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August 4, 2006

VIA FEDERAL EXPRESS

Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549  
USA  
Attention: Filing Desk



ATS Andlauer  
Transportation  
Services GP Inc.

Administrator for  
ATS Andlauer  
Income Fund

190 Attwell Drive  
Suite 600  
Etobicoke, ON  
M9W 6H8

Tel: 416.798.1379  
Fax: 416.798.9230

atsincomefund.ca

SUPL

Dear Sirs/Mesdames:

**RE: ATS ANDLAUER INCOME FUND SUBMISSION PURSUANT TO RULE  
12g3-2(b) File No. 82-34967**

Pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934, as amended, we enclose copies of ATS Andlauer Income Fund's (the "Fund"):

1. Certificate re dissemination to unitholders
2. News release dated June 20, 2006
3. Interim financial statements for the quarter ended June 30, 2006
4. Management's Discussion and Analysis for the quarter ended June 30, 2006
5. Certification of the CEO for the interim period ended June 30, 2006
6. Certification of the CFO for the interim period ended June 30, 2006
7. New release dated August 4, 2006

PROCESSED

AUG 14 2006

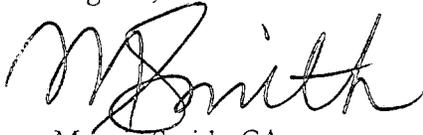
J THOMSON  
FINANCIAL

As required pursuant to Rule 12g3-2(b), the Fund's exemption number appears in the upper right-hand corner of each unbound page and on the first page of each bound document.

*Handwritten signature/initials dated 8/14*

Please contact the undersigned if you have any questions about the contents of this letter. Please acknowledge receipt of this submission by date stamping the enclosed copy of this letter and returning it to the undersigned in the enclosed self-addressed stamped envelope.

Regards,

A handwritten signature in black ink, appearing to read "M. Smith". The signature is fluid and cursive, with the first letter "M" being particularly large and stylized.

Maggie Smith, CA  
Information & Governance Officer  
ATS Andlauer Transportation Services GP Inc.  
Administrator for ATS Andlauer Income Fund

Enclosure  
MM/mm

cc: Brian Mascarenhas  
ATS Andlauer Transportation Services GP Inc.

Jeff T. Oke  
Burnet, Duckworth & Palmer LLP



April 17, 2006

TO: ALL CANADIAN SECURITIES REGULATORIES

Applicable Jurisdictions as indicated.

British Columbia	<input checked="" type="checkbox"/>	New Brunswick	<input checked="" type="checkbox"/>
Alberta	<input checked="" type="checkbox"/>	Nova Scotia	<input checked="" type="checkbox"/>
Saskatchewan	<input checked="" type="checkbox"/>	Prince Edward Island	<input checked="" type="checkbox"/>
Manitoba	<input checked="" type="checkbox"/>	Newfoundland	<input checked="" type="checkbox"/>
Ontario	<input checked="" type="checkbox"/>	North West Territories	<input checked="" type="checkbox"/>
Quebec	<input checked="" type="checkbox"/>	Yukon	<input checked="" type="checkbox"/>
Nunavut	<input checked="" type="checkbox"/>		

Dear Sir/Madam:

**Re: *ATS Andlauer Income Fund.***  
***Annual General Shareholder Meeting Mailing***

The following material was sent by prepaid mail to all registered shareholders of the above-mentioned Company on April 12, 2006:

- Notice of 2006 Annual General Meeting of Shareholders and Management Information Circular
- Annual Report
- Shareholder Proxy
- Supplemental Card
- Postage Paid Return Proxy Envelope

We are filing this confirmation to you as Agent for the Company in compliance with the regulatory bodies.

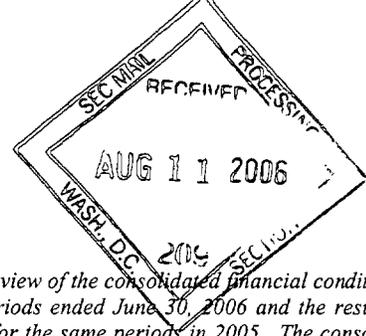
Yours truly,  
[Signed]  
Michele Van Den Heuvel  
Administrator  
Client Services  
CIBC Mellon Trust Company  
(902) 420-3221

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CIBC Mellon Trust Company  
1660 Hollis Street, Suite 406, Halifax, NS B3J 1V7

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File No-  
82-34967



## Management's Discussion and Analysis

June 30, 2006

*The following management's discussion and analysis ("MD&A") as of August 4, 2006, is a review of the consolidated financial condition and results of operations of ATS Andlauer Income Fund ("the Fund") for the three and six month periods ended June 30, 2006 and the results of the pre-acquisition operations of the Canadian transportation solutions business as defined below, for the same periods in 2005. The consolidated results include the accounts of the Fund, and its subsidiaries, ATS Andlauer Operating Trust ("ATSOT"), ATS Andlauer Transportation Services GP Inc. (the "GP"), and ATS Andlauer Transportation Services Limited Partnership ("ATS Andlauer LP"). It should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes (the "Interim Financial Statements") of the Fund for the six month period ended June 30, 2006 as well as the audited consolidated financial statements and accompanying notes of the Fund for the three month period ended December 31, 2005 and with the final prospectus of the Fund dated September 22, 2005. The financial statements of the Fund are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars.*

*The following discussion contains certain forward looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. See "Forward Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risk Factors". This discussion also refers to certain non-GAAP measures to assist in assessing the Fund's financial performance. Non-GAAP measures do not have standard meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See "Definition of EBITDA, Adjusted EBITDA, Distributable Cash and Non-GAAP Measures".*

### FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements. All statements other than statements of historical fact contained in this MD&A are forward-looking statements, including, without limitation, statements regarding the future financial position, cash distributions, litigation, projected costs, and proposed investments and plans and objectives of or involving the Fund and the business strategy, proposed acquisitions and budgets of ATS Andlauer LP. You can identify many of these statements by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. These forward-looking statements include statements with respect to the amount and timing of the payment of distributions of the Fund. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions, including, but not limited to, those discussed elsewhere in this MD&A. There can be no assurance that such expectations will prove to be correct. Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include, but are not limited to, those discussed under "Risks Factors".

The information contained in this MD&A, including the information set forth under "Risk Factors", identifies additional factors that could affect the operating results and performance of the Fund and ATS Andlauer LP.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A and the Fund assumes no obligation to update or revise them to reflect new events or circumstances except as expressly required by applicable securities law.

### FORMATION OF THE FUND

The Fund is an unincorporated open-ended trust governed by the laws of the Province of Ontario pursuant to the Declaration of Trust dated August 22, 2005. The Fund's activities are limited to the investing of its resources including its investment in the securities of its subsidiaries. The Business is carried on by ATS Andlauer LP.

On September 30, 2005, the Fund completed an initial public offering (the "IPO") of 9,324,200 trust units ("Units") for \$10.00 per Unit, for gross proceeds of \$93.2 million. Concurrent with the closing of the IPO, the Fund used the gross proceeds from the sale of its Units to indirectly acquire an 80.1% interest in ATS Andlauer LP, comprising 9,324,200 Ordinary LP Units, and its general partner, the GP. ATS Andlauer LP used cash and the issuance of Exchangeable LP Units to acquire certain of the net assets of the Canadian transportation solutions business (the "Business") of ATS Andlauer Transportation Services Inc. (the "Vendor"), for an aggregate purchase price of \$121.6 million. The Vendor, controlled by the President and Chief

Executive Officer of the GP, holds the remaining 19.9% interest in ATS Andlauer LP comprising 2,316,442 Exchangeable LP Units. The acquisition was accounted for by the purchase method.

ATS Andlauer LP is a leading single source transportation solutions provider in Canada, providing integrated trucking, courier, air freight and value added transportation and distribution services to consumer product companies. It operates facilities in 23 centres across Canada and serves approximately 1,400 diversified customers.

## BASIS OF MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fund was established on August 22, 2005 and indirectly acquired the Business of the Vendor through the acquisition of an indirect 80.1% interest in ATS Andlauer LP on September 30, 2005, and therefore, no comparative information is provided in the interim consolidated financial statements.

To provide more meaningful information to the reader, the following MD&A refers to the consolidated operating results of the Fund for the three and six month periods ending June 30, 2006 compared to the pre-acquisition operating results of the Business for the three and six month periods ending June 30, 2005. The pre-acquisition operating results of the Business are unaudited and readers are cautioned that the operating results presented for the three and six month periods ended June 30, 2005 are not the results of the Fund. The results have been presented only to provide the reader with additional information to enhance the usefulness of this MD&A.

