRS 10,* Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12,* Consolidation – Special Purpose Entities*, and parts of IAS 27,* Consolidated and Separate Financial Statements*. Contrans intends to adopt IFRS 10 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 10 has not yet been determined.*

iii) *IFRS 13,* Fair Value Measurement*, replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Contrans intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.*

iv) *Amendments to IAS 1,* Presentation of Financial Statements, *require an entity to present separately the items of OCI that may be reclassified to profit and loss in the future from those that would never be reclassified to profit and loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories. The existing option to present the profit and loss and other comprehensive income in two statements has remained unchanged. Contrans intends to adopt the amendments in its consolidated financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, Contrans does not expect the amendments to IAS 1 to have a material impact on its consolidated financial statements.*

v) *Amendments to IAS 19,* Employee Benefits, *require recognition of actuarial gains and losses immediately in other comprehensive income and full recognition of past service costs immediately in profit and loss. Recognition of expected return on plan assets in profit and loss is to be calculated based on the rate used to discount the defined benefit obligation. IAS 19 has additional disclosure requirements that explain the characteristics of the entity's defined benefit plans and risks associated with the plans, as well as disclosures that describe how defined benefit plans may affect the amount, timing and uncertainty of future cash flows, and details of any asset-liability match strategies used to manage risks. Amendments also impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37,* Provisions, *and when the entity can no longer withdraw the offer of the termination benefits. Contrans intends to adopt the amendments in its consolidated financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.*

vi) *Amendments to IAS 32 and IFRS 7,* Offsetting Financial Assets and Liabilities, *clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar arrangements. Contrans intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning on January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.*

4. Personnel Expenses

Contrans' personnel expenses consist of and are presented in the statements of comprehensive income as follows:

For the years ended December 31	2011	2010
Wages and salaries	$ 66,192	$ 56,551
Payroll taxes	13,042	10,984
Cash settled, share-based payments	599	281
	$ 79,833	$ 67,816
Direct operating expenses	$ 56,625	$ 48,063
General and administration expenses	23,208	19,753
	$ 79,833	$ 67,816

5. Finance Income and Finance Costs

Finance income and finance costs for the years ended December 31 are as follows:

	2011	2010
Interest income on short-term investments	$ (734)	$ (258)
Interest income on bank deposits	(494)	(431)
Finance income	$ (1,228)	$ (689)
Interest expense on finance lease liabilities and long-term debt	$ 6,703	$ 6,042
Net change in fair value of interest rate swap	80	—
Finance costs	$ 6,783	$ 6,042

6. Income Tax Expense

The following table reconciles the provision for income taxes recorded in the consolidated statements of earnings and comprehensive income with a statutory income tax rate of 28.13% (2010 – 30.71%):

	2011	2010
Current tax expense – current period	$ 13,543	$ 6,772
Deferred tax expense (recovery)		
Impact of off-calendar year-end of corporate subsidiary	(4,671)	1,247
Change in reserves	439	(370)
Other	(7)	(484)
Deferred tax expense (recovery)	(4,239)	393
Income tax expense	$ 9,304	$ 7,165

In the second quarter of 2010, an amount of $0.7 million was recognized as an increase in equity as a result of the deferred tax on share issue costs incurred with the issue of share capital.

Reconciliation of effective tax rate

	2011		2010	
Net earnings and comprehensive income		$ 20,485		$ 17,666
Income tax expense		9,304		7,165
Earnings before income tax		$ 29,789		$ 24,831
Income tax using Contrans' domestic tax rate	28.1%	$ 8,380	30.7%	$ 7,626
Impact of permanent differences	28.1%	1,113	30.7%	502
Impact of lower rate on deferred income	1.9%	(542)	2.5%	(659)
Other		353		(304)
Income tax expense		$ 9,304		$ 7,165

7. Acquisition of Businesses

a) Business acquisitions – 2011

	S&S Enterprises[i]	AIM[ii]	TBM[iii]	Ever Green[iv]	Total
Accounts receivable	$ 19	$ —	$ —	$ 1	$ 20
Property and equipment	3,693	689	2,105	491	6,978
Intangible assets					
Customer relationships	1,360	210	480	—	2,050
Non-competition agreements	720	—	100	—	820
Goodwill	1,333	83	12	80	1,508
Fair value of assets acquired	7,125	982	2,697	572	11,376
Accounts payable and accrued liabilities	19	—	—	80	99
Deferred tax liabilities	797	7	44	—	848
Long-term debt assumed	2,109	—	—	—	2,109
Finance lease liabilities assumed	—	—	951	—	951
Fair value of liabilities assumed	2,925	7	995	80	4,007
	$ 4,200	$ 975	$ 1,702	$ 492	$ 7,369
Consideration					
Cash	$ 3,812	$ 655	$ 1,171	$ 492	$ 6,130
Contingent consideration	388	320	531	—	1,239
	$ 4,200	$ 975	$ 1,702	$ 492	$ 7,369

(i) *On July 1, 2011, Contrans acquired all the outstanding shares of 9213-2901 Quebec Inc. ("S&S Enterprises"), a bulk truck operation based in St-Barthelemy, Quebec for cash consideration of $3.8 million.*

This operation was acquired to expand Contrans' bulk service offering in Quebec and Northern Ontario. Management expects that this acquisition will give Contrans greater market share in this region and that Contrans will realize synergies through improved utilization of its existing bulk equipment as well as that of the acquired assets.

a. *The vendors have entered into a seven year non-competition agreement with Contrans. In addition, Contrans acquired certain customers as part of the acquisition.*
b. *Contrans assumed operating leases on 10 tractor units. These leases expire in 2012 and 2013.*
c. *Contrans has incurred $0.1 million of costs in relation to this acquisition. These costs were charged to general and administration ("G&A") expenses in 2011.*
d. *The contingent consideration is payable based on future results. This amount will be paid, to the former owners, over the five year period, from the date of acquisition.*
e. *Intangibles are not allowable as a deduction for income tax purposes.*

(ii) *On July 4, 2011, Contrans acquired certain of the assets of AIM Transportation Systems Inc. and 6129005 Canada Inc. (together "AIM"), a flatbed trucking operation based in Stoney Creek, Ontario. This acquisition was made to expand Contrans' flatbed service offering in Southern Ontario and has been combined with Contrans' existing flatbed operations located in Hagersville, Ontario. The purchase price includes contingent consideration, the amount of which will depend on revenues earned from AIM customers over the three years following acquisition. If earned, the contingent consideration will be paid on August 1 of each year beginning in 2012. The undiscounted amount of contingent consideration is expected to be between $0.2 million and $0.4 million.*

a. *Contrans assumed operating leases on eight tractor units. These leases expire in 2015.*
b. *Contrans has incurred nominal costs in relation to this acquisition. These costs were charged to G&A expenses in 2011.*
c. *For income tax purposes 75% of the intangible assets are deductible.*

(iii) *On July 25, 2011, Contrans acquired the bulk trucking assets of TBM Transportation Ltd. ("TBM") based in Edmonton, Alberta. This acquisition was made to expand the bulk service offering in Alberta and has been combined with Contrans' bulk operations that are based in Calgary, Alberta. The purchase price includes contingent consideration, the final amount of which will depend on revenues earned from TBM customers over the three years following acquisition. If earned, the contingent consideration will be paid on August 15 of each year beginning in 2012. The undiscounted amount of contingent consideration is expected to be between $0.5 million and $0.9 million.*

a. *The vendors have entered into a five year non-competition agreement with Contrans. In addition, Contrans acquired certain customers as part of the acquisition.*
b. *The finance lease debt assumed has expiry dates in 2014 and 2015.*
c. *Contrans incurred $0.1 million of costs in relation to this acquisition. These costs were charged to G&A expenses in 2011.*
d. *For income tax purposes 75% of the intangible assets are deductible.*

(iv) *On October 1, 2011, Contrans paid $0.5 million to acquire the waste collection assets of Ever Green Ecological Services Inc. ("Ever Green"), a waste collection operation based in Edmonton, Alberta. This waste operation, which consisted of two front load trucks and approximately 200 bins, was acquired to expand Contrans' waste collection service in Alberta.*

a. *Contrans has incurred nominal costs in relation to this acquisition. These costs were charged to G&A expenses in 2011.*

b. For income tax purposes 75% of the intangible assets are deductible.

