TransForce Income Fund

Management's Discussion and Analysis of Operating Results and Financial Position

Second quarter report to Unitholders for the period ended on June 30, 2004

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The following is TransForce Income Fund's management discussion and analysis (MD&A). Throughout this MD&A, the term "Fund" shall mean TransForce Income Fund, and shall include its wholly owned, independent operating subsidiaries. The Fund invests in companies that provide transport and logistics services.

This MD&A provides a comparison of the Fund's performance in its second quarter ended June 30, 2004 with the second quarter ended June 30, 2003 as well as a review of the Fund's financial position as at June 30, 2004. It also includes discussion of the Fund's affairs up to July 19, 2004. This discussion should be read in conjunction with the quarterly consolidated financial statements and accompanying notes. All amounts disclosed are in Canadian dollars.

Prospective data, comments and analysis are also provided wherever appropriate to assist existing and new investors to see the business from a corporate management point of view. Such disclosure is subject to reasonable constraints of maintaining the confidentiality of certain information which, if published, would probably have an adverse impact on the competitive position of the Fund.

Additional information relating to the Fund can be found on its website at www.transforce.ca. The Fund's continuous disclosure materials, including its annual and quarterly MD&A, annual and quarterly financial statements, its 2003 Annual Report, Annual Information Form, Management Proxy Circular, Material Change Reports and the various press releases issued by the Fund are also available on its website or directly through the SEDAR system at www.sedar.com.

Forward-looking statements

The Fund may make statements in this report that reflect its current expectations regarding future results of operations, performance and achievements. These are "forward-looking" statements and reflect management's current beliefs. They are based on information currently available to management. Words such as "may", "could", "should", "would", "believe", "expect", "anticipate" and words and expressions of similar import are intended to identify these forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results and those presently anticipated or projected.

The Fund wishes to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. The following important factors could cause the Fund's actual financial performance to differ materially from that expressed in any forward-looking statement:

(1) The highly competitive conditions that currently exist in the Fund's market and the Fund's ability to compete
(2) The Fund's ability to recruit, train, and retain qualified drivers
(3) Increases in fuel prices, and the Fund's ability to recover these costs from its customers
(4) Foreign currency fluctuations
(5) The impact of environmental standards and regulations
(6) Changes in governmental regulations applicable to the Fund's operations
(7) Adverse weather conditions
(8) Accidents
(9) The market for used revenue equipment
(10) Changes in interest rates
(11) Cost of liability insurance coverage
(12) Downturns in general economic conditions affecting the Fund and its customers

The foregoing list should not be construed as exhaustive, and the Fund disclaims any obligation subsequently to revise or update any previously made forward-looking statements. Unanticipated events are likely to occur. Readers should also refer to the section **Risks and Uncertainties** at the end of this MD&A for additional information on risk factors and other events that are not within the Fund's control. The Fund's future financial and operating results may fluctuate as a result of these and other risk factors.

Our business

Description

TransForce Income Fund is an unincorporated, open-ended limited purpose trust established under the laws of the province of Québec, pursuant to the declaration of trust dated July 30, 2002. The Fund qualifies as a unit trust and mutual fund trust within the meaning of the *Income Tax Act* (Canada). It was created for the purpose of acquiring and holding certain investments. The Fund invests in companies that provide transport and logistics services.

The Fund is Canada's preeminent transport and logistics services provider. Its operations extend throughout Canada, and it directly serves more urban centers than any other Canadian transport and logistics services provider.

Business strategy

The Fund's business strategy has three key elements:

- Building greater value for Unitholders
- Sustained profitable growth via the acquisition of profitable, well-managed companies
- Reduction of costs through economies of scale and operational benchmarking

Facilities

The Fund's head office is situated in Montreal, Québec. The Fund consists of approximately 195 terminals, with 64 in Ontario, 60 in Western Canada, 52 in Québec, 12 in the Atlantic Provinces and 7 in the United States.

Customers

The Fund has a diverse customer base operating in a broad cross-section of industries, with no single client accounting for more than 10% of consolidated revenue. Some of the Fund's major customers include General Motors, Kruger, Canada Maritime, Wal-Mart and Alcan. Because of this customer diversity, as well as the wide geographic scope of the Fund's service offering and the range of segments in which it operates, a downturn in the activities of individual customers or customers in a particular industry is not expected to have a material adverse impact on the operations of the Fund.

Equipment
The Fund has the largest trucking fleet in Canada with approximately 3,260 power units, 7,100 trailers and 940 owner operators as at June 30, 2004.

Seasonality of Operations
The activities conducted by the Fund are subject to general demand for freight transportation. Historically, this demand has been rather stable with the exception of the winter months, in which case it slightly decreases, and the fall months, in which case demand increases. Consequently, the Fund's activities in its second, third and fourth quarters are usually stronger than in the first quarter. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise.

Services
The Fund serves a customer base in four profitable and well-defined business segments: Less than Truckload ("LTL") and Parcel Delivery, Truckload ("TL"), Specialized Truckload and Specialized Services, including logistics and fleet management, customs brokerage and bonded warehousing. In each of these business segments, TransForce Income Fund's independent subsidiaries are recognized for their professional expertise.

The Fund provides a comprehensive and unique combination of capabilities, resources, and geographical coverage. It offers Parcel Delivery service across Canada, LTL service across Canada and into the United States through its exclusive partnerships, TL service mainly transborder east of the Mississippi, Specialized Truckload service in both the domestic and transborder markets, and Specialized Services in key strategic markets.

Critical accounting policies and estimates
There are no critical accounting estimates that, if changed, would materially affect the Fund's overall financial condition or results of operations.

Approval of the interim financial statements
The Fund's financial statements have been approved by its board of trustees upon recommendation of its audit committee prior to release.

