CONTRANS

VAN

FLATBED

WASTE

TANK/LIQUID

DUMP

ANNUAL REPORT 2013

TERMINAL LOCATIONS

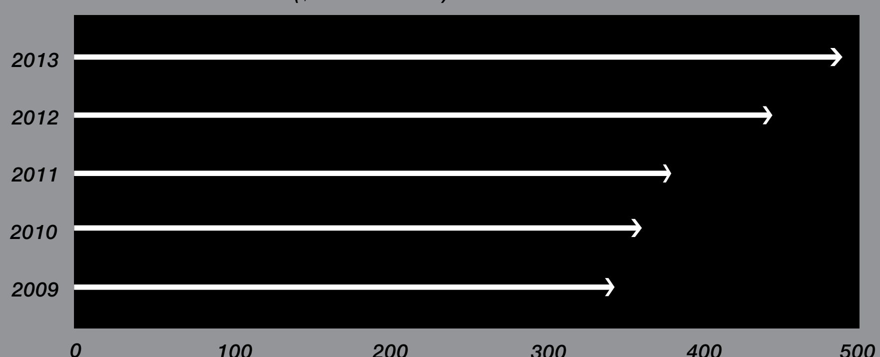
($CAD thousands)	2013	2012	2011	2010	2009[1]
Revenue – total	**$ 572,331**	$ 522,220	$ 438,763	$ 396,277	$ 373,587
– fuel surcharges	**(83,606)**	(77,776)	(60,747)	(37,747)	(30,443)
Revenue – services	**488,725**	444,444	378,016	358,530	343,144
Earnings before interest, income taxes, depreciation and amortization ("EBITDA") (2)	**79,696**	73,233	56,514	46,768	43,700
	16.3%	16.5%	15.0%	13.0%	12.7%
Depreciation of property and equipment	**27,088**	22,603	17,132	12,838	12,045
Amortization of intangible assets	**4,750**	4,185	4,038	3,746	3,770
Earnings before interest and taxes	**47,858**	46,445	35,344	30,184	27,885
Net interest expense	**7,231**	6,879	5,555	5,353	5,683
Earnings before income taxes	**$ 40,627**	$ 39,566	$ 29,789	$ 24,831	$ 22,202
	8.3%	8.9%	7.9%	6.9%	6.5%

(1) Amounts reported using Canadian GAAP in effect prior to the adoption of IFRS.

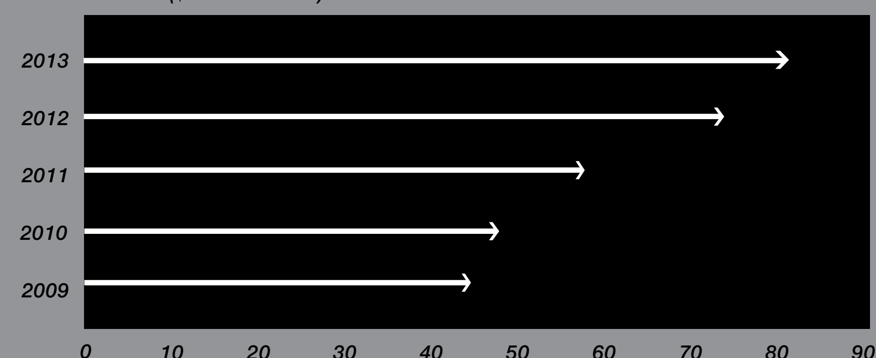
(2) Refer to the cautionary note "Use of non-GAAP Financial Measures" contained in Management's Discussion and Analysis.

2013 was the second year in a row in which new Company financial records were established

REVENUE – Services ($CAD millions)



EBITDA ($CAD millions)



Contrans has been built on principles designed to sustain the Company's health through economic downturns

Contrans had an excellent year in 2013, the second year in a row in which new Company financial records were established. This achievement featured healthy organic growth powered by several major awards of new business. The Company's performance would have been even better were it not for a series of challenging situations that reduced shipments of freight from some of our top customers. Lower commodity prices adversely affected business activity in the resource sector. In Quebec, the Charbonneau Commission inquiry into corruption in that province and a general construction strike hindered shipments of construction materials. Construction season throughout Canada had a late start in 2013 due to a prolonged winter that was followed by an unusually wet spring. In Ontario, a labour dispute at a major customer disrupted their freight shipments. The professionalism with which Contrans' managers responded to this set of challenges resulted in substantial revenue growth for the Company in 2013. Their efforts should be applauded.

The Board of Directors believes that Contrans' shareholders deserve to participate in the Company's continued success by receiving dividend increases. Accordingly, after considering the Company's outstanding 2013 financial performance and its prospects for 2014, Contrans' Board of Directors recently concluded that increasing the rate of annual dividends from $0.50 per share to $0.60 per share would be appropriate. This would be nearly double the annual dividend rate of $0.32 per share that the Company paid to its shareholders in 2010.

Contrans has been resilient through economic downturns due in part to the fact that the Company has not been heavily burdened with debt. Approximately $30 million of Contrans' term debt matured in December 2013 and was repaid. This payment was a particularly satisfying achievement for management as it reflected the Company's operating successes and its financial strength. Entering 2014, Contrans' balance sheet is very strong and the Company is well-positioned for continued growth.

Contrans has continued to invest in trucks and trailers. Contrans' fleet of equipment is considered to be the most modern and efficient in the industry providing Contrans with a meaningful advantage over its competitors. An efficient fleet optimizes hauling capacity which, in turn, greatly enhances customer service. A modern fleet is more attractive and reliable than an older fleet making Contrans far more appealing to both owner-operators and to company drivers.

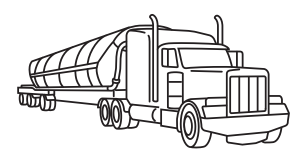
Contrans has been built on principles designed to sustain the Company's health through economic downturns. Maintaining a conservative capital structure is fundamental to this objective. Contrans utilizes a variable cost structure that permits management to react swiftly to reduced business activity. Unlike a less-than-truckload carrier, Contrans does not have the burden of costs arising from maintaining a large network of terminals, cross-docking facilities and a fleet of local pick-up and delivery vehicles regardless of the amount of revenue being generated. Another important factor that has insulated Contrans against the effects of economic downturns is the quality and diversity of its customer base. The Company has earned the trust and respect of its customers by providing high levels of service and by providing a full range of the most modern and efficient equipment in the industry. Furthermore, Contrans has successfully grown in several niche markets where shippers are as sensitive to service as they are to price. These factors enabled Contrans to continue to grow both in size and in diversity in 2013. These strategies have enabled the Company to maintain its margins of profit in good times and in bad times with, quite remarkably, little variation. Contrans' track record speaks for itself. Our business model works.

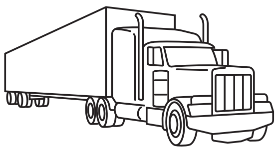
Contrans would not be what it is today without the contributions of its management team. The Company's long record of profitable growth, highlighted by consecutive record-setting years in 2012 and 2013, is testimony to their efforts. This, however, is not a group that has ever rested upon its laurels. Year after year, management has raised the standard of excellence that it sets for itself. Contrans' management is an inspired, experienced, high-performing team that is dedicated to adding long-term value for the Company and its shareholders.

Respectfully submitted,

Stan G. Dunford
Chairman and Chief Executive Officer

February 26, 2014





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 share and per share amounts)

	2013		2012		2011	
Revenue – total	**$ 572.3**		$ 522.2		$ 438.8	
– fuel surcharges	**(83.6)**		(77.8)		(60.7)	
Revenue – services	**488.7**	**100.0%**	444.4	100.0%	378.1	100.0%
Direct operating expenses – net of fuel surcharges (1)	**392.7**	**80.4**	351.5	79.1	300.0	79.3
Gross margin	**96.0**	**19.6**	92.9	20.9	78.1	20.7
General and administration expenses	**49.0**	**10.0**	47.6	10.7	43.7	11.6
Gain on sale of equipment	**(0.8)**	**(0.2)**	(1.2)	(0.3)	(1.0)	(0.3)
Net financing costs	**7.2**	**1.5**	6.9	1.6	5.6	1.5
Earnings before income taxes	**40.6**	**8.3**	39.6	8.9	29.8	7.9
Income tax expense	**11.2**	**2.3**	11.3	2.5	9.3	2.5
Net earnings and comprehensive income	**$ 29.4**	**6.0%**	$ 28.3	6.4%	$ 20.5	5.4%
Earnings per share – Basic	**$ 0.87**		$ 0.83		$ 0.57	
– Diluted	**$ 0.86**		$ 0.83		$ 0.57	
Weighted average shares outstanding (000s) – Basic	**33,799**		33,894		35,759	
– Diluted	**34,130**		33,925		35,759	
Total assets	**$ 389.7**		$ 384.0		$ 376.0	
Long-term debt and finance lease obligations	**109.6**		131.2		132.4	
Dividends declared per share	**0.48**		0.40		0.38	
Depreciation	**27.1**		22.6		17.1	
Amortization of intangibles	**$ 4.8**		$ 4.2		$ 4.0	

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

Contrans has maintained its margins of profit in good times and in bad times with remarkably little variation

Fourth Quarter Results

($CAD millions except per share amounts)

For the quarters ended December 31	**2013**		2012	
Revenue – total	**$ 148.3**		$ 134.0	
– fuel surcharges	**(20.8)**		(19.8)	
Revenue – services	**127.5**	**100.0%**	114.2	100.0%
Direct operating expenses – net of fuel surcharges (1)	**104.2**	**81.7**	91.0	79.7
Gross margin	**23.3**	**18.3**	23.2	20.3
General and administration expenses	**12.0**	**9.4**	11.8	10.3
Gain on sale of equipment	**(0.2)**	**(0.2)**	(0.4)	(0.4)
Net financing costs	**1.8**	**1.4**	1.7	1.5
Earnings before income taxes	**9.7**	**7.7**	10.1	8.9
Income tax expense	**2.6**	**2.1**	2.5	2.2
Net earnings and comprehensive income	**$ 7.1**	**5.6%**	$ 7.6	6.7%
Earnings per share – basic and diluted	**$ 0.21**		$ 0.23	

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

Results from Operations – Consolidated

Revenue

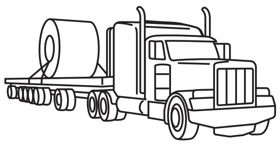
Acquisitions contributed approximately $20.7 million of incremental service revenue ("revenue") in 2013 and approximately $5.2 million of revenue in the fourth quarter of 2013 ("2013 Q4"). Revenue also increased in 2013 due to organic growth. In February 2013, Contrans commenced collecting residential waste in Edmonton, Alberta. This generated $4.3 million of revenue in 2013 (2013 Q4 – $1.2 million). On July 1, 2013, Contrans commenced transporting waste from Calgary, Alberta to Coronation, Alberta. This new contract contributed $4.1 million of revenue in 2013 (2013 Q4 – $2.0 million). Contrans was also awarded a contract to transport metallurgical coke from Hamilton, Ontario to Nanticoke, Ontario. Work began in October 2013 and generated approximately $2.8 million of revenue in 2013 Q4.

Direct operating expenses

Acquisitions added approximately $17.0 million to direct operating expenses in 2013 (2013 Q4 – $4.3 million). In addition, Contrans' direct operating expenses increased in 2013 commensurate with increased revenue. Direct operating expenses were also affected by adverse business conditions including unusually poor winter and spring weather, disruptions to the construction industry and a labour dispute at a major customer. These conditions negatively impacted equipment utilization which, in turn, caused operating expenses, measured as a percentage of revenue, to increase. In addition, the Company's fuel surcharge programs consistently lagged steadily increasing fuel prices in 2013. This lag was primarily responsible for fuel expenses increasing by approximately $2.5 million in 2013 compared to 2012 (2013 Q4 – $0.9 million increase). Depreciation of tractors and trailers was $1.7 million higher in 2013 than in 2012 due to increased capital expenditures (2013 Q4 – $0.9 million higher).