## SELECTED FINANCIAL AND OPERATING INFORMATION

*For the three and six month periods ended June 30, 2006 compared to the pre-acquisition results of the Business for the three and six month periods ended June 30, 2005*

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
	(unaudited)	Pre-Acquisition (unaudited)	(unaudited)	Pre-Acquisition (unaudited)
	(\$ thousands)		(\$ thousands)	
<b>Earnings Statement Highlights</b>				
Revenue	40,775	38,812	82,349	77,890
Gross margin <sup>(1)</sup>	15,289	14,093	30,924	28,603
Gross margin percentage	37.50%	36.31%	37.55%	36.72%
Income before non-controlling interest	2,436	1,854	4,833	3,890
<b>EBITDA and Adjusted EBITDA<sup>(2)</sup></b>	<b>4,096</b>	<b>3,326</b>	<b>8,165</b>	<b>6,915</b>

(1) Gross margin is a non-GAAP measure that represents the contribution of operating activities to earnings. It is considered a key measure by management of the GP ("Management") as it reflects the ability of the Fund to generate earnings necessary to fund overhead costs, capital investment and distributions. Gross margin has been calculated as follows:

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
	(unaudited)	Pre-Acquisition (unaudited)	(unaudited)	Pre-Acquisition (unaudited)
	(\$ thousands)		(\$ thousands)	
Revenue	40,775	38,812	82,349	77,890
Cost of sales	25,486	24,719	51,425	49,287
Gross margin	15,289	14,093	30,924	28,603
Gross margin (percentage) = Gross margin/Revenue	37.50%	36.31%	37.55%	36.72%

- (2) EBITDA is a non-GAAP measure that Management considers a key measure as an indicator of the ability of the Fund to meet its capital and financing commitments. EBITDA is not a recognized measure under GAAP and does not have a standardized meaning under GAAP. It was necessary to adjust EBITDA of the 2005 pre-acquisition results to facilitate the comparability with the current period. EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Definition of EBITDA, Adjusted EBITDA, Distributable Cash and Non-GAAP Measures". EBITDA and Adjusted EBITDA have been calculated as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
	Pre-Acquisition		Pre-Acquisition	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(\$ thousands)		(\$ thousands)	
Income before non-controlling interest	2,436	1,854	4,833	3,890
Plus: Net interest	30	97	55	189
Plus: Income taxes	-	1,048	-	2,198
Plus: Depreciation and amortization	1,630	155	3,277	346
	4,096	3,154	8,165	6,623
Add: Executive compensation and management fees	-	172	-	292
EBITDA and Adjusted EBITDA	4,096	3,326	8,165	6,915

## SUMMARY OF MOST RECENTLY COMPLETED CONSOLIDATED QUARTERLY RESULTS

<i>(\$ thousands, except per share amounts)</i>	June 30, 2006	March 31, 2006	December 31, 2005
	(Q2 06)	(Q1 06)	(Q4 05)
Revenue	40,775	41,574	51,053
Gross margin	15,289	15,635	20,913
EBITDA <sup>(1)</sup>	4,096	4,068	9,369
Income before non-controlling interest	2,436	2,396	7,750
Income per Unit			
Basic	0.210	0.206	0.666
Diluted	0.210	0.206	0.666
Cash and cash equivalents	1,024	441	264
Total assets	123,058	128,238	132,409
Total current liabilities	12,165	11,893	19,047
Long-term debt	3,000	7,364	3,948
Unitholders' equity	84,780	85,705	86,054
Non-controlling interest	23,113	23,276	23,360

<sup>(1)</sup> See "Definition of EBITDA, Adjusted EBITDA, Distributable Cash and Non-GAAP Measures"

### Revenue

Revenue is generated from the provision of trucking, courier, air freight forwarding and value added services to customers. Customers pay fees to transport goods from one destination to another over a specified delivery period. Fees are determined and collected based on the weight and size of the shipment, the mode or modes of transportation used, and the provision of incremental value added services such as temperature management, appointment deliveries, and returns management services. Revenue is generally categorized as either ground or air, depending on the primary mode of transport. Revenue is also generated from fuel surcharges through which fuel price increases are passed through to its customers.

### ***Cost of Goods Sold and Expenses***

The following costs are incurred in the delivery of services to customers:

- Linehaul — includes ground and air freight transfers between facilities. A combination of third party carriers, owner-operators and company drivers are used to facilitate the movement of freight, keeping its costs variable.
- Pickup and delivery — relates to the pickup and subsequent delivery of customer freight. Owner-operators who own the equipment used to deliver the freight are used extensively in the provision of such services. In addition, employee drivers are used for some city work using leased equipment and provide flexibility to add additional rental units or use third party carriers when necessary.
- Handling costs — relates to dock labour at the various terminals to handle freight. By using contract labour, the company is able to maintain a cost variable with revenue and allows for additional labour staffing during peak periods.

In addition, the following costs are incurred:

- Terminal expenses, which include salaries, employee benefits, utilities, building rent, maintenance and equipment expenses.
- Selling expenses, which include sales salaries, commissions and travel expenses.
- Administrative expenses, which include executive salaries, information technology, human resources, accounting and training expenses.

### ***Seasonality of Operations***

The activities of the Fund are subject to general demand for freight transportation. Historically, demand has been relatively stable with the exception of the winter months, in which demand slightly decreases, and the fall months, in which demand increases. Consequently, the Fund's activities in the last six months of the year are usually stronger than the first six months of the year.

## **RESULTS OF OPERATIONS**

*For the three months ended June 30, 2006 compared to the pre-acquisition results of the Business for the three months ended June 30, 2005*

	Three months ended June 30,	
	2006	2005
	(unaudited)	Pre-Acquisition (unaudited)
	(\$ thousands)	
Revenue	40,775	38,812
Cost of goods sold	25,486	24,719
Gross margin	15,289	14,093
Gross margin %	37.50%	36.31%
Terminal	7,230	7,308
Selling	1,248	1,453
Administration	2,715	2,178
Amortization	1,630	155
	12,823	11,094
Interest expense	30	97
Provision for Income tax	-	1,048
Income before non-controlling interest	2,436	1,854

## **Revenue**

Revenue for the three months ended June 30, 2006 was \$40.8 million, an increase of \$2.0 million or 5.15% over \$38.8 million for the same period in 2005. The increase was the result of organic revenue growth in the pharmaceutical and health care and consumer products verticals.

## **Cost of Sales and Gross Margin**

Cost of sales increased from \$24.7 million for the three months ending June 30, 2005 to \$25.5 million for the three months ending June 30, 2006; however cost of sales as a percentage of revenue decreased from 63.69% for the three months ending June 30, 2005 to 62.50% for the three months ending June 30, 2006. The decrease was due in combination to declining pick up and delivery costs as a percentage of revenue due to increased coincidence of deliveries and lower handling costs as a percentage of revenue resulting from improved dock productivity. As a result, gross margin increased from 36.31% for the three months ended June 30, 2005 to 37.50% for the same period in 2006.

## **Terminal Expenses**

Terminal expenses decreased slightly from \$7.3 million for the three months ended June 30, 2005 to \$7.2 million for the three months ended June 30, 2006. Decreases in maintenance expenses were offset by increased employee related costs period over period. Terminal expenses as a percentage of revenue decreased from 18.83% for the three months ending June 30, 2005 to 17.73% for the three months ending June 30, 2006.

## **Selling and Administrative**

Sales and marketing expenses decreased from \$1.5 million for the three months ended June 30, 2005 to \$1.2 million for the same period in 2006. The decrease in selling costs was due to a decrease in sales commissions as a result of a re-organization of the sales force. Selling costs as a percentage of revenue decreased from 3.74% for the three months ending June 30, 2005 to 3.06% for the three months ending June 30, 2006.

Administrative expenses increased from \$2.2 million for the three months ended June 30, 2005 to \$2.7 million in the same period in 2006 due mainly to increased costs associated with being a public reporting entity of approximately \$0.2 million. The remaining variance related to increases in staff and technology related expenses, and costs associated with the continued advancement of temperature management services. As a percentage of revenue, administrative expenses increased from 5.61% for the three months ending June 30, 2005 to 6.66% for the three months ending June 30, 2006.

## **Income before Non-controlling Interest**

Income before non-controlling interest for the six month period ending June 30, 2006 was \$2.4 million compared to \$1.9 million for the same period in 2005.

## **EBITDA and Adjusted EBITDA**

It was necessary to adjust EBITDA of the 2005 pre-acquisition results to facilitate the comparability with the current period. EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Definition of EBITDA, Adjusted EBITDA, Distributable Cash and Non-GAAP Measures".

EBITDA was \$4.1 million for the three months ended June 30, 2006, up from \$3.3 million of Adjusted EBITDA in the same period in 2005, representing growth of 23.15%. The increase was the result of the growth in revenue and gross margin combined with expenses decreasing as a percentage of revenue period over period. As a percentage of revenue, EBITDA was 10.05 % for the three months ended June 30, 2006, compared to an Adjusted EBITDA of 8.57% in the same period in 2005.

EBITDA and Adjusted EBITDA for these periods are calculated as follows:

	Three months ended June 30,	
	2006 (unaudited)	2005 Pre-Acquisition (unaudited)
	(\$ thousands)	
Income before non-controlling interest	2,436	1,854
Add:		
Interest	30	97
Income taxes	-	1,048
Depreciation and amortization	1,630	155
	4,096	3,154
Add: Executive compensation and management fees	-	172
<b>EBITDA and Adjusted EBITDA</b>	<b>4,096</b>	<b>3,326</b>

Amortization expenses increased in the three months ended June 30, 2006 mainly due to the amortization of intangible assets amounting to \$1.5 million. The intangible assets were acquired as part of the acquisition of the Business as part of the IPO process.

Income tax expense was recorded at an effective rate of 36.1% for the three months ended June 30, 2005. The Fund is taxed as a “mutual fund trust” for income tax purposes. Pursuant to the Declaration of Trust, the trustees of the Fund (the “Trustees”) intend to distribute or designate all taxable income earned by the Fund to unitholders of the Fund and to deduct such distributions and designations for income tax purposes. Therefore, there was no income tax provision for the three months ended June 30, 2006.

## RESULTS OF OPERATIONS

*For the six months ended June 30, 2006 compared to the pre-acquisition results of the Business for the six months ended June 30, 2005*

	Six months ended June 30,	
	2006 (unaudited)	2005 Pre-Acquisition (unaudited)
	(\$ thousands)	
Revenue	82,349	77,890
Cost of goods sold	51,425	49,287
Gross margin	30,924	28,603
Gross margin %	37.55%	36.72%
Terminal	14,873	14,554
Selling	2,413	2,910
Administration	5,473	4,516
Amortization	3,277	346
	26,036	22,326
Interest expense	55	189
Provision for Income tax	-	2,198
<b>Income before non-controlling interest</b>	<b>4,833</b>	<b>3,890</b>

## **Revenue**

Revenue for the six months ended June 30, 2006 was \$82.3 million, an increase of \$4.4 million or 5.65% over \$77.9 million for the same period in 2005. The increase was the result of organic revenue growth in all three major customer categories - entertainment, pharmaceutical and health care and consumer products.

## **Cost of Sales and Gross Margin**

Cost of sales increased from \$49.3 million for the six months ending June 30, 2005 to \$51.4 million for the six months ending June 30, 2006; however cost of sales as a percentage of revenue decreased from 63.28% for the six months ending June 30, 2005 to 62.45% for the six months ending June 30, 2006. The decrease was due mainly to lower handling costs as a result of improved dock productivity and declining pick-up and delivery costs as a result of increased coincidence of deliveries. As a result, gross margin increased from 36.72% for the six months ended June 30, 2005 to 37.55% for the same period in 2006.

