

Attention Business/Financial Editors:
CCS Income Trust - Second quarter results and highlights

Q2 Interim Report
Three and Six months
ended June 30, 2006

CALGARY, Aug. 4 /CNW/ -

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- The acquisition of the operating assets of Grizzly, Hi-West and Poncho Well Servicing Group ("Grizzly") on May 1, 2006 resulted in a contribution of \$16.0 million to rig revenue for the quarter.
- The acquisition of the operating assets of HMI Industries Inc. ("HMI") on April 3, 2006 resulted in a contribution of \$8.4 million to revenue for the quarter.
- Concord Well Servicing recorded a 55 percent utilization rate for the quarter compared with 40 percent in the second quarter of 2005.
- The Spirit River TRD was substantially completed in the quarter and commenced operations in July.
- For the six months ended June 30, 2006 the Trust incurred expenditures of \$330.8 million on business acquisitions.

(UNAUDITED) (\$000s) except per unit amounts	Three months ended June 30			Six months ended June 30		
	2006	2005 (3)	% chg	2006	2005 (3)	% chg
Revenue	\$ 355,997	\$ 167,528	113%	\$ 725,889	\$ 355,955	104%
EBITDA (1) (3)	46,852	21,552	117%	123,059	72,184	70%
Income before non-controlling interest	26,121	8,382	212%	73,350	39,420	86%
Net income per unit	21,880	6,166	255%	57,066	29,289	95%
- diluted	0.39	0.15	160%	1.21	0.70	73%
Funds from operations (1) per unit	41,169	18,993	117%	105,804	62,697	69%
- diluted	0.62	0.33	88%	1.74	1.11	57%
Capital expenditures (4)	45,154	16,869	168%	72,522	35,602	104%
Weighted average trust units	45,945	42,143	9%	45,945	42,143	9%
Exchangeable shares (2)	14,753	14,566	1%	14,753	14,566	1%
Weighted average trust units - diluted	60,698	56,709	7%	60,698	56,709	7%

- (1) Non-GAAP financial measures are identified and defined in the attached Management's Discussion and Analysis.
- (2) Assuming all exchangeable shares at June 30, 2006 converted at the period-end exchange ratio of 2.60289:1 (2005 - 2.49661:1).
- (3) Certain comparative figures for 2005 have been reclassified to conform to the presentation adopted in 2006.
- (4) Does not include business acquisitions.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

August 3, 2006

This Management's Discussion and Analysis should be read in conjunction with the attached unaudited, interim consolidated financial statements of CCS Income Trust (the "Trust" or "CCS"), and readers should also refer to the audited consolidated financial statements and the Management's Discussion and Analysis included in the CCS Income Trust 2005 Annual Report.

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CCS INCOME TRUST - QUARTERLY DATA

(UNAUDITED)	2006			2005 (2)		
(\$000s except per unit amounts)	Q2	Q1	Q4	Q3	Q2	Q1
REVENUE	355,997	369,892	325,511	257,193	167,528	188,427
EXPENSES						
Operating	302,532	288,605	252,341	203,104	142,173	135,040
General and administrative	6,613	5,080	6,051	3,705	3,803	2,755
Depreciation and amortization	13,804	11,745	11,976	10,319	7,900	9,560
Interest on debt	2,577	2,520	2,357	2,127	2,136	1,978
Income before non-controlling interest	26,121	47,229	38,829	27,722	8,382	31,038
Net income per unit - diluted	0.39	0.82	0.69	0.48	0.15	0.55
Funds from operations (1) per unit - diluted	0.62	1.12	0.97	0.74	0.33	0.77
Capital expenditures	45,154	27,368	43,604	27,899	16,869	18,733
Long-term debt	211,626	202,533	156,397	154,507	117,209	132,222
Non-controlling interest	81,332	81,619	69,582	63,552	56,622	54,406
Unitholders' equity	586,781	280,429	259,986	241,086	230,278	238,043
Distributions per unit	0.45	0.38	0.35	0.32	0.31	0.29

(UNAUDITED)

2004 (2) (3)

(\$000s except per unit amounts)	Q4	Q3	Q2	Q1
REVENUE	134,334	54,738	41,155	70,349

EXPENSES

Operating	88,071	28,726	24,143	35,905
General and administrative	4,017	2,923	2,633	2,357
Depreciation and amortization	8,916	5,664	6,208	8,801
Interest on debt	1,393	1,197	855	1,109

Income before non-controlling interest	25,489	12,367	6,153	19,730
Net income per unit	19,308	9,012	4,482	14,620
- 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	0.41	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.
- (2) Certain comparative figures for 2005 and 2004 have been reclassified to conform to the presentation adopted in 2006.
- (3) 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.

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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," "intends" or 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.

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:

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- "EBITDA" is determined from the consolidated statements of income and accumulated earnings and is defined as operating margin less general and administrative expenses. In 2006, the Trust revised its definition of EBITDA to conform to the recognized standard of EBITDA (earnings before interest, taxes, depreciation and amortization, and for the Trust, before the gas delivery obligation valuation), resulting in the inclusion of asset retirement accretion expense as a component of EBITDA. Prior periods have been reclassified for comparative purposes.
- "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 fulfilled.
- "Growth capital expenditures" include amounts incurred to add new facilities or services, and to replace utilized capacity and expand 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.

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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) and cavern facilities throughout western Canada and in the Gulf Coast region of the United States. Services are provided in the following areas:

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- Emulsion treatment;
- Water disposal;
- Waste processing;
- Naturally occurring radio-active material processing;
- Drilling mud disposal;
- Tank/truck washing;
- Crude oil terminalling; and
- Cavern disposal.

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CCS Energy Marketing Division (CEM)

Responding to the opportunity to maximize the return on marketing of recovered crude oil, 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:

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- Lease purchases;
- Single shipper/optimization; and

- Bulk purchases.
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HAZCO Environmental Services Division (HAZCO)

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

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- Site remediation;
 - Decommissioning;
 - Waste services;
 - Scrap metal processing;
 - Environmental construction;
 - Environmental technologies;
 - Emergency response;
 - Engineered landfill disposal;
 - Sulphur services;
 - Environmental and geotechnical drilling; and
 - Other specialty services.
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HAZCO operates a network of industrial and engineered landfills, bioremediation 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 139 service rigs, forming one of the most modern fleets in the Canadian oil and gas service sector. Established in 1979, Concord provides a variety of contract services from its strategically located offices in western Canada. HiAlta Energy Services ("HiAlta"), an oilfield rental business acquired in 2005, is reported within the Concord division.