General and administration expenses

Acquisitions added approximately $1.9 million of general and administration expenses in 2013 (2013 Q4 – $0.8 million). Share-based, cash-settled compensation expense increased by $0.6 million in 2013 compared to 2012 (2013 Q4 – $0.2 million increase). This resulted primarily from the appreciation in the trading price of Contrans' shares from $10.00 at December 31, 2012 to $13.28 at December 31, 2013. Professional fees were lower in 2013 compared to 2012 primarily as a result of $0.6 million of costs that were incurred in 2012 that related to a proposed elimination of Contrans' dual-class share structure.



Net financing costs

Net financing costs increased by $0.4 million in 2013 compared to 2012 (2013 Q4 – $0.1 million increase). Financing costs increased in 2013 in line with average debt levels. Finance income decreased in 2013 as Contrans used cash and sold short-term investments to fund business acquisitions and purchases of property and equipment.

Income tax expense

In 2012, the Ontario government reversed its decision to lower the provincial corporate tax rate to 10%. Accordingly, Contrans recognized a charge to earnings in 2012 which increased the Company's effective tax rate for 2012.

Summary of Quarterly Results

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
($CAD millions except per share amounts)	***2013***	*2012*	***2013***	*2012*	***2013***	*2012*	***2013***	*2012*
Revenue – total	***$ 134.8***	*$ 121.4*	***$ 139.8***	*$ 135.9*	***$ 149.4***	*$ 130.9*	***$ 148.3***	*$ 134.0*
– fuel surcharges	***(21.6)***	*(19.0)*	***(20.6)***	*(20.9)*	***(20.6)***	*(18.1)*	***(20.8)***	*(19.8)*
Revenue – services	***113.2***	*102.4*	***119.2***	*115.0*	***128.8***	*112.8*	***127.5***	*114.2*
Net earnings	***$ 4.8***	*$ 5.3*	***$ 8.0***	*$ 8.1*	***$ 9.6***	*$ 7.2*	***$ 7.1***	*$ 7.6*
Earnings per share – basic and diluted	***$ 0.14***	*$ 0.15*	***$ 0.24***	*$ 0.24*	***$ 0.28***	*$ 0.21*	***$ 0.21***	*$ 0.23*

Business Segments

Freight Transportation

($CAD millions)

For the years ended December 31	***2013***		*2012*	
Revenue – total	***$ 549.0***		*$ 516.8*	
– fuel surcharges	***(82.2)***		*(76.8)*	
Revenue – services	***466.8***	***100.0%***	*440.0*	*100.0%*
Earnings before interest, income tax, depreciation and amortization ("EBITDA") (1)	***67.8***	***14.5***	*64.6*	*14.7*
Depreciation	***23.4***	***5.0***	*20.7*	*4.7*
Amortization	***3.6***	***0.8***	*3.5*	*0.8*
Earnings before interest and income tax (1)	***$ 40.8***	***8.7%***	*$ 40.4*	*9.2%*

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

Results from Operations

Acquisitions have increased revenue by $16.2 million in 2013 compared to 2012 (2013 Q4 – $3.3 million increase). In addition, and as noted above, Contrans was awarded several major contracts that enabled the Company to grow organically. These 2013 revenue increases more than offset challenging business conditions that reduced revenues and adversely affected profit margins measured as a percentage of revenue. Housing starts in Canada were lower in 2013 than in 2012 which reduced shipments from Contrans' wallboard customers. Prolonged winter conditions followed by unusually wet spring weather conditions negatively impacted shipments of other construction materials. Revenue was also negatively impacted by a general construction strike and the Charbonneau Commission Inquiry in Quebec. A labour dispute at a customer in the steel industry and the maintenance shutdown of a smelter at a customer in the resource sector also resulted in reduced revenues.

Net fuel costs have increased as a percentage of revenue. Contrans' fuel surcharge programs lag changes in fuel prices. Fuel prices steadily rose in the last half of 2013 resulting in fuel expenses increasing as a percentage of revenue in 2013 compared to 2012. Depreciation and amortization increased in 2013 compared to 2012 due to increased capital expenditures and as a result of assets included in business acquisitions.

Contrans continued to grow both in size and in diversity in 2013

Generally, the second quarter is Contrans' strongest period. Volumes from customers in the construction industry are affected by weather. Revenue from these customers typically increases in the spring, peaks in the fall and then declines 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. Severe winter weather adversely affects fuel and maintenance costs.

Waste Collection

($CAD millions)
For the years ended December 31

	2013		2012	
Revenue – total	**$ 30.2**		$ 17.8	
– fuel surcharges	**(1.4)**		(1.2)	
Revenue – services	**28.8**	**100.0%**	16.6	100.0%
Earnings before interest, income tax, depreciation and amortization ("EBITDA") (1)	**6.6**	**22.9**	4.3	25.9
Depreciation	**3.3**	**11.5**	1.5	9.0
Amortization	**1.1**	**3.8**	0.7	4.2
Earnings before interest and income tax (1)	**$ 2.2**	**7.6%**	$ 2.1	12.7%

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

Results from Operations

Contrans purchased Keystone Industries Inc. and Deuce Disposal Ltd. (together "Deuce") in May 2013. This business contributed $4.5 million of revenue in 2013 (2013 Q4 – $1.8 million). Additional revenue increases came primarily from a new contract with the city of Edmonton, Alberta to collect residential waste. Work began on this new contract in February 2013 and generated $4.3 million of revenue in 2013. Fuel surcharges increased in 2013 compared to 2012 in line with the increase in revenue and also due to higher average fuel prices in 2013.

The acquisition of Deuce in May 2013 added approximately $1.0 million to EBITDA in 2013. A significant portion of Deuce's revenue is derived from oil drilling activity near Slave Lake, Alberta. Accordingly, this entity has sensitivity to oil drilling activity. Furthermore, due to the predominance of swampy terrain in this region, the majority of business activity occurs in the winter months when the ground is frozen. Contrans' municipal-based waste collection business has offset these seasonal fluctuations. Winter weather conditions, however, reduce the number of bins required by customers in the construction industry and adversely affect fuel and maintenance costs.

Cash Flow

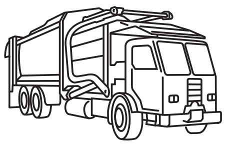
Contrans incurred capital expenditures, including expenditures that were funded through finance leases, of $51.8 million in 2013 (2012 – $29.2 million). Of this amount, $21.3 million was incurred to support growth initiatives in 2013 (2012 – $6.0 million). Contrans' 2013 capital expenditures also included $7.7 million of costs in the construction of its new terminal facility in Edmonton, Alberta. This new facility opened in December 2013. In addition, Contrans purchased a warehouse facility in 2013 near Montreal, Quebec for $4.4 million. This purchase was partially financed with a $3.0 million mortgage. This warehouse has enabled the Company to offer ancillary services to its freight transportation customers in Quebec.

Contrans' Board of Directors ("Board") has declared the following dividends:

Declaration date	Paid on	Per share amount	Total
January 16, 2013	February 15, 2013	$ 0.10	$ 3.4 million
April 16, 2013	May 15, 2013	$ 0.125	$ 4.2 million
July 16, 2013	August 15, 2013	$ 0.125	$ 4.2 million
October 17, 2013	November 15, 2013	$ 0.125	$ 4.2 million
January 15, 2014	February 14, 2014	$ 0.125	$ 4.2 million

The payment of dividends is subject to the discretion of Contrans' Board. Prior to declaring a dividend, the Board 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.

On March 13, 2013, Contrans received regulatory approval to proceed with a normal course issuer bid ("NCIB") to purchase up to 1.6 million of its outstanding Class A shares for cancellation between March 15, 2013 and March 14, 2014. There have been no purchases made under this NCIB to date.



Liquidity and Capital Resources

As at December 31, 2013

($CAD millions)	
Short-term borrowings net of cash and cash equivalents	*$ 4.2*
Operating line cash available	*$ 23.8*
Equipment financing available	*$ 47.9*
Current ratio	*1.0:1*
Total liabilities to total equity ratio	*1.0:1*

Contrans requires working capital to fund its day-to-day operating activities, to meet its regular debt repayment obligations and to pay dividends to its shareholders. Management believes the Company's operating cash flows and its operating line 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 or other working capital requirements.

Contrans repaid $31.9 million of its senior secured debt in December 2013 funded in part by its operating line and by liquidating its short-term investments. The repayment of this tranche of the senior secured debt gives Contrans greater flexibility in the debt market to finance growth opportunities.

Contrans has uncommitted borrowing facilities available to it from financial institutions that specialize in transportation equipment lending. Equipment loans or leases are secured solely by the specific assets that are acquired. There are penalties for early retirement of debt when interest rates are fixed. Management uses off-balance sheet financing for certain types of tractors and trailers to avoid bearing the market risk inherent in the residual value of transportation equipment. Management believes that the amount of equipment financing available to Contrans is sufficient to fund Contrans' capital expenditures that are planned for 2014.

Contractual Obligations

As at December 31, 2013

($CAD millions)	*2014*	*2015*	*2016*	*2017*	*2018*	*Thereafter*	*Total*
Senior secured notes payable	*$ 3.5*	*$ 3.5*	*$ 58.1*	*$ —*	*$ —*	*$ —*	*$ 65.1*
Bankers' acceptance	*0.2*	*0.2*	*5.1*	*—*	*—*	*—*	*5.5*
Unsecured loans	*—*	*—*	*—*	*—*	*—*	*2.1*	*2.1*
Equipment financing agreements	*3.6*	*2.6*	*0.9*	*0.3*	*—*	*—*	*7.4*
Finance lease liabilities	*13.7*	*10.2*	*8.0*	*5.0*	*2.6*	*0.7*	*40.2*
Operating lease liabilities	*10.2*	*9.0*	*5.9*	*3.9*	*1.8*	*0.1*	*30.9*
Property mortgages	*0.4*	*0.4*	*0.3*	*0.2*	*2.6*	*—*	*3.9*
Trade and other payables	*46.6*	*—*	*—*	*—*	*—*	*—*	*46.6*
Other long-term liabilities	*—*	*0.7*	*0.4*	*—*	*—*	*0.4*	*1.5*
Equipment and building purchase commitments	*17.6*	*—*	*—*	*—*	*—*	*—*	*17.6*
	$ 95.8	*$ 26.6*	*$ 78.7*	*$ 9.4*	*$ 7.0*	*$ 3.3*	*$ 220.8*

Stock Options

Contrans has a stock option plan designed to encourage ownership of Contrans' shares by its directors, officers and other key employees. On April 5, 2011, 1,615,000 Class A Subordinate Voting Share ("Class A share") stock options were granted to certain directors, officers and employees of Contrans. Upon issuance, 20% of the stock options vested immediately and the remainder are vesting at a rate of 20% per year on the anniversary of the grant. The exercise price of the options is $8.95 which was the closing price of Contrans' Class A shares on April 4, 2011. These options expire on April 4, 2021. Further details of the Company's stock option plans are included in Note 20 to the consolidated financial statements.

In May 2014, Contrans' dividend rate will be nearly double what it was in 2010

Outstanding Shares

As at February 26, 2014
(in thousands)

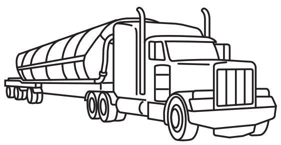
Class A Subordinate Voting Shares	32,476
Class B Multiple Voting Shares	1,383
	33,859

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	Based on analyses of specific company accounts, provisions for doubtful accounts are set to reflect management's assessment of credit risk. In addition, a general provision for doubtful accounts is established based on past experience.
Property, equipment and intangible assets	Estimates of useful lives and rates of depreciation and amortization are based on past experience.
Provisions	Estimates of expected settlements arising from matters involving litigation or accident claims are based on information provided by legal counsel or insurance claims professionals, levels of insurance coverage and deductibles that are in place.
Income taxes	Estimates of future taxable income impact the assessment of the probability that deferred tax assets will be realized.
Share-based payments	Estimates of risk-free rates of return, expected volatility, expected life of options and market conditions are 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.
Goodwill and intangible assets	Impairment testing requires estimates of expected future earnings for each cash-generating unit. 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.



