

Attention Business/Financial Editors:

CCS Income Trust announces its fourth quarter and year end results

CALGARY, March 9 /CNW/ -

OVERVIEW AND HIGHLIGHTS

- CCS' record setting growth continued in 2005 with consolidated net income for the year reaching \$79.2 million; an increase of 67% over 2004.
- On February 23, 2006, CCS entered the U.S market through the \$21.7 million acquisition of 100% of the outstanding equity interests of Environmental Treatment Team LLC (ETT), an oilfield waste processing company based in Louisiana.
- The Energy Services division posted fourth quarter revenue of \$66.3 million, representing a 38% increase over the same period in 2004.
- Concord Well Servicing achieved a rig utilization rate of 79% for the quarter and a 59% increase in operating margin dollars over the fourth quarter of 2004.
- The HAZCO division achieved quarterly revenue of \$80.0 million, for its second consecutive quarter.
- CCS' payout ratio of 45% for the twelve months ended December 31, 2005 represents the Trust's continued commitment to reinvest a significant amount of its cash flow in growth opportunities.
- In 2005, CCS acquired the assets of four operating companies for consideration totaling \$17.7 million.
- The Trust announced an increase in monthly distributions from \$0.125 to \$0.135 per unit for unitholders of record on March 31, 2006. This increase brings our annualized distribution to \$1.62 per unit.

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2005 Fourth Quarter and Year-End Results

	Three months ended Dec 31			Twelve months ended Dec 31		
(000s) except per unit amounts	2005	2004	% change	2005	2004	% change
Revenue	\$ 325,511	\$ 134,334	142%	\$ 938,659	\$ 300,576	212%
EBITDA(1)	67,510	42,218	60%	191,243	112,859	69%
Income before non-controlling interest	38,829	25,489	52%	105,971	63,739	66%
Net income per unit	29,207	19,308	51%	79,161	47,422	67%
- diluted	0.69	0.47	47%	1.87	1.18	58%
Funds from operations(1) per unit	54,959	40,886	34%	159,544	107,959	48%
- diluted	0.97	0.75	29%	2.81	1.99	41%
Capital expenditures	43,604	27,783	57%	107,105	70,168	53%

Weighted

average trust units	42,264	39,780	42,264	39,780
Exchangeable shares (2)	14,443	14,405	14,443	14,405

Weighted average trust units - diluted	56,707	54,185	56,707	54,185

- (1) Non-GAAP financial measures are identified and defined in the attached Management's Discussion and Analysis.
- (2) Assuming all exchangeable shares at December 31, 2005 converted at the period end exchange ratio of 2.54714 (2004 - 2.44062).

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis should be read in conjunction with the Audited Consolidated Financial Statements and the Auditors' Report included in the Annual Report of CCS Income Trust (the "Trust" or "CCS").

CCS INCOME TRUST - Ten Year Review of Operations

	12 months ended December 31				
(\$000s except per unit or share amounts)	2005	2004	2003	2002	2001
			restated	restated	restated
REVENUE	938,659	300,576	180,144	118,123	110,961
EXPENSES					
Operating	732,148	176,511	97,193	59,880	52,834
General and administrative	16,824	12,264	9,007	8,100	6,077
Depreciation and amortization	39,755	29,589	27,894	15,048	11,044
Interest on debt	8,598	4,554	4,466	3,679	5,022

Net income before non-controlling interest	105,971	63,739	37,745	21,746	N/A
Net income per unit or share - fully diluted	1.87	1.18	0.77	0.53	0.60

Funds from operations per unit or share - fully diluted	2.81	1.99	1.44	1.14	1.05

Capital expenditures	107,105	70,168	122,111	52,312	57,398
Total assets	677,831	539,365	360,540	239,102	182,207
Long-term debt	156,397	136,503	52,088	24,500	44,231
Non-controlling interest	69,582	46,669	30,727	21,110	N/A
Unitholders' equity	259,986	226,834	184,743	126,346	72,707

12 months ended December 31

(\$000s except per unit or share amounts)	2000	1999	1998	1997	1996
	restated	restated	restated	restated	restated
REVENUE	67,849	45,712	42,349	32,025	23,272
EXPENSES					
Operating	35,332	28,196	25,536	19,878	16,585
General and administrative	4,141	3,433	3,928	2,738	2,122
Depreciation and amortization	6,586	4,915	3,837	2,504	1,763
Interest on debt	2,080	1,066	678	962	463
Net income before non-controlling interest	N/A	N/A	N/A	N/A	N/A
Net income per unit or share - fully diluted	11,976 0.41	4,199 0.15	4,311 0.17	4,159 0.20	(697) (0.04)
Funds from operations per unit or share - fully diluted	20,004 0.66	11,036 0.41	9,744 0.39	7,852 0.38	4,018 0.20
Capital expenditures	40,722	19,471	16,914	21,161	8,874
Total assets	124,413	82,067	64,832	53,912	30,116
Long-term debt	34,546	20,000	11,500	6,947	10,070
Non-controlling interest	N/A	N/A	N/A	N/A	N/A
Unitholders' equity	51,206	40,146	35,947	30,584	9,519

Certain comparative figures for prior years have been retroactively restated to incorporate the February 28, 2005 two-for-one trust unit split, and the retroactive application of changes in accounting policies for exchangeable securities and asset retirement obligations.

Important Note

This Management's Discussion and Analysis contains certain statements that are not historical in nature and are forward-looking statements. These forward-looking statements include statements relating to the Trust's plans, strategies, objectives, expectations, intentions and resources. They are not guarantees as to the Trust's future results since there are inherent difficulties in predicting future results. When used throughout this report, the words "anticipate," "expect," "project," "believe," "estimate," "forecast," "intend," and similar expressions identify forward-looking statements, which include statements relating to pending and proposed projects and business activities. Such statements are subject to certain risks, uncertainties and assumptions pertaining to operating performance; regulatory parameters; weather and economic conditions and, in the case of pending and proposed projects, risks relating to design and construction; regulatory processes; obtaining financing; and performance of other parties, including partners, contractors and suppliers. Accordingly, actual results could differ materially from those expressed or implied in forward-looking statements.

Non-GAAP Measures

This Management's Discussion and Analysis contains references to certain financial measures that do not have any standardized meaning prescribed by Canadian Generally Accepted Accounting Principles (GAAP) and may not be comparable to similar measures presented by other companies or trusts. These measures are provided to assist investors in determining the Trust's ability to generate cash from operations and to provide additional information regarding the use of its cash resources. These financial measures are identified and defined below:

- "EBITDA" is determined from the consolidated statements of income and accumulated earnings and is defined as operating margin before asset retirement obligations, less general and administrative expenses.
- "Funds from operations" is derived from the consolidated statements of cash flows and is calculated as cash provided by operating activities before changes in non-cash working capital and asset retirement obligations.
- "Growth capital expenditures" include amounts incurred to add new facilities or services, and to replace utilized capacity and expand CCS' engineered landfills and waste-disposal caverns.
- "Maintenance capital expenditures" refer to capital expenditures required to maintain existing levels of service.
- "Cash available for distribution and growth capital expenditures" is calculated as funds from operations, less required principal repayments of term credit facilities, maintenance capital expenditures and amortization of capacity which is cash designated for the replacement of engineered landfill and cavern capacity.
- "Payout ratio" is calculated as cash distributions for the period divided by cash available for distribution and growth capital expenditures, as referenced in the CCS Cash Distributions table disclosed later in this document.

CCS Income Trust

Since May 22, 2002 CCS has operated as an income trust. On that date, holders of common shares of the predecessor company, Canadian Crude Separators Inc., exchanged their common shares for trust units of CCS or exchangeable shares of CCS Inc., the wholly-owned operating subsidiary of the Trust. Exchangeable shares of CCS Inc. are exchangeable into trust units of CCS Income Trust at the option of the holder.

The Trust has achieved outstanding financial results along with success in corporate growth since its inception. CCS is committed to increasing unitholder value through controlled growth in three key areas; the effective operation and expansion of existing facilities, the construction of new facilities and strategic acquisitions.

CCS reports results of its operations through four main business segments:

CCS Energy Services division (Energy Services)

This division owns and operates treatment, recovery and disposal (TRD), cavern and engineered landfill facilities throughout western Canada. Services are provided in the following areas:

- emulsion treatment;
- water disposal;
- waste processing;
- drilling mud disposal;
- tank/truck washing;

- disposal of naturally occurring radioactive material (NORM);
- crude oil terminalling;
- cavern disposal; and
- engineered landfill disposal.

CCS Energy Marketing division (CEM)

Responding to the opportunity to maximize the return on the marketing of recovered crude oil, CCS initiated its in-house Energy Marketing division in October 2004. CCS Energy Marketing (CEM) extracts additional value and operating margin on waste and recovered oil volumes from the Energy Services facilities. The CEM division captures the incremental value created through the marketing chain with the following revenue streams:

- lease purchases;
- single shipper/optimization; and
- bulk purchases.

HAZCO Environmental Services division (HAZCO)

This division is an industry leader that provides a wide range of specialized services including:

- site remediation;
- decommissioning;
- waste services;
- environmental construction;
- environmental technologies;
- emergency response;
- engineered landfill disposal;
- sulphur services;
- environmental and geotechnical drilling; and
- other specialty services.

HAZCO operates a network of industrial landfills, bio-remediation facilities and hazardous waste transfer stations across western Canada. HAZCO provides services primarily throughout Canada, with select services provided in Peru and the United States.

Concord Well Servicing division (Concord)

This division owns and operates 53 service rigs, providing a wide variety of well completion and workover services to the Canadian oil and natural gas service sector. Established in 1979, Concord provides a variety of contract services from its six strategically located offices in western Canada. Through the acquisition of HiAlta in 2005, this division has expanded its services to include the rental of oilfield equipment.

DISCUSSION OF FINANCIAL RESULTS

EBITDA, NET INCOME AND FUNDS FROM OPERATIONS

(000s except per unit amounts)	2005	2004
EBITDA(1)	\$ 191,243	\$ 112,859
% change from prior year	69%	50%
Income before non-controlling interest	105,971	63,739
% change from prior year	66%	69%
Net income	79,161	47,422
% change from prior year	67%	70%
per unit - diluted	1.87	1.18
Funds from operations(1)	159,544	107,959

% change from prior year	48%	54%
per unit - diluted	2.81	1.99

(1) Non-GAAP financial measures are identified and defined in the Management's Discussion and Analysis

The increase in EBITDA for the twelve months ended December 31, 2005 was attributable to the addition of the HAZCO and Energy Marketing divisions in late 2004, an overall strong demand for services in the oil and gas sector, and a consistent operating margin percentage in all four business segments.

Net income for the twelve months ended December 31, 2005 increased by \$31.7 million over the same period in 2004. The increase was due in large part to the HAZCO division, which contributed \$27.9 million to net income for the year; the contribution in 2004 was \$1.4 million due to the December 10, 2004 acquisition date. The CCS Energy Marketing division reported a full year of operations in 2005 versus three months in 2004 and contributed \$7.9 million to net income for 2005 compared to \$0.8 million for 2004. Net income was negatively impacted by a provision for income taxes of \$32.7 million. Due to the strong operating performance, CCS recorded income taxes at an effective tax rate of 24% in 2005 compared to 16% in 2004.

Funds from operations for the twelve months ended December 31, 2005 increased by \$51.6 million over 2004 as a result of the Trust's strong operating performance across all four of the operating divisions.

CASH DISTRIBUTIONS

During 2005, the Trust declared distributions to unitholders of \$53.7 million, an increase of \$12.0 million over 2004. Distributions declared represent a payout ratio on cash available for distribution of 45 percent and 56 percent in 2005 and 2004, respectively. Cash flow in 2005 was reinvested in the Trust through:

- expansion capital expenditures and capacity replacement within the Energy Services division;
- maintenance capital expenditures; and
- the acquisition of the assets of four operating companies.