## **Terminal Expenses**

Terminal expenses increased from \$14.6 million for the six months ended June 30, 2005 to \$14.9 million in the same period in 2006. The variance was due in part to increased employee related costs and increased facility costs relating to the new facilities in Montreal and Vancouver which were partly offset by lower maintenance related expenses. Terminal expenses as a percentage of revenue decreased from 18.68% for the six months ending June 30, 2005 to 18.06% for the six months ending June 30, 2006.

## **Selling and Administrative**

Sales and marketing expenses decreased from \$2.9 million for the six months ended June 30, 2005 to \$2.4 million for the same period in 2006. The decrease in selling costs was due to a decrease in sales commissions as a result of a re-organization of the sales force. Selling costs as a percentage of revenue decreased from 3.74% for the six months ending June 30, 2005 to 2.93% for the six months ending June 30, 2006.

Administrative expenses increased from \$4.5 million for the six months ended June 30, 2005 to \$5.5 million in the same period in 2006 due mainly to increased costs associated with being a public reporting entity of approximately \$0.5 million. The remaining variance related to increases in staff related expenses and costs relating to the advancement of temperature management services. As a percentage of revenue, administrative expenses increased from 5.80% for the six months ending June 30, 2005 to 6.65% for the six months ending June 30, 2006.

## **Income before Non-controlling Interest**

Income before non-controlling interest for the six month period ending June 30, 2006 was \$4.8 million compared to \$3.9 million for the same period in 2005.

## **EBITDA and Adjusted EBITDA**

It was necessary to adjust EBITDA of the 2005 pre-acquisition results to facilitate the comparability with the current period. EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Definition of EBITDA, Adjusted EBITDA, Distributable Cash and Non-GAAP Measures".

EBITDA was \$8.2 million for the six months ended June 30, 2006, up from \$6.9 million of Adjusted EBITDA in the same period in 2005, representing growth of 18.08%. The increase was the result of the growth in revenue and gross margin combined with expenses decreasing as a percentage of revenue period over period. As a percentage of revenue, EBITDA was 9.92% for the six months ended June 30, 2006, compared to an Adjusted EBITDA of 8.88% in the same period in 2005.

EBITDA and Adjusted EBITDA for these periods are calculated as follows:

	Six months ended June 30,	
	2006	2005 Pre-Acquisition
	(unaudited)	(unaudited)
	(\$ thousands)	
Income before non-controlling interest	4,833	3,890
Add:		
Interest	55	189
Income taxes	-	2,198
Depreciation and amortization	3,277	346
	8,165	6,623
Add: Executive compensation and management fees	-	292
<b>EBITDA and Adjusted EBITDA</b>	<b>8,165</b>	<b>6,915</b>

Amortization expenses increased in the six months ended June 30, 2006 mainly due to the amortization of intangible assets amounting to \$3.0 million. The intangible assets were acquired as part of the acquisition of the Business as part of the IPO process.

Income tax expense was recorded at an effective rate of 36.1% for the six months ended June 30, 2005. The Fund is taxed as a "mutual fund trust" for income tax purposes. Pursuant to the Declaration of Trust, the trustees of the Fund (the "Trustees") intend to distribute or designate all taxable income earned by the Fund to unitholders of the Fund and to deduct such distributions and designations for income tax purposes. Therefore, there was no income tax provision for the six months ended June 30, 2006.

## DISTRIBUTABLE CASH AND DISTRIBUTIONS

The Fund's policy is to distribute annually to unitholders available cash from operations after cash required for capital expenditures, working capital reserve, and other reserves considered advisable by the Trustees. The policy allows the Fund to make stable monthly distributions to its unitholders based on its estimate of distributable cash for the year. The Fund makes monthly cash distributions to the unitholders of record on the last business day of each month, payable on or about the 15<sup>th</sup> day of the following month.

The following table summarizes the cash distributions for the six month period ended June 30, 2006:

Record date	Date distribution paid/payable	Units		Exchangeable LP Units		Total		
		Declared \$	Paid \$	Declared \$	Paid \$	Declared \$	Per Unit \$	Paid \$
(\$ thousands except per Unit amounts)								
<b>Regular Distributions</b>								
January 31, 2006	February 15, 2006	755	755	187	187	942	0.0810	942
February 28, 2006	March 15, 2006	755	755	187	187	942	0.0810	942
March 31, 2006	April 17, 2006	755	755	187	187	942	0.0810	942
April 30, 2006	May 15, 2006	869	869	216	216	1,085	0.0932	1,085
May 31, 2006	June 15, 2006	869	869	216	216	1,085	0.0932	1,085
June 30, 2006	July 17, 2006	869	-	216	-	1,085	0.0932	-
		4,872	4,003	1,209	993	6,081	0.5226	4,996

Distributions are paid on Units and Exchangeable LP Units. As of June 30, 2006 the following Units and Exchangeable LP Units were outstanding:

Units	9,293,923
Units held by the Fund for long-term incentive plan	30,277
<b>Total Units</b>	<b>9,324,200</b>
Exchangeable LP Units	2,316,442
	<b>11,640,642</b>

During the first quarter 2006, the Fund approved regular distributions of \$0.243 per Unit consistent with the monthly distributions contemplated in the Fund's IPO prospectus of \$0.081 per Unit. During the second quarter of 2006, the Fund announced two increases to its regular monthly distributions. The first increase was announced on April 19, 2006, and monthly distributions increased to \$0.0932 per Unit from \$0.081 per Unit. The increase was effective for the second quarter 2006 distributions of which the first distribution was paid on May 15, 2006 to unitholders of record at the close of business on April 30, 2006. The second increase was announced on June 20, 2006 resulting in the monthly distribution rate increasing to \$0.0941 per Unit from \$0.0932 per Unit effective for the third quarter 2006 distributions of which the first distribution will be paid on August 15, 2006 to unitholders of record at the close of business on July 31, 2006.

The Fund declared a special cash distribution of \$0.334 per Unit and a special non-cash distribution in the form of Units with a value of \$0.065 per Unit during the period ended December 31, 2005. The special distributions were paid on March 31, 2006 to unitholders of record on December 31, 2005. The Units distributed as part of the special non-cash distribution were distributed on a pro rata basis and were included in unitholders' income for the 2005 calendar year. Immediately after the pro rata distribution of Units, the number of outstanding Units were consolidated, such that each unitholder, following the consolidation, held the same number of Units as before the non-cash distribution, and there was no change in the total number of Units outstanding.

It is the Fund's policy to review the monthly distribution on a periodic basis and to maintain a payout ratio in the range of 80%-90%.

***Distributable Cash per Unit (Fund Units and Exchangeable LP Units)***

(\$ thousands except per Unit amounts)

	Three months ending June 30, 2006	Six months ending June 30, 2006
Earnings before interest, taxes, depreciation and amortization and non-controlling interest	4,096	8,165
Less: Net interest paid	30	55
Less: Maintenance capital expenditures	—	—
<b>Distributable cash</b>	<b>4,066</b>	<b>8,110</b>
Distributable cash per Unit	0.349	0.697
Cash distributions declared	3,255	6,081
Cash distributions declared per Unit	0.280	0.522
<b>Payout ratio cash distributions</b>	<b>80%</b>	<b>75%</b>

## LIQUIDITY AND CAPITAL RESOURCES

For the period ending June 30, 2006, the Fund has utilized cash from operations and funds under ATS Andlauer LP's credit facilities to maintain existing capacity. The following table provides an overview of cash flows for the period ending June 30, 2006:

	<b>Six months ended June 30, 2006</b>
	(\$ thousands) (unaudited)
Net inflow (outflow) of cash related to:	
Operating activities	9,632
Investing activities	11
Financing activities	(8,883)
Increase in cash resources	760

### *Cash from Operating Activities*

Cash from operating activities was \$9.6 million for the period ending June 30, 2006. Operating income, adjusted for non-cash amortization, units purchased on behalf of the long-term incentive plan and associated compensation expense and distributions paid in excess of non-controlling interest, contributed \$5.9 million. Non-cash working capital increased by \$3.7 million.

### *Cash Used for Investing Activities*

Cash used for investing activities related to the purchase and sale of capital assets and was minimal given the Fund's practice to lease the majority of its transportation assets. See "Capital Expenditures" below for a discussion.

### *Cash from Financing Activities*

Cash from financing activities was \$8.9 million for the period ending June 30, 2006 and consisted of the repayment of \$7.4 million relating to banker's acceptances and long term debt during the period, and \$6.4 million drawn under the credit facility to finance operations. Distributions totaling \$7.9 million were paid on Fund Units during the period which included \$3.9 million relating to distributions declared and payable at the end of fiscal 2005 and \$4.0 million relating to distributions declared and paid at June 30, 2006.

### *Credit Facilities*

At the time of its IPO, ATS Andlauer LP established credit facilities with a Canadian chartered bank. These credit facilities consist of a three year committed \$15.0 million revolving credit facility to finance general operating requirements, as well as a three year committed \$4.0 million revolving credit facility to finance leases of operating assets, (collectively the "Credit Facility"). Security for the Credit Facility includes a first security interest on substantially all of the assets of the Fund and its subsidiaries, including accounts receivable. Interest on the Credit Facility varies, depending on certain financial ratios, between the lender's Canadian prime rate plus 0% and 0.75% and between the bankers' acceptance rate plus 1.5% and 2.25%. The Credit Facility is subject to customary terms and conditions, including limits on incurring additional indebtedness or granting encumbrances without the consent of the lender and does not require principal repayment until the end of the term. The terms of the Credit Facility are subject to change from time to time. The Credit Facility may in certain circumstances restrict the ability of ATS Andlauer LP to pay distributions to the holders of its units, including the Fund, and of the Fund to pay distributions to unitholders if the payment would result in a default under the Credit Facility. Under the terms of the Credit Facility, the Fund is required, amongst other conditions, to meet certain covenants, with which the Fund was in compliance as at June 30, 2006.