Change in accounting policies

Except for the changes below, Contrans has consistently applied the accounting policies. Contrans has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2013:

(i) *IFRS 13* – Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, Contrans has included additional disclosure in this regard (Note 26).

In accordance with the transitional provisions of IFRS 13, Contrans has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of Contrans' assets and liabilities.

(ii) *Amendments to IAS 36* – Recoverable Amount Disclosures for Non-Financial Assets

Contrans has decided to adopt early the amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets. In May 2013, the International Accounting Standards Board ("IASB") issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). The IASB has issued amendments to reverse the unintended requirement in IFRS 13, Fair Value Measurement, to disclose the recoverable amount of every CGU to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The amendments impact certain disclosure requirements only and the amendments did not have a material impact on the consolidated financial statements.

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, 2014, with earlier application permitted.

(i) IFRS 9, Financial Instruments ("IFRS 9 (2009)"), was issued in November 2009 and introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows, resulting in two primary measurement categories for financial assets, amortized cost and fair value through profit and loss. IFRS 9 (2010) introduces additional changes related to financial liabilities. IFRS 9 (2013) introduces a more principles-based general hedging model that aligns hedge accounting more closely with risk management. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 that proposes to introduce another measurement category, fair value through other comprehensive income, for financial assets that are held for both the collection of cash flows and for sale, and add new requirements to address the impairment of financial assets and macro hedge accounting.

With the release of IFRS 9 (2013), the mandatory effective date for IFRS 9 of January 1, 2015 has been removed. A new mandatory effective date will be determined once the limited amendments to the classification and measurement requirements and the impairment requirements for IFRS 9 are finalized, although early adoption is permitted. Where an entity adopts IFRS 9, it will also have an accounting policy choice to defer application of the general hedge accounting model until the standard resulting from the IASB's project on macro hedge accounting is effective.

Contrans is well-positioned for continued growth in 2014

Contrans does not intend to adopt IFRS 9 at this time but continues to monitor the individual phases of this IASB project. The extent of the impact of adoption of IFRS 9 has not yet been determined.

(ii) Amendments to IAS 32, 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 IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. Contrans intends to adopt the amendments to IAS 32 in its consolidated financial statements for the annual period beginning January 1, 2014. Contrans does not expect the amendments to have a material impact on the consolidated financial statements.

(iii) In December 2013, the IASB published annual Improvements to IFRS. These amendments were made to clarify the following in their respective standards:

- *Definition of "vesting condition" in IFRS 2,* Share-based Payment*;*
- *Classification and measurement of contingent consideration; and scope exclusion for the formation of joint arrangements in IFRS 3,* Business Combinations*;*
- *Disclosures on the aggregation of operating segments in IFRS 8,* Operating Segments*;*
- *Measurement of short-term receivables and payables; and scope of portfolio exception in IFRS 13,* Fair Value Measurement*;*
- *Restatement of accumulated depreciation (amortization) on revaluation in IAS 16,* Property, Plant and Equipment *and IAS 38,* Intangible Assets*;*
- *Definition of "related party" in IAS 24,* Related Party Disclosures*; and*
- *Inter-relationship of IFRS 3 and IAS 40 in IAS 40,* Investment Property*.*

Special transitional requirements have been set for amendments to IFRS 2, IAS 16, IAS 38 and IAS 40.

Contrans intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2014. Contrans does not expect the amendments to have a material impact on the consolidated financial statements.

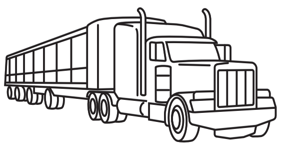
Financial Instruments

Contrans uses interest rate swaps to manage its exposure to fluctuating interest rates on certain borrowings. At December 31, 2013, Contrans had interest rate swaps in place which have effectively converted $5.0 million of floating rate debt to $5.0 million of debt with interest fixed at 3.6%. The swaps will remain in place through October 2016 when the debt matures.

Contrans enters into foreign exchange contracts from time to time to manage its exposure to currency fluctuations. As at December 31, 2013, Contrans had no foreign exchange contracts outstanding.

Business Risks

Contrans is affected by economic cycles. Contrans provides freight transportation services to many customers in various industries and geographic regions. Contrans' freight transportation business has operations that haul freight on van, flatbed, dump, dry bulk and liquid tank trailers. Contrans also provides waste collection services independently of its 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 helps to limit the Company's exposure to credit risk and to economic cyclicality.



Cross-border travel is required to service many customers. Approximately 30% of the total distance travelled by Contrans' trucks is travelled in the US. Accordingly, border crossings and customs clearances affect these shipments. 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 transborder 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 truck 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 updated only periodically. Accordingly, the Company is at risk during times of sudden, significant changes in fuel prices.

As at December 31, 2013, approximately 97% 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, 2013 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, 2013.

Management is currently evaluating the control systems of its newly acquired business, Deuce Disposal Ltd. This operation had total assets of $18.0 million as at December 31, 2013. In Contrans' other business units, no changes were made to the control systems that have materially affected Contrans' internal control over financial reporting during the year ended December 31, 2013.

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 assur-

ance 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 2013, Contrans paid $3.1 million (2013 Q4 – $0.5 million) 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 2013 was $4.6 million. In addition, Contrans leased certain premises to Peterbilt of Ontario Inc. in 2013 for $0.3 million (2013 Q4 – $0.1 million). 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 2012 for total consideration of $0.3 million to Brick Brewing Co. Limited, a company in which the Chairman of Contrans has a financial interest. No services were provided during 2013.

Use of Non-GAAP Financial Measures

Management has included non-GAAP financial measures, "Earnings before interest, income taxes, depreciation and amortization" ("EBITDA"), "Earnings before interest and income taxes" ("EBIT") and "Direct operating expenses – net of fuel surcharges", in its discussion and analysis contained herein. 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. The inverse of EBIT is commonly referred to as the Operating Ratio, a common measure of operating efficiency in the transportation industry. Accordingly, these measures can enhance the evaluation of Contrans' operating performances and facilitate useful comparisons to industry peers.

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 services as the relevant indicator of business level activity. Accordingly, the percentages in the Financial Highlights and Results from Operations tables were calculated using revenue from services alone as the base. In addition, direct operating expenses are stated after netting fuel surcharges against fuel expenses in the Financial Highlights and Results from Operations tables. Management believes that this facilitates a better comparison of operating costs between periods.

These non-GAAP financial 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.

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.
February 26, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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
February 26, 2014

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, 2013 and 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, 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, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
London, Canada
February 26, 2014

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($CAD thousands except for per share amounts)

For the years ended December 31	**2013**	2012
Revenue		
Services	**$ 488,725**	$ 444,444
Fuel surcharges	**83,606**	77,776
	572,331	522,220
Direct operating expenses	**476,311**	429,345
Gross Margin	**96,020**	92,875
General and administration expenses	**49,007**	47,664
Gain on sale of equipment	**(845)**	(1,234)
Finance costs (Note 5)	**7,606**	7,562
Finance income (Note 5)	**(375)**	(683)
Earnings Before Income Taxes	**40,627**	39,566
Income tax expense (Note 7)	**11,196**	11,279
Net Earnings and Comprehensive Income	**$ 29,431**	$ 28,287
Earnings per share – Basic	**$ 0.87**	$ 0.83
– Diluted	**$ 0.86**	$ 0.83
Weighted average number of shares outstanding (Note 21) – Basic	**33,799**	33,894
– Diluted	**34,130**	33,925

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 as at January 1, 2012	$ 180,182	$ 981	$ 1,228	$ 182,391
Share-based compensation expense (Note 20)	—	752	—	752
Shares issued (Note 18)	179	—	—	179
Shares purchased (Note 18)	(7,993)	(1,170)	(4,487)	(13,650)
Net earnings and comprehensive income	—	—	28,287	28,287
Dividends declared (1)	—	—	(13,551)	(13,551)
Balances as at December 31, 2012	172,368	563	11,477	184,408
Share-based compensation expense (Note 20)	—	351	—	351
Shares issued (Note 18)	1,302	—	—	1,302
Net earnings and comprehensive income	—	—	29,431	29,431
Dividends declared (2)	—	—	(16,056)	(16,056)
Balances as at December 31, 2013	**$ 173,670**	**$ 914**	**$ 24,852**	**$ 199,436**

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

(1) 2012 Q1, Q2, Q3 and Q4 – $0.10 per share.

(2) 2013 Q1 – $0.10 per share, Q2, Q3 and Q4 – $0.125 per share.

($CAD thousands)

As at December 31	2013	2012
Assets		
Current Assets		
Cash and cash equivalents (Note 9)	**$ 183**	$ 21,456
Short-term investments (Note 10)	**—**	12,185
Trade and other receivables (Note 26 (a))	**72,462**	70,761
Other current assets	**6,770**	6,943
Total Current Assets	**79,415**	111,345
Long-Term Assets		
Property and equipment (Note 11)	**215,369**	184,160
Intangible assets (Note 12)	**94,951**	88,509
Total Long-Term Assets	**310,320**	272,669
Total Assets	**$ 389,735**	$ 384,014
Liabilities and Equity		
Current Liabilities		
Short-term borrowings (Note 9)	**$ 4,360**	$ —
Trade and other payables	**46,561**	40,911
Income taxes payable	**7,921**	8,579
Long-term debt (Note 13)	**3,504**	35,762
Finance lease liabilities (Note 14)	**12,475**	8,656
Provisions (Note 15)	**1,862**	1,300
Total Current Liabilities	**76,683**	95,208
Long-Term Liabilities		
Long-term debt (Note 13)	**68,676**	67,423
Finance lease liabilities (Note 14)	**24,914**	19,323
Other long-term liabilities	**1,555**	1,473
Deferred tax liabilities (Note 16)	**18,471**	16,179
Total Long-Term Liabilities	**113,616**	104,398
Total Liabilities	**190,299**	199,606
Equity		
Share capital (Note 18)	**173,670**	172,368
Contributed surplus	**914**	563
Retained earnings	**24,852**	11,477
Total Equity	**199,436**	184,408
Total Liabilities and Equity	**$ 389,735**	$ 384,014

Commitments (Notes 22 and 23), Contingencies (Note 27), Subsequent event (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.P.A., C.A., Director*

CONSOLIDATED STATEMENTS OF CASH FLOW

($CAD thousands)

For the years ended December 31	**2013**	2012
Cash Provided by (Used in) Operating Activities		
Net earnings	**$ 29,431**	$ 28,287
Income tax expense (Note 7)	**11,196**	11,279
Net financing costs	**7,231**	6,879
Share-based compensation expense (Note 20)	**351**	752
Change in unrealized loss (gain) on foreign exchange	**640**	(322)
Unrealized gain on short-term investments	**—**	(174)
Long-term debt – accretion	**82**	86
Provisions established (Note 15)	**2,590**	2,722
Depreciation (Note 11)	**27,088**	22,603
Amortization (Note 12)	**4,750**	4,185
Gain on sale of equipment	**(845)**	(1,234)
	82,514	75,063
Changes in non-cash working capital (Note 17)	**3,464**	(6,869)
	85,978	68,194
Taxes paid	**(11,723)**	(13,839)
Provisions settled (Note 15)	**(2,028)**	(2,588)
Interest paid	**(7,606)**	(7,524)
Cash Provided by Operating Activities	**64,621**	44,243
Cash Provided by (Used in) Investing Activities		
Proceeds from sale of property and equipment	**6,155**	6,566
Purchase of short-term investments	**(9,000)**	(11,500)
Proceeds from sale of short-term investments	**21,000**	45,194
Interest received	**566**	961
Acquisitions (Note 8)	**(20,054)**	(24,670)
Purchase of property and equipment	**(30,926)**	(23,302)
Net Cash Used in Investing Activities	**(32,259)**	(6,751)
Cash Provided By (Used in) Financing Activities		
Proceeds from issuance of shares (Note 18)	**1,302**	179
Proceeds from long-term debt	**5,367**	144
Purchase of shares (Note 18)	**—**	(13,650)
Repayment of long-term debt	**(36,577)**	(5,966)
Payment of finance lease liabilities	**(12,030)**	(8,478)
Dividends paid	**(16,056)**	(13,551)
Net Cash Used in Financing Activities	**(57,994)**	(41,322)
Decrease in Cash and Cash Equivalents	**(25,632)**	(3,830)
Effect of exchange rate fluctuations on cash and cash equivalents	**(1)**	4
Cash and Cash Equivalents – Beginning of Year	**21,456**	25,282
Cash and Cash Equivalents and Short-term Borrowings – End of Year (Note 9)	**$ (4,177)**	$ 21,456

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, 2013 is comprised of Contrans Group Inc. and its subsidiaries (Note 29) (together referred to as "Contrans"). Contrans operates in two reportable segments, Freight Transportation and Waste Collection. Contrans' Class A Subordinate Voting Shares ("Class A shares") are listed on the Toronto Stock Exchange under the symbol "CSS".