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DISCUSSION OF FINANCIAL RESULTS

(\$000s except per unit amounts)	Three months ended		Six months ended	
	June 30		June 30	
	2006	2005 (2)	2006	2005 (2)
EBITDA(1)	\$ 46,852	\$ 21,552	\$ 123,059	\$ 72,184
% change from prior period	117%	50%	70%	55%
Income before non-controlling interest	26,121	8,382	73,350	39,420
% change from prior period	212%	36%	86%	52%
Net income	21,880	6,166	57,066	29,289
% change from prior period	255%	38%	95%	53%
per unit - diluted	0.39	0.15	1.21	0.70
% change from prior period	160%	36%	73%	46%
Funds from operations(1)	41,169	18,993	105,804	62,697
% change from prior period	117%	37%	69%	40%
per unit - diluted	0.62	0.33	1.74	1.11
% change from prior period	88%	27%	57%	32%

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

(2) Certain comparative figures for 2005 have been reclassified to conform to the presentation adopted in 2006.

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The second quarter of the year generally reflects lower revenues and operating margins due to the seasonality of the Trust's operations. However, results for the second quarter of 2006 reflect significant growth over the same quarter in 2005, attributable mainly to high activity levels, sustained high oil prices and the incremental earnings recognized from acquired assets and businesses. Results were impacted by the following:

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- The incremental contribution to EBITDA for the quarter of \$12.5 million from the acquisitions of Normcan Control Inc. ("Normcan"), HiAlta, CCS Energy Services LLC ("Energy Services LLC"), Grizzly and HMI Industries ("HMI");
- Increased demand drove Concord's utilization rate to 55 percent for the second quarter of 2006 as compared to 40 percent for the same period in 2005; and
- Strong demand in the quarter for environmental and decommissioning services within the HAZCO division resulted in higher earnings for the quarter.

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CASH DISTRIBUTIONS

The Trust paid distributions to unitholders in the amount of \$20.5 million (2005 - \$12.6 million) and declared distributions of \$22.7 million (2005 - \$13.0 million) in the second quarter of 2006.

The following summary outlines the principal utilization of funds from operations for the three and six month periods ended June 30, 2006 and 2005:

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CCS CASH DISTRIBUTIONS

(000s)	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Funds from operations(1)	\$ 41,169	\$ 18,993	\$ 105,804	\$ 62,697
Required principal repayments of long-term debt	(1,355)	(1,007)	(2,009)	(1,792)
Maintenance capital expenditures(1)	(12,930)	(3,516)	(18,708)	(9,150)
Amortization of landfill and cavern capacity(2)	(1,716)	(745)	(4,897)	(2,908)
Cash available for distribution and growth capital expenditures(1) (b)	25,168	13,725	80,190	48,847
Cash retained for growth and capital expenditures	(2,449)	(775)	(41,245)	(23,804)
Cash distributions declared(a)	22,719	12,950	38,945	25,043
Accumulated cash distributions, beginning of period	159,064	101,280	142,838	89,187
Accumulated cash distributions, end of period	181,783	114,230	181,783	114,230
Payout ratio(1) (a)/(b)	90.3%	94.4%	48.6%	51.3%

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

(2) Based on amortization expense in the consolidated statements of income and accumulated earnings, this is cash retained to replace utilized landfill capacity.

REVENUE

(000s)	Three months ended		Six months ended	
	June 30		June 30	
	2006	2005 (1)	2006	2005 (1)
CCS Energy Services	\$ 52,028	\$ 30,532	\$ 113,598	\$ 75,170
% change from prior period	70%	24%	51%	31%
Concord Well Servicing	36,907	11,287	77,689	40,761
% change from prior period	227%	3%	91%	7%
HAZCO	67,548	44,535	138,618	94,317
% change from prior period	52%	695%	47%	484%
CCS Energy Marketing	199,514	81,174	395,984	145,707
% change from prior period	146%	100%	172%	100%
Total	355,997	167,528	725,889	355,955
% change from prior period	113%	307%	104%	219%

(1) Certain comparative figures for 2005 have been reclassified to conform to the presentation adopted in 2006.

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Energy Services

The TRD facilities reported a 35 percent increase in revenue on a quarter-over-quarter basis for the second quarter of the year. High demand for waste processing services, price increases and high oil prices contributed to the increase. The revenue reported on the sale of oil recovered from waste increased by 41 percent for the quarter and by 32 percent on a year-to-date basis over the same periods in 2005.

In the second quarter of 2006 revenue for the cavern facilities recovered from the first quarter of the year, however year-to-date revenue remained below that reported for the same period in 2005. In early 2006, a major producer decided to manage its waste disposal requirements in-house, impacting cavern revenue, however we anticipate cavern revenue to continue improving as activity in the area increases.

The Energy Services LLC operations in the U.S. contributed \$11.0 million and \$15.1 million to revenue for the three and six months ended June 30, 2006, respectively.

Concord

Rig hours for the second quarter of 2006 increased by 21 percent over the first quarter of this year to 53,189 hours (2005 - 18,514 hours). The 86 rigs acquired through the Grizzly acquisition on May 1, 2006, contributed an incremental \$16.0 million in revenue for the quarter. Strong activity and demand is a reflection of sustained high oil prices and has favourably impacted the revenue reported year-to-date in 2006.

The HiAlta business unit generated incremental revenue of \$3.4 million for the six month period ended June 30, 2006.

HAZCO

The second quarter results reflect a 52 percent increase in revenue over the same quarter in 2005 due mainly to high demand for environmental and decommissioning services, including two large site remediation projects that contributed \$4 million in revenue. The acquisition of HMI in April, 2006 resulted in a contribution of \$8.4 million to revenue in the second quarter of the year. On a year-to-date basis, the increase in revenue over 2005 is attributable to the HMI acquisition, the continuation of a large geo-technical

drilling program in the Fort McMurray area and the completion of a number of larger site remediation projects.