Second Quarter 2004
Overall corporate highlights

Financial Highlights
(Unaudited)

(In thousands of dollars, except per unit amounts)	**Three months ended June 30, 2004**		**Three months ended June 30, 2003**	
Revenue	276,878	100.0%	192,225	100.0%
Earnings before interest, income taxes, depreciation and amortization (EBITDA)[1]	34,978	12.6%	22,457	11.7%
Depreciation expense	10,560	3.8%	8,311	4.3%
Interest expense	2,477	0.9%	1,965	1.0%
Income before income taxes	21,665	7.8%	12,347	6.4%
Income taxes	2,029	0.7%	1,308	0.7%
Net income	19,636	7.1%	11,039	5.7%
Earnings per unit				
Basic and Diluted	0.29		0.17	
EBITDA / Revenue ratio	12.6%		11.7%	

(In thousands of dollars, except per unit amounts)	**Six months ended June 30, 2004**		**Six months ended June 30, 2003**	
Revenue	502,593	100.0%	374,742	100.0%
Earnings before interest, income taxes, depreciation and amortization (EBITDA)[1]	58,684	11.7%	40,043	10.7%
Depreciation expense	20,149	4.0%	16,682	4.5%
Interest expense	5,113	1.0%	3,676	1.0%
Income before income taxes	33,171	6.6%	20,547	5.5%
Income taxes	2,899	0.6%	1,922	0.5%
Net income	30,272	6.0%	18,625	5.0%
Earnings per unit				
Basic and Diluted	0.46		0.29	
EBITDA / Revenue ratio	11.7%		10.7%	

Note (1): Please refer to the EBITDA section for a definition of this non-GAAP measure.

The financial highlights for the Second Quarter of 2004 are as follows:

- Increase of 78 % in net income to $19.6 million, a record in the history of the Fund
- Record quarterly revenue of $276.9 million, up 44.0 %
- Increase of 56 % in EBITDA[1] to $35.0 million

The sharp increase in revenue year over year for the second quarter of 2004 is primarily due to the addition of Canadian Freightways (CF). The operations of CF have been included in the Fund's results from January 28, 2004. The revenue increase of $84.7 million is mostly explained by the acquisition of CF, which contributed $60.0 million of revenue in Q2 2004. The remaining difference is explained by organic growth of the Fund's other operating divisions.

The Fund's EBITDA[1] rose 56.0 %, from $22.5 million in Q2 2003 to $35.0 million in Q2 2004. This increase is mostly attributable to the acquisition of CF, which contributed $6.8 million in EBITDA for the second quarter of 2004. The remaining increase is due to the stronger performance of the Fund's other operating divisions.

Note (1): Please refer to the EBITDA section for a definition of this non-GAAP measure.

Segmented results

Revenue by segment
(Unaudited)

(In thousands of dollars)	Three months ended June 30, 2004		Three months ended June 30, 2003		Variance	
Revenue						
Less than Truckload & Parcel Delivery	148,067	53%	105,992	55%	42,075	40%
Truckload	51,689	19%	32,738	17%	18,951	58%
Specialized Truckload	41,754	15%	35,067	18%	6,687	19%
Specialized Services	35,368	13%	18,428	10%	16,940	92%
Total	**276,878**	**100%**	**192,225**	**100%**	**84,653**	**44%**

(In thousands of dollars)	Six months ended June 30, 2004		Six months ended June 30, 2003		Variance	
Revenue						
Less than Truckload & Parcel Delivery	276,255	55%	207,266	55%	68,989	33%
Truckload	92,577	18%	64,982	17%	27,595	42%
Specialized Truckload	70,697	14%	66,968	18%	3,729	6%
Specialized Services	63,064	13%	35,526	10%	27,538	78%
Total	**502,593**	**100%**	**374,742**	**100%**	**127,851**	**34%**

Less than Truckload & Parcel Delivery

Revenue from LTL and parcel activities remained the greatest component of the Fund's revenue, at 53.0 % of total revenue. This segment's revenue for Q2 2004 totaled $ 148.1 million compared to $ 106.0 million for Q2 2003. The increase of $ 42.1 million is mainly due to the inclusion of CF's LTL divisions for $ 39.9 million.

CF operates in this business segment through the following three divisions: Canadian Freightways, Epic Express, and Click Express.

Truckload

This segment's revenue for Q2 2004 totaled $ 51.7 million compared to $ 32.7 million for Q2 2003. The increase is explained by much stronger performance in most of the Fund's TL divisions. CF operates in this business segment through its UTL Transportation Services.

Specialized Truckload

Revenue for Specialized Truckload increased to $ 41.8 million for Q2 2004 from $ 35.1 million for Q2 2003. The increase is mainly due to the acquisition of Transport N.J.N. Inc. (Transpel (1994)) on May 1, 2004. Refer to the Fund's Acquisitions section for more information on acquisitions concluded in the second quarter of 2004.

Specialized Services

Revenue from our Specialized Services division rose to $ 35.4 million for Q2 2004 from $ 18.4 million in for Q2 2003. The increase is due to the inclusion of several of CF's divisions' results for $ 13.3 million.

CF's divisions operating in this segment are Milne & Craighead (M&C), Universal Contract Logistics (UCL) and Stream (formerly Interport Sufferance Warehouse).

Consolidated operating expenses
Operating expenses

(In thousands of dollars)	**Three months ended June 30, 2004**	**Three months ended June 30, 2003**	**Variance**	
Operating expenses	184,984	134,954	50,030	37%
Percentage of revenue	67%	70%		

(In thousands of dollars)	**Six months ended June 30, 2004**	**Six months ended June 30, 2003**	**Variance**	
Operating expenses	339,711	266,261	73,450	28%
Percentage of revenue	68%	71%		

The Fund's operating expenses are primarily composed of costs related to employees and sub-contractors, vehicle operation, insurance, road taxes and operating permits.

The operating expenses for the second quarter of 2004 were $185.0 million, compared to $135.0 million in Q2 2003. CF added $35.7 million to the Fund's operating expenses in Q2 2004 while other acquisitions concluded in 2004 added $13.6 million to the Fund's operating expenses. Despite these additions, the Fund has reduced its operating expenses by three (3) percentage points when compared as a percentage of revenue for the quarter and six-month periods. This is mostly due to the stronger performance of most of the Fund's operating divisions.