These acquisitions have been or are being integrated with Contrans' existing operations. Synergies have been realized through improved backhaul freight, reduced empty miles and reduced reliance on partner carriers. Certain traffic lanes have also been rationalized as part of management's ongoing efforts to optimize equipment utilization. Contrans has been able to absorb these operations into existing operations without incurring significant amounts of incremental G&A expenses. The impact that these factors have had on revenue production and the profitability of the acquired businesses and of existing operations, however, cannot be measured reliably due to inherent system limitations. Accordingly, it is impracticable to measure reliably the amounts of revenue and profit or loss of each acquiree since the acquisition date that has been included in the consolidated statements of comprehensive income. The effects of seasonality render it less practicable to measure reliably the revenue and profit or loss of the combined entity for the current reporting period as though each acquisition had occurred as of the beginning of the year. However, management estimates that the acquisition of S&S Enterprises added between $5.0 million and $7.0 million of revenue in 2011 and that combined, AIM, TBM and Ever Green added between $2.5 million and $3.5 million of revenue in 2011. Management expects annual revenue from S&S Enterprises to range between $12 million and $15 million and that combined, AIM, TBM and Ever Green will contribute between $5.0 million and $7.0 million of revenue annually. Management believes that the profit margins of these acquisitions approximate those generated by Contrans' existing businesses.

b) Business acquisitions – 2010

	Truboy	ProWerx	BFI	Total
Accounts receivable	$ —	$ 1,611	$ 497	$ 2,108
Other current assets	—	26	—	26
Income taxes	—	194	—	194
Property and equipment	712	3,630	1,356	5,698
Intangible assets				
Customer relationships	160	1,874	3,081	5,115
Non-competition agreements	200	730	—	930
Goodwill	533	5,458	731	6,722
Fair value of assets acquired	1,605	13,523	5,665	20,793
Accounts payable and accrued liabilities	5	1,852	302	2,159
Deferred tax liabilities	—	691	(82)	609
Long-term debt assumed	573	—	—	573
Finance lease liabilities assumed	79	—	—	79
Fair value of liabilities assumed	657	2,543	220	3,420
	$ 948	$ 10,980	$ 5,445	$ 17,373
Consideration				
Cash	$ 448	$ 10,980	$ 5,445	$ 16,873
Contingent consideration	500	—	—	500
	$ 948	$ 10,980	$ 5,445	$ 17,373

Entity acquired	Date	% Shares Acquired	Province	Service Area
Truboy Freight International Inc. (“Truboy”)	January 29, 2010	Assets acquired	Ontario	Flatbed
ProWerx Disposal Ltd. (“ProWerx”)	September 20, 2010	100%	Alberta	Waste
BFI Canada Inc. (“BFI”)	October 4, 2010	Assets acquired	Alberta	Waste

An additional $0.5 million of consideration was negotiated to be paid, to the vendors of Truboy, over the three years following the acquisition contingent upon the achievement of certain financial objectives. The financial objectives for the first year were met and $0.1 million of the contingent consideration was paid to the former owners in 2011. The balance of $0.4 million remains outstanding and is included in trade and other payables and other long-term liabilities as appropriate at December 31, 2011 in the consolidated statements of financial position.

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

8. Cash and Cash Equivalents

As at	December 31, 2011	December 31, 2010	January 1, 2010
Cash	**$ 8,411**	$ 9,379	$ 30,193
Short-term deposits	**16,871**	15,063	—
Cash and cash equivalents	**$ 25,282**	$ 24,442	$ 30,193

9. Short-Term Investments

Short-term investments consist of interest-bearing securities with maturities at purchase date of more than three months but less than one year and have stated interest rates of 1.3%–1.6% (2010 – 1.4%–1.5%).

10. Restricted Cash

Proceeds received from Contrans' long-term debt facility were restricted to repaying senior secured notes or to funding growth opportunities. In 2010, Contrans used the remainder of its restricted cash to fund acquisitions.

11. Property and Equipment

			Rolling stock and other		
Cost or Deemed Cost	Land	Buildings	Owned	Leased	Total
Balance at January 1, 2010	$ 7,460	$ 25,679	$ 124,771	$ 12,728	$ 170,638
Additions	280	2,248	19,500	783	22,811
Acquired through business combinations	—	—	5,608	90	5,698
Disposals	—	—	(11,905)	(74)	(11,979)
Balance at December 31, 2010	7,740	27,927	137,974	13,527	187,168
Accumulated Depreciation and Impairment Losses					
Balance at January 1, 2010	—	9,765	55,813	1,875	67,453
Depreciation	—	1,055	10,545	1,238	12,838
Disposals	—	—	(9,362)	(14)	(9,376)
Balance at December 31, 2010	$ —	$ 10,820	$ 56,996	$ 3,099	$ 70,915
Carrying amount at					
January 1, 2010	$ 7,460	$ 15,914	$ 68,958	$ 10,853	$ 103,185
December 31, 2010	$ 7,740	$ 17,107	$ 80,978	$ 10,428	$ 116,253

			Rolling stock and other		
Cost or Deemed Cost	Land	Buildings	Owned	Leased	Total
Balance at January 1, 2011	$ 7,740	$ 27,927	$ 137,974	$ 13,527	$ 187,168
Additions	12,236	3,918	16,511	29,048	61,713
Acquired through business combinations	—	—	5,928	1,050	6,978
Buyout of leased assets	—	—	3,548	(3,548)	—
Disposals	—	(245)	(8,264)	(967)	(9,476)
Balance at December 31, 2011	**19,976**	**31,600**	**155,697**	**39,110**	**246,383**
Accumulated Depreciation and Impairment Losses					
Balance at January 1, 2011	—	10,820	56,996	3,099	70,915
Depreciation	—	1,042	13,149	2,941	17,132
Buyout of leased assets	—	—	372	(372)	—
Disposals	—	(155)	(6,007)	(550)	(6,712)
Balance at December 31, 2011	**$ —**	**$ 11,707**	**$ 64,510**	**$ 5,118**	**$ 81,335**
Carrying amount at					
December 31, 2011	**$ 19,976**	**$ 19,893**	**$ 91,187**	**$ 33,992**	**$ 165,048**

Contrans continues to utilize assets which have a net book value of $Nil and an original cost of $5.2 million.

12. Intangible Assets

Cost	Goodwill	Non-competition agreements	Customer relationships	Total
Balance at January 1, 2010	$ 51,118	$ 8,658	$ 22,565	$ 82,341
Acquired through business combinations	6,723	930	5,114	12,767
Expired	—	(120)	—	(120)
Balance at December 31, 2010	57,841	9,468	27,679	94,988
Accumulated Amortization and Impairment Losses				
Balance at January 1, 2010	—	5,990	11,331	17,321
Amortization charge for the period	—	1,527	2,219	3,746
Expired	—	(120)	—	(120)
Balance at December 31, 2010	$ —	$ 7,397	$ 13,550	$ 20,947
Carrying amount at				
January 1, 2010	$ 51,118	$ 2,668	$ 11,234	$ 65,020
December 31, 2010	$ 57,841	$ 2,071	$ 14,129	$ 74,041

Cost	Goodwill	Non-competition agreements	Customer relationships	Total
Balance at January 1, 2011	$ 57,841	$ 9,468	$ 27,679	$ 94,988
Acquired through business combinations	1,508	820	2,050	4,378
Expired	—	(6,466)	—	(6,466)
Balance at December 31, 2011	**59,349**	**3,822**	**29,729**	**92,900**
Accumulated Amortization and Impairment Losses				
Balance at January 1, 2011	—	7,397	13,550	20,947
Amortization charge for the period	—	1,242	2,796	4,038
Expired	—	(6,466)	—	(6,466)
Balance at December 31, 2011	**$ —**	**$ 2,173**	**$ 16,346**	**$ 18,519**
Carrying amount at				
December 31, 2011	**$ 59,349**	**$ 1,649**	**$ 13,383**	**$ 74,381**

Impairment testing for cash-generating units

For the purpose of impairment testing, goodwill is allocated to Contrans' CGUs each of which represents the lowest level within Contrans where goodwill is monitored.

The aggregate significant carrying amounts of goodwill allocated to each CGU are as follows:

CGU	December 31, 2011	December 31, 2010	January 1, 2010
Tripar Transportation LP (i)	**$ 21,992**	$ 21,992	$ 21,992
Cornerstone Logistics LP (ii)	**11,389**	11,389	11,389
Tri-Line Disposal Inc. (iii)	**6,269**	6,189	—
Other CGUs	**19,699**	18,271	17,737
Total goodwill	**$ 59,349**	$ 57,841	$ 51,118

The impairment test was performed by comparing the carrying value and the recoverable amount of each CGU. The recoverable amount is the higher of the CGU's fair value less costs to sell or value-in-use.

Fair value was calculated by applying a multiple to management's best estimate of sustainable earnings to calculate the recoverable amounts in the impairment test. Management calculated the multiples using a balance of equity and debt funding. The estimated cost of equity was based on the Bank of Canada ten-year bond rate, plus applicable market and industry risk premiums. For the earnings multiple, management used a five-year weighted average of historical annual earnings (before interest, income tax, depreciation and amortization of intangible assets, reduced by a corporate overhead allocation) to estimate sustainable earnings. An estimate of costs to sell was then deducted from the calculated fair value to arrive at fair value less costs to sell.

In using the discounted cash flow method, the value-in-use of each CGU was determined by considering the future expected cash flow over the next four years along with a terminal value. Future expected cash flows were based on operating plans which take into account past performance, known trends and anticipated capital expenditures. The terminal value was determined using an estimated long-term growth rate of 2% (2010 – 2%), which is based on Contrans' estimates of expected future operating results, future business plans, economic conditions and a general outlook for the industry in which the CGU operates.

Contrans tested all goodwill balances for impairment. The following information is presented for the CGUs for which the carrying amount of goodwill is significant in comparison with Contrans' total carrying amount of goodwill:

(i) Tripar Transportation LP
The recoverable amount of goodwill was determined based on fair value less costs to sell, using an earnings multiple of 8.1 (2010 – 7.5), which is consistent with the original acquisition economics and was set considering the weighted average cost of capital and certain risk premiums, based on past experience.

(ii) Cornerstone Logistics LP
The recoverable amount of goodwill was determined based on fair value less costs to sell, using an earnings multiple of 9.2 (2010 – 8.7), which is consistent with the original acquisition economics and was set considering the weighted average cost of capital and certain risk premiums, based on past experience.

(iii) Tri-Line Disposal Inc.
The recoverable amount of goodwill was determined based on value-in-use. The pre-tax discount rate was 9.6% (2010 – 10.4%), which was set considering the weighted average cost of capital to Contrans and certain risk premiums, based on past experience.

No impairment was identified as a result of the tests discussed above for 2011 or 2010.