In 2006, the HAZCO and CCS Energy Services landfill business units were integrated to form CCS Landfill Services. The results of operations for this new business unit are reported under the HAZCO division, with prior-year results reclassified for comparative purposes. The landfill business reported a 63 percent increase in revenue on a quarter-over-quarter basis due to increased activity as a result of favourable weather conditions and two new site additions.

CCS Energy Marketing

This division became the sole marketer of oil at four additional CCS facilities during the first quarter of 2006 and now markets the oil from all CCS facilities. The volume of oil received at the CCS facilities is higher on a quarterly and year-to-date basis over the prior year due to high industry activity. Continued high commodity prices also contributed to the higher revenue reported.

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OPERATING MARGINS

(000s)	Three months ended June 30		Six months ended June 30	
	2006	2005 (1)	2006	2005 (1)
CCS Energy Services	\$ 23,389	\$ 16,987	\$ 60,700	\$ 46,871
% of division revenue	45%	56%	53%	62%
Concord	10,374	1,206	27,602	11,925
% of division revenue	28%	11%	36%	29%
HAZCO	14,939	5,514	37,626	16,915
% of division revenue	22%	12%	27%	18%
CCS Energy Marketing	4,763	1,648	8,824	3,031
% of division revenue	2%	2%	2%	2%
Total	53,465	25,355	134,752	78,742
% of consolidated revenue	15%	15%	19%	22%

(1) Comparative figures for 2005 have been reclassified to conform to the presentation adopted in 2006.

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Energy Services

The year-to-date decline in the Energy Services operating margin, as a percentage of revenue, is mainly attributable to the ProDrill and U.S operations which generated operating margins of 16 percent and 14 percent, respectively. The TRD operations reported an operating margin of 65 percent for the second quarter, a three percent improvement over the same period in 2005. On a year-to-date basis, the TRD operating margins improved over 2005 by one percent to 70 percent. Operating expenses for the TRDs continue to increase due to higher wages resulting from the increased demand for workers in the oil and gas industry. Utility costs have also increased by approximately 30 percent over the prior year. These cost increases were offset by price increases introduced in the first quarter of 2006.

Operating margins were impacted by CCS' cavern operations, which reflected an overall decline in operating margin due to higher operating expenses and lower volumes of recovered oil. Expenses for the cavern operations are higher on a year-to-date basis by \$1.3 million, of which \$1.1 million is attributable to well workover expenditures incurred throughout the first six months of the year. The well workovers have been completed and

are not expected to recur in the second half of 2006.

Concord

Concord's second quarter increase in operating margin of 17 percent, as a percentage of revenue, is largely attributable to the high utilization rates for the quarter and to the price increase implemented in the fourth quarter of 2005. The division has been successful in controlling operating expenses in a strong market and managing operating expenses remains an area of focus for management. Repairs and maintenance expenditures were lower than anticipated for the first half of the year as high utilization rates require a focus on essential maintenance only.

HAZCO

HAZCO's operating margin, as a percentage of revenue, increased by 10 percent in the second quarter of 2006. This increase is partially attributable to the HMI business unit which generates higher operating margins. Increased activity levels in the site remediation and decommissioning operation also contributed to the quarter-over-quarter margin increase. These factors contribute to the year-to-date increase in operating margin along with improved margins in the Waste Services division and generally higher activity levels.

CCS Energy Marketing

The operating margin for this division remains fairly constant at two percent of revenue. The business model for this division is focused on capturing the incremental value in marketing crude oil through CCS facilities. The division is not expected to generate operating margins, as a percentage of revenue, significantly different from those reflected to date. Revenues are recorded at gross values, and as a result the financial statements reflect a higher dollar value for both revenues and operating expenses, creating a lower operating margin as a percentage of revenue.

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GENERAL AND ADMINISTRATIVE

(000s)	Three months ended		Six months ended	
	June 30		June 30	
	2006	2005(1)	2006	2005(1)
General and administrative	\$ 6,613	\$ 3,803	\$ 11,693	\$ 6,558
% change from prior period	74%	44%	78%	31%

(1) Comparative figures for 2005 have been reclassified to conform to the presentation adopted in 2006.

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The quarterly and year-to-date increase in general and administrative expenses is mainly attributable to higher wages and benefits and increased administrative costs associated with the ongoing growth of the Trust. As a percentage of operating margin, general and administrative expenses for the six months ended June 30, 2006 were 8.7 percent compared to 8.3 percent for the same period in 2005.

General and administrative expenses increased in the following areas during the second quarter of 2006:

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- Wages and benefits increased due to higher staff levels and salary increases along with the incremental costs associated with the trust unit option plan and the annual allocation of options to employees;
- Professional and consulting fees;
- International consulting, travel and marketing;
- Training and travel;
- General office costs; and

- Information technology.
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Administrative costs directly related to the individual business segments are included in operating expenses for that division.

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DEPRECIATION AND AMORTIZATION

(000s)	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Depreciation	\$ 11,605	\$ 6,886	\$ 19,687	\$ 13,610
% change from prior period	69%	41%	45%	42%
Amortization of engineered landfills and caverns	1,716	745	4,897	2,908
% change from prior period	130%	(43%)	68%	(46%)
Amortization of intangibles	483	269	965	942
% change from prior period	80%	100%	2%	100%

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The total capital expenditures incurred in the Energy Services and HAZCO divisions in 2005 of \$87.5 million contributed to the increase in depreciation expense for the first and second quarters of 2006.

Amortization of engineered landfills and caverns increased by 130 percent quarter-over-quarter, with the increase directly related to the 63 percent increase in revenue in the landfill business unit for same period.

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INCOME TAXES

(000s)	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Net income before income taxes	\$ 30,431	\$ 10,482	\$ 92,150	\$ 49,291
Provision for income taxes	4,310	2,100	18,800	9,871
Effective tax rate	14%	20%	20%	20%

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The Trust follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are measured using enacted or substantially enacted rates of tax expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. During the second quarter of 2006, the Government of Canada approved a reduction in federal corporate tax rates. The rates will be reduced by four percent over a four year period. This rate reduction was the primary reason that the effective tax rate for the six month period ended June 30, 2006 declined to 20 percent from 23 percent reported in the first quarter of 2006. For the six month period ended June 30, 2006, the provision for current income tax expense was comprised of \$14.2 million (2005 - \$6.2 million) of current income tax and \$0.1 million (2005 - \$0.6 million) of federal and provincial capital tax. The 87 percent increase in year-to-date pre-tax income contributed to the overall increase in income tax expense.