Fixed costs and general and administrative expenses

(In thousands of dollars)	**Three months ended June 30, 2004**	**Three months ended June 30, 2003**	**Variance**	
Fixed costs and general and administrative expenses	56,916	34,814	22,102	63%
Percentage of revenue	21%	18%		

(In thousands of dollars)	**Six months ended June 30, 2004**	**Six months ended June 30, 2003**	**Variance**	
Fixed costs and general and administrative expenses	104,198	68,438	35,760	52%
Percentage of revenue	21%	18%		

The Fund's fixed costs and general and administrative expenses (FCGA) are primarily composed of costs related to employee salaries, rent, telecommunications, maintenance, security and other general expenses.

FCGA expenses for the second quarter totaled $56.9 million, increasing by $22.1 million over Q2 2003. CF added approximately $17.5 million to the Fund's expenses in Q2 2004 while other acquisitions concluded in 2004 added $1.5 million.

Operating ratio

The operating ratio (OR) is a non-GAAP financial measure which does not have any standardized meaning prescribed by GAAP. It is the sum of operating expenses, fixed costs, general and administrative expenses and depreciation less the gain on disposal of fixed assets divided by revenue. Although OR is not a recognized financial measure defined by GAAP, it is a widely recognized measure in the transportation industry which we believe provides a comparable benchmark for evaluating the Fund's performance. Investors should also note that our presentation of OR may not be comparable to similarly titled measures by other companies or income trusts.

Operating Ratio

(Unaudited)

(In thousands of dollars)	**Three months Ended June 30, 2004**	**Three months ended June 30, 2003**	**Six months ended June 30, 2004**	**Six months ended June 30, 2003**
Operating expenses	184,984	134,954	339,711	266,261
Fixed costs, general and administrative expenses	56,916	34,814	104,198	68,438
Depreciation of fixed assets	10,560	8,311	20,149	16,682
Loss (Gain) on disposal of fixed assets	276	(166)	251	(862)
	252,736	**177,913**	**464,309**	**350,519**
Revenue	**276,878**	**192,225**	**502,593**	**374,742**
Operating ratio	**91.3%**	**92.6%**	**92.4%**	**93.5%**

For the second quarter of 2004, the operating ratio stood at 91.3 %, down from 92.6 % from Q2 2003. The improvement is mainly due to the stronger performance of most of the Fund's operating divisions.

EBITDA

While EBITDA (Earnings before interest, income taxes, depreciation and amortization) is not a recognized measure under Canadian generally acceptable accounting principles (GAAP), management believes it to be a useful supplemental measure. It is provided to assist in determining the ability of the Fund to generate cash from its operations. Investors should also note that our presentation of EBITDA may not be comparable to similarly titled measures by other companies or income trusts.

Reconciliation of Net Income to EBITDA

(Unaudited)

(In thousands of dollars)	**Three months Ended June 30, 2004**	**Three months ended June 30, 2003**	**Six months ended June 30, 2004**	**Six months ended June 30, 2003**
Net income per financial statements	19,636	11,039	30,272	18,625
Depreciation and amortization	10,560	8,311	20,149	16,682
Interest on long-term debt	2,182	1,572	4,290	2,911
Other interest	295	393	823	765
Loss (Gain) on disposal of fixed assets	276	(166)	251	(862)
Income taxes	2,029	1,308	2,899	1,922
EBITDA	34,978	22,457	58,684	40,043

EBITDA amounted to $35.0 million or 12.6 % of revenue for Q2 2004 compared to $22.5 million or 11.7 % of revenue in Q2 2003. The substantial increase is mostly due to the stronger performance of most of the Fund's operating divisions.

Depreciation

Depreciation of fixed assets rose to $10.6 million (3.8 % of revenue) in Q2 2004 from $8.3 million (4.3 % of revenue) in Q2 2003. The increase of $2.3 million is mainly attributable to CF.

Interest expense

Interest expense increased to $2.5 million in Q2 2004 from $2.0 million in Q2 2003. This increase is as a result of the CF acquisition.

Income taxes

The income taxes expense rose to $2.0 million in Q2 2004 from $1.3 million in Q2 2003 due to the increase in profit attributable to the Fund's tracking shares and related dividends.

Net income

The Fund's net income for Q2 2004 increased by 78.0 % to $19.6 million, compared to $11.0 million in Q2 2003. The significant improvement in the Fund's net income is mainly due to the increased performance in most of its operating divisions as well as the CF acquisition. The Fund has now reported 30 consecutive quarters of profitable growth.

Liquidity and Capital Resources

Cash flow from operating activities

Cash flow from operating activities before the net change in non-cash working capital balances rose by 62.0 % from Q2 2003. It amounted to $30.5 million for Q2 2004 compared to $18.8 million in Q2 2003. This substantial increase is primarily due to the increase in the Fund's EBITDA.

Financing activities

Debt Continuity
Six months ended June 30, 2004
(unaudited)

(in thousands of dollars)	Bank Advances	Bank term loan	Long term debt GE capital loan	Other debt	Total
December 31, 2003	**19,386**	**37,500**	**-**	**52,904**	**90,404**
GE Refinancing(2)	(2,500)	(37,500)	40,000	-	**2,500**
CF Acquisition	54,562	14,900	-	-	**14,900**
Sale of CF Asset	(20,000)	-	-	-	**-**
GE Refinancing(3)	(10,000)	-	10,000	-	**10,000**
Bought Deal	(16,150)	(14,900)	-	-	**(14,900)**
Disposal of Fixed Assets	(8,049)	-	-	-	**-**
Other Business Acquisitions	13,544	-	-	3,000	**3,000**
Capital Expenditures	9,004	-	-	-	**-**
Operations(1)	(12,627)	-	-	-	**-**
Debts Acquired(4)	1,717	-	-	26,390	**26,390**
New Debt(5)	-	-	-	3,710	**3,710**
Other New Debt(6)	(2,257)	-	-	2,257	**2,257**
Debt Repayment(7)	20,553	-	-	(20,553)	**(20,553)**
June 30, 2004	**47,183**	**-**	**50,000**	**67,708**	**117,708**

Note (1) Operations include net cash flow from operating activities less distributions paid in the quarter, less the change in bank overdraft, less the change in Other Assets and less the purchase of units for granting purposes.
Note (2) $40M drawn on the GE Capital loan on January 23, 2004.
Note (3) $10M drawn on the GE Capital loan post closing of CF.
Note (4) These represent debts (cash) acquired as part of the Fund's business acquisitions concluded in the six-month period.
Note (5) These represent new debts incurred related to capital leases and conditional sales type leases in the six-month period.
Note (6) These represent other new debts incurred in the six-month period.
Note (7) This represents the repayment of both scheduled and non-scheduled long-term debt in the six-month period.

