

INTERIM REPORT

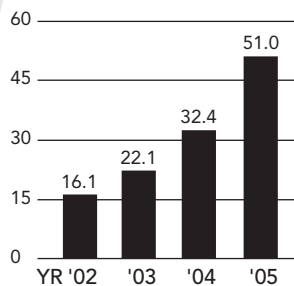
Q1

Interim Report

Three months ended March 31, 2005

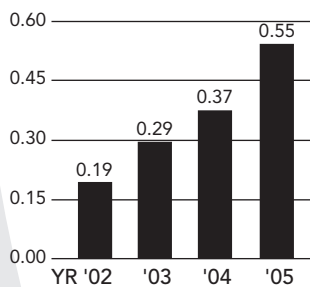
Q1 – EBITDA

(\$'000s)



Q1 – NET INCOME PER UNIT (fully diluted)

(\$)



FIRST QUARTER RESULTS AND HIGHLIGHTS

- On February 15, 2005, CCS Income Trust announced a two-for-one trust unit split to unitholders of record on February 28, 2005.
- The Trust announces its seventh increase in distributions to \$0.105 per unit for unitholders of record as at May 31, 2005.
- Revenues for the first quarter of 2005 reflect an increase of 168 percent over 2004 to \$188.4 million. Excluding the Energy Marketing division, revenues increased by 76 percent over the first quarter of 2004.
- The HAZCO division contributed \$40.2 million in revenues and \$4.5 million in operating margin for the first quarter of 2005.
- The Trust remained focused on its 2005 capital expenditure program, incurring \$18.7 million in capital expenditures for the quarter, of which \$13.1 million related to growth capital expenditures.
- The Bonnyville, Alberta landfill was approved by regulators with construction started in late April.
- Construction commenced on a waste service facility at Coronation, Alberta.
- Continued strong growth of CCS results in a forecast payment of current income taxes for 2005, as reflected in the Consolidated Statements of Income and Accumulated Earnings.

Three months ended March 31 (UNAUDITED)	2005	2004 ³	% Change
<i>(000s except per unit amounts)</i>			
Revenue	\$ 188,427	\$ 70,349	168%
EBITDA ¹	51,020	32,449	57%
Income before non-controlling interest	31,038	19,730	57%
Net income	23,123	14,620	58%
per unit – fully diluted	0.55	0.37	49%
Funds from operations ¹	43,704	31,032	41%
per unit – fully diluted	0.77	0.58	33%
Capital expenditures	18,733	8,678	116%
Weighted average units outstanding			
Units issued and outstanding	42,021	39,577	
Exchangeable Shares ²	14,410	13,846	
Fully dilutive units outstanding	56,431	53,423	

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

² Assuming all Exchangeable Shares at March 31, 2005 converted at the period end exchange ratio of 2.46988 (2004 – 2.32656).

³ Certain comparative figures for 2004 have been restated due to the retroactive restatement of the two-for-one trust unit split which took effect on February 28, 2005, and to retroactively restate for the change in accounting policy to account for Exchangeable Shares as non-controlling interest, as described in notes 5 and 6, respectively, of the consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 26, 2005

The 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 2004 Annual Report.

CCS INCOME TRUST – Quarterly Data

	2005	2004				2003			
<i>(\$000s except per unit or share amounts)</i>		<i>restated</i>	<i>restated</i>	<i>restated</i>	<i>restated</i>	<i>restated</i>	<i>restated</i>	<i>restated</i>	<i>restated</i>
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
REVENUE	188,427	134,334	54,738	41,155	70,349	58,638	47,255	26,823	47,428
EXPENSES									
Operating	134,936	87,975	28,637	24,059	35,840	32,136	25,461	16,682	22,914
General and administrative	2,859	4,113	3,012	2,717	2,422	2,177	2,020	2,129	2,681
Depreciation and amortization	9,560	8,916	5,664	6,208	8,801	11,389	6,766	4,547	5,192
Interest on debt	1,978	1,393	1,197	855	1,109	1,359	1,620	855	632
Income before non-controlling interest	31,038	25,489	12,367	6,153	19,730	10,622	9,534	4,149	13,440
Net income	23,123	19,308	9,012	4,482	14,620	8,576	6,764	2,912	9,717
per unit – fully diluted	0.55	0.47	0.23	0.11	0.37	0.20	0.20	0.08	0.29
Funds from operations	43,704	40,886	22,131	13,910	31,032	23,074	18,527	7,843	20,867
per unit – fully diluted	0.77	0.75	0.40	0.26	0.58	0.45	0.38	0.17	0.44
Capital expenditures	18,733	27,783	21,303	12,404	8,678	23,738	46,008	31,207	21,158
Long-term debt	132,222	136,503	57,426	48,647	52,868	52,088	94,746	55,000	36,250
Non-controlling interest	54,406	46,669	40,629	37,286	35,617	30,727	28,681	25,916	24,687
Unitholders' equity	238,043	226,834	182,464	183,849	189,672	184,743	123,946	124,359	129,080
Distributions per unit	0.29	0.27	0.26	0.26	0.25	0.24	0.23	0.23	0.21