This conservative approach to cash distributions reflects the Trust's continued adherence to a long-term, strategic growth plan, while at the same time demonstrating its commitment to unitholders through ongoing increases in distributions. The monthly distribution increased four times in 2005, from \$0.0925 to \$0.12 per unit, representing a 30 percent increase to the monthly distribution during the year. In 2006, the monthly distribution was further increased to \$0.135 per unit for unitholders of record on March 31, 2006.

The following summary outlines the principal utilization of funds from operations for the twelve months ended December 31, 2005 and 2004:

CCS CASH DISTRIBUTIONS

(000s)	2005	2004
Funds from operations(1)	\$ 159,544	\$ 107,959
Required principal repayments of long-term debt	(8,230)	(15,673)
Maintenance capital expenditures(1)	(24,973)	(10,096)
Amortization of landfill and cavern capacity(2)	(8,407)	(8,024)
Cash available for distribution and growth capital expenditures(1) (b)	117,934	74,166
Cash retained for growth and capital expenditures	(64,283)	(32,511)
Cash distributions declared (a)	53,651	41,655
Accumulated cash distributions, beginning	89,187	47,532

Accumulated cash distributions, ending	142,838	89,187
Payout ratio(1) (a)/(b)	45.5%	56.0%

- (1) Non-GAAP financial measures are identified and defined in the Management's Discussion and Analysis under the heading 'Non-GAAP Measures'.
- (2) Based on amortization expense in the consolidated statements of income and accumulated earnings, this is cash retained to replace utilized landfill capacity. This amortization expense is calculated on a 'unit of capacity utilized' basis.

REVENUES

(000s)	2005	2004
CCS Energy Services	\$ 207,623	\$ 160,112
% change from prior year	30%	35%
Concord Well Servicing	93,983	78,012
% change from prior year	20%	26%
HAZCO	240,734	9,267
% change from prior year	2,498%	100%
CCS Energy Marketing	396,319	53,185
% change from prior year	645%	100%
Total	938,659	300,576
% change from prior year	212%	67%

Energy Services

The growth in revenue in this division is a result of sustained, higher activity levels at the TRD facilities and incremental revenue generated from facilities constructed in 2004. High oil prices and increased demand for services resulted in a 77 percent year-over-year increase in revenue from the sale of oil recovered from waste. The sale of recovered oil generated 14 percent of total revenue earned by this division in 2005 compared to ten percent in 2004.

Concord

The Concord Well Servicing division's increased revenue for the year is attributable to an overall increase in rig hours and to price increases implemented in the fourth quarters of 2004 and 2005. Concord's 2005 rig operating hours increased by four percent to 130,812 hours (2004 - 125,644 hours). The division added two standby carrier rigs to its fleet during the year; they are deployed when other rigs undergo major repairs or refits. In November 2005, Concord acquired HiAlta Energy Services, an oilfield rental company. HiAlta provides a complementary service to the division, with equipment rentals that include light towers; environmental bins; wellsite trailers; office trailers; rig mats; and other equipment related to oilfield services.

HAZCO

The division generated \$240.7 million of revenue in its first full year as a reportable division of the Trust. Strong revenue in 2005 resulted from several large unplanned projects undertaken by the division, as well as mild winter weather, which allowed work to continue uninterrupted through to the year end.

CCS Energy Marketing

Continued high commodity prices and increased volumes of oil purchased and marketed by the division contributed to an increase of \$343.1 million in the division's annual revenue over 2004. A significant portion of the revenue earned was generated through oil purchases at the Energy Services TRD facilities where CEM is the single shipper. Single shipper status enables the marketing division to monitor the quality of the oil coming into the facilities and optimize the revenue stream associated with the various grades of oil.

OPERATING MARGIN

(000s)	2005	2004
CCS Energy Services	\$ 130,181	\$ 98,410
% of division revenue	63%	62%
Concord	32,092	22,997
% of division revenue	34%	30%
HAZCO	36,298	1,885
% of division revenue	15%	20%
CCS Energy Marketing	7,940	773
% of division revenue	2%	2%
Total	206,511	124,065
% of consolidated revenue	22%	41%

Energy Services

The Energy Services division's operating margin, as a percentage of revenue, increased by one percent over 2004. The TRD facilities were the primary contributor to this improvement, with higher recovered oil sales and prices that favourably impacted the operating margin. Overall, expenses in the Energy Services division increased in order to meet the higher activity levels, rising to \$77.4 million in 2005 from \$61.7 million in 2004. The design and quality of the facilities allows the division to manage volume increases without a corresponding increase in operating expenses. Despite the overall positive management of operating expenses, there were some factors contributing to higher costs, including a significant increase in wages and utilities expense. These higher operating costs mitigated the positive effect of price increases imposed in the first quarter of 2005.

Concord

Concord's operating margin increased to \$32.1 million as a result of higher utilization rates and price increases. Operating margin, as a percentage of revenue, increased by four percent in 2005 over 2004 as a result of price increases, strong market activity and a focus on effective cost controls.

HAZCO

HAZCO generated an operating margin, as a percentage of revenue, of 15 percent for the year ended December 31, 2005. Operating margin for this division is expected to fluctuate depending on the volume and type of projects undertaken and the blend of business between remediation projects, engineered landfill services and other services in any given period.

CCS Energy Marketing

The CCS Energy Marketing division's two percent operating margin, as a percentage of revenue, remained unchanged for the years ended December 31, 2005 and 2004. The business model for this division is focused on capturing the incremental value in marketing crude oil through Energy Services facilities. As such, the division is not expected to generate an operating margin, as a percentage of revenue, that is significantly different than that reflected to date. Revenue is recorded at gross value, and as a result, the financial statements reflect a higher dollar value for both revenue and operating expense, creating a lower operating margin as a percentage of revenue.

GENERAL AND ADMINISTRATIVE

(000s)	2005	2004
General and administrative expense	\$ 16,824	\$ 12,264
% change from prior year	37%	36%

General and administrative expenses have increased year-over-year as a result of the Trust's overall growth. Administrative costs directly related to the individual business segments are included in operating costs of that division.

General and administrative expenses increased in the following areas during 2005:

- wages and benefits, including the recognition of expenses associated with the trust unit option plan and the executive retention bonus plan;
- professional and consulting fees;
- information technology and communications; and,
- general office costs.

All of these cost increases are reflective of the ongoing growth of CCS and economic conditions in western Canada which have resulted in escalating labour costs.

DEPRECIATION AND AMORTIZATION

(000s)	2005	2004
Depreciation	\$ 29,462	\$ 21,565
% change from prior year	37%	20%
Amortization	10,293	8,024
% change from prior year	28%	(19)%

The year-over-year increase in depreciation expense of \$7.9 million is mainly a result of the acquired HAZCO capital assets generating a full year of depreciation expense in 2005.

Amortization of engineered landfills and disposal caverns totaled \$8.4 million for the twelve months ended December 31, 2005 (2004 - \$8.0 million). Capacity replacement expenditures on engineered landfills and disposal caverns totaled \$10.3 million in 2005. Landfill capacity at all CCS engineered landfills is reviewed twice a year by independent engineering consultants, with capacity adjustments accounted for prospectively. The survey completed in December 2005 resulted in minor capacity adjustments, which will be incorporated in the 2006 amortization expense.

Included in amortization expense for the year is \$1.9 million relating to the amortization of intangible assets acquired (2004 - nil).

INCOME TAXES

(000s)	2005	2004
Net income before income taxes	\$ 138,671	\$ 76,204
Provision for income taxes	32,700	12,465
Effective tax rate	24%	16%

In 2005, the Trust provided for taxes at the effective rate of 24 percent of pre-tax income, compared to 16 percent in 2004. The higher tax rate results primarily from the 82 percent growth in pre-tax income, which is only partially offset by available tax deductions at the operating company level.

From the inception of the Trust in May 2002 to the end of 2004, the Trust's operating subsidiary accumulated sufficient tax pools to offset taxable income and therefore was not subject to current tax except for capital taxes. CCS' continued growth has resulted in available tax pools being utilized more quickly than expected. As a result, tax pool deductions do not fully offset taxable income for 2005, resulting in a provision for current income taxes.

Current tax expense of \$24.5 million for the year ended December 31, 2005 consists of \$23.6 million of income taxes and \$0.9 million of capital taxes. In 2004, the provision for current tax was \$0.6 million.

FINANCING

(000s)	2005	2004
Interest expense	\$ 8,598	\$ 4,554
% change from prior year	89%	2%

Financing charges in 2005 increased as a result of higher average debt outstanding, combined with a 0.25 percent increase in the annual average interest rate paid by the Trust. The average debt outstanding for the year was \$140.3 million, an increase of 86 percent over 2004. The significant increase in debt outstanding is attributable to the following:

- the acquisition of HAZCO in December, 2004 required a cash payment of \$29.8 million and the assumption of \$9.9 million in long-term debt;
- acquisitions in 2005 utilized cash of \$13.3 million; and
- capital expenditures of \$107.1 million in 2005.

LIQUIDITY AND CAPITAL RESOURCES

(000s)	2005	2004
Capital Data		
Current portion of long-term debt	\$ 2,068	\$ 3,131
Long-term debt	156,397	136,503
Less: cash and cash equivalents	(3,626)	-
Net debt	154,839	139,634
Unitholders' equity	259,986	226,834
Non-controlling interest	69,582	46,669
Total capitalization	484,407	413,137

Net debt to total capitalization 32% 34%

Credit Facilities and Swaps

The Trust has the following credit facilities available:

- \$210.0 million extendible, three-year revolving facility bearing interest, at CCS' option, at the bank's prime rate, banker's acceptance rate or LIBOR rate plus 0 to 275 basis points, depending on CCS' ratio of debt-to-EBITDA. At December 31, 2005, the Trust had utilized \$101.6 million of this facility. Outstanding letters of credit of \$25.7 million at December 31, 2005 (\$2004 - \$20.6 million) reduce the amount of credit available on this facility.

This facility was amended in January 2006 to increase the Trust's available revolving credit to \$310.0 million. The amended facility has a three-year revolving term and bears interest, at CCS' option, at the bank's prime rate, banker's acceptance rate or LIBOR rate plus 0 to 200 basis points.

- \$50.0 million seven-year, non-revolving, non-amortizing term facility with a fixed interest rate of 6.4 percent. This facility is fully drawn and is repayable in full on December 10, 2011.
- \$6.0 million for the financing of capital equipment, with interest charged on a transactional basis. Fixed and floating-rate options are available. Interest under the fixed option is currently charged at a maximum rate of four percent. Contracts under the floating option bear interest at prime minus 0.7 to prime minus 3.5 percent. At December 31, 2005 the amount outstanding on this facility was \$3.2 million. Repayment terms cannot extend beyond five years. CCS will continue to utilize these facilities if the cost to do so minimizes overall borrowing costs to the Trust.

At December 31, 2005, the Trust had \$20.7 million of surety bonds outstanding to secure bids and for completion of work, all with respect to the HAZCO operating division. These outstanding bonds do not impact the amount of credit available on any of the facilities.

In accordance with the terms of its credit facilities, CCS must remain in compliance with certain financial and non-financial covenants, as defined by its lenders. At December 31, 2005, CCS was in compliance with all covenants.

In 2002, the Trust entered into a five-year, non-amortizing, interest-rate swap agreement for \$18.0 million at a fixed rate of 5.6 percent. In 2003, the Trust entered into additional amortizing swap arrangements of \$20.0 million at a fixed rate of 4.1 percent, of which \$10.0 million was outstanding at December 31, 2005. With the \$50.0 million of fixed-rate debt and the interest-rate swaps currently in place, the Trust has fixed the interest rate on \$78.0 million of outstanding debt, representing approximately 49 percent (2004 - 59 percent) of total debt outstanding of \$158.5 million.