Debt as at June 30, 2004

At the end of Q2 2004, the Fund's long-term debt of $117.7 million (including the current portion) is composed of the $50.0 million term revolving facility with GE, of $29.7 million in capital leases and of $38.0 million in conditional sales contracts and other debt.

Following the full reimbursement of the Fund's bank term loan after the bought deal concluded in March 2004, the bank term loan was terminated and is no longer available.

At the end of Q2 2004, the Fund was drawing approximately $47.2 million of its $80.0 million bank operating facility. The Fund also had approximately $11.5 million in letters of credit outstanding against this facility. As such, approximately $21.3 million was available to be drawn under this facility at the end of the quarter.

Distributable cash

Distributable cash is not intended to be representative of cash flow or results of operations determined in accordance with generally accepted accounting principles in Canada ("GAAP") and does not have a standardized meaning prescribed by Canadian GAAP. Distributable cash may not be comparable to similar measures used by other companies or income trusts.

Reconciliation of EBITDA[(1)] to Distributable Cash

Periods ended June 30

(Unaudited)

(In thousands of dollars)	**Three months ended June 30, 2004**	**Three months ended June 30, 2003**	**Six months ended June 30, 2004**	**Six months ended June 30, 2003**
EBITDA[(1)]	34,978	22,457	58,684	40,043
Deduct cash payments:				
Interest	(2,477)	(1,965)	(5,113)	(3,676)
Cash taxes	(2,012)	(1,647)	(3,502)	(3,010)
Distributable cash from operations	**30,489**	**18,845**	**50,069**	**33,357**
Financing Activity				
Scheduled Debt Repayment	(3,303)	(2,093)	(5,405)	(3,478)
Distributable cash from financing activity	**(3,303)**	**(2,093)**	**(5,405)**	**(3,478)**
Investing Activity				
Capital expenditures	(5,249)	(2,012)	(9,004)	(3,536)
Proceeds from Disposals of Assets	4,089	2,409	8,049	7,362
Distributable cash from investing activity	(1,160)	**397**	(955)	**3,826**
Total distributable cash earned	**26,026**	**17,149**	**43,709**	**33,705**
Distributions and dividends declared	**(17,591)**	**(16,405)**	**(34,309)**	**(32,792)**
Cash Surplus	**8,435**	**744**	**9,400**	**913**

Note (1): Please refer to the EBITDA section for a definition of this non-GAAP measure.

The Fund's policy is to make monthly cash distributions to Unitholders of record on the last business day of each month. The payment is made on the 15th day of the following month. Since its inception on September 30, 2002, the Fund has made monthly cash distributions starting in October 2002, of $0.095 per Trust Unit. This was increased to $0.0975 per Trust Unit effective June 15, 2004 to Unitholders of record on May 31, 2004.

During the second quarter of 2004, the Fund declared total distributions to Unitholders and Tracking Shareholders of $17.9 million or a monthly equivalent of $0.0975 per unit. A total of $14.8 million was declared to the Unitholders while the economic equivalent of $3.1 million was declared as dividends to shareholders holding tracking shares.

Investing activities

Capital expenditures for the second quarter amounted to $5.2 million and include approximately $3.6 million for rolling stock, and $1.6 million for technology and facility improvements.

The Fund used $11.8 million for business acquisitions in Q2 2004. Please refer to note 3 of the unaudited interim consolidated financial statements for details on the cost of the acquisitions.

The proceeds of the disposal of fixed assets generated $4.1 million in Q2 2004.

The Fund's investing activities therefore used total cash flow of $13.0 million in Q2 2004 compared to $1.4 million in Q2 2003.

Financial Position

Financial Position - Highlights

Period ended June 30, 2004

(In thousands of dollars)	**June 30, 2004** *(unaudited)*	**Dec. 31, 2003** *(audited)*	**% change**
Total assets	553,967	421,978	31.3%
Total long-term debt (including the current portion of the long-term debt)	117,708	90,404	30.2%
Unitholders equity	231,629	206,255	12.3%
Retained Earnings	35,432	40,108	-11.7%
Long-Term Debt to equity ratio	50.8%	43.8%	
Long-Term Debt to Total Capitalization	33.7%	30.5%	

The Fund's Long-Term Debt to Equity and Long-Term Debt to Capitalization ratios have increased, reflecting the acquisitions concluded in the six-month period ended June 30, 2004. These ratios also reflect the Fund's reduction of its Long-Term Debt as a result of both the sale of an asset acquired in the CF acquisition and the Bought Deal concluded in March 2004.

Retained Earnings

Inherent to the income trust model, distributions to Unitholders are made based on distributable cash, which ignores non-cash expenses (i.e. depreciation). This differs from the definition of net earnings, which includes non-cash expenses.

Retained earnings dropped by $4.7 million in the six-month period ended June 30, 2004 compared to December 2003 as stated in the consolidated balance sheet. This decrease is attributable to the declaration of distributions and dividends to the Fund's Unitholders and Tracking Shareholders. The net income for the six-month period ended June 30, 2004 is $30.3 million and the declared distributions were $35.0 million, therefore causing the Fund's retained earnings to drop by approximately $4.7 million.