Certain comparative figures for 2004 and 2003 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, as described in Notes 5 and 6, respectively, to the consolidated financial statements for the periods ended March 31, 2005 and 2004.

Certain comparative figures for 2003 have been reclassified to conform to the presentation adopted in 2004 and restated due to a retroactive change in accounting policy for asset retirement obligations.

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," 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.

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 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 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;
- crude oil terminalling;
- cavern disposal; and
- landfill disposal.

Concord Well Servicing Division (Concord)

This division owns and operates 53 service rigs, forming one of the most modern fleets in 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.

CCS Energy Marketing Division (CEM)

Responding to the opportunity to maximize the return on 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 providing a wide-range of specialized services including:

- site remediation;
- decommissioning;
- waste services;
- environmental construction;
- environmental technologies;
- emergency response;
- sulphur services; and
- other specialty services.

HAZCO operates a network of industrial landfills, bio-remediation facilities and hazardous waste transfer stations that span Western Canada. HAZCO provides services throughout Canada, Peru and select services in the United States and other international markets.

DISCUSSION OF FINANCIAL RESULTS

All tables in this section reflect results of operations for the three month periods ended March 31, 2005 and 2004 respectively, unless otherwise stated. The reference to “% change” represents the period-over-period change in the financial statement component under review. Unit and per unit amounts reported have been retroactively restated to incorporate the effect of the two-for-one trust unit split which took place at the close of business on February 28, 2005.

EBITDA, NET INCOME AND FUNDS FROM OPERATIONS

<i>(000s except per unit amounts)</i>	2005	2004
EBITDA	\$ 51,020	\$ 32,449
% change	57%	47%
Income before non-controlling interest	31,038	19,730
% change	57%	47%
Net income	23,123	14,620
% change	58%	50%
per unit – fully diluted	0.55	0.37
Funds from operations	43,704	31,032
% change	41%	45%
per unit – fully diluted	0.77	0.58

The first quarter of 2005 continued to reflect the incremental earnings and cash flow from the HAZCO and (CEM) divisions; contributing \$4.5 million and \$1.4 million respectively to operating margin for the quarter. The Energy Services division reported a strong quarter with a 45 percent increase in operating margin over 2004. All divisions experienced high levels of activity throughout the quarter as industry demand for services remained strong along with sustained higher commodity prices.

Net income for the quarter was impacted by a provision of \$7.8 million for income taxes, due primarily to the increased earnings of the Trust. This represents an increase of \$5.4 million over the first quarter in 2004.

CASH DISTRIBUTIONS

On May 5, 2005 the Trust announced its seventh increase to monthly distributions since the inception of the Trust. Distributions increased to \$0.105 per trust unit to unitholders of record on May 31, 2005. Distributions

declared for the first quarter of 2005 totaled \$12.1 million, representing a 22 percent increase over the same period in 2004.

The following summary outlines the principal utilization of funds from operations for the three month periods ended March 31, 2005 and 2004:

CCS CASH DISTRIBUTIONS

(000s)	2005	2004 ¹
Funds from operations	\$ 43,704	\$ 31,032
Required principal repayments of long-term debt	(785)	(2,750)
Maintenance capital expenditures	(5,634)	(1,536)
Amortization of landfill and cavern capacity	(2,163)	(4,099)
Cash available for distribution and growth capital expenditures (b)	35,122	22,647
Cash retained for growth and capital expenditures	(23,029)	(12,744)
Cash distributions declared (a)	12,093	9,903
Accumulated cash distributions, beginning	89,187	47,532
Accumulated cash distributions, ending	101,280	57,435
Payout ratio (a)/(b)	34.4%	43.7%

¹ Comparative figures for 2004 have been restated to incorporate the inclusion of 'amortization of landfill and cavern capacity' into the Cash Distribution schedule and calculations.