UNITHOLDERS' EQUITY

(000s)	February 28		December 31	
	2006		2005	2004
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Outstanding Unit Data				
Trust units	42,704	42,679	41,949	
Exchangeable Shares(1)	14,535	14,443	14,405	
Options to purchase trust units	1,483	-	-	
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Total	58,722	57,122	56,354	

- (1) Assuming all exchangeable shares at December 31, 2005 are converted at the period end exchange ratio of 2.54714 (December 31, 2004 - 2.44062)

On December 31, 2005 there were 42.7 million trust units outstanding. Trust unit activity in 2005 included the following:

- On February 15, 2005 the Trust announced a two-for-one trust unit split for unitholders of record on February 28, 2005. Pursuant to the unit split, each holder of units on February 28, 2005 received one additional unit of CCS Income Trust for every trust unit held. The impact of the split on unitholders' equity and per unit information has been retroactively reflected for comparative purposes.
- As a part of the purchase price consideration paid on acquisitions, 0.1 million trust units were issued. These trust unit issuances generated net proceeds of \$4.4 million.
- The conversion of exchangeable shares to trust units resulted in the issuance of 0.6 million trust units.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

CCS has entered into various contractual obligations with respect to debt, operating commitments and capital. The following table summarizes CCS' contractual obligations on December 31, 2005:

Payments Due by Period

Contractual Obligations (000s)	Total	less than 1 Year	1-3 Years	4-5 Years	greater than 5 Years
Long-term debt	158,465	2,068	101,397	5,000	50,000
Office leases	3,551	1,336	1,954	225	36
Capital and operating leases	1,075	548	450	77	-
Gas delivery obligation (undiscounted)	10,323	1,377	2,759	2,755	3,432
Pipeline capacity commitment	3,065	341	908	908	908
Total contractual obligations	176,479	5,670	107,468	8,965	54,376

The Trust has entered into various consulting arrangements with respect to international corporate development initiatives. Compensation consists of consulting fees and the commitment to purchase, on behalf of the consultants, CCS Income Trust units on the open market upon the signing of executable, international service contracts. The Trust is contingently obligated to acquire 34 thousand trust units, or pay the cash equivalent thereof; however, to date has not entered into any service contracts.

CAPITAL EXPENDITURES

(000s)	2005	2004
Capital expenditures	\$ 107,105	\$ 70,168
% change from prior year	53%	(43)%

Energy Services

The Energy Services division incurred capital expenditures of \$63.5 million during the year. Growth capital projects comprised the majority of capital expenditures incurred and include the following:

- ongoing construction of a new TRD facility at Brooks, Alberta which is expected to become operational in March, 2006;
- expansion of the waste processing facility at the Coronation, Alberta TRD;
- completion of an oil recovery program utilizing centrifuge technology at seven TRD facilities;
- completion of a new disposal well facility at Moose Creek, Alberta; operations commenced in November, 2005;
- capacity replacement expansions at the Fox Creek, La Glace and Marshall engineered landfills; all located in Alberta;
- construction of a new TRD in Spirit River, Alberta scheduled for completion in the second quarter of 2006;
- completion of a new engineered landfill at Bonnyville, Alberta; operations commenced in October, 2005; and
- ongoing cavern washing and capacity expansion at the Lindbergh facility.

Concord

Concord Well Servicing incurred capital expenditures of \$18.0 million in 2005. The majority of capital expenditures in this division are maintenance capital expenditures. In 2005, Concord incurred \$6.1 million in capital expenditures related to the purchase of land and buildings to accommodate its ongoing growth and expansion. The balance of expenditures related to rig refits, rebuilding ancillary rig equipment, bed truck upgrades, and various other projects required to maintain the fleet at an optimal performance level.

HAZCO

The HAZCO division incurred capital expenditures of \$24.0 million in 2005, which included the purchase of heavy equipment for the site remediation business unit; the acquisition of additional geotechnical drilling rigs; the purchase of land for a proposed new sulphur facility; and an expansion to the landfill facility in Edson, Alberta.

SEASONALITY OF OPERATIONS

The majority of the Trust's operations take place in Canada where the ability to move heavy equipment in the oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads and oil and gas production sites incapable of supporting the weight of heavy equipment until they are thoroughly dried out. The duration of this 'spring breakup' has a direct impact on activity levels of the Trust and its customers. As a result, each year the Trust tends to record lower revenues and operating profit in the second fiscal quarter.

CHANGES IN ACCOUNTING POLICY

The Trust did not have any changes in accounting policies to report in

2005.

RELATED PARTY TRANSACTIONS

The Trust has a 37.5 percent fractional interest in a Piaggio Avanti P-180 aircraft for use in CCS' operations. Avia Aviation Ltd., a company controlled by the Chairman and CEO of CCS Inc., provides management services and operates the aircraft on behalf of the Trust. For the year ended December 31, 2005, the Trust incurred management fee expense, operating costs and costs for contract air services totaling \$0.5 million (2004 - \$0.4 million) with Avia Aviation Ltd.

The HAZCO operating division leases facilities from certain members of HAZCO's management and their immediate families. The annual lease payment for these facilities was \$0.4 million (2004 - \$39 thousand).

All related party transactions are recorded at the exchange amount which represents the fair market value of the services provided.

BUSINESS RISKS

(Reference is also made to the Annual Information Form of CCS Income Trust)

Credit Risk

- The Trust provides environmental solutions for waste management, crude oil sales and marketing, contract oil well services, rental of oilfield equipment and sales of drilling fluids to the oil and gas industry. This results in a concentration of credit risk. The Trust generally extends unsecured credit to these customers, and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions and may accordingly impact the Trust's overall credit risk. Management believes the risk is mitigated by the size, reputation and diversified nature of the companies to which the Trust extends credit.
- Credit exposure on financial instruments, which consists of interest rate swaps and foreign exchange contracts, arises from the possibility that a counter-party, in which the Trust has an unrealized gain, fails to perform according to the terms of the contract. Management believes the risks of non-performance are minimal as the counter-parties are major financial institutions.
- Credit exposure on cash and cash equivalents arises as the Trust holds those assets with major financial institutions. Management believes the risk is mitigated by the size and financial strength of those major financial institutions.

Interest Rate and Commodity Price Risks

- The Trust is exposed to interest rate risk with respect to fluctuating interest rates on its revolving credit facility. The Trust manages this exposure through interest rate swap initiatives, thereby fixing a portion of the interest on outstanding floating rate debt. At December 31, 2005 approximately 26 percent (2004 - 36 percent) of the interest on outstanding floating rate debt was fixed through swap agreements.
- CCS believes its exposure to energy price fluctuations is less than many oilfield service companies because its Energy Services division derives a significant portion of its revenue from activities associated with oil and gas production, as opposed to exploration or drilling activities. During 2005, 14 percent of this division's revenue came directly from the proceeds of the sale of recovered oil.

Also, the Concord service rigs have the ability to switch easily from natural gas to light crude activity as commodity prices fluctuate. The service offerings of the HAZCO division provide a level of diversification with customers involved in industries such as transportation, forestry and government.

- Risk factors inherent within the Energy Marketing business include changes in industry practice with respect to crude oil equalization; market-price risk for commodity, volume and basis exposure; and counterparty credit risk of non-performance. The management of CCS has formalized and approved a risk management policy for this division which clearly defines open position limits, physical contract authorization limits along with counterparty credit rating criteria and maximum counterparty exposure limits. This division is currently not authorized to deal with over-the-counter swaps and options.
- In August 2000, CCS entered into a long-term gas delivery contract with The Canadian Salt Company Limited to deliver 2.4 million gigajoules (GJ) of gas over the term of the contract. CCS is exposed to commodity price fluctuations on future delivery of this gas.

Foreign Exchange Risk

The Trust is exposed to foreign currency risk through the following arrangements:

- Revenue from one long-term service contract that is denominated in U.S. dollars. The Trust has entered into a foreign currency collar contract to mitigate this exposure.
- The Trust has foreign operations through its subsidiary HAZCO del Peru S.A. which operates in Peru. Service contracts, totaling approximately US\$13.0 million, and bank accounts are denominated in U.S. dollars, with local operating expenses incurred in the local currency (Nuevos Soles). Excess cash earned by this subsidiary is transferred to a U.S. dollar bank account in Canada.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The December 31, 2005 audited financial statements of the Trust have been prepared by management in accordance with GAAP. Because a precise determination of the valuation of certain revenues, expenses, assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. CCS uses estimates which are based on certain factors, assumptions and methods and which are subject to judgment. Accordingly, actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the Trust's accounting policies.

The components of the Trust's financial statements which incorporate significant assumptions or estimates include:

Asset retirement obligations

CCS is required to provide for the cost of restoring all facilities to a useful and acceptable condition, as determined by regulatory authorities. The nature, timing and cost of the remediation process is managed by the CCS Environmental department, with estimates based upon CCS 'best practices' and current regulatory requirements. An assessment is not made for any facilities with an indeterminate life. At December 31, 2005 the liability for asset retirement obligations was recorded at \$20.3 million compared to \$18.9 million at December 31, 2004. The increase is due mainly to the addition of new facilities in 2005.

Amortization of CCS engineered landfills and caverns

Waste received at a CCS engineered landfill or cavern is measured in tonnes and converted to cubic metres for depletion and capacity measurement purposes. A density factor, which is used in converting the waste to cubic metres, can change over time due to the type of waste received, compaction, weather and leachate factors. CCS commissions an independent engineering firm to provide an analysis of all engineered landfills and caverns twice a year, with all adjustments prospectively applied.

Gas purchase obligation

The Trust has an outstanding commitment to deliver 2.4 million GJ of natural gas over a 13-year period, ending in 2013. This commitment arose as a component of the purchase consideration provided for in the acquisition of three caverns at the Lindbergh facility. The original value of \$5.4 million assigned to this commitment is adjusted quarterly to reflect its estimated fair market value. The fair market value is based on the present value of the future delivery obligation, using an estimate of future gas prices. An increase of \$0.10/GJ impacts the undiscounted outstanding obligation by approximately \$0.2 million. Any gain or loss resulting from the re-pricing is included in earnings. In 2005, a loss of \$2.7 million (2004 - \$1.1 million) was recognized due primarily to an increase in estimated future gas prices.

BUSINESS OUTLOOK

At present, the outlook for activity in the western Canadian energy industry for 2006 remains positive. The Trust has forecast its 2006 consolidated capital expenditures to be in the range of \$145.0 to \$155.0 million. The planned capital spending is comprised of expansion capital of \$110.0 to \$120.0 million, plus sustaining capital expenditures, and capital to replace capacity utilized by engineered landfill and cavern facilities.

Energy Services

Construction continued on schedule at the Brooks TRD facility with start-up anticipated for the first quarter of 2006. The Spirit River TRD start-up is also on track for completion during the second quarter of 2006. Regulatory approval was received for a new TRD in South Grande Prairie, Alberta and construction commenced in February 2006. Two other TRD's are planned for construction in 2006, pending regulatory approval. Expansion capital for the division in 2006 is estimated to be \$75.0 to \$80.0 million. In 2006, it is anticipated that the ProDrill and Normcan business units, which derive a lower operating margin as a percentage of revenue, will generate higher revenues, impacting the overall operating margin percentage for the division.

Concord

Continued high utilization rates are expected for 2006, as the industry maintains its growth pace. Demand is expected to be high, however, skilled labour shortages and a potential early spring breakup may present challenges to the division. Expansion capital of \$2.0 to 3.0 million is planned for 2006. Concord will continue to explore additional growth opportunities in 2006.

HAZCO

Consistent with prior years, operating results in this division are affected by seasonality, with the second half of the year typically yielding higher revenue and operating margin compared to the first half of the year. Expansion capital is forecast to be approximately \$30.0 million for 2006, including two new engineered landfills and a sulphur handling facility. All

the new facilities are at the regulatory approval stage.

CCS Energy Marketing

The Energy Marketing division continues to experience strong results due to strong industry activity and variable crude oil and condensate differentials. Annual operating margin is expected to be in the range of one to three percent for the year ended December 31, 2006. The business model for this division continues to be focused on the marketing of crude oil recovered or purchased at the Energy Services facilities, with growth dependent on optimization and lease purchases.

DISCLOSURE CONTROLS AND PROCEDURES RELATED TO FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) on a timely basis. This allows appropriate decisions to be made regarding public disclosure. As of December 31, 2005 both the CEO and the CFO have evaluated the effectiveness of CCS' disclosure controls and procedures as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators. They have concluded that such disclosure controls and procedures are effective.

FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS FOR FOURTH QUARTER OF 2005

CCS INCOME TRUST - Quarterly Data

-----		2005			
(\$000s except per unit amounts)					
-----		-----			
(unaudited)	Q4	Q3	Q2	Q1	
-----		-----			
REVENUE	325,511	257,193	167,528	188,427	
EXPENSES					
Operating	252,187	202,977	142,048	134,936	
General and administrative	6,205	3,832	3,928	2,859	
Depreciation and amortization	11,976	10,319	7,900	9,560	
Financing	2,357	2,127	2,136	1,978	
-----		-----			
EBITDA(1)	67,510	50,772	21,941	51,020	
-----		-----			
Income before non-controlling interest	38,829	27,722	8,382	31,038	
Net income	29,207	20,665	6,166	23,123	
per unit - diluted	0.69	0.48	0.15	0.55	
-----		-----			
Funds from operations(1)	54,959	41,888	18,993	43,704	
per unit - diluted	0.97	0.74	0.33	0.77	
-----		-----			
Capital expenditures	43,604	27,899	16,869	18,733	
Long-term debt	156,397	154,507	117,209	132,222	
Non-controlling interest	69,582	63,552	56,622	54,406	
Unitholders' equity	259,986	241,086	230,278	238,043	
Distributions per unit	0.35	0.32	0.31	0.29	

(\$000s except per unit amounts)		2004		
(unaudited)	Q4	restated Q3	restated Q2	restated Q1
REVENUE	134,334	54,738	41,155	70,349
EXPENSES				
Operating	87,975	28,637	24,059	35,840
General and administrative	4,113	3,012	2,717	2,422
Depreciation and amortization	8,916	5,664	6,208	8,801
Financing	1,393	1,197	855	1,109
EBITDA(1)	42,218	23,451	14,741	32,449
Income before non-controlling interest	25,489	12,367	6,153	19,730
Net income	19,308	9,012	4,482	14,620
per unit - diluted	0.47	0.23	0.11	0.37
Funds from operations(1)	40,886	22,131	13,910	31,032
per unit - diluted	0.75	0.40	0.26	0.58
Capital expenditures	27,783	21,303	12,404	8,678
Long-term debt	136,503	57,426	48,647	52,868
Non-controlling interest	46,669	40,629	37,286	35,617
Unitholders' equity	226,834	182,464	183,849	189,672
Distributions per unit	0.27	0.26	0.26	0.25

(1) Non-GAAP financial measures are identified and defined in the Management's Discussion and Analysis

Certain comparative figures for 2004 have been retroactively restated to incorporate the February 28, 2005 two-for-one trust unit split, and the retroactive application of the change in accounting policy to account for exchangeable securities as non-controlling interest.

EBITDA, NET INCOME AND FUNDS FROM OPERATIONS

(000s except per unit amounts)		Three months ended Dec 31	
		2005	2004
EBITDA(1)		67,510	42,218
% change from prior period		60%	72%
Income before non-controlling interest		38,829	25,489
% change from prior period		52%	140%
Net income		29,207	19,308
% change from prior period		51%	125%
per unit - diluted		0.69	0.47
Funds from operations (1)		54,959	40,886
% change from prior period		34%	77%
per unit - diluted		0.97	0.75

- (1) Non-GAAP financial measures are identified and defined in the Management's Discussion and Analysis

EBITDA for the fourth quarter ended December 31, 2005 increased to \$67.5 million and reflects the results of operations for the HAZCO and Energy Marketing divisions for the full quarter. HAZCO contributed \$16.0 million to EBITDA in the fourth quarter of 2005, compared to \$1.9 million for the same quarter in 2004. The other divisions contributed a combined increase of \$12.9 million to EBITDA in the quarter, attributable mainly to a sustained high demand for services, higher commodity prices and increased volumes received at the CCS TRD facilities.

Fourth quarter net income and funds from operations increased by \$9.9 million and \$14.1 million, respectively, over 2004. Positive operating results were partially offset by an increase of \$6.7 million in the provision for income tax expense in the quarter. The higher provision is directly attributable to the ongoing growth and earnings of the Trust. General and administrative expenses increased \$2.1 million on a quarter-over-quarter basis and the Trust recognized a \$1.1 million dollar loss with respect to its gas purchase obligation in the fourth quarter of 2005.

REVENUES

(000s)	Three months ended Dec 31	
	2005	2004
CCS Energy Services	\$ 66,295	\$ 47,943
% change from prior period	38%	26%
Concord Well Servicing	31,783	23,939
% change from prior period	33%	17%
HAZCO	79,958	9,267
% change from prior period	763%	100%
CCS Energy Marketing	147,475	53,185
% change from prior period	177%	100%
Total	325,511	134,334
% change from prior period	142%	129%

Energy Services

Growth in revenue in this division continued in the fourth quarter of 2005; demand for services remained strong with high activity levels at the TRD facilities and sustained high oil prices. Fourth quarter revenue reported on the sale of oil recovered from waste increased by 64 percent over the same period in 2004, due to higher commodity prices and volumes sold. The engineered landfill business reported a 42 percent increase in revenue on a quarter-over-quarter basis due to completion of a special project for a major oil and gas producer, and high activity levels throughout the quarter.

Concord

Concord's fourth quarter rig operating hours increased by five percent to 37,185 hours (2004 - 35,420 hours). The higher rig operating hours along with a price increase implemented in the fourth quarter of 2005 contributed to the 33 percent increase in quarter-over-quarter revenue. HiAlta Energy Services, which was acquired on November 1, 2005, contributed \$1.2 million in revenue for the quarter.

HAZCO

Fourth quarter revenue is significantly higher in 2005 than that reported in 2004, as only 21 days of post acquisition revenue was recorded in the fourth quarter of 2004. Strong revenue in the fourth quarter of 2005 is attributable to the following:

- the large site remediation project started in the third quarter of the year reached substantial completion in the fourth quarter;
- three projects in Ontario were started and completed in the quarter, contributing \$11.4 million to revenue;
- mild winter weather allowed work to continue uninterrupted throughout the quarter, and;
- a 15 percent increase over the third quarter in volumes received in the HAZCO landfill business unit resulted in higher quarterly revenue.

CCS Energy Marketing

Continued high commodity prices and increased volumes of oil purchased and marketed by the division contributed to an increase of \$94.3 million in the division's revenue over the same quarter of 2004.

OPERATING MARGIN AND EXPENSES

(000s)	Three months ended Dec 31	
	2005	2004
Operating Margin		
CCS Energy Services	41,259	35,486
% of division revenue	62%	74%
Concord	13,022	8,215
% of division revenue	41%	34%
HAZCO	15,963	1,885
% of division revenue	20%	20%
CCS Energy Marketing	3,080	773
% of division revenue	2%	2%
Total	73,324	46,359
% of consolidated revenue	23%	75%

Energy Services

Operating margin, as a percentage of revenue, decreased 12 percent in the fourth quarter of 2005 over the same period in 2004, due mainly to higher operating costs for wages and utilities. Operating costs in the fourth quarter of 2005 also include \$0.9 million for well workover expenses incurred at three facilities.

Additionally, the business units of ProDrill and Normcan, which derive a lower operating margin as a percentage of revenue, contributed higher revenue to the division in the fourth quarter of 2005, decreasing the overall operating margin percentage in Energy Services.

Concord

Concord's operating margin dollars increased on a quarter-over-quarter basis as a result of higher utilization rates and price increases taken in the fourth quarter of the year. Operating margin, as a percent of revenue, increased favorably in the quarter, due to strong market activity generating higher rig revenue per hour and an ongoing focus on effective cost controls.

HAZCO

Operating margin for this division may fluctuate on a quarterly basis depending on the volume and type of projects undertaken in a quarter. The fourth quarter is generally a strong quarter for this division with operating margin, as a percentage of revenue, reported at 20 percent for the fourth quarters of 2005 and 2004.

CCS Energy Marketing

The increase in operating margin dollars for the fourth quarter of 2005 reflects the ongoing growth of this division and its ability to create value through the marketing of crude oil through Energy Services facilities. The fourth quarter operating margin of two percent is consistent with margins earned throughout the year by the division.

GENERAL AND ADMINISTRATIVE

(000s)	Three months ended Dec 31	
	2005	2004
General and administrative expense	6,205	4,113
% change from prior year	51%	89%

General and administrative expenses for the fourth quarter of 2005 increased by 51 percent and reflect the ongoing growth of the Trust. Quarter-over-quarter expenses increased in the following areas:

- wages and benefits, including the recognition of expenses associated with the trust unit option plan;
- professional and consulting fees;
- general office costs; and
- information technology.

DEPRECIATION AND AMORTIZATION

(000s)	Three months ended Dec 31	
	2005	2004
Depreciation	8,079	6,999
% change from prior year	15%	14%
Amortization	3,897	1,917
% change from prior year	103%	-63%

Depreciation expense on the acquired HAZCO assets is the main reason for the overall increase in depreciation expense in the fourth quarter of 2005. Fourth quarter depreciation expense for HAZCO was \$3.8 million, compared to \$0.5 million in 2004, which reflected the 21 days of post acquisition depreciation expense.

Amortization of engineered landfills and disposal caverns totaled \$3.2 million for the fourth quarter of 2005 (2004 - \$1.9 million). Amortization on the acquired HAZCO landfills of \$0.7 million was included in amortization expense for the fourth quarter of 2005 (2004 - \$0.1 million).

Included in amortization expense for the quarter is \$0.7 million relating to the amortization of intangible assets acquired (2004 - nil).

FINANCING

(000s)	Three months ended Dec 31	
	2005	2004
Interest expense	2,357	1,393
% change from prior year	69%	3%

Average debt outstanding for the quarter ended December 31, 2005 increased 67 percent to \$161.6 million, compared to \$96.9 million for the same period in 2004, and accounts for the corresponding increase to interest expense. Average interest rates for the two periods remained relatively unchanged.

CAPITAL EXPENDITURES

(000s)	Three months ended Dec 31	
	2005	2004
Capital expenditures	43,604	27,783
% change from prior year	57%	17%

The Energy Services division incurred capital expenditures in the fourth quarter of 2005 of \$21.0 million; the majority of the expenditures related to construction of the Spirit River and Brooks TRD facilities.

HAZCO incurred \$12.5 million in capital expenditures in the fourth quarter of 2005 for the purchase of heavy equipment for use in the project remediation business and land with respect to the proposed development of a sulphur processing facility. HAZCO's Beck drilling business unit incurred capital costs of \$2.5 million in the quarter for the purchase of drilling equipment and rigs.

Concord incurred total capital expenditures of \$9.4 million in the fourth quarter of 2005; \$6.1 million related to the purchase of land and buildings to accommodate Concord's ongoing growth and expansion. Concord also refit two rigs in the quarter at a cost of \$1.2 million.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements included in this annual report of CCS Income Trust for the year ended December 31, 2005 are the responsibility of the management of the Trust and have been approved by the Board of Directors. Management has prepared the financial statements in accordance with Canadian Generally Accepted Accounting Principles, with financial information presented elsewhere in this annual report consistent with that in the financial statements.

Management has developed and maintains a comprehensive system of internal controls which provides assurance that transactions are recorded and executed in compliance with legislation and required authority, to ensure assets are properly safeguarded and that reliable financial records are maintained.

The independent chartered accounting firm of Ernst & Young has been appointed by the unitholders of the Trust to examine the financial statements, and has expressed an opinion thereon. Their auditors' report is included with the financial statements. The Board of Directors has established an Audit Committee to review the financial statements with management and the auditors, and has reported to the Board of Directors thereon. On the recommendation of the Audit Committee, the Board of Directors has approved the financial statements.