As of June 30, 2006, the Fund has borrowed \$3.0 million by way of a bankers' acceptances at an effective rate of 5.54% under the \$15.0 million three year committed revolving credit facility.

Management believes that the credit facilities are sufficient to meet the Fund's working capital requirements.

### **Capital Expenditures**

During the six month period ending June 30, 2006, ATS Andlauer LP incurred minimal capital expenditures which is consistent with historical levels and is a direct result of the strategic business decision to lease rather than own equipment and facilities. ATS Andlauer LP expects to spend approximately \$0.8 million in capital expenditures in fiscal 2006 which will include approximately \$0.4 million of maintenance capital. Maintenance capital expenditures primarily consist of maintenance and refurbishment of existing facilities and trucks, and growth capital expenditures consist of expenditures undertaken to promote business expansion, primarily consisting of acquisitions and terminal development. Future capital expenditures (other than acquisitions) will be funded from cash flow generated from operations and lease financing.

### **SUMMARY OF CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS**

As at June 30, 2006, the Fund did not have any off-balance sheet arrangements other than those contractual obligations of ATS Andlauer LP disclosed below:

		Payments (\$ thousands)					
	Total	2006 (6 months)	2007	2008	2009	2010	Thereafter
Premise leases <sup>(1)(2)</sup>	50,771	3,714	7,236	6,731	6,316	5,971	20,803
Equipment leases <sup>(1)(3)</sup>	21,369	2,966	5,543	4,951	3,593	2,279	2,037
Total <sup>(4)</sup>	72,140	6,680	12,779	11,682	9,909	8,250	22,840

**Notes:**

<sup>(1)</sup> Payments for operating leases are deducted from cash flow from operating activities.

<sup>(2)</sup> Premise leases include minimum lease payment obligations associated with leases for office and terminal space.

<sup>(3)</sup> Equipment leases include minimum lease payment obligations associated with leases for trucks and trailers required for the transportation of freight.

<sup>(4)</sup> Purchase arrangements made in the ordinary course of business have been excluded as they are discretionary.

### **TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties include ATS Andlauer LP's purchase of the Business of the Vendor, a company controlled by the President and Chief Executive Officer of the GP. In addition, the Exchangeable LP Units that were issued as part of the IPO, and included in Note 7 of the financial statements, are held by the Vendor.

Consistent with historical practice, the Fund entered into transactions during the period with related parties that were incurred in the normal course of business at terms similar with unrelated parties. These transactions are accounted for at their exchange amount and are expected to continue at similar amounts in the future.

Included in the financial statements are the following transactions and balances as at and for the six month period ended June 30, 2006 with companies controlled directly or indirectly by the President and Chief Executive Officer or his spouse:

	<b>Three months ended June 30, 2006</b>	<b>Six months ended June 30, 2006</b>
	(\$ thousands)	
Revenue		
Transportation services	\$ 1,098	\$ 2,223
Cost of goods sold		
Transportation services	1,611	3,219
Contract labour services	1,293	2,563
Expenses (recovery)		
Facility and equipment rent	181	340
Facility rent	(9)	82
Shared services	(148)	(293)
Accounts receivable	944	944
Accounts payable and accrued liabilities	971	971

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

In preparing its financial statements and accounting for the underlying transactions and balances, the Fund has applied the accounting policies as disclosed in the notes to the financial statements of the Fund. Preparation of the Fund's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. The Fund evaluates estimates and judgments on an ongoing basis including those related to the determination of reserves for the allowance for doubtful accounts, amortization expense, and evaluation of contingent liabilities. Estimates are based on historical experience and various other factors believed to be reasonable under the circumstances. The more significant accounting estimates are as follows:

### ***Revenue Recognition***

Revenue for freight transportation of ATS Andlauer LP is recognized with the completion of services, which is generally at the time of delivery of the freight.

### ***Accounts Receivable Valuation***

ATS Andlauer LP records a valuation allowance covering its accounts receivable. The allowance is composed of both a provision for revenue adjustments as well as potential future bad debts. Revenue adjustments represent revisions to rates previously invoiced to customers. The provision for revenue adjustments is established by Management based on both actual adjustments and a formula based on past rate adjustment experience as a percentage of gross revenue. ATS Andlauer LP also performs ongoing credit evaluations of its customers' financial condition with the objective of assessing the likelihood that accounts receivable may not be collectible from customers due to credit risk. Potential credit risk can arise through industry conditions but it is Management's opinion that the risk is low. A valuation allowance of \$0.8 million was recorded at June 30, 2006.

### ***Capital Assets and Amortization***

Capital assets of ATS Andlauer LP are recorded at acquisition cost. Amortization is provided as follows:

Computer equipment	30% declining balance
Furniture	20% declining balance
Leasehold improvements	term of the lease
Pickup and delivery equipment	20% declining balance

### ***Allocation of Purchase Price***

The allocation of fair value of tangible and intangible assets acquired on the acquisition of the Business and the related amortization periods are dependent on judgements and assumptions which may vary from actual results.

### ***Stock-based Compensation***

The Fund has a long-term incentive plan (the "Plan") for certain of the executive officers and senior management of the GP. The Fund uses the fair value based method of accounting for stock-based compensation. Under the Plan, Units purchased on the open market on behalf of the Plan participants are recorded at cost as a reduction of Unitholders' equity.

The Fund records a compensation expense over the vesting period based on the Units' fair value at the time of granting. Where the fair value of the Units at the time of granting is greater than the Fund's cost of the Units acquired under the Plan, the difference will be recorded as contributed surplus. Where the fair value of the Units at the time of grant is lower than the Fund's cost of the Units acquired under the Plan, the difference will be recorded as a reduction to retained earnings.

For the six month period ended June 30, 2006, \$239 of compensation expense was recorded based on awards granted under the Plan during March 2006.

### ***Financial Instruments***

ATS Andlauer LP's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities and are shown at fair value. It is Management's opinion that ATS Andlauer LP is not exposed to significant interest rate or currency risks. Financial instruments that potentially subject ATS Andlauer LP to concentrations of credit risk consist principally of accounts receivable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations —Critical Accounting Estimates — Accounts receivable valuation".

## **RISK FACTORS**

### ***General Economic Conditions***

The price of fuel, equipment, and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles and national and regional economic conditions are economic factors over which the Fund has little or no control. Demand for transportation services is closely linked to the state of the overall economy. Consequently, a decline in general economic growth may adversely impact the Fund's performance.

### ***Reliance on Major Customers; Contract Renewals***

A significant proportion of ATS Andlauer LP's customers are under contract, with most of those contracts being able to be terminated on short notice. In addition, most of ATS Andlauer LP's customer contracts are subject to renewal annually. There can be no assurance that current customers will continue their relationships with ATS Andlauer LP or that contracts that come up for renewal will be renewed or, if they are renewed, that customers will contract for the same volume amounts to be transported or that they will pay the same rates and surcharges as they have in the past.

### ***Use of Third Party Transportation Providers***

As an air freight forwarder, ATS Andlauer LP purchases air cargo capacity from aircraft operators. Changes in the availability or price for air cargo could have a material adverse effect on ATS Andlauer LP's operations and financial condition thereby reducing cash available for distribution to unitholders. ATS Andlauer LP routinely purchases linehaul services from truckload carriers. Changes in the availability or price of such services could have a material adverse effect on ATS Andlauer LP's operations and financial condition thereby reducing cash available for distribution to unitholders.

### ***Dependence on Personnel***

The failure to attract and retain a sufficient number of qualified drivers and owner-operators could also have a material adverse effect on the profitability of the ATS Andlauer LP. Any shortage of qualified drivers and/or owner-operators may result in the inability of ATS Andlauer LP to accept new customers or the inability of ATS Andlauer LP to meet existing customer obligations. It would be expected to result in an escalation of compensation levels for drivers/owner-operators and other hourly paid employees, which ATS Andlauer LP may not be successful in offsetting through transportation rate increases. Any of the foregoing could result in a material adverse affect on ATS Andlauer LP resulting in a reduction in cash available for distribution to Unitholders.

### ***Absence of Operating History as a Public Company***

Although Management has substantial experience in the freight transportation industry, it has limited experience operating ATS Andlauer LP as part of a public entity. To operate effectively, ATS Andlauer LP will be required to continue to implement changes in certain aspects of its business, improve and expand its management information systems and develop, manage and train management level and other employees to comply with on-going public company requirements. Failure to take such actions, or delay in the implementation thereof, could adversely its business, financial condition, liquidity and results of operations.

### ***Information Technology***

ATS Andlauer LP has made significant investments in information technology and relies on its information systems to support its business model. In the event that irreparable damage was caused to ATS Andlauer LP's information systems and databases or the information contained in its information systems was lost, ATS Andlauer LP's operational ability would be impaired and its ability to provide service to its customers compromised. In such event, ATS Andlauer LP's financial condition, results of operation, and the amount of cash available for distribution to unitholders could be materially adversely affected.

For a discussion of these risks and other risks associated with an investment in Fund Units, see "Risk Factors" detailed in the Fund's final prospectus dated September 22, 2005 available at [www.sedar.com](http://www.sedar.com).

## **OUTLOOK**

The second quarter of 2006 was another successful period for the Fund with revenue and margins posting increases period over period and two consecutive increases to monthly distributions for unitholders. The Fund remains conservatively financed with a debt-to equity ratio of 0.18:1 at year-end and \$11.8 million of working capital. In addition, the Fund has a \$15.0 million credit facility, of which minimal amounts had been utilized as at June 30, 2006. This provides the Fund with a high degree of flexibility and should allow it to meet ongoing requirements for capital expenditures, working capital and distributions over the next 12 months.

The Fund expects to continue to achieve organic growth with the existing customer base and obtain new customers due to its competitive position in the healthcare industry, in particular its ability to offer temperature management services. In addition, the Fund is continuously exploring opportunities to acquire complementary or competing businesses.