REVENUES

(000s)	2005	2004
CCS Energy Services	\$ 54,173	\$ 43,390
% change	25%	46%
Concord Well Servicing	29,474	26,959
% change	9%	53%
HAZCO	40,247	-
% change	100%	-
CCS Energy Marketing	64,533	-
% change	100%	-
Total	188,427	70,349
% change	168%	48%

Revenues for the quarter increased by 168 percent due primarily to the incremental revenues generated by the HAZCO and CEM divisions, reported for the first time in the fourth quarter of 2004. Revenues reported for the HAZCO division of \$40.2 million reflected higher than normal revenues for this time of year. Contributing to revenues for the quarter were the following projects:

- three large site remediation projects which consisted primarily of transport and disposal services;
- execution of a large coring program in the Fort McMurray area; and
- incremental revenues from the Tower Road Landfill near Edson, Alberta, which opened in late November 2004.

The Energy Services division experienced a 25 percent increase in revenues for the quarter due to sustained high oil prices and a continued increase in demand for services in the quarter. These high activity levels and commodity prices impacted the volume of waste received at CCS TRD facilities and the revenues reported from the subsequent sale of oil recovered from this waste. Recovered oil sales for the first quarter of 2005 reflected a 99 percent increase over the same period in 2004 and comprised approximately 13 percent of total revenues reported by this division. In the first quarter of 2004, recovered oil sales were eight percent of total revenues reported by the Energy Services division.

The Concord Well Servicing division reflected a nine percent increase in revenues due primarily to high activity levels within the industry.

The CCS Energy Marketing division generated revenues of \$64.5 million for the quarter, representing a 21 percent increase over revenues reported in the fourth quarter of 2004. This increase was attributable to the high activity levels experienced by the Energy Services division, resulting in larger volumes of waste and recovered oil marketed by the CEM division. High commodity prices also contributed to the higher revenues reported.

OPERATING MARGINS AND EXPENSES

(000s)	2005	2004
CCS Energy Services	\$ 36,917	\$ 25,450
% of division revenues	68%	59%
Concord	10,719	9,059
% of division revenues	36%	34%
HAZCO	4,472	–
% of division revenues	11%	–
CCS Energy Marketing	1,383	–
% of division revenues	2%	–
Total	53,491	34,509
% change	55%	41%

The Energy Services division generated an operating margin of 68 percent in the first quarter of 2005, an increase of nine percent over the same quarter in 2004. The TRD facilities, which derive a higher margin from activities in the treating and disposal service sector, were the primary contributor to this improvement. The engineered landfills reflected a three percent increase in operating margin due primarily to lower operating costs for the quarter. Higher recovered oil sales also contributed to the increase in operating margin. In the first quarter of last year, this division experienced a number of operating issues at two of its newer facilities, impacting the reported operating margin through increased operating costs. These operating issues were resolved by the third quarter of 2004.

The increase in operating margin to 36 percent for the Concord division reflects high activity levels and an ongoing focus on operating cost management.

The operating margin of two percent in the CEM division is consistent with the operating margin reported in the fourth quarter of 2004. The business model for this division is focused on capturing the incremental value in marketing crude oil that leaves CCS facilities and is not expected to generate operating margins, as a percentage of revenue, significantly different than 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 expenses, creating a lower operating margin as a percentage of revenues.

HAZCO reported an operating margin of 11 percent for the first quarter of 2005. Operating margins for this division will fluctuate somewhat on a quarterly basis depending on the type of projects undertaken in a quarter. Historically, operating margins for this division ranged from 10 to 15 percent in any quarter. Joint marketing efforts with the Energy Services division resulted in the realization, by the HAZCO division, of lower margins on one project in order to capture incremental revenues and operating margins in Energy Services. Joint efforts to provide synergies and expanded customer services across divisions will continue in the future.