The consolidated financial statements were authorized for issuance on February 26, 2014 by Contrans' Board of Directors ("Board").

2. Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of measurement

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

- 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

The preparation of financial statements in conformity with IFRS requires management to make 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) Impairment tests
Management makes estimates of sustainable earnings, future expected cash flows, earnings multiples and discount rates in the determination of the value-in-use or fair value less costs of disposal of cash-generating units ("CGUs").

(iii) Provision against accounts receivable
Management makes estimates of 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.

(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) Tax assets
Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

(vi) Depreciation

Management estimates future residual values and the rate at which the useful lives of property and equipment are consumed to determine appropriate depreciation charges. Estimates of residual value and useful lives are based on data and information from various sources, including vendors, industry practice and company-specific history. These estimates are evaluated annually and adjusted prospectively, where necessary, to reflect actual experience.

(vii) Stock options

Management 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) Amortization

Management makes estimates of the appropriate useful lives to be assigned to intangible assets based on the individual circumstances of an acquisition. Management reviews the appropriateness of the lives assigned and makes adjustments prospectively, where necessary.

Use of judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements that affect the application of accounting policies and the interpretation of accounting standards.

Management periodically reviews its judgements and underlying assumptions relating to the following items:

(i) Provision for claims

Judgement is exercised in deciding whether a liability for a claim meets the criteria of a present obligation and in assessing the probability of the outflow of economic resources.

(ii) 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.

(iii) Impairment tests

Management exercises judgement to determine whether there are factors that would indicate that an asset or a CGU is impaired. The determination of CGUs is also based on management's judgement and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. Factors considered include whether an active market exists for the output produced by the asset or group of assets as well as how management monitors and makes decisions about Contrans' operations.

(iv) Business combinations

Management exercises judgement in its decision to classify acquisitions as business combinations or as asset acquisitions. This requires management's assessment of whether the assets acquired and liabilities assumed constitute a business. If net assets acquired are not considered to be a business, they will be classified as an asset acquisition.

(v) Intangible assets

Management exercises judgement to determine whether identifiable intangible assets were acquired in a business combination, separate from goodwill and whether they will provide future economic benefits to Contrans.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars since 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 into 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 ("G&A") 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

Except for the changes explained in "Change in accounting policies" below, Contrans has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Certain comparative amounts in the consolidated statement of financial position and the consolidated statement of cash flow have been reclassified as a result of a change in the classification of provisions during the current year (see Note 15).

During 2013, Contrans modified the classification of gain on sale of equipment to reflect more appropriately the earnings outside its normal course of operations. Comparative amounts in the consolidated statements of comprehensive income were restated for consistency. As a result, $1,234,000 was reclassified from "direct operating expenses" to "gain on sale of equipment" for the year ended December 31, 2012.

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. Refer to Note 29 for subsidiaries controlled by Contrans.

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.

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. 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 G&A 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, derivative financial instruments and cash-settled, share-based payments are classified as fair value through profit and loss and any related transaction costs are recognized in profit or loss as incurred. 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, cash and cash equivalents and short-term investments.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Trade and other payables, finance lease liabilities and long-term debt are classified as other liabilities. Contingent consideration, derivative financial instruments and cash-settled, share-based payments are measured at fair value 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 expired.

(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 consolidated 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 financial position and 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. For goodwill, the recoverable amount is estimated each year.

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.

Other long-term employee benefits

Contrans' net obligation in respect of its long-term employee benefits 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. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

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 as other long-term liabilities as appropriate, and the expenses are included in employee benefits in G&A 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 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, unwinding of the discounts on provisions and changes in fair value of derivative financial instruments. 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 or loss attributable to shareholders and the weighted average number of shares outstanding for the dilutive effects of outstanding share options granted.

Change in accounting policies

Except for the changes below, Contrans has consistently applied the accounting policies. Contrans has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2013:

(i) *IFRS 13* – Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, Contrans has included additional disclosure in this regard (Note 26).

In accordance with the transitional provisions of IFRS 13, Contrans has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of Contrans' assets and liabilities.

(ii) *Amendments to IAS 36* – Recoverable Amount Disclosures for Non-Financial Assets

Contrans has decided to adopt early the amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets*. In May 2013, the International Accounting Standards Board ("IASB") issued* Recoverable Amount Disclosures for Non-Financial Assets *(Amendments to IAS 36). The IASB has issued amendments to reverse the unintended requirement in IFRS 13,* Fair Value Measurement, *to disclose the recoverable amount of every CGU to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The amendments impact certain disclosure requirements only and the amendments did not have a material impact on the consolidated financial statements.*

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, 2014, with earlier application permitted.

(i) *IFRS 9,* Financial Instruments *("IFRS 9 (2009)"), was issued in November 2009 and introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows, resulting in two primary measurement categories for financial assets, amortized cost and fair value through profit and loss. IFRS 9 (2010) introduces additional changes related to financial liabilities. IFRS 9 (2013) introduces a more principles-*

based general hedging model that aligns hedge accounting more closely with risk management. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 that proposes to introduce another measurement category, fair value through other comprehensive income, for financial assets that are held for both the collection of cash flows and for sale, and add new requirements to address the impairment of financial assets and macro hedge accounting.

With the release of IFRS 9 (2013), the mandatory effective date for IFRS 9 of January 1, 2015 has been removed. A new mandatory effective date will be determined once the limited amendments to the classification and measurement requirements and the impairment requirements for IFRS 9 are finalized, although early adoption is permitted. Where an entity adopts IFRS 9, it will also have an accounting policy choice to defer application of the general hedge accounting model until the standard resulting from the IASB's project on macro hedge accounting is effective.

Contrans does not intend to adopt IFRS 9 at this time but continues to monitor the individual phases of this IASB project. The extent of the impact of adoption of IFRS 9 has not yet been determined.

(ii) *Amendments to IAS 32,* 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 IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. Contrans intends to adopt the amendments to IAS 32 in its consolidated financial statements for the annual period beginning January 1, 2014. Contrans does not expect the amendments to have a material impact on the consolidated financial statements.

(iii) *In December 2013, the IASB published annual Improvements to IFRS. These amendments were made to clarify the following in their respective standards:*

- *Definition of "vesting condition" in IFRS 2,* Share-based Payment*;*
- *Classification and measurement of contingent consideration; and scope exclusion for the formation of joint arrangements in IFRS 3,* Business Combinations*;*
- *Disclosures on the aggregation of operating segments in IFRS 8,* Operating Segments*;*
- *Measurement of short-term receivables and payables; and scope of portfolio exception in IFRS 13,* Fair Value Measurement*;*
- *Restatement of accumulated depreciation (amortization) on revaluation in IAS 16,* Property, Plant and Equipment *and IAS 38,* Intangible Assets*;*
- *Definition of "related party" in IAS 24,* Related Party Disclosures*; and*
- *Inter-relationship of IFRS 3 and IAS 40 in IAS 40,* Investment Property*.*

Special transitional requirements have been set for amendments to IFRS 2, IAS 16, IAS 38 and IAS 40.

Contrans intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2014. Contrans does not expect the amendments to have a material impact on the consolidated financial statements.

4. Personnel Expenses

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

For the years ended December 31	2013	2012
Wages and salaries	**$ 103,246**	$ 89,782
Payroll taxes	**12,041**	10,534
Cash-settled, share-based payments	**1,916**	1,294
Share-based compensation expense	**351**	752
	$ 117,554	$ 102,362
Direct operating expenses	**$ 91,156**	$ 76,448
General and administration expenses	**26,398**	25,914
	$ 117,554	$ 102,362

5. Finance Costs and Finance Income

Finance costs and finance income consist of the following:

For the years ended December 31	2013	2012
Interest expense on finance lease liabilities and long-term debt	**$ 7,624**	$ 7,617
Net change in fair value of interest rate swap	**(18)**	(55)
Finance costs	**$ 7,606**	$ 7,562
Interest income on short-term investments	**$ (118)**	$ (352)
Interest income on bank deposits	**(257)**	(331)
Finance income	**$ (375)**	$ (683)

6. Operating Segments

Contrans has two reportable segments, Freight Transportation and Waste Collection which offer different services and are managed separately because of differing equipment, customers and economic characteristics. Contrans' Chief Operating Officer ("COO", the chief operating decision maker) reviews internal management reports on a monthly basis. Segment results that are reported to Contrans' COO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily Contrans' headquarters), head office expense, tax assets and liabilities.

Freight Transportation *entails the pick-up and delivery of goods primarily in Canada and the United States. The equipment used to provide these services includes highway tractors and trailers owned or leased by Contrans, provided by owner-operators under contract with Contrans or by third parties. Due to system limitations it is not possible to split revenues into geographical areas.*

Waste Collection *is the pick-up of waste from commercial and industrial customers and from residential customers. The equipment used to provide these services is built specifically for the waste collection business and is owned by the company or by owner-operators that are under contract to Contrans. The waste collection business operates within localized geographic areas within Canada.*

(tabular amounts in thousands except for per share amounts)

For the year ended December 31, 2013	Freight Transportation	Waste Collection	Total Segments	Segment Eliminations	Corporate	Total
Revenue						
Services – external	$ 542,137	$ 30,194	$ 572,331	$ —	$ —	$ 572,331
– internal	15,222	—	15,222	(15,222)	—	—
Reportable segment revenue	$ 557,359	$ 30,194	$ 587,553	$ (15,222)	$ —	$ 572,331
Income from operations	$ 60,291	$ 4,690	$ 64,981	$ —	$ (12,373)	$ 52,608
Amortization						4,750
Finance costs	1,507	90	1,597	—	6,009	7,606
Finance income					(375)	(375)
Earnings before income taxes						$ 40,627
Depreciation and amortization	$ 27,018	$ 4,377	$ 31,395	$ —	$ 443	$ 31,838
Income tax expense	749	269	1,018	—	10,178	11,196
Capital expenditures (1)	30,524	8,375	38,899	—	12,950	51,849
Reportable segment assets	$ 335,855	$ 40,123	$ 375,978	$ (1,111)	$ 14,868	$ 389,735

(1) Includes equipment funded with finance leases.

For the year ended December 31, 2012	Freight Transportation	Waste Collection	Total Segments	Segment Eliminations	Corporate	Total
Revenue						
Services – external	$ 504,389	$ 17,831	$ 522,220	$ —	$ —	$ 522,220
– internal	14,111	—	14,111	(14,111)	—	—
Reportable segment revenue	$ 518,500	$ 17,831	$ 536,331	$ (14,111)	$ —	$ 522,220
Income from operations	$ 60,537	$ 3,599	$ 64,136	$ —	$ (13,506)	$ 50,630
Amortization						4,185
Finance costs	1,559	—	1,559	—	6,003	7,562
Finance income					(683)	(683)
Earnings before income taxes						$ 39,566
Depreciation and amortization	$ 24,211	$ 2,193	$ 26,404	$ —	$ 384	$ 26,788
Income tax expense	1,352	545	1,897	—	9,382	11,279
Capital expenditures (1)	25,169	2,993	28,162	—	1,085	29,247
Reportable segment assets	$ 305,835	$ 19,605	$ 325,440	$ (996)	$ 59,570	$ 384,014

(1) Includes equipment funded with finance leases.