March 8, 2006

David P. Werklund
President, Chairman of the Board

Marshall L. McRae, C.A.
Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

As at December 31	2005	2004
(000s)	\$	\$
ASSETS (note 9h)		
Current assets		
Cash and cash equivalents	3,626	-
Accounts receivable (note 10b)	158,450	112,763
Inventory and other current assets	10,432	4,704
	172,508	117,467
Property, plant and equipment (note 7)	443,103	365,862
Goodwill (note 5)	51,295	47,397
Intangible assets (note 5)	8,456	6,482
Deferred financing costs (note 9f)	1,189	1,711
Investments and other long-term assets	1,280	446
Total Assets	677,831	539,365
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	87,806	59,044
Income taxes payable	23,710	1,038
Distributions payable	5,121	3,880
Current portion of long-term debt (note 9)	2,068	3,131
Current portion of long-term purchase obligations (note 16)	1,311	1,002
Current portion of asset retirement obligations (note 8)	1,373	3,633
	121,389	71,728
Long-term debt (note 9)	156,397	136,503
Long-term purchase obligations (note 16)	6,397	5,444
Future income tax (note 17)	45,127	36,927
Asset retirement obligations (note 8)	18,953	15,260
Total Liabilities	226,874	194,134
Commitments and contingencies (note 15)		
Non-controlling interest (note 14)	69,582	46,669
UNITHOLDERS' EQUITY		
Unitholders' capital (note 12a)	197,237	190,200
Contributed surplus (note 12c)	605	-
Accumulated earnings	204,982	125,821
Accumulated cash distributions	(142,838)	(89,187)
Total Unitholders' Equity	259,986	226,834

Total Liabilities and Unitholders' Equity	677,831	539,365
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See accompanying notes

On behalf of the Board:

Director - David P. Werklund

Director - Brad R. Munro

CONSOLIDATED STATEMENTS
OF INCOME AND ACCUMULATED EARNINGS

	Three months ended Dec. 31		Twelve months ended Dec. 31	
(000s except per unit amounts)	2005	2004	2005	2004
	\$	\$	\$	\$
REVENUE				
CCS Energy Services	66,295	47,943	207,623	160,112
Concord Well Servicing	31,783	23,939	93,983	78,012
HAZCO Environmental Services	79,958	9,267	240,734	9,267
CCS Energy Marketing	147,475	53,185	396,319	53,185
	325,511	134,334	938,659	300,576
Operating expenses (note 19)	251,796	88,003	730,592	175,453
Asset retirement accretion expense (note 8)	391	(28)	1,556	1,058
	252,187	87,975	732,148	176,511
Operating margin	73,324	46,359	206,511	124,065
EXPENSES				
General and administrative (note 19)	6,205	4,113	16,824	12,264
Financing (note 11)	2,357	1,393	8,598	4,554
Gas delivery obligation valuation (note 16)	1,140	(1)	2,714	1,059
Depreciation and amortization	11,976	8,916	39,755	29,589
	21,678	14,421	67,891	47,466
Income before the following:	51,646	31,938	138,620	76,599
Loss (gain) on sale of assets	99	424	(51)	395
Income before income taxes:	51,547	31,514	138,671	76,204
Income taxes (note 17)				
Current	10,562	20	24,500	610
Future	2,156	6,005	8,200	11,855
	12,718	6,025	32,700	12,465

Income before non-controlling interest:	38,829	25,489	105,971	63,739
Non-controlling interest (note 14)	(9,622)	(6,181)	(26,810)	(16,317)

Net income for the period	29,207	19,308	79,161	47,422
Accumulated earnings, beginning of period	175,775	106,513	125,821	78,399

Accumulated earnings, end of period	204,982	125,821	204,982	125,821

Per unit information (note 12b)				
Basic	0.69	0.48	1.88	1.19
Diluted	0.69	0.47	1.87	1.18

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended Dec. 31		Twelve months ended Dec. 31	
(000s except per unit amounts)	2005	2004	2005	2004
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income for the period	29,207	19,308	79,161	47,422
Add (deduct) non-cash items:				
Non-controlling interest	9,622	6,181	26,810	16,317
Unit based compensation (note 13a)	170	-	605	-
Depreciation and amortization	11,976	8,916	39,755	29,589
Asset retirement accretion expense	391	(28)	1,556	1,058
Gas delivery obligation valuation	1,140	(1)	2,714	1,059
Loss (gain) on sale of assets	99	424	(51)	395
Future income taxes	2,156	6,005	8,200	11,855
Other non-cash operating items	198	81	794	264

	54,959	40,886	159,544	107,959
Change in non-cash working capital (note 18)	15,946	(49,198)	1,217	(46,702)
Asset retirement obligations fulfilled (note 8)	(669)	(165)	(985)	(480)

Cash provided by operating activities	70,236	(8,477)	159,776	60,777

FINANCING ACTIVITIES				
Issuance of long-term debt	4,389	143,620	58,922	168,620
Repayment of long-term debt	(4,983)	(91,570)	(40,363)	(109,761)
Deferred financing costs	-	(953)	-	(1,042)
Payments under purchase obligations	(505)	(361)	(1,452)	(1,605)
Trust unit issue (net of costs)				

(note 12a)	-	(43)	(4)	(51)
Distribution payments (note 3)	(14,405)	(10,626)	(52,410)	(41,029)

Cash (used in) provided by financing activities	(15,504)	40,067	(35,307)	15,132

INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(43,604)	(27,783)	(107,105)	(70,168)
Proceeds on disposal of property, plant and equipment	952	362	2,845	1,095
Acquisitions (note 4)	(6,200)	(30,275)	(13,337)	(30,275)
Funding of retention bonus (note 13b)	-	-	(1,231)	-
Investments and other long-term assets	(367)	(17)	(834)	(60)
Change in non-cash working capital (note 18)	(5,405)	22,443	(1,181)	18,620

Cash used in investing activities	(54,624)	(35,270)	(120,843)	(80,788)

Increase (decrease) in cash and cash equivalents	108	(3,680)	3,626	(4,879)
Cash and cash equivalents, beginning of period	3,518	3,680	-	4,879

Cash and cash equivalents, end of period	3,626	-	3,626	-

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 and 2004

(000s except unit and per unit amounts)

1. NATURE OF THE ORGANIZATION

CCS Income Trust (the "Trust") was formed for the purpose of effecting an arrangement (the "Arrangement") under the Business Corporations Act (Alberta), involving, among other things, the exchange of Canadian Crude Separators Inc. ("Canadian Crude Separators") securities on a one-to-one basis, for either trust units of the Trust or Series A exchangeable shares ("exchangeable shares") of CCS Inc., a wholly owned subsidiary of the Trust, as disclosed in the CCS Information Circular ("Information Circular") dated April 19, 2002. The effective date of the Arrangement was May 22, 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

The consolidated financial statements of the Trust have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial

statements necessarily involves the use of estimates and approximations. Accordingly, actual results could differ significantly from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the Trust's accounting policies summarized below.

All amounts reported in these statements are in Canadian dollars.

b) Principles of consolidation

These consolidated financial statements include the accounts of CCS Income Trust, its subsidiaries, as well as its proportionate share of joint venture interests. Non-controlling interest, which exists through the exchangeable shares in the Trust's wholly owned subsidiary, CCS Inc., is reported on the consolidated balance sheets.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term interest bearing securities with maturities less than three months.

d) Inventory

Inventory consists of drilling fluids, oilfield supplies and crude oil, all of which are valued at the lower of weighted average cost and net realizable value.

e) Investments

Investments are carried at cost and written down only when a decline in value that is other than temporary has occurred.

f) Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized over their estimated useful lives (net of salvage value) at the following annual rates:

Processing facilities	- five percent to 30 percent declining balance
Cavern and landfill facilities	- units of total capacity used in a period
Service rigs	- straight-line over 15 years with 20 percent residual value
Environmental and geotechnical drilling rigs	- 20 percent declining balance
Buildings	- five percent declining balance
Mobile equipment	- seven percent to 30 percent declining balance
Rental equipment	- straight line over 15 years
Furniture and equipment	- 25 to 30 percent declining balance
Airplane, fractional interest	- straight-line over 12 years with no residual value

Service rigs require major refits at regular intervals during the life of the service rigs, the cost of which is capitalized and amortized on a straight-line basis over 15 years with a 20 percent residual value.

Land, construction in progress and the cost of pipeline line-fill are excluded from amortization and are subject to impairment tests in accordance with the accounting policy on Impairment of Long-lived Assets.

g) Capitalized interest

Interest is capitalized on major development projects until the asset is complete and ready for its intended use. A major development project is a project with an acquisition or construction cost (excluding capitalized interest) greater than \$20,000, and a construction period of twelve months or longer. The Trust must be in an interest paying situation during the construction phase of the project.

h) Impairment of long-lived assets

All non-monetary long-lived assets held for use, including property plant and equipment, intangible assets with finite useful lives, deferred pre-operating costs and long-term prepaid assets are subject to review for asset impairment. Impairment is recognized if the carrying value of the asset exceeds the sum of the undiscounted cash flows expected to result from that asset. A long-lived asset must be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Trust conducts asset impairment reviews on a quarterly basis.

i) Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and is not subject to amortization. Intangible assets are comprised of non-compete agreements, marketing contracts, customer relationships, trade names, order backlog and certificates of approval. These assets are amortized on a straight-line basis over a period of one to seven years, with the exception of certificates of approval which have an indefinite life. Goodwill and intangible assets are tested for impairment on an annual basis, or more frequently if events or circumstances indicate the asset may be impaired. The impairment test includes the application of a fair value test, with an impairment loss recognized as an expense where the carrying amount of the asset exceeds its fair value.

j) Asset retirement obligations

The Trust determines its asset retirement obligation associated with the retirement of tangible long-lived assets at the plant or facility level. The Trust recognizes the fair value of an asset retirement obligation in the period in which it is incurred and when a reasonable estimate of fair value can be made. Fair value is determined through a review of engineering and environmental studies, industry guidelines, and management's estimate. The initial fair value of the obligation is capitalized to property, plant and equipment and amortized over the useful life of the related productive assets; amortization is included as a component of depreciation and amortization expense.

The asset retirement liability accretes until the time the obligation is expected to settle, with accretion expense recognized as a component of operating expense. The liability is adjusted to reflect revisions in the estimated timing and/or amount of the cash flows associated with the liability.

k) Income taxes

The Trust is a taxable entity under the Income Tax Act (Canada) and is taxable only on income that is not distributed or distributable to the unitholders. The Trust follows the liability method to account for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the carrying value and the tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws expected to be in effect when the differences

are expected to reverse.

l) Derivative financial instruments

Derivative financial instruments are utilized by the Trust in the management of its interest rate and foreign currency exposures. The Trust does not utilize derivative financial instruments for trading or speculative purposes. Any realized gains or losses on derivative contracts that are not designated hedges are recognized in income in the period they occur.

The Trust enters into interest rate swaps in order to manage the impact of fluctuating interest rates on its floating rate debt and to manage the overall cost of borrowing on its total debt portfolio. The interest rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. All payments are recognized in interest expense in the period to which they relate.

The Trust may also enter into derivative financial instruments to hedge against adverse fluctuations in foreign exchange rates. Payments or receipts on derivative financial instruments used to hedge the currency risk of cash flows from foreign currency denominated transactions are recognized concurrently with the hedged cash flows. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

Gains or losses resulting from changes in the fair value of derivative contracts that do not qualify for hedge accounting are recognized in earnings and cash flows when those changes occur.

The Trust's gas delivery obligation is re-priced at the end of each reporting period based on the present value of the future delivery obligation using a future gas price curve. Any gain or loss resulting from the re-pricing is included in earnings immediately.

m) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at rates of exchange in effect at the end of each reporting period. Non-monetary assets and related depreciation, depletion and amortization, non-monetary liabilities, and revenues and expenses are translated at rates of exchange in effect at the respective transaction dates. The resulting exchange gains and losses are included in general and administrative expenses.

n) Non-controlling interest

The Trust recognizes non-controlling interest in accordance with the recommendations of EIC-151. Non-controlling interest on the consolidated balance sheets is comprised of the carrying value of the exchangeable shares plus the accumulated earnings attributable to the non-controlling interest. Consolidated net income is reduced by the portion of earnings attributable to the non-controlling interest. As the exchangeable shares are converted to trust units, non-controlling interest on the consolidated balance sheets is reduced by the cumulative book value and cumulative earnings attributable to the exchangeable shares converted and unitholders' capital is increased by the corresponding amount.

o) Revenue recognition

Revenue recognized through the provision of services in the CCS operating segments is reported in the period services are provided or performed and when collectability is reasonably assured. A summary of services provided includes the following:

- the provision of environmental solutions for waste management ;
- sales of drilling fluids;
- storage services to the oil and gas industry;
- facility de-commissioning and demolition ;
- well completions, workovers and other well servicing related services;
- oilfield equipment rentals.