GENERAL AND ADMINISTRATIVE

(000s)	2005	2004
Amount	\$ 2,859	\$ 2,422
% change	18%	(10%)

The increase in general and administrative expenses is attributable to the ongoing resources required to accommodate CCS' continued growth. General expenses increased in the following areas:

- wages and benefits for staff support;
- general office, travel costs and shareholder costs;
- insurance costs associated with a larger asset base; and
- professional and consulting fees.

Excluding the Energy Marketing revenue, general and administrative expenses, as a percentage of revenue, for the first quarter of 2005 were two percent as compared to three percent for the same period in 2004. General and administrative expenses for the year are anticipated to be in the range of three to four percent of non-Energy Marketing revenues.

DEPRECIATION AND AMORTIZATION

(000s)	2005	2004
Depreciation	\$ 6,724	\$ 4,702
% change	43%	35%
Amortization	2,836	4,099
% change	(31%)	139%

The increased depreciation expense reflects \$1.8 million of depreciation charged on the acquired HAZCO capital assets. Depreciation expense for the Energy Services and Concord divisions showed a general increase as a result of the ongoing growth and expansion of their asset base.

Amortization of engineered landfills and disposal caverns totaled \$2.2 million for the quarter. Overall, amortization rates on the landfills are lower in 2005 due to the prospective application of capacity adjustments resulting from an independent engineering study performed in the second half of 2004. Included in amortization expense is \$0.7 million relating to the amortization of intangible assets acquired through the HAZCO acquisition.

INCOME TAXES

(000s)	2005	2004
Amount	\$ 7,771	\$ 2,410
Effective tax rate	20%	11%

The effective tax rate increased to 20 percent of pre-tax income in the first quarter of 2005 as compared to the 2004 annual effective tax rate of 16 percent and the first quarter 2004 rate of 11 percent. The primary reason for this increase was a 75 percent increase in pre-tax income on a quarter-over-quarter basis. This large increase in pre-tax income was only partially offset by the Trust's distribution deduction for tax purposes.

Since the inception of the Trust in May 2002, through to 2004, CCS Inc. accumulated sufficient tax pools to offset taxable income and therefore was not subject to current income tax except for capital taxes. Based on current projections of earnings and capital spending in 2005, tax pool deductions are not expected to fully offset taxable income, and CCS is expected to incur a current income tax expense.

In the first quarter of 2005, current income tax expense of \$5.5 million is comprised of the following:

- a provision of \$5.0 million relating to current period earnings;
- a provision of \$0.5 million for federal and provincial capital taxes.

In the first quarter of 2004, current income tax expense consisted entirely of federal and provincial capital taxes.

FINANCING

(000s)	2005	2004
Amount	\$ 1,978	\$ 1,109
% change	78%	76%

Financing charges for the quarter increased 78 percent over 2004 due to the higher level of debt carried by the Trust. The Trust's borrowing levels increased in December 2004 upon closing of the HAZCO acquisition.

LIQUIDITY AND CAPITAL RESOURCES
CAPITAL DATA

(000s)	2005	2004
Current portion of long-term debt	\$ 3,131	\$ 16,882
Long-term debt	132,222	52,868
Less: cash and cash equivalents	–	(2,023)
Net debt	135,353	67,727
Unitholders' equity	238,043	189,672
Non-controlling interest	54,406	35,617
Total capitalization	427,802	293,016
Net debt to total capitalization	32%	23%

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 March 31, 2005 the Trust had utilized \$75.0 million of this facility. Outstanding letters of credit of \$23.0 million at March 31, 2005 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.
- \$4.2 million term, revolving facility restricted to the financing of capital equipment, with interest charged at a floating rate of 0.25 percent above the Bank's prime lending rate. Amounts advanced under this facility have a maximum amortization period of 48 months. At March 31, 2005, this facility was fully drawn.
- \$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 plus 0.25-0.75 percent. At March 31, 2005, the amount outstanding on this facility was \$3.8 million.

At March 31, 2005 the Trust had \$4.2 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 the facility.

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 March 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 \$13.0 million was outstanding at March 31, 2005.

UNITHOLDERS' EQUITY

Outstanding Unit Data	2005	2004
Trust units	42,116	39,637
Exchangeable Shares ¹	14,410	13,846
Total	56,256	53,483

¹ Converted at an exchange ratio of 2.46988 at March 31, 2005 (March 31, 2004 – 2.32656).