As at December 31, 2011, management believes that the goodwill allocated to the CGUs indicated above is unlikely to be impaired under any reasonably possible changes in key assumptions used, except as noted below for Tripar Transportation LP ("Tripar").

In the case of Tripar, management believes that a change in the pre-tax discount rate of 1.3%, which management considers to be reasonably possible, would change the earnings multiple by 0.6. Such a change may result in an impairment of this CGU, as the change in the earnings multiple results in a value that would equal the carrying amount.

The aggregate significant carrying amounts of customer relationship assets allocated to each CGU are as follows:

CGU	December 31, 2011	December 31, 2010	January 1, 2010
Tri-Line Disposal Inc. (i)	**$ 4,250**	$ 4,807	$ —
Tripar Transportation LP (ii)	**2,929**	3,535	4,141
Cornerstone Logistics LP (iii)	**1,860**	2,361	2,862
Other CGUs	**4,344**	3,426	4,231
Total customer relationships	**$ 13,383**	$ 14,129	$ 11,234

(i) At December 31, 2011, Tri-Line Disposal Inc.'s customer relationships had remaining amortization periods of between four and nine years.

(ii) At December 31, 2011, Tripar Transportation LP's customer relationships had a remaining amortization period of approximately five years.

(iii) At December 31, 2011, Cornerstone Logistics LP's customer relationships had remaining amortization periods of between three and five years.

13. Non-Cash Working Capital

For the years ended December 31	2011	2010
Change in non-cash working capital		
Decrease (increase) in trade and other receivables	**$ (10,686)**	$ 2,607
Increase in other current assets	**(892)**	(331)
Increase (decrease) in trade and other payables	**2,440**	(1,565)
Increase in other long-term liabilities	**1,583**	686
Changes in non-cash working capital	**$ (7,555)**	$ 1,397
Non-cash transactions		
Value of finance leases used to fund equipment purchases	**$ 26,388**	$ 777

14. Finance Lease Liabilities

Terms and conditions of outstanding finance leases were as follows:

Base currency	Nominal interest rate	Year of maturity	December 31, 2011 Market value	December 31, 2011 Carrying amount
CAD	3.5–8.4%	2012–2018	**$ 20,134**	**$ 19,590**
USD	3.0–6.0%	2012–2016	**10,261**	**10,595**
Total interest-bearing liabilities			**$ 30,395**	**30,185**
Less current portion				**(7,533)**
				$ 22,652

Base currency	Nominal interest rate	Year of maturity	December 31, 2010 Market value	December 31, 2010 Carrying amount
CAD	4.8–8.4%	2011–2015	$ 6,772	$ 7,081
USD	5.4–6.0%	2012–2015	491	520
Total interest-bearing liabilities			$ 7,263	7,601
Less current portion				(2,049)
				$ 5,552

Base currency	Nominal interest rate	Year of maturity	January 1, 2010 Market value	January 1, 2010 Carrying amount
CAD	4.8–8.9%	2010–2015	$ 7,991	$ 8,126
USD	5.4–6.0%	2012–2015	744	773
Total interest-bearing liabilities			$ 8,735	8,899
Less current portion				(1,921)
				$ 6,978

Finance lease liabilities are payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	December 31,			December 31,			January 1,		
	2011	**2011**	**2011**	2010	2010	2010	2010	2010	2010
Less than one year	**$ 8,684**	**$ 1,151**	**$ 7,533**	$ 2,454	$ 405	$ 2,049	$ 2,407	$ 486	$ 1,921
Between one and five years	**22,089**	**1,647**	**20,442**	6,180	628	5,552	7,342	860	6,482
More than five years	**2,298**	**88**	**2,210**	—	—	—	506	10	496
	$ 33,071	**$ 2,886**	**$ 30,185**	$ 8,634	$ 1,033	$ 7,601	$ 10,255	$ 1,356	$ 8,899

Contrans has an unrealized loss on its US dollar-denominated finance lease obligations of $0.4 million as at December 31, 2011 (2010 – unrealized gain of $0.1 million).

15. Loans and Borrowings

	December 31,		January 1,
	2011	2010	2010
Current liabilities			
Current portion of equipment financing agreements	**$ 2,285**	$ 1,632	$ 339
Non-current liabilities			
Senior secured notes payable	**$ 86,571**	$ 81,521	$ 81,443
Bankers' acceptance	**5,000**	—	—
Equipment financing agreements	**6,416**	5,568	1,612
Other unsecured loans	**1,895**	2,132	2,138
	$ 99,882	$ 89,221	$ 85,193
Total loans and borrowings	**$ 102,167**	$ 90,853	$ 85,532

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	December 31, 2011 Market value	December 31, 2011 Carrying amount
Senior secured notes payable	CAD	5.9–6.5%	2013–2016	$ 98,624	$ 86,571
Bankers' acceptance	CAD	3.9%	2016	5,000	5,000
Equipment financing	CAD	3.9–6.9%	2014–2017	7,174	7,097
Equipment financing	USD	5.0–5.5%	2014–2015	1,593	1,604
Other unsecured loans	CAD	2.5–5.0%	2012	1,895	1,895
Total outstanding loans and borrowings				$ 114,286	$ 102,167

	Currency	Nominal interest rate	Year of maturity	December 31, 2010 Market value	December 31, 2010 Carrying amount
Senior secured notes payable	CAD	5.9–6.5%	2013–2016	$ 86,336	$ 81,521
Equipment financing	CAD	5.4–6.9%	2012–2017	5,260	5,285
Equipment financing	USD	5.0–5.5%	2014–2015	1,868	1,915
Other unsecured loans	CAD	2.5–5.0%	2012	2,130	2,132
Total outstanding loans and borrowings				$ 95,594	$ 90,853

	Currency	Nominal interest rate	Year of maturity	January 1, 2010 Market value	January 1, 2010 Carrying amount
Senior secured notes payable	CAD	5.9–6.5%	2013–2016	$ 85,620	$ 81,443
Equipment financing	CAD	6.5–6.9%	2014–2015	2,002	1,951
Other unsecured loans	CAD	2.5–5.0%	2012	2,138	2,138
Total outstanding loans and borrowings				$ 89,760	$ 85,532

The senior secured notes payable are stated net of unamortized financing transaction costs of $0.3 million (2010 – $0.4 million) and provide for monthly payments of interest only. Liens on rolling stock with a net book value of approximately $71.5 million (2010 – $67.0 million) have been provided as security for the senior secured notes. The lender also holds a second floating charge over receivables and a general security interest in the remaining assets of Contrans. Liens on rolling stock with a net book value of approximately $12.4 million (2010 – $8.9 million) have been provided as security for the holders of the equipment financing agreements. Land and building with a net book value of approximately $6.3 million have been provided as security for the bankers' acceptance.

EQUIPMENT FINANCING AGREEMENTS

Equipment finance liabilities are payable as follows:

	Future minimum payments	Interest	Present value of minimum payments	Future minimum payments	Interest	Present value of minimum payments	Future minimum payments	Interest	Present value of minimum payments
	December 31,			December 31,			January 1,		
	2011	2011	2011	2010	2010	2010	2010	2010	2010
Less than one year	$ 2,696	$ 411	$ 2,285	$ 2,016	$ 384	$ 1,632	$ 461	$ 122	$ 339
Between one and five years	6,894	502	6,392	6,291	791	5,500	1,725	235	1,490
More than five years	25	1	24	72	4	68	126	4	122
	$ 9,615	$ 914	$ 8,701	$ 8,379	$ 1,179	$ 7,200	$ 2,312	$ 361	$ 1,951

16. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	2011	2010
Deferred tax assets		
Deductible reserves	$ 719	$ 715
Share issue costs and financing fees	537	1,066
Foreign tax credits and minimum tax	488	247
Intangible assets	369	—
Impact of off-calendar year-end of corporate subsidiary	226	—
Deferred tax liabilities		
Property, equipment and intangible assets	(12,783)	(11,391)
Impact of off-calendar year-end of corporate subsidiary	—	(4,614)
Intangible assets	—	(34)
Other	(571)	(395)
Net deferred income tax liability	$ (11,015)	$ (14,406)

Contrans recognizes deferred income tax liabilities and assets where the recovery or settlement of the carrying amount of the liability or asset would result in a deferred income tax outflow or income tax reduction.

Movement in temporary differences during the year

	Balance January 1, 2010	Recognized in profit or loss	Recognized in equity	Acquisitions (Note 7)	Balance December 31, 2010	Recognized in profit or loss	Acquisitions (Note 7)	**Balance December 31, 2011**
Deferred tax assets								
Deductible reserves	$ 929	$ (214)	$ —	$ —	$ 715	$ 4	$ —	**$ 719**
Share issue costs and financing fees	183	182	701	—	1,066	(529)	—	**537**
Impact of off-calendar year-end of corporate subsidiary	—	—	—	—	—	226	—	**226**
Deferred tax liabilities								
Property, equipment and intangible assets	(11,990)	1,208	—	(609)	(11,391)	(175)	(848)	**(12,414)**
Impact of off-calendar year-end of corporate subsidiary	(3,227)	(1,387)	—	—	(4,614)	4,614	—	**—**
Other	—	(182)	—	—	(182)	99	—	**(83)**
Net deferred income tax liability	$ (14,105)	$ (393)	$ 701	$ (609)	$ (14,406)	$ 4,239	$ (848)	**$ (11,015)**

17. Share Capital

Authorized

An unlimited number of Class A shares and 1,467,724 Class B Multiple Voting Shares ("Class B shares").