Outstanding Unit Data

On June 30, 2004 a total of 66,959,191 trust units combined with tracking shares were outstanding compared to 63,959,191 as at December 31, 2003. The following table provides the split:

	Number	Amount *(In thousands of $)*
Trust Units of the Fund:		
Balance as at December 31, 2003	48,180,618	143,148
Issuance of trust units	3,000,000	31,050
Conversion of Tracking Share Units of TFI Holdings Inc. into Trust Units	26,870	39
Balance as at June 30, 2004	51,207,488	174,237
Tracking Shares of TFI Holdings Inc.		
Balance as at December 31, 2003	15,778,573	22,999
Conversion of Tracking Share Units into Trust Units of the Fund	(26,870)	(39)
Balance as at June 30, 2004	15,751,703	22,960
Balance as at June 30, 2004	**66,959,191**	**197,197**

Contractual Obligations

	Payments Due by Period				
(In thousands of dollars)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long-Term Debt	50,000	-	50,000	-	-
Capital Lease Obligations	29,705	8,173	16,923	4,469	140
Other Long-Term Obligations	38,003	17,729	11,628	5,289	3,357
Total Contractual Obligations	**117,708**	**25,902**	**78,551**	**9,758**	**3,497**

Commitments and Off-balance sheet arrangements

	Payments Due by Period				
(In thousands of dollars)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Operating Leases – Rolling Stock	43,114	17,528	21,250	4,336	-
Operating Leases – Real Estate & Others	72,362	11,685	17,097	12,522	31,058
Total Off-balance sheet Obligations	**115,476**	**29,213**	**38,347**	**16,858**	**31,058**

In February 2003, the *Canadian Institute of Chartered Accountants* ("CICA") issued Accounting Guideline 14, Disclosure of Guarantees ("AcG-14"), which clarifies disclosure for certain guarantees. The Fund adopted this new recommendation effective January 1, 2003.

AcG-14 defines a guarantee to be a contract (including an indemnity) that contingently requires a company to make payments to a third party based on i) changes in an underlying that is related to an asset, a liability or an equity of the guaranteed party, or ii) failure of another to perform under an obligating agreement.

Legal Proceedings

The Fund is involved in litigation arising from the ordinary course of business, primarily involving claims for bodily injury and property damage. It is not feasible to predict or determine the outcome of these or similar proceedings. However, we believe the ultimate recovery or liability, if any, resulting from such litigation, individually or in total, would not materially adversely affect our financial condition or results of operations and if necessary have been provided for in the financial statements.

Summary of eight most recently completed consolidated quarterly results

($ Million, except per share amounts)	Q1 04	Q4 03	Q3 03	Q2 03	Q1 03	Q4 02[2]	Q3 02[2]	Q2 02[2]
Revenue	225.7	192.6	186.4	192.2	182.5	191.8	127.6	125.2
EBITDA[1]	23.7	26.1	24.0	22.5	17.6	25.0	18.0	18.5
Net income	10.6	14.6	12.9	11.0	7.6	13.7	5.0	7.8
Earnings per unit								
Basic	0.16	0.23	0.20	0.17	0.12	0.21	0.10	0.16
Diluted	0.16	0.23	0.20	0.17	0.12	0.21	0.10	0.15

(1) Please refer to the EBITDA section for a definition of this non-GAAP measure.
(2) These quarters refer to the 35-week fiscal period ended December 31, 2002.

Related party transactions

Concurrent with the acquisition of CF, the Fund sold one of CF's properties for $20.0 million to Saplin Holdings, a limited partnership related to Jolina Capital Inc. (major shareholder of the Fund). The proceeds of the sale were used by the Fund to reduce debt in connection with the CF acquisition. Saplin Holdings has leased back the property to the Fund for a period of ten years. Based upon third-party valuation, both the sale to Jolina Capital Inc. and the leaseback to the Fund were conducted at fair market value.

The Fund has also paid rent to Jolina Capital Inc. in the amount of approximately $0.8 million in the six month period ended June 30, 2004 as part of the leaseback agreement.

Financial instruments

The Fund has entered into foreign exchange forward contracts, average rate forward exchange contracts and foreign exchange collars for the sale of US dollars in exchange for Canadian dollars that expire on various dates through December 2005. As at June 30, 2004 the notional amount of these contracts was US$34,870,000 (Dec. 2003 - US$9,000,000), and the average exchange rate of the contracts was C$1.3577 (Dec. 2003 - C$1.5440).

The fair value of the foreign exchange contracts generally reflects the estimated amount that the Fund would receive from settlements of favorable contracts or which it would be required to pay to cancel unfavorable contracts at the balance sheet date. As at June 30, 2004, the fair market value of the foreign exchange contracts approximated $565,000 (Dec. 2003 - $2,100,000).

The Fund has entered into interest rate swap contracts in order to hedge its variable-rate debt. As at June 30, 2004, the Fund had interest rate swap contracts totaling approximately $83.8 million at an average contracted Banker's acceptance rate of 3.14% that expire on various dates through March 2006. The fair market value of these contracts approximates their carrying value.

Risks and uncertainties

Economic Conditions

Demand for freight transport is closely linked to the state of the overall economy. Consequently, a change in general economic growth could impact the Fund's performance. However, the Fund maintains an extensive customer base, covers a broad geographic dispersion and participates in four distinct transport sectors. These factors are intended to mitigate the effects of an economic downturn.

Competition

Deregulation in the transport industry has increased the number of competitors as well as competition with respect to pricing. Competition is strong within the Canadian market. In addition, the Fund faces competition from other transporters in the United States.

Regulation

Notwithstanding the fact that the transportation industry is largely deregulated, carriers must obtain licenses issued by provincial transport boards in order to carry goods inter-provincially or to transport goods within any province. Licensing from United States regulatory authorities is also required for the transportation of goods between Canada and the United States. Any change in these regulations could have an adverse impact on the scope of the Fund's activities.

General Operating Environment

The Fund is subject to changes in its general operating environment. The elements affecting its environment are the cost of liability insurance, the market for used revenue equipment, adverse weather conditions and accidents.

Fuel Prices

The Fund is exposed to variations in the price of fuel. As at June 30, 2004, no material term contracts were in effect for this purpose as the Fund is generally able to recover the majority of added fuel costs through surcharges to its customers. The price of fuel represents approximately 7 % of the Fund's annual revenue.