7. 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 26.4% (2012 – 26.4%):

For the years ended December 31	2013	2012
Current tax expense	**$ 10,998**	$ 9,471
Deferred tax expense		
Temporary differences	**71**	1,178
Change in reserves	**(33)**	252
Change in substantively enacted tax rates	**—**	472
Other	**160**	(94)
Deferred tax expense	**198**	1,808
Income tax expense	**$ 11,196**	$ 11,279

Reconciliation of effective tax rate

For the years ended December 31	2013		2012	
Income tax using Contrans' domestic tax rate	**$ 10,705**	**26.4%**	$ 10,457	26.4%
Impact of permanent differences	**497**	**1.2%**	594	1.5%
Impact of change in substantively enacted tax rates	**—**	**—**	472	1.2%
Other	**(6)**	**—**	(244)	(0.6)%
Income tax expense	**$ 11,196**	**27.6%**	$ 11,279	28.5%

(tabular amounts in thousands except for per share amounts)

8. Acquisitions

Acquisitions are accounted for using the acquisition method. The results of operations from the acquisition date are included in these consolidated financial statements.

a) 2013

	Note	Deuce	Note	Best	Note	Other	Total
Trade and other receivables	(i) a	$ 1,600		$ —	(iii) a	$ 345	$ 1,945
Other current assets	(i) a	134		—		—	134
Property and equipment		7,028	(ii) a	3,940	(iii) b	789	11,757
Intangible assets							
Customer relationships	(i) b,e	5,537		—	(iii) a,e	613	6,150
Non-competition agreements	(i) b,e	1,610		—		—	1,610
Goodwill	(i) b,e	3,357	(ii) c	75		—	3,432
Fair value of assets acquired		19,266		4,015		1,747	25,028
Accounts payable and accrued liabilities	(i) a	2,585		—	(iii) a	69	2,654
Deferred tax liabilities	(i) c	2,032		—	(iii) b	62	2,094
Fair value of liabilities assumed		4,617		—		131	4,748
Net assets acquired		$14,649		$ 4,015		$ 1,616	$ 20,280
Consideration							
Cash		$15,500		$ 4,015		$ 1,390	$ 20,905
Cash acquired on acquisition		(851)		—		—	(851)
Net cash		14,649		4,015		1,390	20,054
Contingent consideration		—		—	(iii) c	226	226
Total consideration		$14,649		$ 4,015		$ 1,616	$ 20,280

(i) On May 31, 2013, Contrans acquired all of the outstanding shares of Keystone Industries Inc. and Deuce Disposal Ltd. (together "Deuce"), two waste collection businesses located in Slave Lake, Alberta. These companies were acquired to expand Contrans' waste service business and to further diversify Contrans' operations.

a. An amount of $1.8 million was paid in 2014, to the vendors, to settle the final working capital accounts. Contrans expects to recover the full amount of the trade and other receivables and other current assets acquired. No provision has been made against these amounts.
b. The vendors have entered into a seven-year non-competition agreement with Contrans. In addition, Contrans acquired a customer list as part of the acquisition. Qualitative factors that make up goodwill include expected synergies and a well trained and experienced workforce.
c. The deferred tax liability is calculated on the difference in the fair value of the assets acquired and their tax values.
d. Contrans has incurred nominal costs in relation to this acquisition. These costs were charged to G&A expenses.
e. Intangible assets are not allowable as a deduction for income tax purposes.
f. Management expects annual revenue from Deuce to be approximately $9 million and that the profit margins on this acquisition will be similar to those generated by Contrans' existing businesses.

   g. *During the fourth quarter of 2013 ("2013 Q4"), management finalized the purchase price allocation for Deuce which changed the allocation between intangible assets, future tax and property and equipment.*

(ii) *On November 22, 2013, Contrans acquired certain flatbed and tank trucking assets of 704166 Ontario Inc. ("Best"). Based in Southwestern Ontario, this acquisition was made to expand Contrans' flatbed and tank service offerings in Southern Ontario. These services were combined with Contrans' flatbed operations located in Hagersville, Ontario and tank operations located in Woodstock, Ontario.*

   a. *Contrans incurred nominal costs in relation to this acquisition. These costs were charged to G&A expenses in the fourth quarter of 2013.*
   b. *For income tax purposes, 75% of the intangible asset is deductible.*
   c. *Management expects annual revenue from this acquisition of approximately $10 million. When combined with Contrans' existing operations, management expects the profit margins from the acquired assets will be similar to those generated by Contrans' existing businesses.*

(iii) *On May 24, 2013 and June 14, 2013, Contrans acquired certain flatbed trucking assets of Grazier Transport Limited and Blastech Transportation Corporation (together "Other"). Based in Southwestern Ontario, these acquisitions were made to expand Contrans' flatbed service offering in Southern Ontario and the US. These acquisitions were combined with Contrans' existing flatbed operations located in Hagersville, Ontario.*

   a. *Contrans acquired customer lists as part of the acquisitions. Contrans expects to recover the full amount of the trade and other current assets acquired.*
   b. *The deferred tax liability is calculated on the difference in the value of the acquired assets and their tax value.*
   c. *The purchase price includes contingent consideration, based on earnings in 2015. If earned, the contingent consideration will be paid in January 2016. The undiscounted amount of contingent consideration is expected to be between $0.2 million and $0.3 million.*
   d. *Contrans incurred nominal costs in relation to these acquisitions. These costs were charged to G&A expenses in the second quarter of 2013.*
   e. *For income tax purposes, 75% of the intangible assets are deductible.*
   f. *Management expects annual revenue from these acquisitions to range between $4.5 million and $5.0 million and that the profit margins on these acquisitions will be similar to those generated by Contrans' existing businesses.*

These acquisitions have been or are being integrated with Contrans' existing operations. Synergies have been realized through improved backhaul freight, reduced empty miles, equipment sharing 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 was 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 revenues 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 reliably measure the amounts of revenue and profit or loss of each acquiree since the acquisition date that was included in the consolidated statements of comprehensive income. Management estimates that the acquisition of Deuce has added approximately $4.5 million of revenue since its acquisition, the acquisition of Best has added approximately $0.8 million of revenue since its acquisition and the acquisitions of Blastech and Grazier have added approximately $2.0 million of revenue since their acquisition.

(tabular amounts in thousands except for per share amounts)

b) 2012

	Archer	MacKinnon	Peter Hodge	Scaletta	Total
Short-term investment	$ —	$ —	$ 131	$ —	$ 131
Trade and other receivables	1,545	—	2,194	—	3,739
Other current assets	189	—	442	113	744
Property and equipment	5,912	—	7,748	4,140	17,800
Intangible assets					
Customer relationships	1,680	1,380	1,523	37	4,620
Non-competition agreements	1,240	—	1,200	310	2,750
Goodwill	4,355	1,800	4,788	—	10,943
Fair value of assets acquired	14,921	3,180	18,026	4,600	40,727
Accounts payable and accrued liabilities	1,854	91	3,121	—	5,066
Income taxes payable	53	—	221	—	274
Deferred tax liabilities	1,606	—	1,750	—	3,356
Finance lease liabilities	558	—	—	—	558
Long-term debt	1,772	89	4,942	—	6,803
Fair value of liabilities assumed	5,843	180	10,034	—	16,057
	$ 9,078	$ 3,000	$ 7,992	$ 4,600	$ 24,670
Consideration					
Cash	$ 9,251	$ 3,000	$ 8,531	$ 4,600	$ 25,382
Cash acquired on acquisition	(173)	—	(539)	—	(712)
Net cash	$ 9,078	$ 3,000	$ 7,992	$ 4,600	$ 24,670

Entity Acquired	Date	% Shares Acquired	Province	Service Area
564661 Ontario Inc. (“Archer”)	January 4, 2012	100%	Ontario	Tank
MacKinnon Transport Inc. (“MacKinnon”)	January 16, 2012	Assets acquired	Ontario	Van
Peter Hodge Transport Limited (“Peter Hodge”)	June 1, 2012	100%	Ontario	Bulk
Scaletta Sand and Gravel Limited (“Scaletta”)	November 26, 2012	Assets acquired	Ontario	Bulk

c) Contingent consideration arising from acquisitions prior to 2012

S&S Enterprises, acquired in 2011, included consideration contingent on the performance of certain services. These services were performed in the third year and $0.1 million of the contingent consideration was paid to the former owners in 2013. The balance of $0.2 million remains outstanding and is included in trade and other payables and other long-term liabilities as at December 31, 2013 in the consolidated statements of financial position.

AIM, acquired in 2011, included consideration contingent on certain financial objectives being met. The financial objectives for the second year were met and $0.1 million of the contingent consideration was paid to the former owners in 2013. The balance of $0.1 million remains outstanding and is included in trade and other payables at December 31, 2013 in the consolidated statements of financial position.

TBM, acquired in 2011, included consideration contingent on certain financial objectives being met. The financial objectives for the second year were partially met and $0.1 million of the contingent consideration was paid to the former owners in 2013. Approximately $0.1 million, representing consideration that was not earned, was taken into income in 2013. The outstanding balance of $0.1 million is included in trade and other payables at December 31, 2013 in the consolidated statements of financial position.

Truboy Freight International Inc., acquired in 2010, included consideration contingent on the achievement of certain financial objectives. The financial objectives for the third year were partially met and $0.2 million of the contingent consideration was paid to the former owners in 2013 and the remaining $0.1 million was taken to income.

9. Cash, Cash Equivalents and Short-Term Borrowings

As at December 31	2013	2012
Cash	**$ 183**	$ 8,549
Short-term deposits	**—**	12,907
	183	21,456
Short-term borrowings	**(4,360)**	—
Cash, cash equivalents and short-term borrowings	**$ (4,177)**	$ 21,456

10. Short-Term Investments

Short-term investments consisted of interest-bearing securities with maturities at purchase date of more than three months but less than one year. The stated interest rates were between 1.4% and 1.5% in 2013, (2012 – 1.4% and 1.6%).

11. Property and Equipment

			Rolling stock and other		
Cost or Deemed Cost	Land	Buildings	Owned	Leased	Total
Balance at January 1, 2012	$ 19,976	$ 31,600	$ 155,697	$ 39,110	$ 246,383
Additions	—	1,332	21,931	5,984	29,247
Acquired through business combinations	60	801	16,384	555	17,800
Buyout of leased assets	—	—	1,951	(1,951)	—
Disposals	(538)	(943)	(10,309)	(459)	(12,249)
Balance at December 31, 2012	$ 19,498	$ 32,790	$ 185,654	$ 43,239	$ 281,181
Accumulated Depreciation and Impairment Losses					
Balance at January 1, 2012	—	11,707	64,510	5,118	81,335
Depreciation	—	1,081	16,656	4,866	22,603
Buyout of leased assets	—	—	1,170	(1,170)	—
Disposals	—	(450)	(6,402)	(65)	(6,917)
Balance at December 31, 2012	$ —	$ 12,338	$ 75,934	$ 8,749	$ 97,021
Carrying amount at December 31, 2012	$ 19,498	$ 20,452	$ 109,720	$ 34,490	$ 184,160

(tabular amounts in thousands except for per share amounts)

			Rolling stock and other		
Cost or Deemed Cost	Land	Buildings	Owned	Leased	Total
Balance at January 1, 2013	$ 19,498	$ 32,790	$ 185,654	$ 43,239	$ 281,181
Additions	960	12,020	17,334	21,535	51,849
Acquired through business combinations	1,150	720	9,887	—	11,757
Buyout of leased assets	—	—	1,624	(1,624)	—
Disposals	—	(52)	(11,823)	(1,520)	(13,395)
Balance at December 31, 2013	**$ 21,608**	**$ 45,478**	**$ 202,676**	**$ 61,630**	**$ 331,392**
Accumulated Depreciation and Impairment Losses					
Balance at January 1, 2013	—	12,338	75,934	8,749	97,021
Depreciation	—	1,201	19,638	6,249	27,088
Buyout of leased assets	—	—	624	(624)	—
Disposals	—	(34)	(7,335)	(717)	(8,086)
Balance at December 31, 2013	**$ —**	**$ 13,505**	**$ 88,861**	**$ 13,657**	**$ 116,023**
Carrying amount at December 31, 2013	**$ 21,608**	**$ 31,973**	**$ 113,815**	**$ 47,973**	**$ 215,369**

Contrans continues to utilize assets which have a net book value of $Nil and an original cost of $10.9 million.