Issued and fully paid

Shares	Class A shares		Class B shares		Total	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance at January 1, 2010	28,470	$ 127,418	1,468	$ 1,298	29,938	$ 128,716
Shares issued June 2, 2010	5,856	54,206	—	—	5,856	54,206
Balance at December 31, 2010	34,326	$ 181,624	1,468	$ 1,298	35,794	$ 182,922
Shares purchased	(536)	(2,740)	—	—	(536)	(2,740)
Balance at December 31, 2011	**33,790**	**$ 178,884**	**1,468**	**$ 1,298**	**35,258**	**$ 180,182**

Voting, dividend and exchange rights and obligations

The Class A shares are entitled to one vote each. The Class B shares are entitled to ten votes each.

Any dividends that are declared are to be paid equally on a pro rata basis between the two classes of shares.

The holders of Class B shares are entitled to convert any or all of the Class B shares held at any time into Class A shares on the basis of one Class A share for each Class B share held upon written notice to Contrans. The holders of Class B shares are obligated to convert all Class B shares held into Class A shares on the basis of one Class A share for each Class B share held upon the occurrence of certain events or circumstances, including but not limited to:

i) If at any time the aggregate number of Class B shares outstanding is less than 698,351

ii) In the event that an offer, bid or similar process is accepted by holders of 90% or more of the aggregate number of Class A shares and Class B shares at the time then outstanding

iii) In the event that the holder, or any pledgee of the holder, purports to transfer or assign the Class B shares (unless otherwise permitted by the Articles of the Corporation), including any transfer to a pledgee or any person by a pledgee exercising its rights under such pledge

iv) In the event that Contrans' CEO Stan G. Dunford, together with his spouse and any spousal trust of Stan G. Dunford, cease to beneficially own, directly or indirectly, 33% of the aggregate voting rights attached to all Class A shares and Class B shares

v) On July 23, 2022

The Class B shares may be transferred by an individual to a spouse or to a spousal trust, as defined in the Income Tax Act (Canada), but may not otherwise be transferred.

a) Issue of share capital

On June 2, 2010, Contrans issued 5,856,800 Class A shares, for cash, at a price of $9.60 per share. The impact on share capital was as follows:

Gross proceeds	$ 56,225
Costs of issue	(2,720)
Net cash proceeds	53,505
Future tax benefit on costs of issue	701
Increase in share capital	$ 54,206

b) Normal course issuer bid

On November 14, 2011, Contrans received regulatory approval to proceed with a normal course issuer bid to purchase certain of its outstanding Class A shares to a maximum of 2,100,000 shares. The bid commenced on November 14, 2011 and expires on November 13, 2012. Class A shares purchased pursuant to the bid will be cancelled. Pursuant to this normal course issuer bid, 536,000 shares were purchased in the period to December 31, 2011 for cash consideration of $4.0 million. The excess of the consideration paid over the stated value of the shares of $1.3 million has been recorded as a reduction of contributed surplus. In the period from January 1, 2012 to March 5, 2012, Contrans purchased an additional 1,045,000 shares pursuant to this normal course issuer bid at a cost of $9.0 million.

18. Seasonality of Operations

Generally, the second quarter is Contrans' strongest period. Volumes from customers in the construction industry typically increase in the spring, peak in the fall and then decline with the onset of winter. 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.

19. Employee Benefits

As at December 31	2011	2010
Liability for post-employment benefits	**$ 270**	$ —
Cash-settled, share-based payment liability	**880**	281
Total employee benefit liabilities included in other long-term liabilities	**$ 1,150**	$ 281

Contrans has entered into employment contracts with certain of its senior executives. The terms of these contracts oblige Contrans to pay for the continuation of medical benefits and club memberships to which these employees are currently entitled for a period of 10 years following their employment. The terms of these contracts do not require Contrans to fund these obligations as they accumulate. Contrans has accounted for these post-employment benefits as defined benefit plans.

Movement in the present value of the defined benefit obligations for post-employment benefits

	2011	2010
Defined benefit obligations at January 1	$ —	—
Current service costs and interest (see below)	270	—
Defined benefit obligations at December 31	$ 270	—
Expense recognized in profit and loss		
Current service costs	$ 255	—
Interest on obligation	15	—
	$ 270	—

The expense is recognized in general and administration expenses.

Actuarial assumptions

Principal actuarial assumptions at the reporting date are as follows:

	2011	2010
Discount rate at December 31	4.0%	—
Medical cost trend rate	7.0%	—
Average expected remaining service life (years)	7.5	—

Assumed healthcare cost trend rates affect the amounts recognized in profit and loss. A 1% change in assumed healthcare cost trend rates would increase or decrease the aggregate service and interest costs by $26 or $23, respectively.

20. Share-Based Compensation

a) Stock option plan

On April 5, 2011, Contrans established a stock option plan designed to encourage ownership of Contrans by certain directors, officers and employees. Under the terms of the plan, 2,993,739 Class A shares have been reserved for issuance. The maximum number of options that can be granted to insiders cannot exceed 10% of the total number of Class A shares and Class B shares then outstanding. The number of options that can be granted to an individual insider in a one-year period cannot exceed 5% of the total number of Class A shares and Class B shares then outstanding. Upon issuance, 20% of the options vest immediately and the remainder vest at a rate of 20% per year over the next four anniversary dates. In the event of their termination or retirement, participants will have 30 days, or such longer period as decided by the Board, in which to exercise their options. All options outstanding become exercisable in the event of a change in control over Contrans. Contrans' Board of Directors, in their discretion, may require holders to exercise their options within a 30-day period in the event of a sale of Contrans, provided that such a sale is completed within 180 days. In accordance with the plan, options are exercisable at the closing market price of the shares on the day prior to the date of the grant. Any option that is granted but is subsequently cancelled or terminated for any reason prior to its exercise will be returned to the pool and will be available for future share option grants. Stock options are equity-settled.

The grant date fair value of the stock options was measured using the Black-Scholes option pricing model. Expected volatility is estimated by considering historical average share price volatility. The inputs used in determining the fair value of the stock options at the grant date were as follows:

Fair value of stock options and assumptions	
Option grant date	April 5, 2011
Option expiration date	April 4, 2021
Fair value at grant date (weighted average)	$ 1.73
Share price at grant date	$ 8.95
Exercise price	$ 8.95
Expected volatility (weighted average volatility)	30%
Expected forfeiture rate	19%
Option life (expected weighted average life)	6 years
Expected dividend yield	4.47%
Risk-free interest rate (weighted average, based on government bonds)	2.89%

The number and weighted average exercise prices of stock options were as follows:

(In thousands of options)	Weighted average exercise price	Number of options
Outstanding at January 1, 2011	$ —	—
Granted during the period	8.95	1,615
Exercised during the period	—	—
Forfeited during the period	—	—
Outstanding at December 31, 2011	$ 8.95	1,615
Exercisable at December 31, 2011	**$ 8.95**	**323**

The amount charged to share-based compensation expense in the consolidated statements of comprehensive income for the year ended December 31, 2011 was $1.3 million (2010 – $Nil).

b) Restricted share units

Contrans' Board of Directors established a restricted share unit ("RSU") plan in 2010 that will provide cash compensation to certain employees based on Contrans' future earnings and share price. Each RSU has a value equal to one Class A share. Additional RSUs will be issued to reflect dividends declared and paid to Contrans' shareholders over the award period. The award period spans three years from the date of the granting of the award, while cash settlement will occur at the end of the award period. If, however, employment is terminated on account of disability or death, cash settlement will occur at that time and the award will be calculated on a pro rata basis. Awards are forfeited when employment is terminated for cause.

In 2011, total RSUs of 112,000 (2010 – 174,000) were awarded. This resulted in $0.5 million (2010 – $0.3 million) being charged to general and administration costs in the consolidated statements of earnings. A liability of $0.8 million (2010 – $0.3 million) is included in the consolidated statements of financial position as at December 31, 2011.

21. Earnings per Share

There were no dilutive items outstanding at December 31, 2011 or at December 31, 2010.

22. Operating Leases

Non-cancellable operating lease rentals are payable as follows:

As at	December 31, 2011	December 31, 2010	January 1, 2010
Less than 1 year	**$ 4,815**	$ 3,634	$ 7,253
Between 1 and 5 years	**7,745**	3,393	3,281
More than 5 years	**—**	—	—
Total operating lease payables	**$ 12,560**	$ 7,027	$ 10,534

Operating leases paid by Contrans were charged to profit and loss as follows:

For the years ended December 31	2011	2010
Rolling stock charged to direct operating expenses	**$ 6,243**	$ 8,433
Real estate and other charged to general and administration expenses	**539**	516
Total operating lease expenses	**$ 6,782**	$ 8,949

23. Capital Commitments

At December 31, 2011, Contrans had entered into contracts to purchase trucks and trailers for $9.7 million that are expected to be delivered during 2012.