Currency Fluctuations

In the normal course of business, the Fund is subject to fluctuations in the value of the US dollar. The Fund manages this risk through the use of foreign exchange forward contracts. Please refer to the Financial Instruments section for more details on the currency fluctuation.

The Fund estimates its net US denominated cash flow at approximately $ 80.0 million dollars for 2004. A change of one (1) cent in the exchange rate would impact the Fund's results by approximately $ 800,000.

Interest Rates Fluctuations

The Fund is subject to fluctuations in interest rates. The Fund manages its interest rate exposure through interest swaps contracts. Please refer to the *Financial Instruments* section for more details on the interest rate fluctuations. In order to reduce the effect of changes in interest rates, the Fund has also maintained approximately 42.0 % of its long-term debt in variable-rate instruments and the remaining 58.0 % at fixed rates.

The Fund had $ 50.0 million of long-term debt at variable rates as at June 30, 2004. A 1.0 % change in interest rates would impact the Fund's earnings before taxes by approximately $ 500,000.

Credit
The Fund sells services to clients primarily in Canada and the United States. The concentration of credit risk to which the Fund is exposed is limited due to the significant number of customers that make up its client base and their distribution across different geographic areas. As at June 30, 2004 no client accounted for more than 10.0 % of total accounts receivable.

Loan Default
The Fund's current credit facilities and financing agreement impose certain covenants requirements. There is a risk that such loans may go into default if there is a breach in complying with such covenants and obligations, which could result in the Operating Trust being restricted from paying distributions to the Fund (and consequently the Fund being unable to pay distributions to Unitholders) and the lenders realizing on their security and causing the Fund to lose some or all of its investment. As at June 30, 2004, the Fund is in compliance with all of its debt covenants and obligations.

Key Personnel
The future success of the Fund will be based in large part on the quality of its management and key personnel. The loss of this key personnel could have a negative effect on the Fund. There can be no assurance that the Fund will be able to retain its current personnel or, in the event of their departure, to attract new personnel of equal quality.

Recently issued accounting policies
Asset retirement obligations
Commencing with the Fund's 2004 fiscal year, the new recommendations of the CICA for accounting for asset retirement obligations (CICA Handbook Section 3110) will apply. The new section focuses on the recognition and measurement of liabilities for statutory, contractual or legal obligations, normally when incurred, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The adoption of these new recommendations will have no significant impact on the results of the Fund.

Hedge Accounting
The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to forecasted transactions. The Fund also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The Fund purchases foreign exchange forward contracts to hedge anticipated US dollar denominated revenue. Foreign exchange translation gains and losses, together with any premium or discount, on derivative financial instruments used to hedge anticipated US dollar denominated revenue are recognized in the period the corresponding revenue is generated.

The Fund also purchases interest rate swap contracts to hedge its variable rate long-term debt. Gains and losses, together with any premium or discount, on derivative financial instruments used to hedge against its variable rate long-term debt are recognized as an adjustment of the Fund's interest expense in the period these occur.

Regulations

The Fund has procedures in place and is constantly adjusting its transportation operations to comply with all regulations in force in Canada and the United States. The compliance and safety of its operations includes but is not limited to, hours of work of its drivers, maintenance and inspection of its vehicles, vehicle allowable load and size limits and the securing of loads.

During the course of the last year, in response to the changes instituted by the Federal Motor Carrier Administration (FMCSA) of the United States Department of Transportation (DOT), the Fund adopted several changes to its operations in order to meet the enforcement date of January 4, 2004. These changes included specific provisions to deal with the commercial motor vehicles' drivers' hours of work, limiting the available hours.

Also, new American regulation governing the securing of loads is effective since January 1st 2004. Representatives of governments and the transportation industry in both Canada and the United States worked together to implement uniform regulations for the securing of cargo loads on highways. It is anticipated that the effective date of these new standards in Canada will be July 1st 2004.

The Fund will have to operate under these new regulations for a reasonable period of time before it fully understands their financial impact.

Subsequent events

Financing

On July 19, 2004, the Fund concluded a refinancing transaction with CIT FINANCIAL LTD. for a $34.4 million, five-year term loan secured by certain real property of the Fund. The proceeds of the refinancing were used to reduce the Fund's borrowing under its bank operating facility.

Human Resources

With our recent acquisitions, the Fund has over 8,000 employees (including approximately 940 owner operators) working all across Canada in our different business segments. A number of these employees are subject to collective agreements. The Fund considers that it has a very low turnover rate among its employees compared to industry standards, and that employee relations are good.

Corporate governance

As discussed in the 2003 annual report, a new member has joined our Board of Trustees. Mr. Richard Guay joined the Fund's Board of Trustees starting April 21, 2004. Prior to his retirement in August 2003, Mr. Guay's principal occupation was with the Banque Laurentienne, where from 1991 he held a number of senior positions, including Executive Vice-President. Mr. Guay has agreed to sit as a member of the Fund's Audit Committee.

Outlook

The cornerstone of the Fund's business plan is to continue to grow via the acquisition of profitable companies with expert management teams. In 2004, the Fund is likely to surpass $1.0 billion in revenue.

The Fund is also focused on generating economies of scale and reducing its costs. Furthermore, the Fund is engaged in an ongoing initiative to further improve the operational efficiency in each of its business segments. This is accomplished through the internal benchmarking of the Fund's independent operating divisions.

The Fund is financially healthy and has thus far maintained a surplus in Distributable Cash. This will enable the Fund to take advantage of acquisition opportunities that may arise, repay its debt or increase its distributions to Unitholders as was done on June 15, 2004.

While economic and geopolitical conditions are difficult to predict, the Fund believes that it has built an operation that has the talent, resourcefulness and expertise to negotiate whatever challenges it might have to face. With its acquisition strategy, the Fund expects to continue to increase its revenue in the next quarters, to extend its activities across Canada and to further solidify its positioning as one of the country's premiere transport and logistics providers.