12. Intangible Assets

Cost	Goodwill	Non-competition agreements	Customer relationships	Total
Balance at January 1, 2012	$ 59,349	$ 3,822	$ 29,729	$ 92,900
Acquired through business combinations	10,943	2,750	4,620	18,313
Expired	—	(1,612)	—	(1,612)
Balance at December 31, 2012	$ 70,292	$ 4,960	$ 34,349	$ 109,601
Accumulated Amortization and Impairment Losses				
Balance at January 1, 2012	—	2,173	16,346	18,519
Amortization charge for the period	—	661	3,524	4,185
Expired	—	(1,612)	—	(1,612)
Balance at December 31, 2012	$ —	$ 1,222	$ 19,870	$ 21,092
Carrying amount at December 31, 2012	$ 70,292	$ 3,738	$ 14,479	$ 88,509

Cost	Goodwill	Non-competition agreements	Customer relationships	Total
Balance at January 1, 2013	$ 70,292	$ 4,960	$ 34,349	$ 109,601
Acquired through business combinations	3,432	1,610	6,150	11,192
Balance at December 31, 2013	**$ 73,724**	**$ 6,570**	**$ 40,499**	**$ 120,793**
Accumulated Amortization and Impairment Losses				
Balance at January 1, 2013	—	1,222	19,870	21,092
Amortization charge for the period	—	854	3,896	4,750
Balance at December 31, 2013	**$ —**	**$ 2,076**	**$ 23,766**	**$ 25,842**
Carrying amount at December 31, 2013	**$ 73,724**	**$ 4,494**	**$ 16,733**	**$ 94,951**

Impairment testing for CGUs

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

The aggregate significant carrying amount of goodwill allocated to each CGU is as follows:

As at December 31	2013	2012
Tripar Transportation LP (i)	**$ 21,992**	$ 21,992
Cornerstone Logistics LP (ii)	**11,389**	11,389
Tri-Line Disposal Inc. (iii)	**6,269**	6,269
Peter Hodge Transport Limited (iv)	**4,788**	4,788
Archer (v)	**4,355**	4,355
CGUs with goodwill balances less than $4 million	**24,931**	21,499
Total goodwill	**$ 73,724**	$ 70,292

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 an estimate of sustainable earnings, 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). An estimate of costs to sell was then deducted from the calculated fair value to arrive at fair value less costs to sell. This fair value measurement is categorized as Level 3 – fair value based on unobservable inputs, such as sustainable earnings, in the valuation technique used.

In using the discounted cash flow method, the value-in-use of each CGU was determined by estimating its future expected cash flow over the next four years along with its terminal value. These estimates were based on the operating plans of each CGU, which take into account past performance, known trends and anticipated capital expenditures. The terminal values of the CGUs were determined using an estimated long-term growth rate of 2% in 2013 (2012 – 2%), which was based on estimates of expected future operating results, future business plans, economic conditions and a general outlook for the industry in which the CGU operates.

(tabular amounts in thousands except for per share amounts)

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 value-in-use. The pre-tax discount rate was 12.19% (2012 – 12.30%), which was set considering the weighted average cost of capital to Contrans and certain risk premiums, based on past experience.

(ii) Cornerstone Logistics LP
The recoverable amount of goodwill was determined based on value–in-use. The pre-tax discount rate was 9.84% (2012 – 10.70%), which was set considering the weighted average cost of capital to Contrans and certain risk premiums, based on past experience.

(iii) Tri-Line Disposal Inc.
The recoverable amount of goodwill was determined based on fair value less costs to sell, using an earnings multiple of 12.2 (2012 – 10.6), which was set considering the weighted average cost of capital and certain risk premiums, based on past experience.

(iv) Peter Hodge Transport Limited
The recoverable amount of goodwill was determined based on value-in-use. The pre-tax discount rate was 9.18% (2012 – 9.5%), which was set considering the weighted average cost of capital to Contrans and certain risk premiums, based on past experience.

(v) Archer
The recoverable amount of goodwill was determined based on fair value less costs to sell, using an earnings multiple of 11.3 (2012 – 10.6), which was set considering the weighted average cost of capital and certain risk premiums, based on past experience.

No impairment of goodwill was identified as a result of conducting the tests in 2013 or 2012.

The aggregate carrying amounts and remaining amortization periods of the customer relationship assets of each CGU are as follows:

As at December 31	Remaining amortization (years) (1)	2013	2012
Deuce Disposal Limited	9 to 10	**$ 5,537**	$ —
Tri-Line Disposal Inc.	2 to 7	**3,134**	3,692
Tripar Transportation LP	3	**1,717**	2,323
Laidlaw Carriers Van LP	1 to 6	**1,373**	1,941
Archer	5	**1,200**	1,440
S&S Enterprises	4 to 5	**927**	1,082
Cornerstone Logistics LP	1 to 3	**858**	1,359
Peter Hodge Transport Limited	5 to 6	**846**	1,002
Other CGUs	1 to 7	**1,141**	1,640
Total customer relationships		**$ 16,733**	$ 14,479

(1) At December 31, 2013.

13. Long-Term Debt

As at December 31	2013	2012
Current		
Current portion of equipment financing agreements	**$ 3,319**	$ 3,887
Current portion of property mortgages	**185**	—
Current portion of senior secured notes payable	**—**	31,875
	$ 3,504	$ 35,762
Long-term		
Senior secured notes payable	**$ 54,864**	$ 54,782
Bankers' acceptance	**5,000**	5,000
Equipment financing agreements	**3,709**	5,527
Property mortgages	**3,036**	-
Unsecured loans	**2,067**	2,114
	$ 68,676	$ 67,423
	$ 72,180	$ 103,185

TERMS AND REPAYMENT SCHEDULE

	Currency	Nominal interest rate	Year of maturity	December 31, 2013 Market value	Carrying amount
Senior secured notes payable	*CAD*	*5.9–6.5%*	*2016*	***$ 59,089***	***$ 54,864***
Bankers' acceptance ("BA")	*CAD*	*1 month BA rate plus 2%*	*2016*	***5,000***	***5,000***
Equipment financing	*CAD*	*3.4–6.9%*	*2014–2017*	***5,912***	***5,878***
Equipment financing	*USD*	*3.4–6.1%*	*2014–2016*	***1,116***	***1,150***
Property mortgages	*CAD*	*5.0–6.0%*	*2015–2018*	***3,489***	***3,221***
Unsecured loans – no fixed maturity	*CAD*	*0–4.5%*	*—*	***2,067***	***2,067***
				$ 76,673	***$ 72,180***

	Currency	Nominal interest rate	Year of maturity	December 31, 2012 Market value	Carrying amount
Senior secured notes payable	*CAD*	*5.9–6.5%*	*2013–2016*	*$ 86,680*	*$ 86,657*
Bankers' acceptance ("BA")	*CAD*	*1 month BA rate plus 2%*	*2016*	*5,000*	*5,000*
Equipment financing	*CAD*	*3.4–6.9%*	*2013–2017*	*7,562*	*7,426*
Equipment financing	*USD*	*3.4–6.1%*	*2013–2016*	*1,947*	*1,988*
Unsecured loans – no fixed maturity	*CAD*	*2.5–5.0%*	*—*	*2,114*	*2,114*
				$ 103,303	*$ 103,185*

The senior secured notes payable are stated net of unamortized financing transaction costs of $0.1 million (2012 – $0.2 million) and provide for monthly payments of interest only. Liens on rolling stock with a net book value of approximately $86.8 million (2012 – $86.0 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 $11.1 million (2012 – $14.1 million) have been provided as security for the holders of the equipment financing agreements. A terminal facility with a net book value of approximately $6.3 million has been provided as security for the bankers' acceptance.

(tabular amounts in thousands except for per share amounts)

Equipment financing agreements

As at December 31	2013 Future minimum payments	2013 Interest	2013 Present value of minimum payments	2012 Future minimum payments	2012 Interest	2012 Present value of minimum payments
Less than one year	**$ 3,559**	**$ 240**	**$ 3,319**	$ 4,258	$ 371	$ 3,887
Between one and five years	**3,843**	**134**	**3,709**	5,793	266	5,527
	$ 7,402	**$ 374**	**$ 7,028**	$ 10,051	$ 637	$ 9,414

Mortgages

As at December 31	2013 Future minimum payments	2013 Interest	2013 Present value of minimum payments
Less than one year	**$ 369**	**$ 184**	**$ 185**
Between one and five years	**3,533**	**497**	**3,036**
	$ 3,902	**$ 681**	**$ 3,221**

14. Finance Lease Liabilities

Terms and conditions of outstanding finance leases were as follows:

Base currency	Nominal interest rate	Year of maturity	December 31, 2013 Market value	December 31, 2013 Carrying amount
CAD	3.4–8.4%	2014–2020	**$ 32,373**	**$ 31,991**
USD	3.0–5.7%	2015–2019	**5,332**	**5,398**
Total interest-bearing liabilities			**$ 37,705**	**37,389**
Less current portion				**(12,475)**
				$ 24,914

Base currency	Nominal interest rate	Year of maturity	December 31, 2012 Market value	December 31, 2012 Carrying amount
CAD	3.5–8.4%	2013–2019	$ 21,601	$ 19,554
USD	3.0–6.0%	2015–2019	8,245	8,425
Total interest-bearing liabilities			$ 29,846	27,979
Less current portion				(8,656)
				$ 19,323

Finance leases generally contain purchase options that Contrans expects to exercise at lease termination.

Finance lease liabilities are as follows:

	2013			2012		
As at December 31	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**$ 13,727**	**$ 1,252**	**$ 12,475**	$ 9,654	$ 998	$ 8,656
Between one and five years	**25,792**	**1,542**	**24,250**	19,246	1,191	18,055
More than five years	**682**	**18**	**664**	1,303	35	1,268
	$ 40,201	**$ 2,812**	**$ 37,389**	$ 30,203	$ 2,224	$ 27,979

Contrans had an unrealized foreign exchange loss on its US dollar-denominated finance lease obligations of $0.3 million as at December 31, 2013 (2012 – unrealized gain of $0.2 million).

15. Provisions

Inherent in the operation of motor vehicles are losses arising from collisions and cargo damage.

Balance at January 1, 2013	$ 1,300
Provisions established	2,590
Provisions settled	(2,028)
Balance at December 31, 2013	**$ 1,862**

All claims are expected to be settled within twelve months.

During 2013, Contrans modified the classification of provisions to show the liability as a separate line item in the consolidated statements of financial position. The reclassification was made to distinguish provisions from other liabilities, due to the different nature and timing of provisions. Comparative amounts in the consolidated statements of financial position were restated for consistency. As a result, $1.3 million was reclassified from "trade and other payables" to "provisions" in the consolidated statements of financial position as at December 31, 2012 (January 1, 2012 – $1.2 million). In addition, the consolidated statements of cash flow was reclassified to show the movement in provisions separate from "changes in non-cash working capital". As a result, for the year ended December 31, 2012, $0.1 million (net) was reclassified from "changes in non-cash working capital". Provisions made during the year increased by $2.7 million and provisions used during the year increased by $2.6 million.

16. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

As at December 31	2013	2012
Deferred tax assets		
Deductible reserves	**$ 1,494**	$ 1,342
Share issue costs and financing fees	**296**	545
Intangible assets	**—**	160
Other	**17**	71
Deferred tax liabilities		
Intangible assets	**(677)**	—
Property and equipment	**(18,627)**	(16,634)
Other	**(974)**	(1,663)
Net deferred income tax liability	**$ (18,471)**	$ (16,179)

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.