24. Determination of Fair Values

a) Property and equipment

The fair value of property and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. The value of property and equipment was based on a valuation provided by an independent valuer.

b) Intangible assets

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

c) Other financial assets

Management has determined that the carrying amount of its short-term financial assets approximates fair value at the reporting date due to the short-term maturity of these instruments.

d) Derivatives

The fair value of interest rate swaps is based on valuation provided by a third-party broker. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of Contrans and the counterparty, when appropriate.

e) Non-derivative financial liabilities

The fair value of Contrans' loans and borrowings bearing interest at a fixed rate, which is determined for disclosure purposes, is calculated using the present value of future principal and interest payments, discounted at the current market rates of interest available to Contrans for the same or similar debt instruments with the same remaining maturity. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

f) Contingent consideration

Contingent consideration arising in a business combination is calculated at fair value. Fair value is calculated based on the expected payment amounts and their associated probabilities. When appropriate, it is discounted to present value. The amount is recorded in trade and other payables if it is expected to be paid within a year of the balance sheet date and in other long-term liabilities where payment is expected to be made after one year.

g) Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

25. Financial Risk Management

a) Overview

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

- *credit risk*
- *liquidity risk*
- *market risk*
- *operational risk*

This note presents information about Contrans' exposure to each of the above risks, Contrans' objectives, policies and processes for measuring and managing risk and Contrans' management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

b) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of Contrans' risk management framework. The Board has delegated to management the responsibility for monitoring and managing the risks that the Company faces. Management identifies and analyzes operating risks and ensures appropriate action is taken. The Board meets with management on a regular basis to review developments.

c) Credit risk

Credit risk is the risk of financial loss to Contrans if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Contrans' receivables from customers, cash and cash equivalents, short-term investments and note receivable.

(i) Trade and other receivables

Management controls the credit risk from trade and other receivables through having a diverse customer base, by monitoring the aging of its accounts receivable and by carrying out credit checks on new customers. Credit periods given to customers may be reduced where there are deteriorating economic circumstances or where there are concerns with regard to specific industries. In addition, customers can be put on a prepayment basis.

General provisions for doubtful accounts are based upon past experience and specific provisions are made against trade receivables for any customer that is known to be in poor financial condition. All of Contrans' customers are based in the US and Canada.

(ii) Cash and cash equivalents

There is credit risk related to cash and cash equivalents. This risk is minimized by ensuring that these assets are invested in instruments with highly rated financial institutions.

(iii) Short-term investments

The credit risk associated with short-term investments is minimized by ensuring that these assets are invested in instruments with highly rated financial institutions and by limiting exposure to any one counterparty.

(iv) Guarantees

Contrans provides financial guarantees only to wholly owned subsidiaries.

d) Liquidity risk

Liquidity risk is the risk that Contrans will not be able to meet its obligations as they fall due. Contrans has systems in place to ensure that it has sufficient cash or credit lines to meet these obligations. Contrans has a demand operating line of up to $30 million. The amount that can be drawn from this line, however, is limited by a margining formula based on Contrans' accounts receivable. As at December 31, 2011, Contrans had drawn $1.3 million under the operating line through the issue of letters of credit (2010 – $2.2 million) leaving $28.7 million available (2010 – $23.8 million). The use of the operating line is restricted to funding working capital requirements, issuance of letters of credit and funding growth opportunities.

e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect Contrans' income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Contrans buys and sells derivatives to mitigate market risk and volatility in profit and loss.

(i) Currency risk

Currency 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% to 20% (2010 – 15% to 20%) of Contrans' revenue is billed in US dollars and, accordingly, Contrans is subject to currency risk. Management manages this risk through foreign exchange contracts, denominating certain of its equipment debt in US dollars and through customer negotiations. In addition, Contrans sells US dollars which are surplus to its immediate US dollar requirements.

There were no foreign exchange contracts outstanding as at December 31, 2011 or 2010.

(ii) 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. Man-

agement manages this risk through fixed interest rate borrowing. As at December 31, 2011, approximately 98% (2010 – 98%) of Contrans' long-term debt had fixed interest rates.

At December 31, 2011, Contrans had an interest rate swap which converted $5.0 million of floating rate debt into fixed rate debt. This swap and related floating rate debt mature in 2016.

f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with Contrans' processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of Contrans' operations.

Contrans' objective is to manage operational risk so as to balance the avoidance of financial losses and damage to Contrans' reputation with overall cost effectiveness and to avoid control procedures that restrict initiative, responsiveness and entrepreneurialism.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- *requirements for appropriate segregation of duties, including the independent authorization of transactions*
- *requirements for the timely recording of all transactions*
- *compliance with regulatory and other legal requirements*
- *documentation of controls and procedures*
- *requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified*
- *requirements for the reporting of operational losses and proposed remedial action*
- *development of contingency plans*
- *training and professional development*
- *ethical and business standards*
- *risk mitigation arising from vehicle collision and cargo damage*

Compliance with Contrans' standards is monitored through monthly reviews and discussions with senior management within each business unit.

g) Capital management

Contrans' objectives in managing capital are to ensure sufficient liquidity exists to pursue its strategy of growth and to provide returns to its shareholders. Management defines capital as equity and net debt. Net debt is defined as all interest-bearing debt less cash and cash equivalents and short-term investments.

Capital under management

As at December 31	2011	2010
Long-term debt	**$ 102,167**	$ 90,853
Finance lease liabilities	**30,185**	7,601
Cash and cash equivalents	**(25,282)**	(24,442)
Short-term investments	**(45,847)**	(61,318)
Net debt	**61,223**	12,694
Equity	**182,391**	178,228
Total capital	**$ 243,614**	$ 190,922

The Board of Directors approves dividend payments, annual operating plans and business acquisitions.

Contrans' debt covenants are based on cash flow, leverage and asset coverage ratios. If Contrans breaches any of these covenants, Contrans' lenders have remedies including restricting Contrans from paying dividends. Management monitors covenant compliance and the factors affecting their calculation. As at December 31, 2011, Contrans was in compliance with all its covenants.

From time to time, Contrans purchases its own shares on the market. The timing of these purchases depends on market prices and is subject to prior approval from the stock exchange under normal course issuer bid rules.

There were no changes in Contrans' approach to capital management during the year.

Contrans is not subject to externally imposed capital requirements.

26. Financial Instruments

a) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Loans and receivables	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents	**$ 25,282**	$ 24,442	$ 30,193
Short-term investments	**45,847**	61,318	—
Trade and other receivables	**59,083**	48,378	48,909
Restricted cash	**—**	—	7,375
Income tax recoverable	**—**	—	495
Note receivable	**—**	—	88
	$ 130,212	$ 134,138	$ 87,060

The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region was:

	December 31, 2011	December 31, 2010	January 1, 2010
Canada	**$ 118,090**	$ 123,323	$ 79,214
United States	**12,122**	10,815	7,846
Loans and receivables	**$ 130,212**	$ 134,138	$ 87,060

The maximum exposure to credit risk for loans and receivables at the reporting date by type of counterparty was:

	Carrying Amount		
	December 31, 2011	December 31, 2010	January 1, 2010
Banking institutions	**$ 71,129**	$ 85,760	$ 37,568
Transportation customers	**59,083**	48,378	48,909
Other	**—**	—	583
Loans and receivables	**$ 130,212**	$ 134,138	$ 87,060

Contrans' most significant customer receivables at each period end accounted for $4.9 million, $0.8 million and $3.0 million of the carrying amount of receivables due from customers at December 31, 2011, December 31, 2010 and January 1, 2010 respectively.

(ii) ***Impairment losses***

The aging of customer receivables at the reporting date was:

	December 31, 2011			December 31, 2010			January 1, 2010		
	Gross	**Impairment**	**Carrrying value**	Gross	Impairment	Carrying value	Gross	Impairment	Carrying value
Not past due	**$ 42,146**	**$ (213)**	**$ 41,933**	$ 35,798	$ (179)	$ 35,619	$ 35,471	$ (181)	$ 35,290
Past due 0 – 60 days	**17,656**	**(506)**	**17,150**	13,292	(533)	12,759	15,345	(1,292)	14,053
Past due 60 – 90 days	**545**	**(545)**	**—**	534	(534)	—	513	(513)	—
More than 90 days past due	**113**	**(113)**	**—**	816	(816)	—	(434)	—	(434)
Loans and receivables	**$ 60,460**	**$ (1,377)**	**$ 59,083**	$ 50,440	$ (2,062)	$ 48,378	$ 50,895	$ (1,986)	$ 48,909

The movement in the allowance for impairment in respect of customers during the year was as follows:

	2011	2010
Provision as at January 1	**$ 2,062**	$ 1,986
Accounts written off (recovered)	**142**	(338)
Movement in general provision	**(471)**	104
Bad debt expense (recovery)	**(356)**	310
Provision as at December 31, 2011	**$ 1,377**	$ 2,062

Contrans has specifically provided for $1.1 million of accounts receivable that were considered to be impaired as at December 31, 2011 (2010 – $1.3 million). Management considers the financial health of a customer as well as the aging of the account when considering whether an account is impaired. At December 31, 2011, approximately $17.2 million (2010 – $12.8 million) of receivables are overdue but are not considered impaired.

A provision for doubtful accounts of $1.4 million (2010 – $2.1 million) is netted against accounts receivable on the consolidated balance sheets. Bad debt expense is included in general and administration expenses in the consolidated statements of comprehensive income.

Based on historic default rates, management believes that, apart from the above, no additional impairment allowance is necessary in respect of customer receivables not past due or past due by up to 60 days.

The allowance for impairment in respect of loans and receivables is used to record impairment losses unless Contrans is satisfied that no recovery of the amount owing is possible, at which point the amounts are considered irrecoverable and are written off against the financial asset directly.