The second quarter income tax provision is comprised of \$4.2 million of current income tax expense and \$0.1 million in future income tax expense. The rate reduction announced in the quarter and the related year-to-date adjustment to the future income tax liability resulted in a drop in the effective tax rate for the quarter to 14 percent. It is anticipated, however, that the effective tax rate for the remainder of 2006 will be in the 20

percent range.

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FINANCING

(000s)	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Interest expense	\$ 2,577	\$ 2,136	\$ 5,097	\$ 4,114
% change from prior period	21%	150%	24%	110%

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Long-term debt increased by \$94.4 million on a year-over-year basis due to increased working capital requirements, higher levels of capital spending and debt issued with respect to acquisitions. The significant transactions impacting long-term debt and financing requirements in 2006 are as follows:

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- The acquisition of Energy Services LLC for cash consideration of \$21.7 million;
- The acquisition of HMI for cash consideration of \$23.1 million;
- A reduction of \$17.5 million in long-term debt, comprised of the net difference between the net proceeds received on the subscriptions receipt offering and the cash payment made with respect to the Grizzly acquisition; and
- Capital spending of \$72.5 million year-to-date in 2006.

LIQUIDITY AND CAPITAL RESOURCES

(000s)	As at June 30 2006	As at Dec 31 2005
	Capital Data	
Current portion of long-term debt	\$ 2,419	\$ 2,068
Long-term debt	211,626	156,397
Less: cash and cash equivalents	(3,977)	(3,626)
Net debt	210,068	154,839
Unitholders' equity	586,781	259,986
Non-controlling interest	81,332	69,582
Total capitalization	878,181	484,407
Net debt to total capitalization	24%	32%

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The decline in the net debt to capitalization ratio to 24 percent is attributable to the \$245.0 million subscription receipt financing completed on April 13, 2006 and the issuance of \$71.0 million in trust units in the Grizzly and HMI acquisitions.

Credit Facilities and Swaps

The Trust has the following credit facilities available:

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- \$310.0 million, extendible, three-year revolving facility bearing interest, at CCS' option, at the bank's prime rate, bankers' acceptance rate or LIBOR rate plus 0 to 200 basis points, depending on CCS' ratio of debt-to-EBITDA. At June 30, 2006 the Trust had utilized \$147.8 million of this facility. Outstanding letters of credit of \$27.1 million at June 30, 2006 reduce the amount of credit available on this facility.

- \$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 charge interest at prime minus 0.7 to prime minus 3.5 percent. Repayment terms cannot extend beyond five years. At June 30, 2006 the amount outstanding on this facility was \$2.5 million. CCS will continue to utilize these facilities if the cost to do so minimizes overall borrowing costs to the Trust.

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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. For the six months ended June 30, 2006, CCS remained in compliance with all covenants.

At June 30, 2006 the Trust had \$23.5 million of surety bonds outstanding to secure bids and for completion of work with respect to the HAZCO operating division, and \$1.7 million of surety bonds outstanding for environmental liabilities with respect to CCS Energy Services LLC. These outstanding bonds do not impact the amount of credit available on the facility.

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 an additional five-year amortizing swap arrangement for \$20.0 million at a fixed rate of 4.1 percent, of which \$8.0 million was outstanding at June 30, 2006. At June 30, 2006 the total cost to settle these swaps would be \$0.2 million. These amounts have not been reflected in the consolidated financial statements.

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UNITHOLDERS' EQUITY

(000s)	As at June 30 2006	As at Dec 31 2005

Outstanding Unit Data		
Trust units	51,643	42,679
Exchangeable Shares(1)	14,753	14,443

Total	66,396	57,122

(1) Converted at an exchange ratio of 2.60289:1 at June 30, 2006
(December 31, 2005 - 2.54714:1)

CAPITAL EXPENDITURES(1)

(000s)	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005

Capital expenditures	\$ 45,154	\$ 16,869	\$ 72,522	\$ 35,602
% change from prior period	168%	36%	104%	69%

(1) Excludes business acquisitions

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Energy Services

The Energy Services division incurred capital expenditures of \$22.1 million in the second quarter of the year, with the majority of the spending focused on the following projects:

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- Ongoing construction of the Spirit River, Alberta and Wapiti, Alberta area TRDs; and
- Completion of the Brooks, Alberta TRD.

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Concord

Capital expenditures for the quarter totalled \$11.0 million, including \$1.6 million with respect to the ongoing expansion of the Acheson facility. The continued development of the Grande Prairie office resulted in capital expenditures of \$1.2 million while the remaining expenditures related primarily to costs incurred for the division's ongoing program of rebuilding a portion of its rig fleet each year.

HAZCO

The HAZCO division, excluding landfills, incurred capital expenditures of \$5.9 million in the second quarter of 2006 and \$8.8 million year-to-date. Growth capital expenditures for the quarter totalled \$2.6 million and consisted primarily of the purchase of heavy equipment for the site remediation and demolition business unit. Maintenance capital expenditures for the quarter totalled \$3.3 million and included \$1.8 million for the acquisition of land for the expansion of the Calgary transfer station and shop facilities. Landfills capital spending on a year-to-date basis is \$8.1 million, consisting of expenditures on landfill cell expansions at existing landfills.

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 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 thoroughly dry 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. The Trust's operations on the U.S. Gulf Coast are affected by the seasonal differences in weather patterns in the Gulf of Mexico. The rainy weather, tropical storms and hurricanes prevalent in the Gulf of Mexico and along the Gulf Coast at various times of the year may affect operating results depending on weather patterns experienced in any particular reporting period.

CHANGES IN ACCOUNTING POLICY

The Trust did not have any changes in accounting policies for the six months ended June 30, 2006.