Certification of Interim Filings

I, Salvatore Vitale, Chief Financial Officer of TransForce Income Fund, certify that:

I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings) of TransForce Income Fund, (the issuer) for the three month and six month periods ended June 30, 2004;

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;

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;

Date: August 14, 2004

Salvatore Vitale, CA
Chief Financial Officer

Certification of Interim Filings

I, Alain Bédard, Chairman of the Board, President and Chief Executive Officer of TransForce Income Fund, certify that:

I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings) of TransForce Income Fund, (the issuer) for the three month and six month periods ended June 30, 2004;

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;

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;

Date: August 14, 2004

Alain Bédard, CA CMA
Chairman of the Board, President
and Chief Executive Officer

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(In thousands of dollars, except per unit amounts)	Three months ended June 30, 2004	Three months ended June 30, 2003	Six months ended June 30, 2004	Six months ended June 30, 2003
Revenue	276,878	192,225	502,593	374,742
Expenses				
Operating expenses	184,984	134,954	339,711	266,261
Fixed costs, general and administrative expenses	56,916	34,814	104,198	68,438
Operating income before the following:	34,978	22,457	58,684	40,043
Depreciation of fixed assets	10,560	8,311	20,149	16,682
Interest on long-term debt	2,182	1,572	4,290	2,911
Other interest	295	393	823	765
Loss (Gain) on disposal of fixed assets	276	(166)	251	(862)
Income before income taxes	21,665	12,347	33,171	20,547
Income taxes				
Current	2,012	1,647	3,502	3,010
Future	17	(339)	(603)	(1,088)
	2,029	1,308	2,899	1,922
Net income	19,636	11,039	30,272	18,625
Basic and diluted earnings per unit	0.29	0.17	0.46	0.29
Weighted average number of units outstanding	66,959,191	63,959,191	65,732,672	63,938,431
Number of Tracking Share Units of TFI Holdings Inc.	15,751,703	15,990,073	15,751,703	15,990,073
Number of Trust Units of the Fund	51,207,488	47,969,118	51,207,488	47,969,118
Total, at the end of period	66,959,191	63,959,191	66,959,191	63,959,191

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

	As at June 30, 2004 **(unaudited)**	As at Dec. 31, 2003 **(audited)**
ASSETS		
Current assets		
Accounts receivable	183,159	110,430
Prepaid expenses and inventories	15,737	6,338
	198,896	116,768
Fixed assets (note 5)	245,094	200,455
Goodwill (note 6)	108,863	100,696
Other assets	1,114	4,059
	553,967	421,978
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	5,441	12,595
Bank advances	47,183	19,386
Accounts payable and accrued liabilities	140,966	82,325
Cash distributions payable to Unitholders	4,993	4,577
Dividends payable on Tracking Share Units of TFI Holdings Inc.	1,527	2,068
Income taxes payable	321	1,206
Current portion of long-term debt	25,902	16,974
	226,333	139,131
Long-term debt	91,806	73,430
Future income taxes	4,199	3,162
Unitholders' equity		
Capital contribution	197,197	166,147
Units held by Fund for granting purposes (note 9)	(1,000)	-
Retained earnings	35,432	40,108
	231,629	206,255
	553,967	421,978

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(unaudited)

(in thousands of dollars)

	Three months ended June 30, 2004	Three months ended June 30, 2003	Six months ended June 30, 2004	Six months ended June 30, 2003
Retained earnings, beginning of period	33,718	50,671	40,108	59,472
Net income for the period	19,636	11,039	30,272	18,625
Distributions to Unitholders	(14,850)	(13,671)	(28,873)	(27,312)
Dividends on Tracking Share Units of TFI Holdings Inc.	(3,072)	(2,734)	(6,075)	(5,480)
Retained earnings, end of period	35,432	45,305	35,432	45,305

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)
(in thousands of dollars)

	Three months ended June 30, 2004	Three months ended June 30, 2003	Six months ended June 30, 2004	Six months ended June 30, 2003
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period	19,636	11,039	30,272	18,625
Non-cash items:				
Depreciation of fixed assets	10,560	8,311	20,149	16,682
Future income taxes	17	(339)	(603)	(1,088)
Loss (Gain) on disposals of fixed assets	276	(166)	251	(862)
	30,489	18,845	50,069	33,357
Net change in non-cash working capital balances related to operations	(1,376)	(218)	3,525	(5,688)
	29,113	18,627	53,594	27,669
CASH FLOW FROM FINANCING ACTIVITIES				
Increase (decrease) in bank advances and indebtedness	14,602	(5,300)	20,643	4,760
Increase in long-term debt	2,257	10,000	67,157	15,605
Repayment of long-term debt	(13,374)	(5,561)	(72,953)	(10,216)
Cash distributions paid to Unitholders	(14,722)	(13,671)	(28,457)	(27,285)
Dividends paid on Tracking Share Units of TFI Holdings Inc.	(3,920)	(2,734)	(6,616)	(5,492)
Purchase of units held by Fund for granting purposes	(1,000)	-	(1,000)	-
Issuance of trust units, net	-	-	31,050	500
	(16,157)	(17,266)	9,824	(22,128)
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to fixed assets	(5,249)	(2,012)	(9,004)	(6,084)
Proceeds from disposal of fixed assets	4,089	2,409	8,049	7,362
Proceeds from disposal of fixed assets related to business acquisition	-	-	20,000	-
Business acquisitions (including net assumed bank advances (note 4)	(11,846)	(1,792)	(84,723)	(6,919)
Other assets, net	50	34	2,260	100
	(12,956)	(1,361)	(63,418)	(5,541)
Increase (decrease) in cash during the period	-	-	-	-
Cash, beginning of the period	-	-	-	-
Cash, end of the period	-	-	-	-
Additional information				
Interest paid	2,119	1,502	4,064	2,788
Income taxes paid	2,350	1,561	4,387	3,603

TRANSFORCE INCOME FUND

Notes to Unaudited Interim Financial Statements

All tabular amounts are expressed in thousands of dollars, except per unit/share amounts

1. ORGANIZATION

TransForce Income Fund is an unincorporated, open-ended limited purpose fund trust established under the laws of Québec pursuant to the Declaration of Trust dated July 30, 2002. The Fund qualifies as a unit trust and mutual fund trust within the meaning of the *Income Tax Act* (Canada). It was created for the purpose of acquiring and holding certain investments. The Fund invests in companies that provide transport and logistics services.