At December 31, 2011, Contrans had a note receivable of $1.5 million (2010 – $1.5 million) arising from the disposal of a business unit. This note was fully provided for at December 31, 2011 and 2010.

b) Exposure to Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

December 31, 2011	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities						
Trade and other payables	$ 35,199	$ (35,199)	$ (35,199)	$ —	$ —	$ —
Other long-term liabilities	2,269	(2,367)	—	(1,579)	(518)	(270)
Income taxes payable	12,673	(12,673)	(12,673)	—	—	—
Finance lease liabilities (Note 14)	30,185	(33,071)	(8,684)	(8,316)	(13,773)	(2,298)
Senior secured notes payable	86,571	(107,859)	(5,429)	(37,227)	(65,203)	—
Bankers' acceptance	5,000	(5,959)	(195)	(195)	(5,569)	—
Equipment financing agreements (Note 15)	8,701	(9,615)	(2,696)	(2,710)	(4,184)	(25)
Other unsecured loans	1,895	(1,895)	(1,895)	—	—	—
Derivative financial liabilities						
Interest rate swaps	80	(80)	(80)	—	—	—
	$ 182,573	$ (208,718)	$ (66,851)	$ (50,027)	$ (89,247)	$ (2,593)

It is not expected that the cash flows included in the maturity analysis will occur significantly earlier or at materially different amounts.

December 31, 2010	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities						
Trade and other payables	$ 31,548	$ (31,548)	$ (31,548)	$ —	$ —	$ —
Other long-term liabilities	686	(732)	—	(150)	(582)	—
Income taxes payable	6,556	(6,556)	(6,556)	—	—	—
Finance lease liabilities (Note 14)	7,601	(8,634)	(2,454)	(4,100)	(2,080)	—
Senior secured notes payable	81,521	(106,555)	(5,134)	(5,134)	(43,440)	(52,847)
Equipment financing agreements (Note 15)	7,200	(8,379)	(2,016)	(3,575)	(2,716)	(72)
Other unsecured loans	2,132	(2,132)	(2,132)	—	—	—
	$ 137,244	$ (164,536)	$ (49,840)	$ (12,959)	$ (48,818)	$ (52,919)

c) Exposure to currency risk

Contrans' exposure to foreign currency risk from its assets and liabilities denominated in US dollars was as follows based on notional amounts:

(All amounts shown in $CAD)	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents	**$ 2,677**	$ 1,402	$ 1,330
Trade and other receivables	**8,493**	7,600	4,955
Trade and other payables	**(1,547)**	(1,262)	(1,200)
Finance lease liabilities	**(10,595)**	(519)	(773)
Long-term debt	**(1,601)**	(2,051)	—
Income taxes payable	**151**	(87)	275
Financial position exposure	**(2,422)**	5,083	4,587
Next month forecast sales	**6,200**	5,900	4,600
Next month forecast purchases	**(3,900)**	(3,400)	(2,900)
Gross exposure	**2,300**	2,500	1,700
Net exposure	**$ (122)**	$ 7,583	$ 6,287

Sensitivity analysis

A strengthening of the Canadian dollar against the US dollar at December 31 would have increased (decreased) equity and profit and loss by $0.1 million in 2011 (2010 – $0.1 million). This assessment is based on foreign currency exchange rate variances that Contrans considers to have been reasonably possible at the end of the reporting period and assumes that all other variables remain constant. A weakening of the Canadian dollar against the above currency at December 31 would have had the equal but opposite effect.

d) Interest rate risk

(i) Profile

At the reporting date the interest rate profile of Contrans' interest-bearing financial instruments was as follows:

	2011	2010
Fixed rate instruments		
Financial assets	**$ 45,847**	$ 61,318
Financial liabilities	**(130,457)**	(96,323)
	$ (84,610)	$ (35,005)
Variable rate instruments		
Financial assets	**$ 25,282**	$ 24,442
Financial liabilities	**(1,895)**	(2,131)
	$ 23,387	$ 22,311

(ii) Fair value sensitivity analysis for fixed rate instruments

Contrans does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Contrans does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Accordingly, a change in interest rates at the reporting date would not affect profit and loss.

A change of one percent in interest rates would have increased or decreased equity by $0.2 million (2010 – $0.2 million).

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of one percent in interest rates at the reporting date would have impacted the annual interest payable on floating rate debt and interest receivable on cash and cash equivalents and increased (decreased) equity and profit and loss for the year by $0.2 million (2010 – $0.2 million). This analysis assumes that all other variables remain constant.

(iv) Fair values versus carrying amounts

The market values of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	December 31, 2011		December 31, 2010	
	Carrying amount	Market value	Carrying amount	Market value
Assets carried at amortized cost				
Cash and cash equivalents	$ 25,282	$ 25,282	$ 24,442	$ 24,442
Short-term investments	45,847	45,847	61,318	61,318
Trade and other receivables	59,083	59,083	48,378	48,378
	$ 130,212	$ 130,212	$ 134,138	$ 134,138
Liabilities carried at fair value				
Contingent consideration	$ 1,655	$ 1,655	$ 529	$ 529
Interest rate swap	80	80	—	—
	$ 1,735	$ 1,735	$ 529	$ 529
Liabilities carried at amortized cost				
Trade and other payables	$ 34,663	$ 34,663	$ 31,424	$ 31,424
Other long-term liabilities	1,150	1,150	281	281
Income taxes payable	12,673	12,673	6,556	6,556
Finance lease liabilities (Note 14)	30,185	30,395	7,601	7,263
Senior secured notes payable	86,571	98,624	81,521	86,336
Bankers' acceptance	5,000	5,000	—	—
Equipment financing agreements (Note 15)	8,701	8,767	7,200	7,128
Other unsecured loans	1,895	1,895	2,132	2,132
	$ 180,838	$ 193,167	$ 136,715	$ 141,120

The basis of determining fair values is disclosed in note 25.

(v) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2011	2010
Finance lease liabilities	3.8%	5.4%
Senior secured notes payable	4.1%–4.4%	5.1%–5.8%
Bankers' acceptances	3.9%	—
Equipment financing agreements	3.8%	5.4%

(vi) Fair value hierarchy

The following table analyzes financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

December 31, 2011	Level 1	Level 2	Level 3	Total
Trade and other payables	$ —	$ —	$ 528	$ 528
Trade and other payables	—	80	—	80
Other long-term liabilities	—	—	1,127	1,127
	$ —	$ 80	$ 1,655	$ 1,735

December 31, 2010	Level 1	Level 2	Level 3	Total
Trade and other payables	$ —	$ —	$ 118	$ 118
Other long-term liabilities	—	—	411	411
	$ —	$ —	$ 529	$ 529

(vii) Fair value hierarchy – Level 3

	Contingent consideration
Balance at January 1, 2011	$ 529
Arising from business combinations	1,239
Payments made	(118)
Fair value adjustment recognized in profit and loss	5
Balance at December 31, 2011	$ 1,655

27. Contingencies

a) Letters of credit

In the ordinary course of business, Contrans had issued letters of credit amounting to $1.3 million at December 31, 2011 (2010 – $2.2 million). These letters of credit expire at various dates from January 2012 to October 2012.

b) Claims

There are claims pending against Contrans arising from collisions or cargo damage. In management's assessment, these claims are provided for adequately and any variation between the provision and the settlement amounts are not expected to have a material impact on Contrans' financial position or results from operations.

28. Related Party Transactions

a) Transactions with key management personnel

(i) Key management personnel compensation

In addition to their salaries, Contrans also provides non-cash benefits to executive officers. Executive officers also participate in Contrans' share-based compensation plan (see note 20).

Certain executive officers are entitled to termination benefits of 24 to 36 months of salary and benefits.

Key management personnel compensation comprised:

For the years ended December 31	2011	2010
Short-term employee benefits	**$ 5,880**	$ 5,225
Post-employment benefits	**270**	—
Share-based payments	**1,240**	281
	$ 7,390	$ 5,506

Total remuneration is included in general and administration expenses.

(ii) Key management personnel and director transactions

Directors and officers of Contrans control 40.3% of the voting shares of Contrans.

b) Other related party transactions

(i) Contrans had business transactions with and had balances owing to and from Peterbilt of Ontario Inc., a company controlled by the Chairman of Contrans, as follows:

As at	December 31, 2011	December 31, 2010	January 1, 2010
Accounts payable	**$ 350**	$ 430	$ 395
Accounts receivable	**8**	8	4

For the years ended December 31	2011	2010
Repairs, maintenance, purchases and leases	$ 14,440	$ 13,026
Rental income	206	195

(ii) Contrans provided truck transportation services to Brick Brewing Co. Limited and had balances owing from Brick Brewing Co. Limited, a company in which the Chairman of Contrans has a financial interest, as follows:

As at	December 31, 2011	December 31, 2010	January 1, 2010
Accounts receivable	**$ 35**	$ 53	$ 27

For the years ended December 31	2011	2010
Total revenue	**$ 358**	$ 333

These transactions were carried out in the normal course of business and recorded at exchange amounts, which approximate an arm's length arrangement. These amounts include assets acquired under equipment financing agreements. All outstanding balances with these related parties are settled in cash within normal credit terms. None of the balances are secured.