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 monthly cash distributions were adjusted to \$0.0975 per unit to reflect the two-for-one split, effective for the month of February 2005. The impact of the unit split on unitholders' equity and per unit information has been retroactively restated for comparative purposes.

CAPITAL EXPENDITURES

(000s)	2005	2004
Amount	\$ 18,733	\$ 8,678
% change	116%	(59%)

Capital expenditures for the first quarter of the year totaled \$18.7 million, with the majority of the expenditures incurred in the Energy Services division. Capital projects currently underway for this division include:

- construction of a waste service facility at the Coronation TRD;
- ongoing development of a decanter and centrifuge program at the Big Valley TRD;
- construction of a new disposal well facility at Moose Creek; completion is expected in the third quarter of 2005;
- ongoing cavern washing and capacity expansion at the Lindbergh facility; and
- processing of final construction and startup costs for the new Boundary Lake facility.

The HAZCO division incurred capital expenditures of \$3.3 million for the period, which included \$1.1 million of sustaining capital expenditures. Growth capital expenditures of \$2.2 million included the acquisition of drilling rigs and support equipment for a major project currently underway in the Fort McMurray area, along with the addition of capital equipment to the site remediation fleet.

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

Non-controlling Interest

On January 19, 2005 the CICA issued revised draft EIC-151 "Exchangeable Securities Issued by Subsidiaries of Income Trusts", stating that the exchangeable securities issued by a subsidiary of an income trust should be reflected as either non-controlling interest or debt on the consolidated balance sheet unless they meet certain criteria. The Exchangeable Shares issued by CCS Inc., the operating subsidiary of the Trust, are considered by EIC-151 to be transferable to third parties. EIC-151 states that if the Exchangeable Shares are transferable to a third party they should be reflected as non-controlling interest. Previously, the Exchangeable Shares were reflected as a component of unitholders' equity.

In accordance with the transitional provisions of EIC-151, this accounting abstract has been applied retroactively, with restatement of prior periods. As a result of this change and restatement, the Trust has retroactively reflected non-controlling interest of \$46.7 million on the Trust's consolidated balance sheet as at December 31, 2004. Consolidated net income reflects non-controlling interest of \$7.9 million and \$5.1 million as a deduction in arriving at net income for the three months ended March 31, 2005 and 2004, respectively. The retroactive restatement of this policy results in an adjustment of \$14.8 million to opening accumulated earnings for 2004.

BUSINESS OUTLOOK

The favourable industry conditions experienced by the western Canadian oil and gas service sector in 2004 continued throughout the first quarter of 2005. The performance of the Energy Services division continued to reflect high levels of production, completion and remediation activity, with planned growth capital projects moving forward. Two landfills and two TRD's are in the final stages of the regulatory process with the expectation for these facilities to be operational by the fourth quarter of 2005. CCS is in the market research stage for the planned construction of a third TRD and a third engineered landfill, with total capital expenditures for this division forecast in the range of \$60-\$70 million.

Following the December 2004 acquisition of HAZCO, integration within the CCS Income Trust group of companies commenced in the first quarter of 2005, with joint marketing efforts in place and one project successfully executed. During the quarter, HAZCO incurred \$2.2 million in growth capital expenditures, with total growth capital expenditures for the year forecast in the \$8-\$10 million range.

The Concord Well Servicing division experienced high levels of rig utilization throughout the quarter with financial results reaching record levels for quarterly revenue and operating margin. Rig utilization dropped slightly in March due to an earlier than anticipated spring breakup, cutting short producers' drilling schedules. As a result, demand for the second quarter is expected to be strong, providing weather conditions do not result in an extended spring breakup. Concord's capital expenditure program is focused on the rebuilding of existing rigs, with the majority of expenditures scheduled for the second quarter of the year.

The Energy Marketing division experienced a strong quarter due to high commodity prices and increased activity within the industry. The business model for this division is focused on the marketing of crude oil recovered at the Energy Services facilities, with growth dependent on optimization and lease purchases.

In 2005, as discussed in the Income Taxes section of the MD&A, the Trust anticipates it will incur current income taxes for the first time since the inception of the Trust.