## **DEFINITION OF EBITDA, ADJUSTED EBITDA, DISTRIBUTABLE CASH AND NON-GAAP MEASURES**

References in this MD&A to:

“**EBITDA**” are to net income before provision for interest, income taxes, depreciation and amortization and non-controlling interest. Management believes that in addition to net income or loss, EBITDA is a useful supplemental measure of cash available for distribution before debt service, changes in working capital, maintenance capital expenditures and taxes.

“**Adjusted EBITDA**” are to EBITDA adjusted for certain non-recurring items that Management believes facilitate the comparison of historical periods. Non-recurring items are transactions or events that Management believes are unusual in the context of a publicly-traded issuer in the transportation services industry and are not expected to reoccur within the foreseeable future and include management salaries and fees (paid to owner-managers and related parties) and other non-recurring items.

“**Distributable cash**” are to cash available for distribution to unitholders in accordance with the distribution policies of the Fund described in the prospectus. Distributable cash of the Fund is a measure generally used by Canadian open-ended trusts as an indicator of financial performance and Management believes that prospective investors may consider the cash distributed by the Fund relative to the price of the Units when assessing an investment in Units. The Fund’s method of determining distributable cash is derived from EBITDA, which in turn is derived from net income, a measure recognized under GAAP. EBITDA has been used as the basis for the calculation of distributable cash as Management believes that that it is comparable to cash flow from operating activities before changes in working capital. As the Fund intends to distribute in the range of 80%-90% of its available cash on an ongoing basis, Management believes that EBITDA is a useful measures in evaluating the performance of the Fund. Specifically, Management believes that EBITDA is the appropriate measure from which to make adjustments to estimate the distributable cash of the Fund.

EBITDA, Adjusted EBITDA, and Distributable Cash are measures that are not recognized by generally accepted accounting principles in Canada (“**GAAP**”) and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and Distributable Cash may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA, Adjusted EBITDA and Distributable Cash should not be construed as alternatives to net income or loss determined in accordance with GAAP as indicators of the Fund’s performance.

“**Gross margin**” is a non-GAAP measure that represents the contribution of operating activities to earnings. It is considered a key measure by Management as it reflects the ability of the Business to generate earnings necessary to fund overhead costs, capital investment and distributions. It is calculated by deducting cost of goods sold from revenue.

“**Payout ratio**” is a non-GAAP measure that represents a comparison of distributions declared to distributable cash. Management believes that the payout ratio is an indicator of the Fund’s conservatism and its ability to continue to make distributions to unitholders at current rates.

#### **ADDITIONAL INFORMATION**

Additional information relative to the Fund including the Fund’s Annual Information Form, may be found on SEDAR at [www.sedar.com](http://www.sedar.com).



**FORM 52-109F2**  
**CERTIFICATION OF INTERIM FILINGS**

I, Michael Andlauer, President and Chief Executive Officer of ATS Andlauer Transportation Services GP Inc., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of *ATS Andlauer Income Fund*, (the issuer) for the period ending *June 30, 2006*;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings; and
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings.
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

Date: August 4, 2006

"Michael Andlauer"  
**Michael Andlauer**  
President and Chief Executive Officer

**FORM 52-109F2**  
**CERTIFICATION OF INTERIM FILINGS**

I, Brian Mascarenhas, *Vice President and Chief Financial Officer of ATS Andlauer Transportation Services GP Inc.*, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of *ATS Andlauer Income Fund*, (the issuer) for the period ending *June 30, 2006*;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings; and
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings.
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared

Date: August 4, 2006

"Brian Mascarenhas"

**Brian Mascarenhas**  
Vice President and Chief Financial Officer

File No -  
82-34961



NEWS RELEASE

AUGUST 4, 2006

**ATS ANDLAUER INCOME FUND REPORTS CONTINUED STRONG RESULTS FOR SECOND QUARTER 2006**

**Toronto, Ontario** –ATS Andlauer Income Fund (the "Fund") (TSX: ATS.UN) announced today continued strong results for the second quarter ended June 30, 2006.

The Fund was established on August 22, 2005 and indirectly acquired certain of the net assets of the Canadian transportation solutions business (the "Business") of ATS Andlauer Transportation Services Inc. (the "Vendor") through the acquisition of an indirect 80.1% interest in ATS Andlauer Transportation Services Limited Partnership ("ATS Andlauer LP") on September 30, 2005.

To provide more meaningful information to the reader, this press release refers to the unaudited consolidated operating results of the Fund for the three and six month periods ending June 30, 2006 compared to the unaudited pre-acquisition operating results of the Business for the three and six month periods ending June 30, 2005. Readers are cautioned that the operating results presented for the three and six month periods ended June 30, 2005 are not the results of the Fund.

**SELECTED FINANCIAL AND OPERATING INFORMATION**

*For the three and six months ended June 30, 2006 compared to the pre-acquisition results of the Business for the three and six months ended June 30, 2005*

	Three months ended June 30,		Six months ended June 30,	
	2006	2005 Pre- Acquisition	2006	2005 Pre- Acquisition
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(\$ thousands)		(\$ thousands)	
<b>Earnings Statement Highlights</b>				
Revenue	40,775	38,812	82,349	77,890
Cost of sales	25,486	24,719	51,425	49,287
Gross margin	15,289	14,093	30,924	28,603
Gross margin percentage	37.50%	36.31%	37.55%	36.72%
Income before non-controlling interest	2,436	1,854	4,833	3,890
<b>EBITDA and Adjusted EBITDA</b>	<b>4,096</b>	<b>3,326</b>	<b>8,165</b>	<b>6,915</b>

The Fund delivered a 5.2% increase in revenues of \$40.8 million for the three month period ended June 30, 2006 compared with pre-acquisition revenues of the Business of \$38.8 million for the three month period ended June 30, 2005. Total gross margin was \$15.3 million for the period, an increase of 8.5% from the pre-acquisition gross margin of \$14.1 million for the same period in 2005. On a year-to-date basis for 2006 the Fund delivered a 5.7% increase in revenues of \$82.3 million compared with pre-acquisition revenues of \$77.9 for the same period in 2005. Total gross margin increased by 8.1% on a year-to-date basis.

## SUMMARY OF MOST RECENTLY COMPLETED CONSOLIDATED QUARTERLY RESULTS

(\$ thousands, except per share amounts)

	June 30, 2006 (Q2 06)	March 31, 2006 (Q1 06)	December 31, 2005 (Q4 05)
Revenue	40,775	41,574	51,053
Gross margin	15,289	15,635	20,913
EBITDA	4,096	4,068	9,369
Income before non-controlling interest	2,436	2,396	7,750
Income per Unit			
Basic	0.210	0.206	0.666
Diluted	0.210	0.206	0.666
Cash and cash equivalents	1,024	441	264
Total assets	123,058	128,238	132,409
Total current liabilities	12,165	11,893	19,047
Long-term debt	3,000	7,364	3,948
Unitholders' equity	84,780	85,705	86,054
Non-controlling interest	23,113	23,276	23,360

“The dedication to our customers and the continued focus on the day-to-day management of our operations has resulted in another successful quarter for ATS, its employees and its unitholders. It is an exciting time for ATS as we complete this our first year as a publicly traded income fund”, commented Michael Andlauer, President and Chief Executive Officer of ATS Andlauer Transportation Services GP Inc.

Total cash distributions of \$6.1 million or \$0.5226 per Unit were declared in the six month period ending June 30, 2006 resulting in a cash distribution payout ratio of 75%. The Fund increased its monthly distributions on April 19, 2006 by 15% from \$0.0810 per Unit to \$0.0932 per Unit, and again on June 20, 2006 to \$0.0941 per Unit. The latest increase will be effective in the next distribution to be paid August 15, 2006 to unitholders of record as at July 31, 2006. On an annualized basis, distributions will increase from the prospectus estimate of \$0.975 to \$1.129 per Unit.

The Fund's income before non-controlling interest increased by approximately 26.3% to \$2.4 million in the three month period ending June 30, 2006, compared with the pre-acquisition income before non-controlling interest of \$1.9 million for the same period 2005. On a year-to-date basis income before non-controlling interest increased by 24.2%. Fully diluted income per Unit was \$0.210 for the three month period ended June 30, 2006 and \$0.416 for the six month period ending June 30, 2006.

The Fund is an open-ended trust that holds, indirectly, securities of ATS Andlauer Transportation Services Limited Partnership ("ATS Andlauer LP"). ATS Andlauer LP is a leading single source transportation solutions provider in Canada, providing integrated trucking, courier, air freight and value added transportation and distribution services to consumer product companies. It operates facilities in 23 centres across Canada and serves approximately 1,400 diversified customers.

The Fund's units trade on the Toronto Stock Exchange under the symbol ATS.UN.

The Financial Statements and Management's Discussion and Analysis for the period ended June 30, 2006, along with additional information relating to the Fund, including all public filings, are available on [www.sedar.com](http://www.sedar.com) and on the Fund's website at [www.atsincomefund.ca](http://www.atsincomefund.ca).

#### FORWARD LOOKING STATEMENTS

Except for historical information provided herein, this press release may contain information and statements of a forward-looking nature concerning the future performance of the Fund. These statements are based on suppositions and uncertainties as well as on management's evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Fund's services, the impact of price pressures exerted by competitors, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Fund's operations or financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or at the Fund's website ([www.ats.ca](http://www.ats.ca)). Furthermore, the forward-looking statements contained in this news release are made as of the date of this news release, and the Fund undertakes no obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities law.

#### NON-GAAP MEASURES

**Gross margin** is a non-GAAP measure that represents the contribution of operating activities to earnings. It is considered a key measure by management as it reflects the ability of the Fund to generate earnings necessary to fund overhead costs, capital investment and distributions.

**EBITDA** is a non-GAAP measure that management considers a key measure as an indicator of the ability of the Fund to meet its capital and financing commitments. EBITDA is not a recognized measure under GAAP and does not have a standardized meaning under GAAP. It was necessary to adjust EBITDA of the 2005 pre-acquisition results to facilitate the comparability with the current period. EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers.