29. Contrans' Group Entities

Subsidiary	Country of incorporation	Ownership interest December 31, 2011	Ownership interest December 31, 2010	Ownership interest January 1, 2010
Brookville Carriers Flatbed LP	Canada	**100%**	100%	100%
Contrans Corp	Canada	**100%**	100%	100%
Contrans Flatbed Group LP	Canada	**100%**	100%	100%
Contrans Holding LP	Canada	**100%**	100%	100%
Contrans Services LP	Canada	**100%**	100%	100%
Cornerstone Logistics LP	Canada	**100%**	100%	100%
ECL Carriers LP	Canada	**100%**	100%	100%
Glen Tay Transportation LP	Canada	**100%**	100%	100%
Laidlaw Carriers Bulk LP	Canada	**100%**	100%	100%
Laidlaw Carriers Tank LP	Canada	**100%**	100%	100%
Laidlaw Carriers Van LP	Canada	**100%**	100%	100%
Tri-Line Carriers LP	Canada	**100%**	100%	100%
Tripar Transportation LP	Canada	**100%**	100%	100%
Tri-Line Disposal Inc.	Canada	**100%**	100%	—
9213-2901 Quebec Inc.	Canada	**100%**	—	—

30. Subsequent Events

a) Business acquisitions 2012

	Note	Archer [i]	Note	McKinnon [ii]	Total
Other current assets	(i) a	$ 1	(ii) a	$ 20	$ 21
Property and equipment	(i) b	5,686		—	5,686
Intangible assets					
Customer relationships	(i) c	660	(ii) b	410	1,070
Non-competition agreements	(i) c	1,150	(ii) b	120	1,270
Goodwill	(i) c	5,565	(ii) b	2,673	8,238
Fair value of assets acquired		13,062		3,223	16,285
Accounts payable and accrued liabilities	(i) a	1	(ii) a	189	190
Future tax	(i) d	1,470	(ii) c	34	1,504
Debt assumed	(i) e	2,400		—	2,400
Fair value of liabilities assumed		3,871		223	4,094
		$ 9,191		$ 3,000	$ 12,191
Consideration					
Cash		$ 9,191		$ 3,000	$ 12,191

(i) On January 4, 2012, Contrans acquired all the outstanding shares of 564661 Ontario Inc. ("Archer"), a tank truck operation based in Norwood, Ontario. This tank operation was acquired to expand Contrans' tank service offering in Southern and Eastern Ontario. Management expects that this acquisition will give Contrans greater market share and that Contrans will realize synergies through improved utilization of its existing tank equipment as well as that of the acquired assets. The purchase price is subject to adjustments pending the finalization of the closing financial statements.

a. Any deficit or surplus in the final working capital accounts will result in an adjustment to the amount of consideration payable to the vendors.

b. The fair values assigned to property and equipment may change once final valuations are received.

c. The vendors have entered into a seven year non-competition agreement with Contrans. In addition, Contrans acquired certain customers as part of the acquisition. The final allocation of the purchase price among customer relationships, non-competition agreements and goodwill will be made once their fair values have been determined.

d. The deferred tax asset or liability, which is calculated on the difference in the value of the acquired assets and their tax value, will be finalized when fair values of the acquisition have been determined.

e. Contrans assumed loans of $0.3 million, which were settled after acquisition, and equipment financing debt of approximately $2.1 million.

f. Contrans has incurred nominal costs in relation to this acquisition. These costs have been charged to G&A expenses in 2011.

g. Intangible assets are not allowable as a deduction for income tax purposes.

h. Management expects annual revenue from Archer to range between $10 million and $13 million and that the profit margins on this acquisition will be similar to those generated by Contrans' existing businesses.

(ii) *On January 16, 2012, Contrans acquired certain of the van assets of MacKinnon Transport Inc. ("MacKinnon"), a trucking operation based in Guelph, Ontario. This acquisition was made to expand Contrans' van service offering in Southern and Northern Ontario. MacKinnon has been combined with Contrans' existing van operations located in Aberfoyle, Ontario. The accounting for this acquisition will be finalized once the fair values of the intangible assets have been determined.*

a. *Contrans acquired certain customers as part of the acquisition. The final allocation of the purchase price among customer relationships, non-competition agreements and goodwill will be made once their fair values have been determined. Part of the intangible value is attributable to the company drivers and owner-operators who were integral to the transaction.*
b. *The future tax asset or liability which is calculated on the difference in the value of the acquired assets and their tax value will be finalized when fair values of the acquisition have been determined.*
c. *Contrans assumed operating leases, on a month-to-month basis, for 38 tractors and 177 trailers.*
d. *Contrans incurred nominal costs in relation to this acquisition. These costs have been charged to G&A expenses in 2011.*
e. *For income tax purposes 75% of the intangible assets are deductible.*
f. *Management expects annual revenue from MacKinnon to range between $8 million and $12 million and that the profit margins on this acquisition will be similar to those generated by Contrans' existing businesses.*

b) Dividends

On January 18, 2012, Contrans announced a dividend of $0.10 per share. As a result, approximately $3.4 million was paid on February 15, 2012 to shareholders of record as at January 31, 2012.

c) Purchase of shares

Under its normal course issuer bid, Contrans purchased 1,045,000 shares between January 1, 2012 and March 5, 2012, at a cost of $9.0 million. Of this amount, $5.3 million has been charged to share capital and $3.7 million to retained earnings and contributed surplus.

31. Explanation of Transition to IFRS

As stated in note 2, these are Contrans' first consolidated financial statements prepared in accordance with IFRS. The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (Contrans' date of transition).

In preparing its opening IFRS statement of financial position, Contrans has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected Contrans' financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The impact of the transition from CGAAP to IFRS is set out in the following tables and notes.

Consolidated Statements of Financial Position – Effect of Transition to IFRS

As at	January 1, 2010			December 31, 2010		
	CGAAP	Effect of transition to IFRS (1)	IFRS	CGAAP (2)	Effect of transition to IFRS (1)	IFRS
Assets						
Current Assets						
Cash and cash equivalents	$ 30,193	$ —	$ 30,193	$ 24,442	$ —	$ 24,442
Short-term investments	—	—	—	61,318	—	61,318
Trade and other receivables	48,909	—	48,909	48,378	—	48,378
Income tax receivable	495	—	495	—	—	—
Other current assets	5,089	—	5,089	5,446	—	5,446
Total Current Assets	84,686	—	84,686	139,584	—	139,584
Non-Current Assets						
Restricted cash	7,375	—	7,375	—	—	—
Note receivable	88	—	88	—	—	—
Property and equipment	104,381	(1,196)	103,185	117,440	(1,187)	116,253
Intangible assets	78,899	(13,879)	65,020	87,246	(13,205)	74,041
Total Non-Current Assets	190,743	(15,075)	175,668	204,686	(14,392)	190,294
Total Assets	$ 275,429	$ (15,075)	$ 260,354	$ 344,270	$ (14,392)	$ 329,878
Liabilities						
Current Liabilities						
Trade and other payables	$ 32,057	$ 792	$ 32,849	$ 30,382	$ 1,166	$ 31,548
Distributions payable	4,491	—	4,491	—	—	—
Income taxes payable	—	—	—	6,556	—	6,556
Finance lease liabilities	1,921	—	1,921	2,049	—	2,049
Long-term debt	339	—	339	1,632	—	1,632
Total Current Liabilities	38,808	792	39,600	40,619	1,166	41,785
Non-Current Liabilities						
Finance lease liabilities	6,978	—	6,978	5,552	—	5,552
Long-term debt	85,193	—	85,193	89,221	—	89,221
Asset retirement obligations	720	(720)	—	637	(637)	—
Other long-term liabilities	—	—	—	686	—	686
Deferred tax liabilities	14,531	(426)	14,105	14,629	(223)	14,406
Total Non-Current Liabilities	107,422	(1,146)	106,276	110,725	(860)	109,865
Total Liabilities	146,230	(354)	145,876	151,344	306	151,650
Equity						
Share capital	128,716	—	128,716	182,922	—	182,922
Contributed surplus	961	—	961	961	—	961
Retained earnings (deficit)	(478)	(14,721)	(15,199)	9,043	(14,698)	(5,655)
Total Equity	129,199	(14,721)	114,478	192,926	(14,698)	178,228
Total Liabilities and Equity	$ 275,429	$ (15,075)	$ 260,354	$ 344,270	$ (14,392)	$ 329,878

(1) See "Table 1: Summary of IFRS Transition Adjustments" below.

(2) Certain of the CGAAP balances have been reclassified to conform to IFRS presentation.

Consolidated Statements of Comprehensive Income – Effect of Transition to IFRS

	CGAAP	For the year ended December 31, 2010 Effect of transition to IFRS [1]	IFRS
Revenue			
Transportation services	$ 358,530	$ —	$ 358,530
Fuel surcharges	37,747	—	37,747
	396,277	—	396,277
Direct operating expenses	—	326,323	326,323
Gross margin	—	—	69,954
Operating expenses	313,493	(313,493)	—
General and administration expenses	35,884	3,886	39,770
	46,900	(16,716)	—
Foreign exchange loss	114	(114)	—
Depreciation	12,847	(12,847)	—
Amortization of intangible assets	4,012	(4,012)	—
Earnings from Operations Before Financing Costs and Income Taxes	29,927	257	—
Finance cost	6,011	31	6,042
Finance income	(689)	—	(689)
Net Financing Costs	5,322	31	—
Earnings Before Income Taxes	24,605	226	24,831
Income tax expense			
Income tax expense	—	7,165	7,165
Current	6,772	(6,772)	—
Deferred	190	(190)	—
	6,962	203	—
Net Earnings and Comprehensive Income	$ 17,643	$ 23	$ 17,666
Earnings per share – basic and diluted	$ 0.53	$ 0.00	$ 0.53
Weighted average number of shares outstanding – basic and diluted	33,339	33,339	33,339

(1) See "Table 1: Summary of IFRS Transition Adjustments" below.