Revenue associated with the marketing of crude oil is recognized when title passes from the Trust to its customers. All revenue is recorded on a gross basis.

p) Unit based compensation

The Trust established an employee unit option plan (the "Plan") for employees, directors, and consultants who otherwise meet the definition of an employee of the Trust. The Trust accounts for the options using the fair value method, whereby the fair value of options is determined on the date in which fair value can initially be determined. The fair value is then recorded as compensation expense on a straight-line basis over the period that the options vest, with a corresponding increase to contributed surplus. When options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded to unitholder's capital.

q) Measurement uncertainty

Certain items recognized in the financial statements are subject to measurement uncertainty as they are based on management's estimates using current information and judgment. The effect on the financial statements of changes in such estimates in future periods could be significant. The recognized items include:

- Property, plant and equipment, goodwill and intangible assets, the values of which are subject to market conditions in the oil and gas and environmental remediation industries.
- Amortization of engineered landfills, the expense of which is impacted by the type of waste received, compaction and weather and leachate factors.
- Amortization of disposal caverns, the expense of which is impacted by the type of waste received, the ability to recover and process waste oil in the caverns, and uncertainty over total cavern capacity available.
- The quality, quantity and recoverability of oil contained in the disposal caverns, which accumulates through the waste disposal process; the value of recovered oil is recognized when sold.
- Gas delivery obligation, the cost of which is dependent on future gas prices.
- Asset retirement obligations, the nature, timing and costs of the remediation process are managed by the CCS Environmental department, with estimates based upon CCS' "best practices" and current regulatory requirements.

r) Reclassification

Certain information provided for prior years has been reclassified to conform to the presentation adopted in 2005.

3. DISTRIBUTIONS

During the year the Trust paid distributions to unitholders in the amount of \$52,410 (2004 - \$41,029) and declared distributions of \$53,651 (2004 - \$41,655) in accordance with the following schedule:

Period covered	Date of record	Date of Distribution	Per unit \$
December 1, 2004 to December 31, 2004	12/31/04	01/17/05	0.0925
January 1, 2005 to January 31, 2005	01/31/05	02/15/05	0.0925
February 1, 2005 to February 28, 2005	02/28/05	03/15/05	0.0975
March 1, 2005 to March 31, 2005	03/31/05	04/15/05	0.0975
April 1, 2005 to April 30, 2005	04/30/05	05/16/05	0.0975
May 1, 2005 to May 31, 2005	05/31/05	06/15/05	0.1050
June 1, 2005 to June 30, 2005	06/30/05	07/15/05	0.1050
July 1, 2005 to July 31, 2005	07/31/05	08/15/05	0.1050
August 1, 2005 to August 31, 2005	08/31/05	09/15/05	0.1100
September 1, 2005 to September 30, 2005	09/30/05	10/17/05	0.1100
October 1, 2005 to October 31, 2005	10/31/05	11/15/05	0.1100
November 1, 2005 to November 30, 2005	11/30/05	12/15/05	0.1200
December 1, 2005 to December 31, 2005	12/31/05	01/16/06	0.1200

4. ACQUISITIONS

During the year, the Trust acquired the operating assets of four companies: Normcan Control Inc. ("Normcan"), Canadian Soil Remediation Services Inc. ("CSR"), Western Waste Management Ltd. ("WWM") and HiAlta Energy Services ("HiAlta"). Normcan, CSR and WWM were acquired in July, 2005 and HiAlta was acquired in November, 2005. Earnings from these acquisitions are included in income from the respective dates of acquisition. Normcan specializes in providing the Canadian oil and gas industry with expertise in the safe management, handling and disposal of naturally occurring radioactive material (NORM). CSR is an environmental site remediation contractor with operations based in Ontario. WWM is based in British Columbia and provides environmental filtration and tank rental services. HiAlta supplies rental equipment to the oil and gas industry for both the drilling and production sectors. The combined purchase price for the four acquisitions consisted of a combination of \$13,329 in cash, and 145,919 trust units. The fair value assigned to the trust units was determined using market rates in accordance with each respective purchase agreement. Normcan's operations are reported within the Energy Services division, CSR and WWM are reported within the HAZCO division, and HiAlta is reported within the Concord division.

The purchase price has been allocated using the purchase method of accounting as follows:

	2005	2004
	\$	\$
Net assets acquired		

Working capital	17	7,175
Property, plant and equipment	9,937	37,127
Goodwill and intangible assets	7,758	44,712
Asset retirement obligations	-	(1,977)
Future income taxes	-	(7,487)
Long-term debt	-	(9,875)

	17,712	69,675

 Consideration

Trust units	4,375	36,000
Cash	13,329	29,776
Promissory note payable	-	3,400
Transaction costs	8	499
	17,712	69,675

5. GOODWILL AND INTANGIBLE ASSETS

	Net Book Value Dec 31, 2004	Addition	Amor- tization	Net Book Value Dec 31, 2005
Goodwill	47,397	3,898	-	51,295
Intangible assets				
Marketing contracts	2,478	-	(354)	2,124
Customer relationships	1,011	2,140	(383)	2,768
Non-compete agreements	2,588	1,010	(586)	3,012
Certificates of approval(1)	-	360	-	360
Trade name	-	220	(28)	192
Order backlog	405	130	(535)	-
	6,482	3,860	(1,886)	8,456
Goodwill and Intangible assets	53,879	7,758	(1,886)	59,751

(1) Not subject to amortization

6. JOINT VENTURES

The Trust has the following joint venture interests:

- a 50 percent interest with voting rights equivalent to the other joint venture party, in Hardisty Caverns Limited Partnership, which owns and operates an underground cavern for storing crude oil. The joint venture was established between CCS and Enbridge Inc. in 2003.
- a 50 percent interest with voting rights equivalent to the other joint venture party, in a joint venture established between HAZCO and Komex International Ltd. The joint venture was established in 2001 and is involved in the remediation and commercial development of land acquired in northern Alberta.

The Trust's interest in these joint ventures is accounted for using the proportionate consolidation method. Under this method, the Trust's proportionate share of income, expenses, assets, liabilities and cash flows of the joint ventures is included in the Trust's balance sheets, statements of income and accumulated earnings, and cash flows.

The following amounts are included in the Trust's consolidated financial statements before consolidation eliminations:

	2005	2004
	\$	\$
Cash	646	424
Current assets	253	1,016
Property, plant and equipment	34,527	35,413
Other long-term assets	-	48
Current liabilities	(1,063)	(1,359)
Net income	3,259	3,515
Cash flows:		
Operating activities	4,882	2,340
Financing activities	(4,113)	(1,532)
Investing activities	(549)	(1,805)
	220	(997)

7. PROPERTY, PLANT AND EQUIPMENT

	2005		
	Cost	Accumulated Depreciation and Amor- tization	Net Book Value
	\$	\$	\$
Processing, cavern and landfill facilities	354,297	98,881	255,416
Service rigs, environmental and geotechnical drilling rigs	88,328	22,748	65,580
Buildings	28,477	5,524	22,953
Mobile equipment	50,472	9,965	40,507
Rental equipment	3,599	40	3,559
Furniture and equipment	7,917	4,479	3,438
Land	8,990	-	8,990
Airplane, fractional interest (note 19a)	2,901	523	2,378
Pipeline line-fill	1,396	-	1,396
Construction in progress	38,886	-	38,886
	585,263	142,160	443,103

	2004		
	Cost	Accumulated Depreciation and Amor- tization	Net Book Value
	\$	\$	\$
Processing, cavern and landfill facilities	306,139	78,323	227,816
Service rigs, environmental and geotechnical drilling rigs	79,135	17,826	61,309

Buildings	20,291	4,108	16,183
Mobile equipment	29,266	3,402	25,864
Rental equipment	-	-	-
Furniture and equipment	6,588	2,669	3,919
Land	5,991	-	5,991
Airplane, fractional interest (note 19a)	2,901	281	2,620
Pipeline line-fill	1,087	-	1,087
Construction in progress	21,073	-	21,073
	472,471	106,609	365,862

8. ASSET RETIREMENT OBLIGATIONS

The Trust estimates the undiscounted cash flows related to asset retirement obligations, to be incurred over an estimated period of 20 to 30 years, will total approximately \$56,807 using an inflation rate of three percent. The fair value at December 31, 2005 is \$20,326 using a discount rate of eight percent. In 2005 and 2004, the Trust recorded the following activity related to the liability:

	2005	2004
	\$	\$
Asset retirement obligations, beginning of year	18,893	18,105
New obligations and revised estimates	862	210
Obligations fulfilled	(985)	(480)
Accretion expense	1,556	1,058
Asset retirement obligations, end of year	20,326	18,893
Less: current portion	1,373	3,633
Long-term portion	18,953	15,260

9. LONG-TERM DEBT

	2005	2004
	\$	\$
Credit facilities (note 9a)	151,623	128,490
Bank and finance company loans (9b)	3,170	7,744
Promissory note payable (9c)	3,672	3,400
Long-term debt	158,465	139,634
Less: current portion	2,068	3,131
Long-Term portion	156,397	136,503

a) Credit Facilities

	2005	2004
	\$	\$
Extendible revolving facility - Facility A \$210,000, three-year extendible, revolving facility bearing interest, at the Trust's option, at either the bank's prime ("Prime") rate, bankers' acceptance ("BA") rate or LIBOR		

rate plus 0 to 275 basis points, with any unused amounts subject to standby fees. Drawings under Facility A are repayable in full in December 2007 unless extended at the approval of the Lenders. 101,623 78,490

Term facility - Facility B

\$50,000, 7-year non-revolving, non-reducing term facility bearing interest at a fixed rate of 6.374 percent. Facility B is repayable in full in December 2011. 50,000 50,000

151,623 128,490

Outstanding letters of credit at December 31, 2005 totaled \$25,741 (2004 - \$20,647). The outstanding letters of credit effectively reduce the amount available under Facility A. At December 31, 2005, the Trust had \$20,658 million of surety bonds outstanding to secure bids and for completion of work, all with respect to the HAZCO operating division. These outstanding bonds do not impact the amount of credit available on any of the facilities.

b) Bank and finance company loans

During the year, the Trust repaid a \$4,700 revolving term bank loan bearing interest at prime plus 0.25 percent.

The Trust has available a \$6,000 term loan facility with an equipment manufacturer's finance company. The interest rates associated with these loans range from prime minus 0.70 percent to prime minus 3.50 percent for floating rate debt, and zero to four percent for fixed rate debt. Repayment terms cannot extend beyond five years. The equipment purchased through this facility is secured as collateral against the outstanding debt obligation.

c) Promissory note payable

On December 10, 2004 the Trust issued a non-interest bearing promissory note payable with a face value of \$5,000 as part of the purchase price consideration in the HAZCO acquisition. The note is discounted at a rate of eight percent to reflect its current fair market value; 2005 - \$3,672 (2004 - \$3,400). The note is repayable in full on December 10, 2009.

d) Minimum annual repayments

The minimum annual principal repayments of long-term debt over the next five years are as follows:

	\$

2006	2,068
2007	101,359
2008	38
2009	5,000
2010	-
Thereafter	50,000

	158,465

e) Effective interest rates

The average effective interest rate on the floating and fixed rate long-term debt in 2005 was 5.25 percent (2004 - 5.0 percent).

f) Deferred financing costs

Costs associated with extending, amending and restating the credit agreement are deferred and amortized on a straight-line basis over the term of the debt agreement. For the year ended December 31, 2005, \$522 (2004 - \$264) was amortized to financing charges on the consolidated statements of income and accumulated earnings, bringing the total unamortized costs to \$1,189 at December 31, 2005 (2004 - \$1,711).

g) Interest rate swap agreement

On May 23, 2003 the Trust entered into a four-year non-amortizing interest rate swap agreement for \$18,000 at a fixed rate of 5.6 percent. On May 29, 2003, the Trust entered into a \$20,000 five-year amortizing interest rate swap agreement at a fixed rate of 4.1 percent.