BUSINESS OUTLOOK

Despite wet weather conditions in the second quarter and reduced natural gas prices, CCS activity levels remained very strong during the quarter and that strength continues to date in the third quarter. The outlook for activity in the western Canadian energy industry remains quite positive for the balance of 2006. Due to the continued growth of the Trust, we are now forecasting our 2006 consolidated capital expenditures to be in the range of \$190.0 to \$210.0 million, including the acquisition cost of HMI in our HAZCO division. The planned capital spending is comprised of expansion capital of \$140.0 to \$160.0 million, plus sustaining capital expenditures and expenditures relating to the replacement of capacity at caverns and engineered landfills. This revised forecast represents a \$30.0 to \$40.0 million increase in our previously announced expansion capital forecast, and is related to rig rebuild

capacity increases in the Concord division to support the Grizzly acquisition, growth capital in HMI's waste metals business, one additional landfill in HAZCO and continued growth of HAZCO's remediation project business. Our forecast for sustaining capital expenditures and expenditures relating to the replacement of capacity at caverns and engineered landfills has increased by approximately \$20.0 million to \$50.0 million and is related to the growth of HAZCO and increased levels of spending for capacity replacement at our engineered landfills.

Energy Services

CCS completed the new Brooks, Alberta TRD in March 2006, and the facility began operations at the start of the second quarter. The facility began operations during the spring break-up, which was extended by wet weather, and this resulted in a slower than anticipated ramp up of revenue at the facility. Activity levels continue to improve with increased activity in the area. The Spirit River, Alberta TRD was completed and commenced operations on July 6, 2006, and initial activity levels have been very strong for this facility. Construction of a new TRD facility in the Wapiti, Alberta area began during the second quarter. The Wapiti TRD is expected to be completed and operating in late December, 2006. Construction of a new TRD in Peace River, Alberta is anticipated to commence in late September with completion targeted in the second quarter of 2007. Expansion capital spending in this division is now forecast at \$70.0 to \$80.0 million for 2006.

Concord

Despite an ongoing concern over skilled labour shortages due to high industry demand for workers, the high utilization rates experienced in the first half of the year are expected to continue for the remainder of 2006. On a year-over-year basis, our operating results will continue to be positively impacted by the additional service rigs acquired in the Grizzly acquisition, and the results from the HiAlta acquisition in 2005. The division continues to focus on the successful integration of the acquired Grizzly personnel and assets to Concord's processes and business model. Expansion capital spending in 2006 for this division is forecast to be in the range of \$20.0 to \$25.0 million.

HAZCO

Demand for services across all business units should remain strong into the third quarter of 2006. Consistent with prior years, quarterly revenues are expected to increase in the third quarter as customers focus on having sites remediated before winter weather arrives. The construction of two new landfills is underway in northern Alberta and is expected to be completed in November, 2006. The fiscal 2006 expansion capital forecast for this division is now estimated to be \$50.0 to \$55.0 million.

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 approximately two 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 purchase opportunities.

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Consolidated Financial Statements

CCS Income Trust
June 30, 2006

Consolidated Balance Sheets

(UNAUDITED)

As at (\$000s)	June 30, 2006 \$	Dec. 31, 2005 \$
ASSETS		
Current assets		
Cash and cash equivalents	3,977	3,626
Accounts receivable	153,925	158,450
Inventory and other current assets	11,260	10,432
	169,162	172,508
Property, plant and equipment (note 4)	779,646	443,103
Goodwill (note 4)	80,522	51,295
Intangible assets (note 4)	16,291	8,456
Deferred financing costs	1,480	1,189
Investments and other long-term assets	3,242	1,280
	1,050,343	677,831
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	74,355	87,806
Income taxes payable	2,641	23,710
Distributions payable	8,005	5,121
Current portion of long-term debt	2,419	2,068
Current portion of long-term purchase obligations	1,277	1,311
Current portion of asset retirement obligations (note 5)	2,720	1,373
	91,417	121,389
Long-term debt	211,626	156,397
Long-term purchase obligations	5,859	6,397
Future income tax	53,267	45,127
Asset retirement obligations (note 5)	20,061	18,953
	290,813	226,874
Non-controlling interest (note 8)	81,332	69,582
UNITHOLDERS' EQUITY		
Unitholders' capital (note 6a)	505,888	197,237
Foreign currency translation adjustment (notes 2b and 10)	(857)	-
Contributed surplus (note 6c)	1,485	605
Accumulated earnings	262,048	204,982
Accumulated cash distributions	(181,783)	(142,838)
Total unitholders' equity	586,781	259,986
Total liabilities and unitholders' equity	1,050,343	677,831

See accompanying notes

Consolidated Statements of Income and Accumulated Earnings

(UNAUDITED)

(\$000s except per unit amounts)	Three months ended June 30		Six months ended June 30	
	2006 \$	2005 \$	2006 \$	2005 \$
REVENUE				
CCS Energy Services	52,028	30,532	113,598	75,170
Concord Well Servicing	36,907	11,287	77,689	40,761
HAZCO Environmental Services	67,548	44,535	138,618	94,317
CCS Energy Marketing	199,514	81,174	395,984	145,707
	355,997	167,528	725,889	355,955
Operating expenses (note 9)				
	302,532	142,173	591,137	277,213
Operating margin				
	53,465	25,355	134,752	78,742
EXPENSES				
General and administrative (notes 7 and 9)	6,613	3,803	11,693	6,558
Financing	2,577	2,136	5,097	4,114
Gas delivery obligation valuation	(116)	1,052	96	1,389
Depreciation and amortization	13,804	7,900	25,549	17,460
	22,878	14,891	42,435	29,521
Income before the following:				
	30,587	10,464	92,317	49,221
Loss (gain) on sale of assets	156	(18)	167	(70)
Income before income taxes and non- controlling interest:				
	30,431	10,482	92,150	49,291
Income taxes				
Current	4,240	1,260	14,300	6,797
Future	70	840	4,500	3,074
	4,310	2,100	18,800	9,871
Income before non- controlling interest:				
	26,121	8,382	73,350	39,420
Non-controlling interest (note 8)	(4,241)	(2,216)	(16,284)	(10,131)
Net income for the period				
	21,880	6,166	57,066	29,289
Accumulated earnings, beginning of period				
	240,168	148,944	204,982	125,821

Accumulated earnings, end of period	262,048	155,110	262,048	155,110
Net income per unit (note 6b)				
Basic	0.43	0.15	1.25	0.70
Diluted	0.39	0.15	1.21	0.70