**Adjusted EBITDA** is a non-GAAP measure that represents EBITDA adjusted for certain non-recurring items that management believes facilitate the comparison of historical periods. Non-recurring items are transactions or events that management believes are unusual in the context of a publicly-traded issuer in the transportation services industry and are not expected to reoccur within the foreseeable future and include management salaries and fees (paid to owner-managers and related parties) and other non-recurring items.

**Cash distribution payout ratio** is a non-GAAP measure that compares distributions paid to available distributable cash which management considers an indicator of the Fund's conservatism and its ability to make distributions to unitholders at current rates in the future.

#### For further information, please contact:

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 ATS Andlauer Transportation Services GP Inc.  
 Suite 600, 190 Attwell Drive  
 Etobicoke, Ontario M9W 6H8  
 (416) 798-1379 ext 200

Brian Mascarenhas  
 Vice President & Chief Financial Officer  
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 (416) 798-1379 ext 200

File No -  
82-34967



*Consolidated Interim Financial Statements of*

**ATS Andlauer Income Fund**

*June 30, 2006*  
*(unaudited)*

# ATS ANDLAUER INCOME FUND

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June 30, 2006

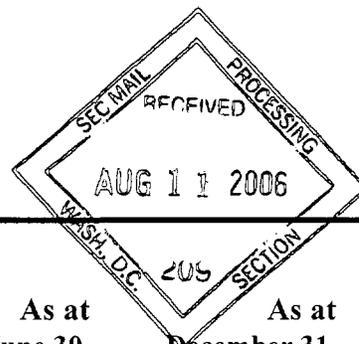
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# ATS ANDLAUER INCOME FUND

## Consolidated Balance Sheets

June 30, 2006  
(in thousands of dollars)



	As at June 30, 2006 (unaudited)	As at December 31, 2005 (audited)
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 1,024	\$ 264
Accounts receivable	22,012	28,182
Prepaid expenses and deposits	932	1,550
	<u>23,968</u>	<u>29,996</u>
Deferred financing costs	81	44
Capital assets (Note 4)	2,155	2,455
Intangible assets (Note 5)	61,010	64,070
Goodwill	35,844	35,844
	<u>\$ 123,058</u>	<u>\$ 132,409</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 11,080	\$ 14,213
Distributions payable to unitholders (Note 10)	869	3,872
Distributions payable to non-controlling interest (Note 10)	216	962
	<u>12,165</u>	<u>19,047</u>
Long-term debt (Note 6)	3,000	3,948
	<u>15,165</u>	<u>22,995</u>
Non-controlling interest (Note 7)	23,113	23,360
	<u>38,278</u>	<u>46,355</u>
<b>EQUITY</b>		
Unitholders' equity	84,780	86,054
	<u>\$ 123,058</u>	<u>\$ 132,409</u>

*The accompanying notes are an integral component of the consolidated financial statements*

# ATS ANDLAUER INCOME FUND

## Consolidated Statement of Income

Three and six months ended June 30, 2006

(unaudited - in thousands of dollars, except per Unit amounts)

	Three months ended June 30, 2006	Six months ended June 30, 2006
Revenue	\$ 40,775	\$ 82,349
Cost of goods sold	25,486	51,425
	15,289	30,924
Expenses		
Terminal	7,230	14,873
Selling	1,248	2,413
Administration	2,715	5,473
Amortization of capital assets	100	217
Amortization of intangible assets	1,530	3,060
Interest expense, net of interest income	30	55
Income before non-controlling interest	2,436	4,833
Non-controlling interest	485	962
Net income	\$ 1,951	\$ 3,871
Basic income per Unit (Note 9)	\$ 0.210	\$ 0.417
Diluted income per Unit (Note 9)	\$ 0.210	\$ 0.416

*The accompanying notes are an integral component of the consolidated financial statements*

# ATS ANDLAUER INCOME FUND

## Consolidated Statement of Unitholders' Equity

Six months ended June 30, 2006

(unaudited - in thousands of dollars)

	<u>Trust Units</u>	<u>Contributed Surplus</u>	<u>Net Income</u>	<u>Distributions</u>	<u>Total</u>
Opening, December 31, 2005	\$ 85,266	\$ -	\$ 6,208	\$ (5,420)	\$ 86,054
Net income	-	-	3,871	-	3,871
Distributions (Note 10)	-	-	-	(4,872)	(4,872)
Units acquired for long-term incentive plan	(512)	-	-	-	(512)
Units released to participants of long-term incentive plan	171	-	-	-	171
Long-term incentive plan expense on unreleased Units	-	68	-	-	68
Closing, June 30, 2006	\$ 84,925	\$ 68	\$ 10,079	\$ (10,292)	\$ 84,780

*The accompanying notes are an integral component of the consolidated financial statements*

**ATS ANDLAUER INCOME FUND**  
**Consolidated Statement of Cash Flows**

Three and six months ended June 30, 2006  
(unaudited - in thousands of dollars)

	Three months ended June 30, 2006	Six months ended June 30, 2006
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
Operating activities		
Net income	\$ 1,951	\$ 3,871
Items not affecting cash		
Amortization	1,647	3,300
Loss on Disposal of Assets	53	72
Purchase of units held by Fund for long-term incentive plan	(512)	(512)
Long-term incentive plan expense	68	239
Distributions paid in excess of non-controlling interest	(134)	(993)
	3,073	5,977
Net change in non-cash working capital balances (Note 13)	4,352	3,655
	7,425	9,632
Investing activities		
Purchase of capital assets	(41)	(102)
Proceeds on disposal of capital assets	102	113
	61	11
Financing activities		
Proceeds from long-term debt	-	6,416
Repayment of long-term debt	(4,364)	(7,364)
Deferred financing costs	(48)	(60)
Distributions paid to unitholders	(2,491)	(7,875)
	(6,903)	(8,883)
Increase in cash and cash equivalents	583	760
Cash and cash equivalents, beginning of period	441	264
Cash and cash equivalents, end of period	\$ 1,024	\$ 1,024
<b>SUPPLEMENTARY INFORMATION</b>		
Interest paid	\$ 53	\$ 126
Interest received	23	71

*The accompanying notes are an integral component of the consolidated financial statements*

# ATS ANDLAUER INCOME FUND

## Notes to the Consolidated Financial Statements

June 30, 2006

(unaudited - in thousands of dollars except per Unit amounts)

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### 1. THE FUND

ATS Andlauer Income Fund (the "Fund") is an unincorporated open-ended trust governed by the laws of the Province of Ontario pursuant to the Declaration of Trust dated August 22, 2005. The Fund was established to invest in the freight transportation business, through an indirect acquisition of the controlling interest of ATS Andlauer Transportation Services Limited Partnership ("ATS Andlauer LP") and its general partner, ATS Andlauer Transportation Services GP Inc. (the "GP"). The Fund was inactive prior to completing an initial public offering (the "IPO") of its trust units ("Units"), and through its indirect acquisition of the controlling interest of ATS Andlauer LP, acquired certain net assets of the Canadian transportation solutions business (the "Business") of ATS Andlauer Transportation Services Inc. (the "Vendor") on September 30, 2005.

The Fund is a leading single source transportation solutions provider in Canada, providing integrated trucking, courier, air freight and value added transportation and distribution services to consumer product companies.

### 2. INITIAL PUBLIC OFFERING AND ACQUISITION

On September 30, 2005, the Fund completed the IPO of 9,324,200 Units for \$10.00 per Unit, for gross proceeds of \$93,242. The cost of issuing Units was \$7,976 for net proceeds of \$85,266.

On September 30, 2005, in conjunction with the IPO, the Fund used the proceeds of the offering, together with a portion of the funds drawn under its credit facilities and the issuance of Exchangeable Limited Partnership Units of ATS Andlauer LP, to acquire the Business of the Vendor for an aggregate purchase price of \$121,571.

The acquisition has been accounted for by the purchase method. The allocation of the purchase price is summarized as follows:

Net working capital	\$ 18,098
Capital assets	2,029
Other intangible assets	65,600
Goodwill	35,844
	<u>\$ 121,571</u>
Consideration	
Cash	\$ 98,407
Exchangeable Limited Partnership Units	23,164
	<u>\$ 121,571</u>

# ATS ANDLAUER INCOME FUND

## Notes to the Consolidated Financial Statements

June 30, 2006

(unaudited - in thousands of dollars except per Unit amounts)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of presentation*

These unaudited interim consolidated financial statements of the Fund have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements. The accounting principles and methods of computation adopted in these financial statements are the same as those of the audited financial statements for the year ended December 31, 2005. However, these unaudited interim consolidated financial statements do not include all the information and footnote disclosures required under Canadian generally accepted accounting principles for annual financial statements. Accordingly, these unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto, for the year ended December 31, 2005.

The activities of the Fund are subject to general demand for freight transportation. Historically, demand has been relatively stable with the exception of the winter months, in which demand slightly decreases, and the fall months, in which demand increases. Consequently, the Fund's activities in the last six months of the year are usually stronger than the first six months of the year.

As the Fund commenced operations on September 30, 2005 with the purchase of the Business, no comparative information is provided.

The significant accounting policies are summarized as follows:

#### *Principles of consolidation*

The consolidated financial statements include the accounts of the Fund and its subsidiaries, ATS Andlauer Operating Trust, the GP, and ATS Andlauer LP. All significant inter-company transactions have been eliminated on consolidation.

#### *Revenue recognition*

Revenue for freight transportation is recognized with the completion of services, which is generally at the time of delivery of the freight.

#### *Capital assets and amortization*

Capital assets are recorded at acquisition cost. Amortization is provided as follows:

Computer equipment	30% declining balance
Furniture	20% declining balance
Leasehold improvements	term of the lease
Pickup and delivery equipment	20% declining balance

# ATS ANDLAUER INCOME FUND

## Notes to the Consolidated Financial Statements

June 30, 2006

(unaudited - in thousands of dollars except per Unit amounts)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Goodwill*

Goodwill represents the excess of the cost of an acquired business over the estimated fair value of the identifiable net assets acquired. Goodwill is not amortized and is tested for impairment on an annual basis or when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying amount. Goodwill impairment is assessed based on a comparison of the fair value of a reporting unit to its carrying amount, including goodwill. When the carrying amount of a reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared to its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of the reporting unit goodwill exceeds the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

#### *Intangible assets*

Intangible assets acquired that have a definite life, such as customer relationships and proprietary technology, are capitalized and amortized on a straight-line basis over their estimated useful lives of ten years and six years, respectively, and are further tested for impairment if events or circumstances indicate that the assets might be impaired.