CCS Income Trust has grown to become one of the top five Canadian-based oilfield service enterprises by market capitalization. CCS pursues a balance of organic, service-expanding and geographical growth, using a mix of internal capital investment and acquisitions. Activities in 2004 strongly positioned CCS for continued growth in 2005. Our strong first quarter performance reflects our commitment to leadership, innovation and growth. In an environment of strong oil and gas industry fundamentals, CCS has positioned itself to capitalize on short-term opportunities while focusing on long-term CCS unitholder value.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

As at	Mar. 31, 2005	Dec. 31, 2004
(\$000s)	\$	\$
ASSETS		
Current		
Accounts receivable	115,113	112,763
Inventory and other current assets	3,930	4,704
	119,043	117,467
Property, plant and equipment	375,820	365,862
Goodwill and intangible assets	53,205	53,879
Deferred financing costs	1,581	1,711
Investments and other long-term assets	924	446
	550,573	539,365
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	47,863	59,044
Income taxes payable	5,525	1,038
Distributions payable	4,106	3,880
Current portion of long-term debt	3,131	3,131
Current portion of long-term purchase obligations	1,032	1,002
Current portion of asset retirement obligations [note 4]	3,633	3,633
	65,290	71,728
Long-term debt	132,222	136,503
Long-term purchase obligations	5,469	5,444
Future income tax	39,161	36,927
Asset retirement obligations [note 4]	15,982	15,260
	192,834	194,134
Non-controlling interest [note 6]	54,406	46,669
Unitholders' equity		
Unitholders' capital [note 5a]	190,379	190,200
Accumulated earnings	148,944	125,821
Accumulated cash distributions	(101,280)	(89,187)
	238,043	226,834
	550,573	539,365

See accompanying notes.



Director – David P. Werklund



Director – Brad R. Munro

CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED EARNINGS

(UNAUDITED)

Three months ended March 31	2005	2004
(\$000s, except per unit amounts)	\$	\$
		<i>Restated [note 6]</i>
REVENUE		
CCS Energy Services	54,173	43,390
Concord Well Servicing	29,474	26,959
HAZCO Environmental Services	40,247	–
CCS Energy Marketing	64,533	–
	188,427	70,349
Operating expenses [note 7]	134,548	35,478
Asset retirement obligations [note 4]	388	362
	134,936	35,840
Operating margin	53,491	34,509
EXPENSES		
General and administrative [note 7]	2,859	2,422
Financing	1,978	1,109
Gas delivery obligation valuation	337	41
Depreciation and amortization	9,560	8,801
	14,734	12,373
Income before the following:	38,757	22,136
Gain on sale of assets	(52)	(4)
Income before income taxes:	38,809	22,140
Income taxes		
Current	5,537	370
Future	2,234	2,040
	7,771	2,410
Income before non-controlling interest:	31,038	19,730
Non-controlling interest [note 6]	(7,915)	(5,110)
Net income for the period	23,123	14,620
Accumulated earnings, beginning of period	125,821	93,184
Retroactive application of change in accounting policy [note 6]	–	(14,785)
Accumulated earnings, end of period	148,944	93,019
Per unit information [note 5b]		
Fully diluted	0.55	0.37

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

Three months ended March 31	2005	2004
(\$000s)	\$	\$
		<i>Restated [note 6]</i>
OPERATING ACTIVITIES		
Net income for the period	23,123	14,620
Add (deduct) non-cash items:		
Non-controlling interest	7,915	5,110
Depreciation and amortization	9,560	8,801
Asset retirement obligations [note 4]	388	362
Gas delivery obligation valuation	337	41
Gain on sale of assets	(52)	(4)
Future income taxes	2,234	2,040
Other	199	62
	43,704	31,032
Change in non-cash working capital	(12,200)	(11,060)
Asset retirement obligations [note 4]	(119)	(53)
Cash provided by operating activities	31,385	19,919
FINANCING ACTIVITIES		
Issuance of long-term debt	3,935	5,000
Repayment of long-term debt	(8,285)	(2,750)
Payments under purchase obligations	(282)	(406)
Trust unit issue (net of costs)	–	(8)
Distribution payments [note 3]	(11,867)	(9,787)
Cash used in financing activities	(16,499)	(7,951)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(18,733)	(8,678)
Proceeds on disposal of property, plant and equipment	395	143
Investments and other long-term assets	(478)	(164)
Change in non-cash working capital	3,930	(6,125)
Cash used in investing activities	(14,886)	(14,824)
Decrease in cash and cash equivalents	–	(2,856)
Cash and cash equivalents, beginning of period	–	4,879
Cash and cash equivalents, end of period	–	2,023

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(000s, except unit and per unit amounts)

March 31, 2005 and 2004

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.

These interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual audited consolidated financial statements for the year ended December 31, 2004. The specific accounting policies applied are described in the notes to the annual consolidated financial statements, appearing in the Trust's 2004 Annual Report.

All amounts reported in these statements are in Canadian dollars.

b) Comparative figures

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

3. DISTRIBUTIONS PAID

For the period ended March 31, 2005 the Trust paid distributions to unitholders in the amount of \$11,867 (2004 - \$9,787) 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

4. ASSET RETIREMENT OBLIGATIONS

The Trust estimates the undiscounted cash flows related to asset retirement obligations to be incurred over an estimated period of 50 to 60 years will total approximately \$54,073. The fair value at March 31, 2005 is \$19,615 using a discount rate of eight percent and an inflation rate of three percent.

In 2005 and 2004, the Trust recorded the following activity related to the liability:

Three months ended March 31	2005	2004
	\$	\$
Asset retirement obligations, beginning of period	18,893	18,105
New obligations and revised estimates	453	-
Obligations fulfilled	(119)	(53)
Accretion expense	388	362
Asset retirement obligations, end of period	19,615	18,414

5. 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 relating to unit and per unit data, including comparative figures, has been adjusted retroactively in these consolidated financial statements to reflect the impact of the unit split.

a) Unitholders' capital

Authorized – Unlimited number of voting trust units	Trust Units	Amount
	#	\$
December 31, 2004	41,948,972	190,200
Issued upon conversion of Exchangeable Shares for trust units	166,600	179
March 31, 2005	42,115,572	190,379

Effective January 1, 2005 the Board of Directors of CCS Inc. approved the implementation of an employee unit option plan, subject to the approval of unitholders of the Trust at its next scheduled annual general meeting of unitholders. Pursuant to this plan and subject to unitholder approval of the plan, options to purchase an aggregate of 550,000 units were granted on January 1, 2005 to employees and officers of the Trust.

Effective April 1, 2005, options to purchase a further 100,000 units were granted, subject to unitholder approval of the plan.

b) Net income per trust unit

Net income per trust unit has been determined based on the following:

As at March 31	2005	2004
Weighted average trust units outstanding	42,021,123	39,577,077
Trust units issuable on conversion of Exchangeable Shares [note 6]	14,410,169	13,846,319
Dilutive trust units and Exchangeable Shares	56,431,292	53,423,396

6. NON-CONTROLLING INTEREST

In the fourth quarter of 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.

The Trust has retroactively applied these accounting recommendations and as a result reflected non-controlling interest of \$46,669 on the Trust's consolidated balance sheet as at December 31, 2004. Consolidated net income reflects non-controlling interest of \$7,915 and \$5,110 as a deduction in arriving at net income for the periods ended March 31, 2005 and 2004, respectively. Opening accumulated earnings for 2004 have been adjusted by \$14,785.

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 March 31, 2005 was 2.46988, (March 31, 2004 – 2.32656), and has been adjusted to reflect the impact of the February 28, 2005 two-for-one trust unit split.

EXCHANGEABLE SHARES

	2005		2004	
	Shares	\$	Shares	\$
Balance, beginning of period	5,902,060	15,567	6,036,413	15,942
Redeemed upon conversion to trust units	(67,700)	(179)	(85,000)	(220)
Balance, end of period	5,834,360	15,388	5,951,413	15,722
Exchange ratio, end of period	2.46988	–	2.32656	–
Trust units issuable upon conversion	14,410,169	–	13,846,319	–

7. 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. The remaining fractional interest is held by Avia Aviation Ltd, a company controlled by the Chairman and CEO of CCS Inc. Avia Aviation Ltd. also provides management services and operates the aircraft on behalf of the Trust. During the three month period ended March 31, 2005 the Trust incurred management fee expense, operating costs and costs for contract air services totaling \$100 (2004 - \$67) with Avia Aviation Ltd.

b) Other

During the period ended March 31, 2005, HAZCO Industrial Services Limited Partnership, an entity controlled by certain members of HAZCO's management and their immediate families, charged rental fees to the Trust of \$110 for the use of premises (2004 - nil).

All transactions are recorded at the exchange amount.