See accompanying notes

Consolidated Statements of Cash Flows

(UNAUDITED)	Three months ended		Six months ended	
	June 30		June 30	
(\$000s except per unit amounts)	2006	2005	2006	2005
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income for the period	21,880	6,166	57,066	29,289
Add (deduct) non-cash items:				
Non-controlling interest	4,241	2,216	16,284	10,131
Unit-based compensation (note 7)	491	250	907	250
Depreciation and amortization	13,804	7,900	25,549	17,460
Asset retirement accretion expense (note 5)	442	389	830	777
Gas delivery obligation valuation	(116)	1,052	96	1,389
Loss (gain) on sale of assets	156	(18)	167	(70)
Future income taxes	70	840	4,500	3,074
Other non-cash operating items	201	198	405	397
	41,169	18,993	105,804	62,697
Change in non-cash working capital	20,246	23,971	(22,130)	11,771
Asset retirement obligations fulfilled (note 5)	(3)	(79)	(198)	(198)
Cash provided by operating activities	61,412	42,885	83,476	74,270
FINANCING ACTIVITIES				
Issuance of long- term debt	10,575	12,125	57,452	16,060
Repayment of long- term debt	(1,355)	(26,007)	(2,009)	(34,292)
Deferred financing costs	-	-	(560)	-
Payments under purchase				

obligations	(270)	(313)	(668)	(595)
Exercise of trust unit options (notes 6a and c)	608	-	608	-
Trust unit issue (net of costs) (note 6a)	231,381	-	231,871	-
Distribution payments (note 3)	(20,480)	(12,634)	(36,062)	(24,501)

Cash (used in) provided by financing activities	220,459	(26,829)	250,632	(43,328)

INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(45,154)	(16,869)	(72,522)	(35,602)
Proceeds on disposal of property, plant and equipment	1,964	179	2,303	574
Acquisitions (note 4)	(237,781)	-	(259,759)	-
Funding of retention bonus (note 7b)	161	(1,231)	161	(1,231)
Investments and other long-term assets	(2,166)	(242)	(1,962)	(720)
Change in non-cash working capital	(664)	2,522	(1,978)	6,452

Cash used in investing activities	(283,640)	(15,641)	(333,757)	(30,527)

Increase (decrease) in cash and cash equivalents	(1,769)	415	351	415
Cash and cash equivalents, beginning of period	5,746	-	3,626	-

Cash and cash equivalents, end of period	3,977	415	3,977	415

Supplementary cash flow information:				

Cash taxes paid	6,812	493	35,370	1,543

Cash interest paid	2,405	1,931	4,619	3,532

See accompanying notes				

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(\$000s, except unit and per unit amounts)

June 30, 2006 and 2005

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. The effective date of the Arrangement was May 22, 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation and preparation of financial statements

The consolidated financial statements of the Trust have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (GAAP). The consolidated financial statements include the accounts of the Trust, its subsidiaries and partnership interests. Investments in jointly controlled partnerships are accounted for using the proportionate consolidation method, whereby the Trust's proportionate share of revenues, expenses, assets and liabilities are included in the accounts.

These interim consolidated financial statements follow the same accounting policies and methods of application as described in the notes to the most recent annual audited consolidated financial statements for the year ended December 31, 2005. These interim consolidated financial statements do not include all of the disclosures required in the annual financial statements, and should be read in conjunction with the audited consolidated financial statements included in the Trust's 2005 Annual Report.

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) Foreign currency translation

The Trust's CCS Energy Services LLC, U.S. operations, which are considered financially and operationally independent, are translated into Canadian dollars using the current rate method. Assets and liabilities are translated at the period-end exchange rate, while revenues and expenses are translated using average exchange rates during the period. Translation gains or losses are included as a separate component of unitholders' equity.

Other monetary assets and liabilities denominated in foreign currencies are translated into 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.

c) Comparative figures

Certain comparative figures have been reclassified to conform to the current period presentation.

Effective January 1, 2006, the landfill business units operated by the HAZCO and Energy Services divisions were combined to form the CCS

Landfill Services business unit. The results of operations of this business unit are reported under the Trust's HAZCO operating segment, with prior period information restated for comparative purposes.

d) 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 natural gas prices; and
- 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.

3. DISTRIBUTIONS

For the six-month period ended June 30, 2006 the Trust paid distributions to unitholders in the amount of \$36,062 (2005 - \$24,501) and declared distributions of \$38,945 (2005 - \$25,043) in accordance with the following schedule:

Period Covered	Date of Record	Date of Distribution	Per Unit \$
December 1, 2005 to December 31, 2005	12/30/05	01/16/06	0.120
January 1, 2006 to January 31, 2006	01/31/06	02/15/06	0.120
February 1, 2006 to February 28, 2006	02/28/06	03/15/06	0.125
March 1, 2006 to March 31, 2006	03/31/06	04/17/06	0.135
April 1, 2006 to April 30, 2006	04/28/06	05/15/06	0.135
May 1, 2006 to May 31, 2006	05/31/06	06/15/06	0.155
June 1, 2006 to June 30, 2006	06/30/06	07/17/06	0.155

4. ACQUISITIONS

On February 23, 2006 the Trust, through a newly formed wholly-owned subsidiary, CCS (USA) Inc., acquired all of the outstanding equity interests of Environmental Treatment Team LLC ("ETT") for cash consideration of \$21,682. Subsequent to the acquisition, ETT changed its name to CCS Energy Services LLC ("Energy Services LLC"). The company provides waste treatment and disposal services to the U.S. Gulf coast offshore oil and gas industry through three transfer stations and two processing facilities in Louisiana and Alabama.

On April 3, 2006 the Trust completed an asset purchase agreement with HMI Industries Inc. ("HMI"). Headquartered in Red Deer, Alberta, HMI operates

a scrap metal processing facility complete with a container drop-off business for collection of scrap metal. The acquisition allows CCS to diversify into services that are complementary to its HAZCO Environmental Services division. The purchase price for these assets was \$30,954, with consideration consisting of cash and trust units. The trust units issued are held in escrow and will be released in equal amounts over the next five years beginning in April, 2007.

On May 1, 2006 the Trust completed the acquisition of the operating assets of the Grizzly, Hi-West, and Poncho Well Servicing Group (collectively "Grizzly"). The acquired assets consisted of 86 well servicing rigs, auxiliary equipment, and real estate. The total purchase price for the Grizzly assets was \$277,748, with consideration consisting of cash and trust units. Of the trust units issued, 25 percent were released to Grizzly on completion of the acquisition, with the remaining trust units held in escrow, to be released in equal annual amounts over the next three years.