(tabular amounts in thousands except for per share amounts)

Movement in temporary differences during the year

	Balance December 31, 2011	Recognized in profit or loss	Acquisitions (Note 8)	Balance December 31, 2012	Recognized in profit or loss	Acquisitions (Note 8)	**Balance December 31, 2013**
Deferred tax assets							
Deductible reserves	$ 719	$ 623	$ —	$ 1,342	$ 152	$ —	**$ 1,494**
Share issue costs and financing fees	537	8	—	545	(249)	—	**296**
Intangible assets	369	937	(1,146)	160	565	(1,402)	**(677)**
Other	714	(643)	—	71	(54)	—	**17**
Deferred tax liabilities							
Property, equipment and intangible assets	(12,783)	(1,641)	(2,210)	(16,634)	(1,301)	(692)	**(18,627)**
Other	(571)	(1,092)	—	(1,663)	689	—	**(974)**
Net deferred income tax liability	$ (11,015)	$ (1,808)	$ (3,356)	$ (16,179)	$ (198)	$ (2,094)	**$ (18,471)**

17. Non-Cash Working Capital

For the years ended December 31	**2013**	2012
Change in non-cash working capital – provided by (used in)		
Trade and other receivables	**$ 244**	$ (7,939)
Other current assets	**307**	139
Trade and other payables	**2,913**	931
Change in non-cash working capital	**$ 3,464**	$ (6,869)
Non-cash transactions		
Value of finance leases used to fund equipment purchases	**$ 20,924**	$ 5,945

18. Share Capital

Authorized

An unlimited number of Class A shares and 1,382,724 Class B Multiple Voting Shares ("Class B shares"), both with no par value.

Issued and fully paid

Shares	Class A shares		Class B shares		Total	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance at December 31, 2011	33,790	$ 178,884	1,468	$ 1,298	35,258	$ 180,182
Shares purchased	(1,564)	(7,993)	—	—	(1,564)	(7,993)
Shares exchanged	45	40	(45)	(40)	—	—
Shares issued	20	179	—	—	20	179
Balance at December 31, 2012	32,291	171,110	1,423	1,258	33,714	172,368
Shares exchanged	40	35	(40)	(35)	—	—
Shares issued	145	1,302	—	—	145	1,302
Balance at December 31, 2013	**32,476**	**$ 172,447**	**1,383**	**$ 1,223**	**33,859**	**$ 173,670**

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.

Normal course issuer bid

On March 13, 2013, Contrans received regulatory approval to proceed with a normal course issuer bid ("NCIB") to purchase up to 1.6 million of its outstanding Class A shares for cancellation. There were no purchases under the NCIB in 2013 (2012 – 1,564,075 shares were purchased at a cost of $13,650,000). In 2012, the excess of the consideration paid over the stated value of the shares was $5.7 million and was recorded as a reduction of contributed surplus and as a charge to retained earnings.

(tabular amounts in thousands except for per share amounts)

19. Employee Benefits

As at December 31		2013		2012
Liability for post-employment benefits	$	381	$	351
Cash-settled, share-based payment liability		1,885		633
Total employee benefit liabilities included in other long-term liabilities	$	2,266	$	984

Contrans has employment contracts with certain senior executives that include provisions for medical benefits and club memberships for ten years following the retirement of these individuals. 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. They consist of the following:

		2013		2012
Defined benefit obligations at January 1	$	351	$	270
Current and past service costs and interest (see below)		30		81
Defined benefit obligations at December 31	$	381	$	351

Expense recognized in profit and loss for the years ended December 31		2013		2012
Current service costs	$	32	$	72
Actuarial gain		(15)		(1)
Interest on obligation		13		10
Current and past service costs and interest	$	30	$	81

Post-employment expenses are classified as a general and administration expense.

Principal actuarial assumptions at the reporting date are as follows:

	2013	2012
Discount rate at December 31	4.1%	3.5%
Medical cost trend rate	6.3%	6.8%
Average expected remaining service life (years)	7.0	9.0

Assumed healthcare cost trend rates affect the amounts recognized in profit and loss. A 1% increase or decrease in the assumed health care cost trend rate or discount rate would have a nominal impact on the aggregate service and interest costs.

20. Share-Based Compensation

a) Stock options

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, 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. The exercise price of the option was set at $8.95, 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 forfeited 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 December 31, 2012	*$ 8.95*	*1,595*
Granted during the period	*—*	*—*
Exercised during the period	*8.95*	*(145)*
Forfeited during the period	*8.95*	*(38)*
Outstanding at December 31, 2013	*$ 8.95*	*1,412*
Exercisable at December 31, 2013	*$ 8.95*	*793*
Weighted average remaining life of options		*7 years*

The amount charged to share-based compensation expense in the consolidated statements of comprehensive income for the year ended December 31, 2013 was $0.4 million (2012 – $0.8 million).

b) Restricted share units

Contrans' Board established a restricted share unit ("RSU") plan in 2010 that provides 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 are 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 occurs at the end of each award period. If 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 if employment is terminated for cause.

In 2013, 89,000 RSUs were awarded (2012 – 98,000). This resulted in $1.9 million being charged to G&A expenses in the consolidated statements of comprehensive income (2012 – $1.3 million). During 2013, RSUs matured and were settled for $2.1 million (2012 – $Nil). The remaining liability of $1.9 million is included in the consolidated statements of financial position as at December 31, 2013 (2012 – $2.2 million).

(tabular amounts in thousands except for per share amounts)

21. Weighted Average Number of Ordinary Shares Outstanding

For the years ended December 31	2013	2012
Issued shares at January 1	**33,714**	35,258
Stock options exercised	**85**	—
Shares purchased	**—**	(1,364)
Weighted average number of shares outstanding – basic	**33,799**	33,894
Effect of unexercised stock options	**331**	31
Weighted average number of shares outstanding – diluted	**34,130**	33,925

22. Operating Leases

Non-cancellable operating lease obligations are as follows:

As at December 31	2013	2012
Less than one year	**$ 10,185**	$ 7,711
Between one and five years	**20,531**	16,646
More than five years	**72**	860
	$ 30,788	$ 25,217

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

For the years ended December 31	2013	2012
Rolling stock charged to direct operating expenses	**$ 7,689**	$ 6,806
Real estate and other charged to G&A expenses	**1,166**	909
	$ 8,855	$ 7,715

23. Capital Commitments

At December 31, 2013, Contrans had entered into contracts to purchase trucks, trailers and real estate for $17.6 million that are expected to be delivered or completed during 2014.

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 fair value of land and buildings was based on transactional values of similar properties.

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, including cash and cash equivalents, short-term investments and trade and other receivables, approximates fair value at the reporting date due to the short-term maturity of these instruments.

d) Derivatives

The interest-rate derivative consists of a swap contract that exchanges a floating rate of interest with a fixed rate of interest. The fair value of the interest rate swap is determined by measuring the difference between the fixed contract rate and the forward curve rate for the applicable floating interest rate obtained from the counterparty. Classified as Level 2, significant measurement inputs used in the valuation model, *such as forward interest rate curves, are observable in active markets. Fair values reflect the credit risk of the instrument and include adjustments to take into account 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 the best estimate of the expenditures to be incurred and is discounted for the time value of money. The best estimate is calculated based on the expected payment amounts and their associated probabilities. The amount is recorded in trade and other payables if it is expected to be paid within a year of the statement of financial position date and in other long-term liabilities where payment is expected to be made after one year. Classified as Level 3, significant measurement inputs used in the valuation of the asset (or liability) are not based on observable market data (unobservable inputs).The fair value calculations are based on unobservable inputs including expected revenue and expected earnings. The level of contingent consideration payable will increase (decrease) with increases (decreases) in expected revenues and earnings.

g) Share-based payment transactions

The fair value of the employee stock options is measured using the Black-Scholes option pricing model. Measurement inputs include share price on the 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 instrument (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.

h) Cash-settled share-based payments

Contrans' share price is a significant measurement input in the determination of the fair value of cash-settled, share-based payments. Accordingly, the obligation to make these payments is classified as a Level 2 liability.

25. Financial Risk Management

a) Risk management framework

The Board 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.

b) 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. This risk arises principally from Contrans' receivables from customers and cash and cash equivalents.

(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.

c) 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 $30.0 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, 2013, Contrans had drawn $6.2 million under the operating line through the issue of letters of credit and short-term bank borrowings (2012 – $1.5 million), leaving $23.8 million available (2012 – $28.5 million). The use of the operating line is restricted to funding working capital requirements, issuance of letters of credit and funding growth opportunities. In addition, Contrans had $47.9 million of uncommitted equipment financing available at December 31, 2013, which was available for the purchase of highway equipment.

d) Market risk

Changes in market prices, such as foreign exchange rates and interest rates, can 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% of Contrans' revenue was billed in US dollars in 2013 and in 2012 but Contrans has fewer expenses denominated in US dollars. 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 on hand which exceed its US dollar requirements.

There were no foreign exchange contracts outstanding as at December 31, 2013 or 2012.

(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. Management manages this risk through fixed interest rate borrowing. As at December 31, 2013, approximately 97% (2012 – 97%) of Contrans' long-term debt had fixed interest rates.

At December 31, 2013, Contrans had an interest rate swap which converted $5.0 million (2012 – $5.0 million) of floating rate debt into fixed rate debt. This swap and related floating rate debt mature in 2016.

e) 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.

f) 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	***2013***	*2012*
Long-term debt	***$ 72,180***	*$ 103,185*
Finance lease liabilities	***37,389***	*27,979*
Cash and cash equivalents (Note 9)	***4,177***	*(21,456)*
Short-term investments	**—**	*(12,185)*
Net debt	***113,746***	*97,523*
Equity	***199,436***	*184,408*
Total capital	***$ 313,182***	*$ 281,931*

The Board 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 can restrict Contrans from paying dividends. Management monitors compliance with covenants and the factors affecting their calculation. As at December 31, 2013, Contrans was in compliance with all its covenants.

From time to time, Contrans purchases its own shares. The timing of these purchases depends on market prices and is subject to prior approval by the Board and by the stock exchange.

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

Contrans is not subject to externally imposed capital requirements.

(tabular amounts in thousands except for per share amounts)

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:

As at December 31	2013	2012
Loans and receivables		
Cash and cash equivalents	**$ 183**	$ 21,456
Short-term investments	**—**	12,185
Trade and other receivables	**72,462**	70,761
	$ 72,645	$ 104,402

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

	Carrying Amount	
As at December 31	2013	2012
Canada	**$ 60,270**	$ 94,560
United States	**12,375**	9,842
	$ 72,645	$ 104,402

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

	Carrying Amount	
As at December 31	2013	2012
Banking institutions	**$ 183**	$ 33,641
Trade and other receivables	**72,462**	70,761
	$ 72,645	$ 104,402

Contrans' most significant customer receivables at each period end accounted for $3.5 million and $5.9 million of the carrying amount of receivables due from customers at December 31, 2013 and December 31, 2012, respectively.

(ii) Impairment losses

The aging of customer receivables at the reporting date was:

	December 31, 2013			December 31, 2012		
	Gross	Impairment	Carrying Value	Gross	Impairment	Carrying Value
Not past due	**$ 51,434**	**$ (257)**	**$ 51,177**	$ 46,349	$ (232)	$ 46,117
Past due 0–60 days	**21,608**	**(323)**	**21,285**	24,958	(314)	24,644
Past due 60–90 days	**553**	**(553)**	**—**	677	(677)	—
More than 90 days past due	**—**	**—**	**—**	134	(134)	—
	$ 73,595	**$ (1,133)**	**$ 72,462**	$ 72,118	$ (1,357)	$ 70,761

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

For the years ended December 31	2013	2012
Provision as at January 1	**$ 1,357**	$ 1,377
Accounts written off	**(430)**	(255)
Movement in general provision	**24**	81
Bad debt expense	**182**	154
Provision as at December 31	**$ 1,133**	$ 1,357

Contrans has specifically provided for $0.7 million of accounts receivable that were considered to be impaired as at December 31, 2013 (2012 – $1.0 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, 2013, approximately $21.3 million (2012 – $24.6 million) of receivables are overdue but are not considered to be impaired.

A provision for doubtful accounts of $1.1 million as at December 31, 2013 is netted against accounts receivable on the consolidated statements of financial position (2012 – $1.4 million). Bad debt expense is included in G&A expenses in the consolidated statements of comprehensive income.

Based on historical 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.