As at December 31, 2005, the cost to settle the \$18,000 swap would be \$516 (2004 - \$1,161). The cost to settle the \$20,000 swap, which has been amortized to \$10,000 at December 31, 2005, would be \$32 (2004 - \$259). These amounts have not been reflected in the financial statements.

h) Financial security on all facilities

A general assignment of assets, insurance, guarantees of material subsidiaries, a fixed charge on all major assets, and a floating charge over all the assets of the Trust have been pledged as collateral for the facilities.

i) Debt covenants

Under the terms of the credit facilities, the Trust must comply with certain financial and non-financial covenants, as defined by its lenders. Throughout 2005, and as at December 31, 2005, the Trust was in compliance with all of these covenants.

10. FINANCIAL INSTRUMENTS

a) Fair values of financial assets and liabilities

The Trust has financial instruments on its consolidated balance sheet consisting of cash equivalents, accounts receivable, investments, accounts payable, income taxes payable, distributions payable, long-term debt, and long-term purchase obligations. The carrying value of these instruments approximates fair value unless otherwise stated.

b) Credit Risk

The Trust provides environmental solutions for waste management, crude oil sales and marketing, contract oilwell services, rental of oilfield equipment and sales of drilling fluids to the oil and gas industry. This results in a concentration of credit risk. The Trust generally extends unsecured credit to these customers, and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions and may accordingly impact the Trust's overall credit risk. Management believes the risk is mitigated by the size, reputation and diversified nature of the companies to which the Trust extends credit.

Credit exposure on financial instruments, which consists of interest rate swaps, arises from the possibility that a counter-party in which the Trust has an unrealized gain fails to perform according to the terms of the contract. Management believes the risks of non-performance are minimal as the counter-parties are major financial institutions.

Credit exposure on cash and cash equivalents arises as the Trust holds those assets with major financial institutions. Management believes the risk is mitigated by the size and financial strength of those major financial institutions.

c) Interest rate risk

The Trust is exposed to interest rate risk with respect to fluctuating interest rates on its revolving credit facilities. The Trust manages this exposure through interest rate swap initiatives, thereby fixing a portion of the interest on outstanding floating interest rate debt. At December 31, 2005, approximately 26 percent (2004 - 36 percent) of the interest on outstanding floating interest rate debt was fixed through swap agreements (note 9g).

d) Foreign exchange risk

The Trust has exposure to foreign exchange fluctuations on revenue from the Hardisty Caverns Limited Partnership that is denominated in United States (US) dollar currency. The Trust has protected this revenue stream by entering into a 57 month foreign exchange collar agreement that allows the Trust to sell its US dollars within a fixed range of \$1.25 to \$1.3613. The agreement commenced on January 25, 2004, and will expire on September 25, 2008. This instrument has a fair value receivable of \$1,247 as at December 31, 2005 (2004 - \$1,188).

The Trust has exposure to foreign exchange fluctuations on service contracts executed by HAZCO del Peru S.A., which operates in Peru. Service contracts and bank accounts are denominated in US dollars, with local operating expenses incurred in the local currency (Nuevos Soles). Excess cash earned by this company is transferred to a US dollar bank account in Canada.

11. FINANCING CHARGES

Financing expense is comprised of the following:

	2005	2004
	\$	\$

Interest on long-term debt	7,395	3,424
Recognized loss on interest rate swap	681	873
Interest on bank indebtedness	-	168
Amortization of deferred financing costs (note 9f)	522	264
Interest income	-	(175)

Net financing expense	8,598	4,554

12. UNITHOLDERS' EQUITY

On February 15, 2005 the Trust announced a split of the Trust's units on a two-for-one basis, effective at the close of business on February 28, 2005. All information in these consolidated financial statements relating to unit and per unit data, including comparative figures, has been

adjusted retroactively to reflect the impact of the unit split.

a) Unitholders' Capital

Authorized - Unlimited number of voting trust units	Trust Units	Amount \$
December 31, 2003	39,441,440	153,876
Issued upon conversion of exchangeable shares for trust units	315,084	375
Issued upon acquisition of HAZCO (net of costs)	2,192,448	35,949
December 31, 2004	41,948,972	190,200
Issued upon conversion of exchangeable shares for trust units	583,633	612
Issued upon acquisitions (net of costs) (note 4)	145,919	4,371
Units held in trust for retention bonus (note 13b)	-	(1,231)
Adjustment for exchangeable share conversions	-	3,285
December 31, 2005	42,678,524	197,237

b) Weighted average trust units

As at December 31, 2005 and 2004 respectively, net income per trust unit has been determined based on the following:

	2005	2004
Weighted average trust units outstanding		
- basic	42,192,490	39,779,968
Trust units issuable on conversion of exchangeable shares (note 14)	14,442,648	14,404,686
Dilutive options	72,366	-
Dilutive trust units and exchangeable shares	56,707,504	54,184,654

c) Contributed surplus

As at December 31, 2005 and 2004 respectively, contributed surplus is comprised of the following:

	2005	2004
Unit-based compensation expense	605	-
Reclassification to unitholders' capital on exercise of options	-	-
	605	-

13. UNIT-BASED COMPENSATION

a) Unit option plan

Effective January 2005, the Unitholders of CCS Income Trust approved the implementation of an employee unit option plan. Under the unit option plan, directors, officers, employees, and consultants of the Trust are eligible to receive options to acquire trust units, with terms not to

exceed five years from the date of the grant. The exercise price is based on the weighted average price of the units for the five trading days immediately prior to the grant date, which may differ from the closing price on the Toronto Stock Exchange for such units on the day of the grant. For options granted in 2005, the exercise price was not materially different from the trading price of the units on the grant date. Under the unit option plan, vesting periods are determined by the Board of Directors of CCS Inc. at the time of the grant. For all options granted to December 31, 2005, 25 percent of the options are exercisable annually on the anniversary date of the original grant.

The maximum number of trust units issuable under this plan may not exceed ten percent of the Trust's outstanding units, which is the issued and outstanding units on a non-diluted basis, but including all units issuable on conversion of all outstanding exchangeable shares, at any time, which at December 31, 2005 totaled 57,121,172.

A summary of option transactions are as follows:

	Year ended December 31, 2005	
	Units	Weighted average exercise price \$
Options outstanding, beginning of year	-	-
Granted	815,000	24.04
Exercised	-	-
Forfeited	(45,500)	22.42
Options outstanding, end of year	769,500	24.14

Range of prices	Options outstanding		Options exercisable		
	Outstanding at Dec 31, 2005	Weighted average remaining contractual life	Weighted average exercise price \$	Number exercisable at Dec 31, 2005	Weighted average exercise price \$
22.04 - 27.00	507,425	4.0	22.04	-	-
27.01 - 32.00	257,075	4.4	28.04	-	-
32.01 - 35.92	5,000	4.9	35.92	-	-
	769,500	4.1	24.14	-	-

The estimated weighted average fair value of options granted for the year ended December 31, 2005 was \$4.11 per option. The fair value of each option grant was estimated on the date of the grant, and determined using the Black-Scholes option-pricing model with the following assumptions:

Year ended December 31, 2005

Weighted average assumptions

Dividend yield	4.80
Discount for forfeiture	3.00%

Risk-free interest rate	3.51%
Expected life of options	4.4 years
Expected volatility factor of the future expected market price of trust units	27.08%

The Trust recorded compensation expense of \$605 with an offsetting increase to contributed surplus in respect of the options granted for the year ended December 31, 2005.

b) Retention bonus

The Board of Directors of CCS Inc. approved a one-time retention bonus for executives of CCS Inc. on December 17, 2004. The retention bonus was funded in June, 2005 through the purchase of 40,849 units of the Trust on the open market at a cost of \$1,231. The units vest to the executives in equal amounts on January 1, 2006, 2007, and 2008, providing the executives are employed with the Trust at the time of vesting. The trust unit purchase was charged to unitholders' capital until such time as the units vest and are distributed. At December 31, 2005 \$410 of the bonus was accrued and charged to general and administrative expense.

14. NON-CONTROLLING INTEREST

In 2004, the Trust retroactively adopted the CICA's recommendations in EIC-151 "Exchangeable Securities Issued by Subsidiaries of Income Trusts". In accordance with this accounting abstract, the exchangeable shares issued by CCS Inc. are considered transferable to third parties and must therefore be reflected as non-controlling interest. Previously, the exchangeable shares were reflected as a component of unitholders' equity.

Non-controlling interest on the consolidated balance sheets is comprised of the carrying value of the exchangeable shares upon issuance plus the accumulated earnings attributable to the non-controlling interest. The net income attributable to the non-controlling interest on the consolidated statements of income and accumulated earnings represents the cumulative portion of net income attributable to the non-controlling interest, based on the proportion of trust units issuable for exchangeable shares to total trust units issued and issuable at each period end during the year.

	Exchangeable shares	\$
Carrying value of exchangeable shares	5,902,060	15,567
Accumulated earnings attributable to NCI		
- prior years	-	31,102
Balance at December 31, 2004	5,902,060	46,669
NCI interest in net income - 2005	-	26,810
Adjustment to accumulated earnings on conversion to trust units		(3,285)
Redeemed upon conversion to trust units	(231,917)	(612)
Balance at December 31, 2005	5,670,143	69,582

EXCHANGEABLE SHARES

The exchangeable shares are convertible at the option of the holder into trust units at any time. All exchangeable shares are required to be converted on or before May 21, 2012, subject to extension to such other later date that the Board of Directors may determine in its sole discretion. The number of trust units issuable upon conversion is based upon the exchange ratio in effect at the conversion date. The exchange ratio, which was initially equal to one to one, is cumulatively adjusted each time a distribution is made to unitholders. The adjustment to the exchange ratio is based on the cash distributions paid to unitholders divided by a weighted average trust unit price. The exchange ratio at December 31, 2005 was 2.54714 (December 31, 2004 - 2.44062) and has been adjusted to reflect the impact of the February 28, 2005 two-for-one trust unit split as described in note 12.

Exchangeable shares	2005		2004	
	Shares	\$	Shares	\$
Balance, beginning of year	5,902,060	15,567	6,036,413	15,942
Redeemed upon conversion to trust units	(231,917)	(612)	(134,353)	(375)
Balance, end of year	5,670,143	14,955	5,902,060	15,567
Exchange ratio, end of year	2.54714		2.44062	-
Trust units issuable upon conversion	14,442,648		14,404,686	-

15. COMMITMENTS AND CONTINGENCIES

a) Legal disputes

The Trust is involved in a single legal dispute which arose in the ordinary course of business, and is not expected to result in any material loss to the Trust.

b) Operating leases

The Trust has entered into operating leases for office premises and mobile and office equipment with future minimum lease payments for the next five years as follows:

	\$
2006	1,822
2007	1,428
2008	976
2009	225
2010	76

c) Asset purchase agreements

Under the terms of certain asset purchase agreements entered into in the Energy Services division, consideration provided to the vendors included future royalty payments or a requirement to provide services at fixed, discounted rates, with maximum daily limits. Due to the uncertainty

involved in determining the total value of future royalty payments or discounted services to be provided over the term of the agreements, the amounts are only recognized in the consolidated financial statements, as part of property, plant and equipment, when incurred. During 2005, the Trust incurred payments and discounts under these agreements totaling \$592 (2004 - \$580).