Each of the acquisitions was recorded using the purchase method. The results of operations of these acquisitions are included in these consolidated financial statements from the date of acquisition and are reported within the Energy Services, HAZCO and Concord operating segments respectively.

The purchase price has been allocated, on a preliminary basis, as follows:

	Energy Services			Total
	LLC	HMI	Grizzly	
Net assets acquired:	\$	\$	\$	\$
Working capital	3,978	500	-	4,478
Property, plant and equipment	19,450	6,680	265,248	291,378
Land	-	1,900	-	1,900
Goodwill	3,798	16,274	9,300	29,372
Intangibles	-	5,600	3,200	8,800
Future income taxes	(3,783)	-	-	(3,783)
Asset retirement obligations	(1,346)	-	-	(1,346)
	22,097	30,954	277,748	330,799
Consideration paid:	\$	\$	\$	\$
Cash	21,682	23,075	213,850	258,607
Trust units	-	7,828	63,212	71,040
Transaction costs	415	51	686	1,152
	22,097	30,954	277,748	330,799

5. 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 \$60,760 (2005 - \$54,073) using an annual inflation rate of three percent. The fair value at June 30, 2006 was \$22,781 (2005 - \$19,925) using a discount rate of eight percent.

For the six months ended June 30, 2006 and 2005, the Trust recorded the following activity related to the liability:

	Three months ended		Six months ended	
	June 30		June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Asset retirement obligations, beginning of period	20,994	19,615	20,326	18,893
New obligations and revised estimates	1,348	-	1,823	453
Obligations fulfilled	(3)	(79)	(198)	(198)
Accretion expense	442	389	830	777
Asset retirement obligations, end of period	22,781	19,925	22,781	19,925
Less: current portion	2,720	3,633	2,720	3,633
Long-term portion	20,061	16,292	20,061	16,292

6. UNITHOLDERS' EQUITY

a) Unitholders' capital

Authorized - Unlimited number of voting trust units

	Trust Units	Amount
December 31, 2005	42,678,524	\$197,237
Issued upon conversion of exchangeable shares for trust units (note 8)	5,881	6
Issued upon exercise of employee trust unit options	27,579	635
Issued upon acquisitions (net of costs) (note 4)	2,274,150	71,040
Trust unit issue (net of costs)	6,656,885	231,871
Adjustment for exchangeable share conversions and trust unit dilution	-	4,528
Units sold for retention bonus (note 7b)	-	571
June 30, 2006	51,643,019	505,888

b) Weighted average trust units

As at June 30, 2006 and 2005, respectively, diluted net income per trust unit has been calculated based on the following:

	2006	2005
Weighted average trust units outstanding - basic	45,762,373	42,068,608
Trust units issuable on conversion of exchangeable shares	14,752,772	14,566,122
Dilutive options	182,709	73,987
Dilutive trust units and exchangeable shares	60,697,854	56,708,717

c) Contributed surplus

As at June 30, 2006 and 2005, respectively, contributed surplus is comprised of the following:

	2006 \$	2005 \$
Balance, beginning of period	605	-
Unit-based compensation expense	907	250
Transferred to unitholders' capital on exercise of options	(27)	-
Balance, end of period	1,485	250

7. UNIT-BASED COMPENSATION

a) Unit option plan

Under the Trust's 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 to date, 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 June 30, 2006, 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. Outstanding units include the issued and outstanding units on a non-diluted basis, plus all units issuable on conversion of all exchangeable shares, at any time, which at June 30, 2006 totaled 66,395,791.

Option transactions for the period are as follows:

	2006		2005	
	Units	Weighted average exercise price \$	Units	Weighted average exercise price \$
Six months ended June 30				
Options outstanding, beginning of period	769,500	24.14	-	-
Granted	908,500	36.19	690,000	23.10
Exercised	(27,579)	22.04	-	-
Forfeited	(85,360)	28.31	(40,000)	22.04
Options outstanding, end of period	1,565,061	30.94	650,000	23.16

	Options outstanding		Options exercisable		
	Outstanding at June 30,	Weighted average remaining contractual life	Weighted average exercise	Number exercisable at June 30,	Weighted average exercise
Range of					

prices	2006	(years)	price (\$)	2006	price (\$)
\$22.04 -					
\$27.00	439,457	3.5	22.04	99,023	22.04
\$27.01 -					
\$32.00	243,604	3.9	28.00	35,000	27.25
\$32.01 -					
\$37.00	877,500	4.6	36.18	-	-
\$37.01 -					
\$38.15	4,500	4.7	38.15	-	-
Total	1,565,061		30.94	134,023	23.40

The estimated weighted average fair value of trust unit options granted to date is \$5.51 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:

	Weighted average assumptions
As at June 30, 2006	
Dividend yield	4.38%
Discount for forfeiture	3.00%
Risk-free interest rate	3.71%
Expected life of options	4.2 years
Expected volatility factor of the future expected market price of trust units	27.10%

The Trust recorded compensation expense, included as part of general and administrative expenses, of \$907 with an offsetting increase to contributed surplus in respect of the options granted as of June 30, 2006 (2005 - \$250).

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, provided the executives are employed with the Trust at the time of vesting. The trust unit purchase was charged to unitholders' capital until the units vest and are distributed. For the six months ended June 30, 2006, \$165 (2005 - \$205) was accrued and charged to general and administrative expense. The January 1, 2006 vesting of units carried a total cost of \$410 and was charged to unitholders' capital at the time of vesting. The resignation of one executive resulted in the sale of units on the open market on June 30, 2006. Net proceeds of \$161 were charged to unitholders' capital.

8. NON-CONTROLLING INTEREST ("NCI")

Exchangeable shares are accounted for in accordance with 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.

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 the end of each period.

	Exchangeable shares	\$
Carrying value of exchangeable shares	5,670,143	14,955
Accumulated earnings attributable to NCI - prior years	-	54,627
Balance at December 31, 2005	5,670,143	69,582
NCI interest in net income - 2006	-	16,284
Adjustment to accumulated earnings	-	(4,528)
Redeemed upon conversion to trust units	(2,300)	(6)
Balance at June 30, 2006	5,667,843	81,332

9. 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. Corpac Canada 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 six months ended June 30, 2006, the Trust incurred management fee expense, operating costs and costs for contract air services with Corpac Canada Ltd. totalling \$194 (2005 - \$252).

b) Other

HAZCO Industrial Services Limited Partnership, an entity controlled by certain members of HAZCO's management and their immediate families, charges rental fees to the Trust for the use of premises. For the six months ended June 30, 2006 these fees totalled \$219 (2005 - \$219).