Intangible assets acquired that have an indefinite useful life, such as trademarks, are not amortized and are tested for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset with its fair value and an impairment loss is recognized for the excess, if any.

#### *Impairment of long-lived assets*

The Fund reviews its long-lived assets, such as capital assets and intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the total of the expected undiscounted future cash flows is less than carrying amount of an asset, a loss, if any, is recognized to the extent that the carrying amount exceeds the fair value of the asset.

#### *Deferred financing costs*

Financing costs related to credit facilities are capitalized and amortized on a straight-line basis over the term of the credit facilities.

**ATS ANDLAUER INCOME FUND**  
**Notes to the Consolidated Financial Statements**  
June 30, 2006  
(unaudited - in thousands of dollars except per Unit amounts)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Stock-based compensation*

The Fund has a long-term incentive plan (the "Plan") for certain of the executive officers and senior management of the GP. The Fund uses the fair value based method of accounting for stock-based compensation.

Under the Plan, Units purchased on the open market on behalf of the Plan participants are recorded at cost as a reduction of Unitholders' equity.

The Fund records a compensation expense over the vesting period based on the Units' fair value at the time of granting. Where the fair value of the Units at the time of granting is greater than the Fund's cost of the Units acquired under the Plan, the difference will be recorded as contributed surplus. Where the fair value of the Units at the time of grant is lower than the Fund's cost of the Units acquired under the Plan, the difference will be recorded as a reduction to retained earnings.

*Non-controlling interest*

Non-controlling interest represents the retained interest of the Vendor in the Fund through its ownership of exchangeable limited partnership units in ATS Andlauer LP, a subsidiary. Exchangeable unitholders are entitled to earnings that are economically equivalent to distributions of the Fund. The exchangeable units were recorded at the value which the Fund's Units were issued to the public through the IPO. Exchanges of exchangeable units are recorded at the carrying value of the exchangeable units at issuance net of net income and distributions attributable to participating units to the date of the exchange.

*Use of estimates*

The preparation of these interim consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant accounting estimates relate to revenue adjustments and the allocation of the purchase price of the acquired business to the identifiable net assets and their related useful lives. Management believes that the estimates utilized in preparing the financial statements are reasonable and prudent; however, actual results could differ from these estimates.

# ATS ANDLAUER INCOME FUND

## Notes to the Consolidated Financial Statements

June 30, 2006

(unaudited - in thousands of dollars except per Unit amounts)

### 4. CAPITAL ASSETS

Capital assets consist of the following:

	June 30, 2006 (unaudited)		
	Cost	Accumulated Amortization	Net Book Value
Pickup and delivery equipment	\$ 1,194	\$ 133	\$ 1,061
Leasehold improvements	629	76	553
Furniture	600	73	527
Computer equipment	16	2	14
	<u>\$ 2,439</u>	<u>\$ 284</u>	<u>\$ 2,155</u>

	December 31, 2005 (audited)		
	Cost	Accumulated Amortization	Net Book Value
Pickup and delivery equipment	\$ 1,289	\$ 25	\$ 1,264
Leasehold improvements	629	28	601
Furniture	590	15	575
Computer equipment	16	1	15
	<u>\$ 2,524</u>	<u>\$ 69</u>	<u>\$ 2,455</u>

### 5. INTANGIBLE ASSETS

Intangible assets consist of the following:

	June 30, 2006 (unaudited)		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	\$ 56,200	\$ 4,215	\$ 51,985
Proprietary technology	3,000	375	2,625
Trademarks	6,400	-	6,400
	<u>\$ 65,600</u>	<u>\$ 4,590</u>	<u>\$ 61,010</u>

# ATS ANDLAUER INCOME FUND

## Notes to the Consolidated Financial Statements

June 30, 2006

(unaudited - in thousands of dollars except per Unit amounts)

### 5. INTANGIBLE ASSETS (continued)

	December 31, 2005		
	(audited)		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	\$ 56,200	\$ 1,405	\$ 54,795
Proprietary technology	3,000	125	2,875
Trademarks	6,400	-	6,400
	<u>\$ 65,600</u>	<u>\$ 1,530</u>	<u>\$ 64,070</u>

### 6. LONG-TERM DEBT

The Fund has a three year committed credit facility maturing September 30, 2008 consisting of a \$15,000 revolving facility to finance general operating requirements and a \$4,000 revolving facility to finance future leases of operational assets (collectively, the "Credit Facility"). Interest on the Credit Facility varies, depending on certain financial ratios, between the lender's prime rate plus 0% and 0.75% or between the banker's acceptance rate plus 1.5% and 2.25%. Under the terms of the Credit Facility, the Fund is required, amongst other conditions, to meet certain covenants, with which the Fund was in compliance as at June 30, 2006. The Credit Facility is collateralized by a general security agreement covering all present and future assets of the Fund and its subsidiary companies, and does not require principal repayment until the end of the term.

As of June 30, 2006, the Fund has borrowed \$3,000 under the Credit Facility at an effective interest rate of 5.54% (December 31, 2005 - \$3,948 at 4.79%). Lease commitments resulting from operational assets financed under the \$4,000 revolving facility are included in operating lease commitments in Note 15 of these financial statements.

### 7. NON-CONTROLLING INTEREST

	Number	Amount
ATS Andlauer Transportation Services LP		
Exchangeable Units	2,316,442	\$ 23,360
Opening, December 31, 2005		
Allocation of income	-	962
Distributions declared	-	(1,209)
	<u>2,316,442</u>	<u>\$ 23,113</u>
Closing, June 30, 2006		

# ATS ANDLAUER INCOME FUND

## Notes to the Consolidated Financial Statements

June 30, 2006

(unaudited - in thousands of dollars except per Unit amounts)

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### 7. NON-CONTROLLING INTEREST (continued)

#### *ATS Andlauer Transportation Services LP Exchangeable LP Units ("Exchangeable LP Units")*

The Exchangeable LP Units issued by ATS Andlauer LP have economic and voting rights equivalent to the Units (Note 8), except in connection with the exchangeability terms. They are exchangeable, directly or indirectly, on a one-for-one basis for Units at the option of the holder, under the terms of an Exchange Agreement. The Exchangeable LP Units are not required to be exchanged for Units before transferring to third parties. As a result, they have been treated as a non-controlling interest. Each Exchangeable LP Unit entitles the holder to receive distributions from ATS Andlauer LP pro rata with distributions made on Units.

### 8. UNITHOLDERS' EQUITY

The beneficial interests in the Fund are divided into interests of two classes, described and designated as Units and Special Voting Units, respectively. An unlimited number of Units and Special Voting Units may be authorized and issued pursuant to the Declaration of Trust.

#### *Units*

Each Unit is transferable and represents an equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund. All Units have equal rights and privileges. Each Unit entitles the holder to participate equally in all allocations and distributions and to one vote at all meetings of unitholders for each whole Unit held.

	<u>Number</u>	<u>Amount</u>
Units issued and outstanding		
Issued on initial public offering	9,324,200	\$ 93,242
Issuance costs	-	(7,976)
Units held by Fund for long-term incentive plan	(30,277)	(341)
	<u>9,293,923</u>	<u>\$ 84,925</u>

#### *Special Voting Units*

Special Voting Units are non-participating and are used solely for providing voting rights to persons holding Exchangeable LP Units. Special Voting Units are not transferable separately from Exchangeable LP Units to which they relate. Special Voting Units will automatically be transferred upon transfer of the Exchangeable LP Units to which they relate. The Special Voting Units are not entitled to any beneficial interest in any distribution from the Fund or in the net assets of the Fund in the event of a termination or winding up of the Fund. Each Special Voting Unit entitles the holder thereof to one vote at all meetings of Unitholders.

If the Exchangeable LP Units are purchased in accordance with the Exchange Agreement, a like number of Special Voting Units will be redeemed by the Fund for a nominal amount.

There were 2,316,442 Special Voting Units issued and outstanding as at June 30, 2006 and December 31, 2005.

**ATS ANDLAUER INCOME FUND**  
**Notes to the Consolidated Financial Statements**  
 June 30, 2006  
 (unaudited - in thousands of dollars except per Unit amounts)

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**8. UNITHOLDERS' EQUITY (continued)**

*Long-term Incentive Plan*

The Fund has adopted a long-term incentive plan (the "Plan") to provide executive officers and key senior management of the Fund with compensation opportunities that will enhance the ability of the Fund to attract, retain and motivate key personnel and reward these key employees for significant performance and associated per Unit cash flow growth. Fund bonuses, in the form of Units, will be provided to eligible employees on an annual basis where the distributable cash flow per Unit of the Fund exceeds a pre-determined base distribution. The base distribution will be set annually by the Compensation Committee in accordance with terms of the plan.

If the distributable cash flow per Unit exceeds the pre-determined base distribution amount, a percentage of the excess distributable cash (the "participation rate"), as noted below, is contributed by the Fund into a long-term incentive pool. Units will be purchased from contributions in the pool on the open market on behalf of the Plan participants and will be held by a trustee until their rights vest ("Capitalized Units"). Distributions received on Capitalized Units will be distributed to participants when received. Vesting of Capitalized Units will occur on the basis of one-third of the total grant per year with the first portion vesting at the time of granting.