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, 2013	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	$ 46,553	$ (46,553)	$ (46,553)	$ —	$ —	$ —
Other long-term liabilities	1,555	(1,555)	—	(1,132)	—	(423)
Finance lease liabilities (Note 14)	37,389	(40,201)	(13,727)	(10,228)	(15,564)	(682)
Senior secured notes payable (Note 13)	54,864	(65,066)	(3,500)	(3,500)	(58,066)	—
Bankers' acceptance (Note 13)	5,000	(5,518)	(180)	(180)	(5,158)	—
Equipment financing agreements (Note 13)	7,028	(7,402)	(3,559)	(2,593)	(1,250)	—
Property mortgages (Note 13)	3,221	(3,902)	(369)	(455)	(3,078)	—
Other unsecured loans (Note 13)	2,067	(2,067)	—	—	—	(2,067)
Derivative financial liabilities						
Interest rate swaps	8	(8)	(3)	(3)	(2)	—
	$ 157,685	$ (172,272)	$ (67,891)	$ (18,091)	$ (83,118)	$ (3,172)

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

(tabular amounts in thousands except for per share amounts)

December 31, 2012	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	$ 42,185	$ (42,184)	$ (42,184)	$ —	$ —	$ —
Other long-term liabilities	1,473	(1,504)	—	(880)	(273)	(351)
Finance lease liabilities (Note 14)	27,979	(30,203)	(9,654)	(9,409)	(9,837)	(1,303)
Senior secured notes payable (Note 13)	86,657	(102,212)	(37,141)	(3,463)	(61,608)	—
Bankers' acceptance (Note 13)	5,000	(5,672)	(173)	(173)	(5,326)	—
Equipment financing agreements (Note 13)	9,414	(10,051)	(4,259)	(3,247)	(2,545)	—
Other unsecured loans (Note 13)	2,114	(2,114)	—	—	—	(2,114)
Derivative financial liabilities						
Interest rate swaps	26	(26)	(7)	(7)	(12)	—
	$ 174,848	$ (193,966)	$ (93,418)	$ (17,179)	$ (79,601)	$ (3,768)

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:

As at December 31	2013	2012
(All amounts shown in $CAD)		
Cash and cash equivalents	**$ 200**	$ 1,094
Trade and other receivables	**11,381**	9,610
Trade and other payables	**(1,638)**	(2,137)
Finance lease liabilities	**(5,398)**	(8,425)
Long-term debt	**(1,150)**	(1,988)
Income tax receivable (payable)	**(40)**	86
Financial position exposure	**3,355**	(1,760)
Next month forecast sales	**9,468**	8,030
Next month forecast purchases	**(6,216)**	(5,168)
Gross exposure	**3,252**	2,862
Net exposure	**$ 6,607**	$ 1,102

Sensitivity analysis

A 2% strengthening of the Canadian dollar against the US dollar at December 31 would have decreased equity and profit and loss by $0.1 million in 2013 (2012 – increase of $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:

As at December 31	2013	2012
Fixed rate instruments		
Financial assets	**$ —**	$ 12,185
Financial liabilities	**(107,502)**	(128,525)
	$(107,502)	$(116,340)
Variable rate instruments		
Financial assets	**$ 183**	$ 21,456
Financial liabilities	**(6,427)**	(2,639)
	$ (6,244)	$ 18,817

(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 affect the valuation of the interest rate swap.

A change of 1% in interest rates would have increased or decreased equity by $0.2 million (2012 – $0.2 million).

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of 1% 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 or decreased equity and profit and loss for the year by $0.1 million (2012 – $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, 2013		*December 31, 2012*	
	Carrying amount	**Market value**	*Carrying amount*	*Market value*
Assets carried at amortized cost				
Cash and cash equivalents	**$ 183**	**$ 183**	$ 21,456	$ 21,456
Short-term investments	**—**	**—**	12,185	12,185
Trade and other receivables	**72,462**	**72,462**	70,761	70,761
	72,645	**72,645**	104,402	104,402
Liabilities carried at fair value				
Cash-settled, share-based payments	**1,885**	**1,885**	2,173	2,173
Contingent consideration	**640**	**640**	1,174	1,174
Interest rate swap	**8**	**8**	26	26
	2,533	**2,533**	3,373	3,373
Liabilities carried at amortized cost				
Trade and other payables	**45,160**	**45,160**	39,960	39,959
Other long-term liabilities	**423**	**423**	351	351
Finance lease liabilities (Note 14)	**37,389**	**37,705**	27,979	29,846
Senior secured notes payable (Note 13)	**54,864**	**59,089**	86,657	86,680
Bankers' acceptance (Note 13)	**5,000**	**5,000**	5,000	5,000
Equipment financing agreements (Note 13)	**7,028**	**7,028**	9,414	9,509
Property mortgages (Note 13)	**3,221**	**3,489**	—	—
Other unsecured loans (Note 13)	**2,067**	**2,067**	2,114	2,114
	$ 155,152	**$ 159,961**	$ 171,475	$ 173,459

The basis of determining fair values is disclosed in Note 24.

(tabular amounts in thousands except for per share amounts)

(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:

	2013	2012
Finance lease liabilities	**3.9%**	3.9%
Senior secured notes payable	**3.5%**	6.3%–6.5%
Bankers' acceptance ("BA")	**1 month BA rate plus 2%**	1 month BA rate plus 2%
Equipment financing agreements	**3.9%**	3.9%

(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, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Trade and other payables	$ —	$ 1,106	$ 295	$ 1,401
Other long-term liabilities	—	787	345	1,132
	$ —	$ 1,893	$ 640	$ 2,533

December 31, 2012	Level 1	Level 2	Level 3	Total
Trade and other payables	$ —	$ 1,566	$ 685	$ 2,251
Other long-term liabilities	—	633	489	1,122
	$ —	$ 2,199	$ 1,174	$ 3,373

(vii) *Fair value hierarchy – Level 3*

	Contingent consideration
Balance at January 1, 2013	$ 1,174
Contingent consideration on acquisitions	226
Payments made	(433)
Fair value adjustment recognized in G&A expenses	(327)
Balance at December 31, 2013	$ 640

27. Contingencies

a) Letters of credit

In the ordinary course of business, Contrans had issued letters of credit amounting to $1.8 million at December 31, 2013 (2012 – $1.5 million). These letters of credit expire at various dates from January 2014 to October 2014.

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 provides non-cash benefits to executive officers. Executive officers also participate in Contrans' share-based compensation plans (see Note 20).

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

Key management personnel compensation was comprised of:

For the years ended December 31	***2013***	*2012*
Short-term employee benefits	***$ 6,224***	*$ 6,190*
Post-employment benefits	***30***	*81*
Share-based payments	***1,916***	*1,294*
	$ 8,170	*$ 7,565*

Total remuneration is included in G&A expenses.

(ii) Key management personnel and director transactions

Directors and officers of Contrans control 40.2% of the voting shares of Contrans.

b) Other related party transactions

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

As at December 31	***2013***	*2012*
Accounts payable	***$ 448***	*$ 332*
Accounts receivable	***9***	*8*

For the years ended December 31	***2013***	*2012*
Repairs, maintenance, purchases and leases	***$ 7,739***	*$ 6,826*
Rental income	***260***	*251*

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.

(tabular amounts in thousands except for per share amounts)

29. Contrans Group Inc.'s Entities

			Ownership interest December 31,		
Subsidiary	*Segment*	*Country of incorporation*	***2013***	*2012*	*Year-end*
Brookville Carriers Flatbed LP	*Freight transportation*	*Canada*	***100%***	*100%*	*December 31*
Contrans Corp.	*Corporate Entity*	*Canada*	***100%***	*100%*	*November 30 (1)*
Contrans Flatbed Group LP	*Freight transportation*	*Canada*	***100%***	*100%*	*December 31*
Contrans Holding LP	*Corporate Entity*	*Canada*	***100%***	*100%*	*December 31*
Contrans Realty Holdings Inc.	*Corporate Entity*	*Canada*	***100%***	*100%*	*December 31*
Contrans Services LP	*Corporate Entity*	*Canada*	***100%***	*100%*	*December 31*
Cornerstone Logistics LP	*Freight transportation*	*Canada*	***100%***	*100%*	*December 31*
Deuce Disposal Ltd.	*Waste Collection*	*Canada*	***100%***	—	*December 31*
ECL Carriers LP	*Freight transportation*	*Canada*	***100%***	*100%*	*December 31*
Glen Tay Transportation LP	*Freight transportation*	*Canada*	***100%***	*100%*	*December 31*
Laidlaw Carriers Bulk LP	*Freight transportation*	*Canada*	***100%***	*100%*	*December 31*
Laidlaw Carriers Tank LP	*Freight transportation*	*Canada*	***100%***	*100%*	*December 31*
Laidlaw Carriers Van LP	*Freight transportation*	*Canada*	***100%***	*100%*	*December 31*
Peter Hodge Transport Limited	*Freight transportation*	*Canada*	***100%***	*100%*	*December 31*
Tri-Line Carriers LP	*Freight transportation*	*Canada*	***100%***	*100%*	*December 31*
Tripar Transportation LP	*Freight transportation*	*Canada*	***100%***	*100%*	*December 31*
Tri-Line Disposal Inc.	*Waste Collection*	*Canada*	***100%***	*100%*	*December 31*
564661 Ontario Inc.	*Freight transportation*	*Canada*	***100%***	*100%*	*December 31*
9213-2901 Quebec Inc.	*Freight transportation*	*Canada*	***100%***	*100%*	*December 31*

(1) These consolidated financial statements include the results for the year ended December 31

30. Subsequent Event

Dividends

On January 15, 2014, Contrans announced a dividend of $0.125 per share. As a result, approximately $4.2 million was paid on February 15, 2014 to shareholders of record as at January 31, 2014.

(Unaudited)	2013	2012	2011	2010	2009
Return on equity (1) (2)	**15.3%**	15.4%	11.4%	12.1%	17.8%
Operating ratio (2) (3)	**90.2%**	89.5%	90.7%	91.6%	91.9%
Total liabilities to equity (2) (4)	**1.0:1**	1.1:1	1.1:1	0.9:1	1.1:1
Earnings before income taxes (5)	**$ 40,627**	$ 39,566	$ 29,789	$ 24,831	$ 22,202
Tangible book value per share (2) (6)	**$ 3.09**	$ 2.84	$ 3.06	$ 2.91	$ 1.68
Earnings per share – basic (7)	**$ 0.87**	$ 0.83	$ 0.57	$ 0.53	$ 0.77
– diluted (7)	**$ 0.86**	$ 0.83	$ 0.57	$ 0.53	$ 0.77
Price-earnings ratio (2) (8)	**15.3**	12.0	14.0	16.9	9.1
Weighted average number of shares outstanding – basic (5)	**33,799**	33,894	35,759	33,339	29,897
Weighted average number of shares outstanding – diluted (5)	**34,130**	33,925	35,759	33,339	29,897

(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 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 and diluted was calculated by dividing net income by the weighted average number of shares outstanding (basic and diluted).

(8) Price-earnings ratio was calculated by dividing year-end closing price by basic 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
CHG Hospital Beds

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
Secretary-Treasurer

Norman McDonough
Vice-President Risk and
Compliance

David W. Golton
Vice-President, Tank Operations

Laban B. Herr
Vice-President, Van Operations

Steven Brookshaw
Vice-President, Flatbed Operations

Scott B. Talbot
Vice-President, Bulk Operations

Principal Office

Courier address:
1179 Ridgeway Road
Woodstock, Ontario
N4V 1E3

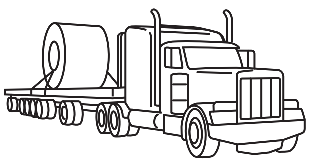
Mailing address:
PO Box 1669
1179 Ridgeway Road
Woodstock, Ontario
N4S 0A9

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
M5X 1J2
Monday, April 28, 2014
at 4:30 p.m.



Annual Information Form

A copy of the Annual Information
Form is available at
www.sedar.com

Website
www.contrans.ca

Printed in Canada

Contrans Group Inc.
1179 Ridgeway Road, Woodstock, Ontario N4V 1E3
Tel: 519-421-4600   Fax: 519-539-9220
www.contrans.ca