8. SEGMENTED INFORMATION

The following table provides information by operating segment as at and for the periods ended March 31, 2005 and 2004. The operating segments consist of the following divisions: CCS Energy Services ("CCS"), Concord Well Servicing ("Concord"), HAZCO Environmental Services ("HAZCO"), and CCS Energy Marketing ("CEM"). 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 margins on inter-segment activity.

The accounting policies followed by these business segments are the same as those described in the summary of significant accounting polices.

Three months ended March 31, 2005	CCS	Concord	HAZCO	CEM	Consolidated
	\$	\$	\$	\$	\$
Revenue prior to inter-segment eliminations	55,208	29,522	40,248	71,344	196,322
Inter-segment eliminations	(1,035)	(48)	(1)	(6,811)	(7,895)
Net revenue	54,173	29,474	40,247	64,533	188,427
Operating expenses prior to inter-segment eliminations	18,291	18,803	35,776	69,961	142,831
Inter-segment eliminations	(1,035)	(48)	(1)	(6,811)	(7,895)
Net expenses	17,256	18,755	35,775	63,150	134,936
Operating margin	36,917	10,719	4,472	1,383	53,491
Gas delivery obligation valuation	337	–	–	–	337
(Gain) loss on sale of assets	8	2	(62)	–	(52)
Depreciation and amortization	5,021	1,100	3,206	–	9,327
Income before corporate items	31,551	9,617	1,328	1,383	43,879
General and administrative					2,859
Financing					1,978
Depreciation and amortization					233
Income taxes					7,771
Income before non-controlling interest					31,038
Non-controlling interest [note 6]					(7,915)
Net income for the period					23,123
Total assets	355,673	109,288	82,460	3,152	550,573
Capital expenditures	11,329	3,331	3,330	743	18,733

Three months ended March 31, 2004	CCS	Concord	Consolidated
	\$	\$	\$
Revenue prior to inter-segment eliminations	43,390	27,031	70,421
Inter-segment eliminations	–	(72)	(72)
Net revenue	43,390	26,959	70,349
Operating expenses prior to inter-segment eliminations	17,940	17,900	35,840
Inter-segment eliminations	–	–	–
Net expenses	17,940	17,900	35,840
Operating margin	25,450	9,059	34,509
Gas delivery obligation valuation	41	–	41
Gain on sale of assets	(1)	(3)	(4)
Depreciation and amortization	7,490	1,085	8,575
Income before corporate items	17,920	7,977	25,897
General and administrative			2,422
Financing			1,109
Depreciation and amortization			226
Income taxes			2,410
Income before non-controlling interest			19,730
Non-controlling interest [note 6]			(5,110)
Net income for the period			14,620
Total assets	277,917	88,403	366,320
Capital expenditures	6,310	2,368	8,678

CORPORATE INFORMATION

EXECUTIVE MANAGEMENT

DAVID P. WERKLUND

*Founder, Chairman of the Board, President
and Chief Executive Officer*

MARSHALL L. McRAE, CA

*Vice President Finance,
Chief Financial Officer and
Corporate Secretary*

RENE E. AMIRAUULT

*Vice President
Corporate Development*

RICK WISE

*Vice President,
Engineering, Regulatory and
Midstream Development*

BRIAN McGURK

*Vice President,
Human Resources*

GORDON N. VIVIAN

*Vice President and
General Manager,
Concord Well Servicing*

Corporate Office

Watermark Tower
2400, 530-8th Avenue SW,
Calgary, AB T2P 3S8
Telephone: 403.233.7565
Fax: 403.261.5612
Website: www.ccsincometrust.com

Stock Trading Information

CCS Income Trust units are listed on the Toronto Stock Exchange (TSX) under the symbol CCR.UN.

Transfer Agent and Registrar

The Trust's transfer agent and registrar is Computershare Trust Company of Canada, Calgary, AB.

Bankers

Toronto Dominion Bank
Calgary, AB.

Auditors

Ernst & Young LLP
Calgary, AB.

Investor Relations

Brandi Bugera
Corporate Communications
Telephone: (403) 233-7565
Fax: (403) 261-5612
Email: info@ccsincometrust.com



Watermark Tower, 2400, 530 - 8 Avenue SW, Calgary, AB T2P 3S8 (403) 233-7565 Fax (403) 261-5612