During the six months ended June 30, 2006, the Trust incurred costs totalling \$249 (2005 - nil) with Capital Technologies Inc. ("CTI") for services related to research and development of technologies with respect to the treating of heavy oil. The Chairman and CEO of CCS Inc. has a 20 percent interest in CTI.

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

10. FOREIGN CURRENCY TRANSLATION ADJUSTMENT

The foreign currency translation adjustment represents the unrealized gain (loss) on the Trust's net investment in self-sustaining foreign operations.

	2006 \$	2005 \$
Six months ended June 30		
Balance, beginning of period	-	-
Unrealized net gain on translation of investment	857	-

Balance, end of period 857 -

11. SEASONALITY

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 natural gas production sites incapable of supporting the weight of heavy equipment until they thoroughly dry out. The duration of "spring breakup" has a direct impact on activity levels of the Trust and its customers. As a result, each year the Trust tends to earn lower revenues and operating margin in the second fiscal quarter. The Trust's operations on the U.S. Gulf Coast are affected by seasonal differences in weather patterns in the Gulf of Mexico. The rainy weather, tropical storms and hurricanes prevalent in the Gulf of Mexico and along the Gulf Coast during the year may affect operating results depending on the weather patterns in any particular reporting period.

12. 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) facilities, transfer stations and cavern facilities throughout western Canada and the Gulf Coast region of the United States. Services are provided in the areas of emulsion treatment, water disposal, waste processing, drilling mud disposal, tank/truck washing, crude oil terminalling and cavern 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 139 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, engineered landfill disposal, sulphur and other specialty services. HAZCO operates a network of industrial and engineered landfills, bioremediation facilities and hazardous waste transfer stations that span western Canada. Through its HMI business unit, HAZCO provides scrap metal collection and processing services. 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.

Business activity between the divisions is recorded at market rates. Inter-segment eliminations adjust revenue, 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 expenses directly related to the individual business

segments are included in the operating expenses of that division.

The following tables provide information by operating segment for the three and six months ended June 30, 2006 and 2005:

For the six months ended June 30, 2006	Energy Services \$	Concord \$	HAZCO \$	CEM \$	Consolidated \$
Revenue prior to inter-segment eliminations	114,119	77,756	139,607	412,297	743,779
Inter-segment eliminations	(521)	(67)	(989)	(16,313)	(17,890)
Net revenue	113,598	77,689	138,618	395,984	725,889
Operating expenses prior to inter-segment eliminations	53,419	50,087	101,981	403,473	608,960
Inter-segment eliminations	(521)	-	(989)	(16,313)	(17,823)
Net expenses	52,898	50,087	100,992	387,160	591,137
Operating margin	60,700	27,602	37,626	8,824	134,752
Gas delivery obligation valuation	96	-	-	-	96
Loss (gain) on sale of assets	(78)	(3)	248	-	167
Depreciation and amortization	8,968	5,086	10,938	33	25,025
Income before corporate items	51,714	22,519	26,440	8,791	109,464
General and administrative					11,693
Financing					5,097
Depreciation and amortization					524
Income taxes					18,800
Income before non-controlling interest					73,350
Non-controlling interest (note 8)					(16,284)
Net income for the period					57,066
Total assets	388,282	411,949	242,669	7,443	1,050,343
Goodwill	15,095	10,671	54,756	-	80,522
Capital expenditures	35,699	18,243	16,948	1,632	72,522

For the six months ended June 30, 2005	Energy Services restated (note 2c) \$	Concord \$	HAZCO restated (note 2c) \$	CEM \$	Consolidated restated (note 2c) \$
Revenue prior to inter-segment eliminations	76,579	40,891	94,626	152,376	364,472
Inter-segment eliminations	(1,409)	(130)	(309)	(6,669)	(8,517)

Net revenue	75,170	40,761	94,317	145,707	355,955
Operating expenses prior to inter-segment eliminations	29,708	28,966	77,711	149,345	285,730
Inter-segment eliminations	(1,409)	(130)	(309)	(6,669)	(8,517)
Net expenses	28,299	28,836	77,402	142,676	277,213
Operating margin	46,871	11,925	16,915	3,031	78,742
Gas delivery obligation valuation	1,389	-	-	-	1,389
Loss (gain) on sale of assets	8	-	(78)	-	(70)
Depreciation and amortization	7,125	2,178	7,688	-	16,991
Income before corporate items	38,349	9,747	9,305	3,031	60,432
General and administrative					6,558
Financing					4,114
Depreciation and amortization					469
Income taxes					9,871
Income before non-controlling interest					39,420
Non-controlling interest (note 8)					(10,131)
Net income for the period					29,289
Total assets	310,471	107,925	109,783	5,091	533,270
Goodwill	9,166	-	38,231	-	47,397
Capital expenditures	18,449	6,123	10,189	841	35,602

For the three months ended June 30, 2006	Energy Services \$	Concord \$	HAZCO \$	CEM \$	Consolidated \$
Revenue prior to inter-segment eliminations	52,386	36,974	68,302	207,250	364,912
Inter-segment eliminations	(358)	(67)	(754)	(7,736)	(8,915)
Net revenue	52,028	36,907	67,548	199,514	355,997
Operating expenses prior to inter-segment eliminations	28,997	26,533	53,363	202,487	311,380
Inter-segment eliminations	(358)	-	(754)	(7,736)	(8,848)
Net expenses	28,639	26,533	52,609	194,751	302,532
Operating margin	23,389	10,374	14,939	4,763	53,465
Gas delivery obligation valuation	(116)	-	-	-	(116)
Loss (gain) on sale of assets	(77)	(61)	294	-	156
Depreciation and					

Non-controlling interest (note 8)					(2,216)

Net income for the period					6,166

Total assets	310,471	107,925	109,783	5,091	533,270

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

Capital expenditures	9,530	2,792	4,449	98	16,869

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