On September 22, 2004, the Trust entered into an eight year take or pay agreement with a pipeline company with respect to its Rainbow Lake facility. Under the terms of the agreement, the Trust is committed to deliver minimum annual crude petroleum volumes to the pipeline. If, at the end of each year, the Trust has not delivered the minimum volumes, it is obligated to pay a tariff on the undelivered volumes. In 2005, the Trust was required to pay \$149 in tariffs on undelivered volumes (2004 - nil). The Trust expects to meet its future minimum annual volumes due to increased customer activity in the area.

d) Consulting arrangements

The Trust has entered into various consulting arrangements with respect to international corporate development initiatives, with compensation consisting of consulting fees and the commitment to purchase, on behalf of the consultants, CCS Income Trust units on the open market upon the signing of executable, international service contracts. The Trust is contingently obligated to acquire 34,000 trust units, or pay the cash equivalent thereof, however to date, has not entered into any service contracts.

e) Indemnification

The Trust indemnifies its directors and officers who are, or were, serving at the Trust's request in such capacities. Historically these costs have not been material to the Trust's financial position, operations, or cash flows.

16. PURCHASE OBLIGATIONS

	2005	2004
	\$	\$

Gas delivery obligation	7,708	6,446
Less: current portion	(1,311)	(1,002)

Long-term portion	6,397	5,444

On August 8, 2000, the Trust, through its CCS Energy Services division, acquired three caverns at its Lindbergh facility in exchange for a commitment to deliver 2,353 gigajoules of natural gas to the vendor over a 13-year period. The original value of \$5,377 assigned to this obligation was estimated using the average cost per unit of capacity acquired by CCS in its Unity cavern acquisition, completed in the same year.

In order to satisfy its gas delivery commitment, the Trust entered into a long-term agreement with a major exploration and development company to deliver the specified volume of gas at variable prices. In 2005, the gas delivery commitment was adjusted by \$2,714 (2004 - \$1,059) to reflect its estimated fair market value. The fair market value is based on the present value of the future delivery obligation using an estimate of future gas prices. Any gain or loss resulting from the re-pricing is

included in earnings.

17. INCOME TAXES

Income tax expense varies from the amounts that would be computed by applying the combined Canadian federal and provincial statutory income tax rates for each of the years due to the following differences:

	2005		2004	
	\$	%	\$	%
Income before income taxes	138,671		76,204	
Provision for income taxes at statutory tax rate	47,425	34.2	26,214	34.4
Adjustment to income taxes due to:				
Trust distributions	(16,135)	(11.6)	(13,872)	(18.2)
Capital tax	903	0.7	864	1.1
Tax effect of rate reduction on temporary differences	(108)	(0.1)	(356)	(0.4)
Other	615	0.4	(385)	(0.5)
	32,700	23.6	12,465	16.4

Components of future income taxes

The net future tax liability comprises:

	2005	2004
	\$	\$
Differences between the tax base and reported amounts of depreciable assets	52,020	44,251
Intangible assets	1,995	2,230
Provision for asset retirement obligations	(6,913)	(6,170)
Equity issue and deferred financing costs	(206)	(472)
Gas delivery obligation valuation	(1,507)	(942)
Non-capital loss-carryforwards	(299)	(3,217)
Other	37	1,247
	45,127	36,927

The Trust has non-capital loss-carryforwards of \$879 that will expire in 2014.

18. CHANGE IN NON-CASH WORKING CAPITAL BALANCES

Changes in non-cash working capital balances are comprised of the following:

	2005	2004
	\$	\$
Accounts receivable	(45,687)	(61,641)
Due from affiliates	-	378
Inventory and other current assets	(5,728)	(2,442)

Accounts payable and accrued liabilities	28,762	27,872
Income taxes payable	22,672	576
Working capital acquired (note 5)	17	7,175

	36	(28,082)
Attributable to investing activities	(1,181)	18,620
Attributable to operations	1,217	(46,702)

Cash interest paid during the year	7,660	4,088
Cash taxes paid during the year	1,866	1,150

19. RELATED PARTY TRANSACTIONS

a) Fractional interest

The Trust has a 37.5 percent fractional interest in a Piaggio Avanti P-180 aircraft for use in CCS' operations. Avia Aviation Ltd., a company controlled by the Chairman and CEO of CCS Inc. also provides management services and operates the aircraft on behalf of the Trust. For the year ended December 31, 2005 the Trust incurred management fee expense, operating costs and costs for contract air services totaling \$483 (2004 - \$417) with Avia Aviation Ltd.

b) Other

For the year ended December 31, 2005, an entity controlled by certain members of HAZCO's management and their immediate families, charged rental fees to the Trust of \$438 for the use of premises (2004 - \$39).

All transactions were recorded at the exchange amount and charged to either operating or general and administrative expense depending on the nature of the transaction.

20. SEGMENTED INFORMATION

The Trust's operating segments consist of the following divisions: CCS Energy Services ("Energy Services"), Concord Well Servicing ("Concord"), HAZCO Environmental Services ("HAZCO"), and CCS Energy Marketing ("CEM").

- CCS Energy Services owns and operates treatment, recovery and disposal (TRD), cavern and engineered landfill facilities throughout western Canada. Services are provided in the areas of emulsion treatment, water disposal, waste processing, drilling mud disposal, tank/truck washing, crude oil terminalling, cavern disposal, and engineered landfill disposal.
- Concord provides contract oilfield services including well completions, workovers, abandonments, and through the HiAlta business unit, the rental of oilfield equipment. Concord Well Servicing, operates 53 service rigs in western Canada.
- HAZCO provides a wide-range of specialized services including site remediation, decommissioning, waste services, environmental construction and technologies, emergency response, and sulphur and other specialty services. HAZCO operates a network of industrial landfills, bioremediation facilities and hazardous waste transfer stations that span western Canada. HAZCO also provides services throughout Canada, Peru and select services in the United States and other international markets.

- CEM extracts additional value and operating margin on waste and recovered oil volumes from the Energy Services facilities. This division captures the incremental value created through the marketing chain with revenue streams of lease purchases, single shipper/optimization and bulk purchases.

The HAZCO and CEM operating segments became reportable in the fourth quarter of 2004. Business activity between the divisions is recorded at market rates. Inter-segment eliminations adjust revenues, expenses and profit on inter-segment activity.

The accounting policies followed by these business segments are the same as those described in the summary of significant accounting policies. Administrative costs directly related to the individual business segments are included in operating costs of that division.

The following tables provide information by operating segment for the years ended December 31, 2005 and 2004:

For the twelve months ended December 31, 2005					
	Energy Services \$	Concord \$	HAZCO \$	CEM \$	Con- solidated \$
Revenue prior to inter-segment eliminations	210,255	94,700	240,892	430,197	976,044
Inter-segment eliminations	(2,632)	(717)	(158)	(33,878)	(37,385)
Net revenue	207,623	93,983	240,734	396,319	938,659
Operating expenses prior to inter-segment eliminations	79,842	62,608	204,594	422,257	769,301
Inter-segment eliminations	(2,400)	(717)	(158)	(33,878)	(37,153)
Net expenses	77,442	61,891	204,436	388,379	732,148
Operating margin	130,181	32,092	36,298	7,940	206,511
Gas delivery obligation valuation	2,714	-	-	-	2,714
(Gain) loss on sale of assets	15	62	(128)	-	(51)
Depreciation and amortization	21,553	4,661	12,553	-	38,767
Income before corporate items	105,899	27,369	23,873	7,940	165,081
General and administrative					16,824
Financing					8,598
Depreciation and amortization					988
Income taxes					32,700

Income before non-controlling interest					105,971
Non-controlling interest					(26,810)

Net income for the year					79,161

Total assets	377,239	109,861	184,800	5,931	677,831
Goodwill	11,441	1,372	38,482	-	51,295
Capital expenditures	63,525	18,034	24,046	1,500	107,105

For the twelve months ended December 31, 2004

	Energy Services \$	Concord \$	HAZCO \$	CEM \$	Con- solidated \$
Revenue prior to inter-segment eliminations	160,369	78,283	9,269	57,409	305,330
Inter-segment eliminations	(257)	(271)	(2)	(4,224)	(4,754)
Net revenue	160,112	78,012	9,267	53,185	300,576
Operating expenses prior to inter-segment eliminations	61,760	55,017	7,556	56,495	180,828
Inter-segment eliminations	(58)	(2)	(174)	(4,083)	(4,317)
Net expenses	61,702	55,015	7,382	52,412	176,511
Operating margin	98,410	22,997	1,885	773	124,065
Gas delivery obligation valuation	1,059	-	-	-	1,059
Loss on sale of assets	385	10	-	-	395
Depreciation and amortization	23,492	4,463	515	-	28,470
Income before corporate items	73,474	18,524	1,370	773	94,141
General and administrative					12,264
Financing					4,554
Depreciation and amortization					1,119

Income taxes					12,465

Income before non-controlling interest					63,739
Non-controlling interest					(16,317)

Net income for the year					47,422

Total assets	317,017	84,846	134,951	2,551	539,365

Goodwill	9,166	-	38,231	-	47,397

Capital expenditures	60,680	7,288	1,113	1,087	70,168

For the three months ended December 31, 2005

	Energy Services \$	Concord \$	HAZCO \$	CEM \$	Con- solidated \$

Revenue prior to inter-segment eliminations	67,067	31,885	80,082	162,137	341,171
Inter-segment eliminations	(772)	(102)	(124)	(14,662)	(15,660)

Net revenue	66,295	31,783	79,958	147,475	325,511
Operating expenses prior to inter-segment eliminations	25,641	18,863	64,119	159,057	267,680
Inter-segment eliminations	(605)	(102)	(124)	(14,662)	(15,493)

Net expenses	25,036	18,761	63,995	144,395	252,187

Operating margin	41,259	13,022	15,963	3,080	73,324
Gas delivery obligation valuation	1,140	-	-	-	1,140
(Gain) loss on sale of assets	95	62	(58)	-	99
Depreciation and amortization	6,623	1,284	3,795	-	11,702

Income before corporate items	33,401	11,676	12,226	3,080	60,383

General and administrative					6,205
Financing					2,357

Depreciation and amortization	274
Income taxes	12,718

Income before non-controlling interest	38,829
Non-controlling interest	(9,622)

Net income for the period	29,207

Capital expenditures	21,036	9,407	12,492	669	43,604

For the three months ended December 31, 2004

	Energy Services \$	Concord \$	HAZCO \$	CEM \$	Con- solidated \$

Revenue prior to inter-segment eliminations	48,198	24,014	9,269	57,409	138,890
Inter-segment eliminations	(255)	(75)	(2)	(4,224)	(4,556)

Net revenue	47,943	23,939	9,267	53,185	134,334
Operating expenses prior to inter-segment eliminations	12,513	15,684	7,556	56,495	92,248
Inter-segment eliminations	(56)	40	(174)	(4,083)	(4,273)

Net expenses	12,457	15,724	7,382	52,412	87,975

Operating margin	35,486	8,215	1,885	773	46,359
Gas delivery obligation valuation	(1)	-	-	-	(1)
(Gain)loss on sale of assets	459	(35)	-	-	424
Depreciation and amortization	6,870	1,141	515	-	8,526

Income before corporate items	28,158	7,109	1,370	773	37,410

General and administrative					4,113
Financing					1,393
Depreciation and amortization					390
Income taxes					6,025

Income before non-controlling interest					25,489
Non-controlling interest					(6,181)

Net income for the period					19,308

Capital expenditures	23,262	2,321	1,113	1,087	27,783

21. SUBSEQUENT EVENTS

Refinancing

On January 3, 2006, the Trust refinanced its existing credit facility through an amendment to its credit agreement. Subject to compliance with financial covenants, the facility provides \$360,000 of borrowing capacity and replaces CCS' existing \$260,000 revolving facility. The credit facility consists of a \$310,000 extendible three-year revolving facility with floating interest rates and continuation of the \$50,000 non-revolving, non-amortizing term facility due in 2011. Amounts borrowed under the revolving facility bear interest at CCS' option, at the bank's prime rate, banker's acceptance rate or LIBOR rate plus, depending on CCS' ratio of debt to EBITDA, 0 to 200 basis points.

Acquisition

On February 23, 2006, the Trust acquired the outstanding equity interests of Environmental Treatment Team LLC (ETT), an oilfield waste processing company based in Louisiana, USA. ETT provides waste treatment and disposal services to the Gulf Coast oil and gas market and carries on operations in Louisiana, Texas and Alabama. The purchase price consisted of a cash payment of CDN\$21,682.

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