Threshold amounts and participation rates are as follows:

<u>Excess percentage</u>	<u>Proportion of excess percentage paid to Plan trustee</u>
5% or less	Nil
Greater than 5% and up to 10%	10% of any excess over 5%
Greater than 10% and up to 20%	10% of any excess over 5% to 10%, plus plus 20% of any excess over 10%
Greater than 20%	10% of any excess over 5% to 10%, plus 20% of any excess over 10% to 20%, plus 25% of any excess over 20%

For the period ended December 31, 2005, the distributable cash flow per Unit exceeded the base distribution threshold by \$0.22 per Unit. In March 2006, the Compensation Committee granted \$512 of bonuses, to be paid in the form of Units, under the Plan in relation to this excess. Within 20 days of the grant date and in accordance with the Plan, 45,416 Units were purchased on behalf of Plan participants, of which 15,139 Units vested and were transferred to Plan participants. As at June 30, 2006, 30,277 Units are held in trust by the Fund and have not vested to Plan participants. A compensation expense is recorded over the vesting period and, accordingly, approximately \$68 and \$239 have been recorded as a compensation expense for the three and six month periods ended June 30, 2006, respectively.

# ATS ANDLAUER INCOME FUND

## Notes to the Consolidated Financial Statements

June 30, 2006

(unaudited - in thousands of dollars except per Unit amounts)

### 9. INCOME PER UNIT

	Three months ended June 30, 2006	Six months ended June 30, 2006
Net income - basic	\$ 1,951	\$ 3,871
Non-controlling interest	485	962
Net income - diluted	\$ 2,436	\$ 4,833
Units outstanding - basic	9,293,923	9,293,923
Units held by Fund for long-term incentive plan	7,352	4,289
Exchangeable LP Units	2,316,442	2,316,442
Units outstanding - diluted	11,617,717	11,614,654
Income per Unit - basic	\$ 0.210	\$ 0.417
Income per Unit - diluted	\$ 0.210	\$ 0.416

# ATS ANDLAUER INCOME FUND

## Notes to the Consolidated Financial Statements

June 30, 2006

(unaudited - in thousands of dollars except per Unit amounts)

### 10. DISTRIBUTIONS

Distributions to unitholders are determined based on earnings, before interest and amortization, but reduced by certain general and administrative expenses and maintenance capital expenditures. The Fund makes regular distributions to unitholders of record as of the last business day of each month.

For the period ended June 30, 2006, the Fund declared regular distributions totalling \$4,872 relating to Units and \$1,209 relating to Exchangeable LP Units. Regular distributions of \$869 in relation to Units and \$216 in relation to Exchangeable LP Units were payable as at June 30, 2006.

The Fund declared special cash distributions totalling \$3,117 relating to Units and \$775 relating to Exchangeable LP Units during the period ended December 31, 2005. The special cash distributions relating to Units and Exchangeable LP Units were paid on March 31, 2006.

A special non-cash distribution in the form of Units with a value of \$0.065 per Unit was also declared for the period ended December 31, 2005. These Units were distributed on a pro rata basis on March 31, 2006 to unitholders of record on December 31, 2005. Immediately after the pro rata distribution of Units, the number of outstanding Units was consolidated, such that each unitholder, following the consolidation, held the same number of Units as before the non-cash distribution, and there was no change in the total number of Units outstanding.

Record date	Date distribution paid/payable	Units		Exchangeable LP Units		Total		Per Unit	Paid
		Declared	Paid	Declared	Paid	Declared	Paid		
Regular distributions									
January 31, 2006	February 15, 2006	\$ 755	\$ 755	\$ 187	\$ 187	\$ 942	\$ 0.0810	\$ 942	
February 28, 2006	March 15, 2006	755	755	187	187	942	0.0810	942	
March 31, 2006	April 17, 2006	755	755	187	187	942	0.0810	942	
April 30, 2006	May 15, 2006	869	869	216	216	1,085	0.0932	1,085	
May 31, 2006	June 15, 2006	869	869	216	216	1,085	0.0932	1,085	
June 30, 2006	July 17, 2006	869	-	216	-	1,085	0.0932	-	
		\$ 4,872	\$ 4,003	\$ 1,209	\$ 993	\$ 6,081	\$ 0.5226	\$ 4,996	

### 11. RELATED PARTY TRANSACTIONS

Transactions with related parties include ATS Andlauer LP's purchase of the Business of the Vendor, a company controlled by the President and Chief Executive Officer of the GP. In addition, the Exchangeable LP Units that were issued as part of the IPO, and included in Note 7 of these financial statements, are held by the Vendor.

Consistent with historical practices, during the period, the Fund entered into transactions with related parties that were incurred in the normal course of business at terms similar with unrelated parties. These transactions are accounted for at their exchange amount and are expected to continue at similar amounts in the future.

# ATS ANDLAUER INCOME FUND

## Notes to the Consolidated Financial Statements

June 30, 2006

(unaudited - in thousands of dollars except per Unit amounts)

### 11. RELATED PARTY TRANSACTIONS (continued)

Included in these financial statements are the following transactions and balances as at and for the three and six month periods ended June 30, 2006 with companies controlled directly or indirectly by the President and Chief Executive Officer or his spouse:

	Three months ended June 30, 2006	Six months ended June 30, 2006
Revenue		
Transportation services	\$ 1,098	\$ 2,223
Cost of goods sold		
Transportation services	1,611	3,219
Contract labour services	1,293	2,563
Expenses (recovery)		
Facility and equipment rent	181	340
Facility rent	(9)	82
Shared services	(148)	(293)
Accounts receivable	944	944
Accounts payable and accrued liabilities	971	971

### 12. INCOME TAXES

The Fund is taxed as a "mutual fund trust" for Canadian income tax purposes. Pursuant to the Declaration of Trust, the trustees intend to distribute or designate all taxable income earned by the Fund to unitholders of the Fund and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required.

### 13. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

The net change in non-cash working capital balances related to operations consists of the following:

	Three months ended June 30, 2006	Six months ended June 30, 2006
Accounts receivable	\$ 2,267	\$ 6,170
Prepaid expenses and deposits	1,784	618
Accounts payable and accrued liabilities	301	(3,133)
	<u>\$ 4,352</u>	<u>\$ 3,655</u>

# ATS ANDLAUER INCOME FUND

## Notes to the Consolidated Financial Statements

June 30, 2006

(unaudited - in thousands of dollars except per Unit amounts)

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### 14. FINANCIAL INSTRUMENTS

The fair value of long-term debt approximates its carrying value as the long-term debt bears interest at floating rates. The fair values of all other financial assets and liabilities approximate their carrying values.

The Fund has long-term floating rate debt which creates an exposure to fluctuations to interest rates.

Given the Fund's contractual terms with its customers, it is not exposed to significant currency risk or commodity risk arising from fluctuations in fuel costs.

Financial instruments that potentially subject the Fund to concentrations of credit risk consist principally of accounts receivable. The Fund performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Fund's customer base. As of June 30, 2006, the Fund had no significant concentration of credit risk.

### 15. COMMITMENTS

#### *Operating lease commitments*

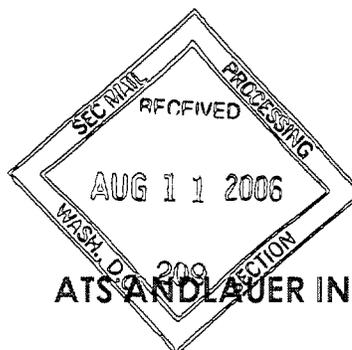
Future minimum payments for operating leases that have initial or remaining terms of one year or more consisted of the following amounts:

	Total	2006	2007	2008	2009	2010	Thereafter
		(6 months)					
Premise leases	\$ 50,771	\$ 3,714	\$ 7,236	\$ 6,731	\$ 6,316	\$ 5,971	\$ 20,803
Equipment leases	21,369	2,966	5,543	4,951	3,593	2,279	2,037
	<u>\$ 72,140</u>	<u>\$ 6,680</u>	<u>\$ 12,779</u>	<u>\$ 11,682</u>	<u>\$ 9,909</u>	<u>\$ 8,250</u>	<u>\$ 22,840</u>

### 16. SEGMENTED INFORMATION

The Fund manages its operations in one business segment, which is providing integrated trucking, courier, air freight and value added transportation and distribution services to consumer product companies. All operations are conducted in Canada.

File No.  
82-34967



**Contact:**

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# PRESS RELEASE

## ATS Andlauer Income Fund Announces Third Quarter Distributions *Second Consecutive Increase to Quarterly Distributions for 2006.*

**Toronto, Ontario** –ATS Andlauer Income Fund (the "Fund") (TSX: ATS.UN) announced today that it will for the second time in 2006, increase its monthly distributions. Monthly distributions will increase from \$0.0932 per trust unit to \$0.0941 per trust unit for each of the months of July, August and September 2006 as follows:

<u>Record Date</u>	<u>Distribution Date</u>	<u>Ex-Distribution Date</u>	<u>Distribution per Unit</u>
July 31, 2006	August 15, 2006	July 27, 2006	\$0.0941
August 31, 2006	September 15, 2006	August 29, 2006	\$0.0941
September 30, 2006	October 16, 2006	September 28, 2006	\$0.0941

On an annualized basis, this raises the Fund's distributions from \$0.975 per trust unit originally contemplated in its prospectus dated September 22, 2005, to \$1.087 per trust unit for fiscal 2006. For those unitholders holding units outside a tax deferred plan, the Fund estimates that 98% of the distributions made in 2006 will be treated as taxable income for Canadian income tax purposes and the balance as return of capital. The proportion of these figures may change when the actual results for the fiscal year are calculated.

The Fund is an open-ended trust that holds, indirectly, securities of ATS Andlauer Transportation Services Limited Partnership ("ATS Andlauer LP"). ATS Andlauer LP is a leading single source transportation solutions provider in Canada, providing integrated trucking, courier, air freight and value added transportation and distribution services to consumer product companies. It operates facilities in 23 centres across Canada and serves approximately 1,400 diversified customers.

The Fund's units trade on the Toronto Stock Exchange under the symbol ATS.UN.

Additional information relating to the Fund, including all public filings, is available on [www.sedar.com](http://www.sedar.com).

**FORWARD LOOKING STATEMENTS**

Except for historical information provided herein, this press release may contain information and statements of a forward-looking nature concerning the future performance of the Fund. These statements are based on suppositions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Fund's services, the impact of price pressures exerted by competitors, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results.