Table 1 *Summary of IFRS Transition Adjustments*		*Statement of financial position As at*		*Profit/Loss for the year ended*
		Increase in asset/Decrease in liability (Decrease in asset)/(Increase in liability)		*Decrease expense (Increase expense)*
Note	*Accounts*	*January 1, 2010*	*December 1, 2010*	*December 31, 2010*
A i)	*Land impairment*	*$ (343)*	*$ (343)*	*$ —*
B i)	*Land valuation*	*(572)*	*(572)*	*—*
B i)	*Building valuation*	*(281)*	*(272)*	*9*
		(1,196)	*(1,187)*	*9*
A i)	*Goodwill*	*(12,709)*	*(12,709)*	*—*
A i)	*Other intangible assets*	*(1,233)*	*(967)*	*266*
A ii)	*Truboy goodwill – earn-out liability*	*—*	*501*	*—*
A iii)	*Truboy goodwill – acquisition costs*	*—*	*(18)*	*—*
A iii)	*Truboy acquisition costs*	*—*	*—*	*(18)*
A ii)	*Narum reversal of goodwill*	*—*	*(75)*	*—*
A ii)	*Narum goodwill*	*63*	*63*	*—*
		(13,879)	*(13,205)*	*248*
A ii)	*Narum contingent consideration*	*(72)*	*(75)*	*(3)*
A ii)	*Narum settlement of earn-out liability*	*—*	*75*	*—*
A ii)	*Truboy contingent consideration*	*—*	*(529)*	*(28)*
B ii)	*Asset retirement obligation*	*(720)*	*(637)*	*—*
		(792)	*(1,166)*	*(31)*
B ii)	*Asset retirement obligation*	*720*	*637*	*—*
C	*Deferred tax*	*426*	*223*	*(203)*
		$ (14,721)	*$ (14,698)*	*$ 23*

Notes to the reconciliation of equity and earnings

a) Mandatory adjustments arising from the implementation of IFRS reporting

(i) CGU impairment

Upon transition to IFRS, Contrans was required to assess its CGUs for impairment as at January 1, 2010. Contrans' CGUs are identified as each of Contrans Group Inc.'s subsidiaries. Under CGAAP, goodwill impairment was tested at the reporting unit (service line) level.

The impairment test was performed by comparing the carrying value and the recoverable amount of each CGU. Under IFRS, the recoverable amount is the higher of the CGU's fair value less costs to sell and value-in-use. Fair value is calculated by applying a multiple to management's best estimate of sustainable earnings. Management applied multiples of between 7.1 and 10.1, obtained from an independent investment analyst, to calculate the recoverable amounts in the impairment test. Management used a four-year weighted average of historical annual earnings (before interest, income tax, depreciation and amortization of intangible assets, reduced by a corporate overhead allocation) to estimate sustainable earnings. An estimate of costs to sell was then deducted from the calculated fair value to arrive at fair value less costs to sell. The value-in-use of each CGU was determined by considering the future expected cash flow over the next four years, expected growth rates and an estimated terminal value discounted at a risk-adjusted rate. Future expected cash flows were based on historical performance, known trends and anticipated capital expenditures. Growth rates were assumed to be 2% and a discount rate of 14% was applied.

Four CGUs were found to be impaired by a combined total of $14.3 million. This amount was charged to the opening retained deficit and corresponding reductions were made to the carrying amounts of goodwill, other intangible assets and land. As a result of the impairment charge, intangible asset amortization was reduced by $0.3 million for the year ended December 31, 2010.

Two of the CGUs that were found to be impaired, Tripar Transportation LP and Tri-Line Carriers LP, each make up a significant portion of the carrying value of Contrans' remaining intangibles. The carrying amount of their goodwill and intangibles as at January 1, 2010 are summarized as follows:

	Tri-Line	Tripar
Goodwill	$ 2,943	$ 21,991
Other intangible assets	468	5,479
Basis on which the CGU's recoverable amount has been determined	Value-in-use	Fair value less costs to sell

(ii) Contingent consideration on acquisitions

Contingent consideration for Narum, a business acquired in 2007, was outstanding as at the transition date. The fair value of this contingent consideration was $63,000 as at January 1, 2010 and was recorded as an increase to goodwill and trade and other payables upon transition to IFRS. The fair value was increased by $3,000 for the year ended December 31, 2010. Goodwill of $75,000, which was recorded under CGAAP, was reversed on the implementation of IFRS.

The fair value of contingent consideration outstanding in respect of the acquisition of Truboy was $0.5 million as at December 31, 2010. This amount was recorded as an increase to goodwill and as trade and other payables or other long-term liabilities as appropriate. The fair value was increased by $28,000 for the year ended December 31, 2010 and was charged to income as a finance cost.

(iii) Acquisition costs

Under IFRS 3, an amount of $18,000 relating to acquisition costs of Truboy was charged to general and administration expenses for the year ended December 31, 2010 and reduced goodwill as previously reported under CGAAP as at December 31, 2010.

(iv) ***Reclassification of CGAAP balances***

Contrans has chosen to classify its expenses according to their function. Accordingly, operating expenses presented under CGAAP have been reclassified to direct operating expenses. Depreciation has been reclassified partially into direct operating expenses and partially into general and administration expenses depending on the nature of the property and equipment. Amortization of intangible assets and foreign exchange loss have been reclassified into general and administration expenses. Current and deferred income tax expenses have been reclassified into income tax expense.

b) Optional adjustments arising from IFRS 1 on the implementation of IFRS reporting

(i) ***Property valuations***

Under IFRS 1, Contrans elected to revalue certain of its land and buildings at January 1, 2010 and has treated the revalued amounts as deemed cost as at that date. The impact on Contrans of the revaluations was a net decrease in land and building values of $0.5 million and $0.3 million respectively with a corresponding increase in the opening retained deficit. Depreciation expense, recorded under direct operating expenses, for the year ended December 31, 2010 was reduced by $9,000.

(ii) ***Reclassifications on transition to IFRS***

Asset retirement obligations are considered to be provisions under IFRS and have been included in trade and other payables accordingly. In addition, interest paid and income taxes paid have been moved into the body of the consolidated statements of cash flow as part of operating activities, whereas they were previously disclosed as supplementary information under CGAAP.

c) The above adjustments decreased the deferred tax liability as follows:

As at	January 1, 2010	December 31, 2010
Deductible reserves	$ 220	$ 148
Property and equipment	(59)	(100)
Intangible assets	265	175
Decrease in deferred tax liability	$ 426	$ 223

	Year ended December 31, 2010
Increase in tax expense for the period	$ 203

d) The effects of the above adjustments on equity were as follows:

	Note	January 1, 2010	December 31, 2010
Goodwill	A i)	$ 12,709	$ 12,709
Acquisition costs	A iii)	—	18
Intangible assets	A i), A iii)	1,233	967
Change in fair value of contingent consideration	A ii)	9	40
Property and equipment	A i), B i)	1,196	1,187
Deferred tax liability	C	(426)	(223)
Total increase in opening deficit		14,721	14,698
Equity per CGAAP		129,199	192,926
Equity per IFRS		$ 114,478	$ 178,228

(Unaudited)	2011	2010	2009	2008	2007
Return on equity (1) (2)	**11.4%**	12.1%	17.8%	22.9%	19.7%
Operating ratio (2) (3)	**90.7%**	91.6%	91.9%	91.2%	90.8%
Total liabilities to equity (2) (4)	**1.1**	0.9	1.1	1.1	1.1
Earnings before income taxes (5)	**$ 29,789**	$ 24,831	$ 22,202	$ 30,302	$ 34,251
Tangible book value per share (2) (6)	**$ 3.06**	$ 2.91	$ 1.68	$ 1.54	$ 1.54
Earnings per share – basic (7)	**$ 0.57**	$ 0.53	$ 0.77	$ 1.01	$ 0.91
Price-earnings ratio (2) (8)	**14.0**	16.9	9.1	5.8	10.4
Weighted average number of shares outstanding (5)	**35,759**	33,339	29,897	29,122	28,826

(1) Return on equity was calculated by dividing net income by average shareholders' equity.

(2) See "Use of non-GAAP Financial Measures" in Management's Discussion and Analysis.

(3) Operating ratio was calculated by dividing total expenses before interest and taxes by revenue from transportation services.

(4) Total liabilities to equity was calculated by dividing total liabilities by shareholders' equity.

(5) Thousands.

(6) Tangible book value per share was calculated by dividing tangible shareholders' equity by the number of shares outstanding at year-end.

(7) Earnings per share – basic was calculated by dividing net income by the weighted average number of shares outstanding during the year.

(8) Price-earnings ratio was calculated by dividing year-end closing price by earnings per share.

Directors

Stan G. Dunford
Chairman of the Board and CEO
Contrans Group Inc.

Robert B. Burgess, Q.C.
Barrister and Solicitor

Archie M. Leach
President and CEO
Carroll Hospital Group

G. Ross Amos
President
Everest Canadian Investments Ltd.

Gregory W. Rumble
President and COO
Contrans Group Inc.

Officers

Stan G. Dunford
Chairman of the Board and CEO

Gregory W. Rumble
President and COO

James S. Clark
Vice-President, Finance and CFO

W. Todd Jenereaux
Vice-President,
Corporate Development

D. Jamieson Miller
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Norman McDonough
Vice-President,
Risk and Compliance

David W. Golton
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Laban B. Herr
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Stock Exchange Listing

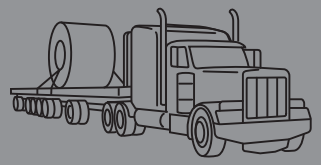
Toronto Stock Exchange
Symbol: CSS

Transfer Agent and Registrar

Computershare Trust Company
of Canada
100 University Avenue
Toronto, Ontario
M5J 2Y1

Annual Meeting

TSX Broadcast and
Conference Centre
The Exchange Tower
130 King Street West
Toronto, Ontario
Monday, May 14, 2012
at 4:30 p.m.



Annual Information Form

A copy of the Annual Information
Form is available at
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