TransForce Income Fund, through its wholly owned, independent operating subsidiaries (the "Fund"), operates in four well-defined business segments: less than truckload (LTL) and parcel delivery, truckload (TL), specialized truckload and specialized services.

2. BASIS OF PRESENTATION

These unaudited consolidated financial statements of the Fund have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and contain the financial position, results of operations and cash flows of the Fund. The unaudited interim consolidated financial statements do not include all the information and notes required according to generally accepted accounting principles for annual financial statements, and should therefore be read in conjunction with the audited consolidated financial statements of the Fund in the annual report for the fiscal period ended December 31, 2003.

3. NEW ACCOUNTING POLICIES

Asset retirement obligations

Commencing with the Fund's 2004 fiscal year, the new recommendations of the CICA for accounting for asset retirement obligations (CICA Handbook Section 3110) will apply. The new section focuses on the recognition and measurement of liabilities for statutory, contractual or legal obligations, normally when incurred, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The adoption of these new recommendations will have no significant impact on the results of the Fund.

Hedge Accounting

The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to forecasted transactions. The Fund also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The Fund purchases foreign exchange forward contracts to hedge anticipated US dollar denominated revenue. Foreign exchange translation gains and losses, together with any premium or discount, on derivative financial instruments used to hedge anticipated US dollar denominated revenue are recognized in the period the corresponding revenue is generated.

The Fund also purchases interest rate swap contracts to hedge its variable rate long-term debt. Gains and losses, together with any premium or discount, on derivative financial instruments used to hedge against its variable rate long-term debt are recognized as an adjustment of the Fund's interest expense in the period these occur.

4. BUSINESS ACQUISITIONS

During the six-month period ended June 30, 2004, the Fund acquired all of the shares of Transport Georges Lacaille Ltée on January 29, Transport S.A.S. (Drummondville) Inc. and Location S.A.S. Inc. on February 29, 9007-6977 Québec Inc. (Elsa Transport) on February 29, 9059-5620 Québec Inc. (Transport Shermont) on April 1st, and Transport N.J.N. Inc. (Transpel (1994)) on May 1st.

The Fund also acquired substantially all the assets of Canadian Freightways ("CF") and certain of its affiliates on January 28.

These acquisitions were recorded under the purchase method and the earnings of the companies acquired were consolidated from the date of their acquisition. The total purchase price is broken down as follows:

(in thousands of dollars)	**CF**	**Other acquisitions**	**Three months ended June 30, 2004**	**Three months ended June 30, 2003**
Assets:				
Cash	-	73	**73**	-
Non-cash working capital	-	5,321	**5,321**	308
Fixed assets	-	10,237	**10,237**	2,172
Goodwill	-	5,532	**5,532**	727
	-	21,163	**21,163**	3,207
Liabilities:				
Bank advances and overdraft	-	2,600	**2,600**	410
Long-term debt	-	6,458	**6,458**	1,250
Future income taxes	-	786	**786**	165
	-	9,844	**9,844**	1,825
Net assets	-	11,319	**11,319**	1,382
Consideration:				
Cash	-	9,319	**9,319**	1,382
Due to vendors	-	2,000	**2,000**	-
	-	11,319	**11,319**	1,382

(in thousands of dollars)	**CF**	**Other acquisitions**	**Six months ended June 30, 2004**	**Six months ended June 30, 2003**
Assets:				
Cash	2,759	73	**2,832**	-
Non-cash working capital	21,091	6,806	**27,897**	1,131
Fixed assets	57,788	21,901	**79,689**	10,182
Goodwill	-	8,167	**8,167**	2,090
	81,638	36,947	**118,585**	13,403
Liabilities:				
Bank advances and overdraft	-	4,549	**4,549**	1,541
Long-term debt	12,176	14,214	**26,390**	5,154
Future income taxes	-	1,640	**1,640**	780
	12,176	20,403	**32,579**	7,475
Net assets	69,462	16,544	**86,006**	5,928
Consideration:				
Cash	69,462	13,544	**83,006**	5,378
Due to vendors	-	3,000	**3,000**	550
	69,462	16,544	**86,006**	5,928

5. FIXED ASSETS

(In thousands of dollars)	As at June 30, 2004 Cost	As at June 30, 2004 Accumulated depreciation	As at December 31, 2003 Cost	As at December 31, 2003 Accumulated depreciation
Land	40,431	-	29,886	-
Buildings	71,061	(33,182)	45,877	(12,066)
Rolling stock	331,639	(194,077)	247,822	(134,246)
Furniture, machinery and hardware/software	94,724	(71,244)	63,035	(45,181)
Leasehold improvements	14,910	(9,168)	10,648	(5,320)
	552,765	(307,671)	397,268	(196,813)
Accumulated depreciation	(307,671)		(196,813)	
Net carrying value	**245,094**		**200,455**	

6. GOODWILL

(in thousands of dollars)

	L.T.L. and parcel delivery	T.L. Specialized	T.L.	Specialized Services	**Total**
Balance as at December 31, 2003	84,788	7,275	6,157	2,476	**100,696**
Business acquisitions – 1st quarter	-	2,635	-	-	**2,635**
Business acquisitions – 2nd quarter	-	250	5,282	-	**5,532**
	-	2,885	5,282	-	**8,167**
Balance as at June 30, 2004	84,788	10,160	11,439	2,476	**108,863**

7. SEGMENTED INFORMATION

The Fund operates within the trucking and logistics industry in Canada and the United States in the following four reportable segments: L.T.L. and parcel delivery, T.L., specialized T.L., as well as specialized services. The Fund's revenue in each of these segments was as follows:

(in thousands of dollars)	**Three months ended June 30, 2004**	**Three months ended June 30, 2003**	**Six months ended June 30, 2004**	**Six months ended June 30, 2003**
L.T.L. and parcel delivery	148,067	105,992	276,255	207,266
T.L.	51,689	32,738	92,577	64,982
Specialized T.L.	41,754	35,067	70,697	66,968
Specialized Services	35,368	18,428	63,064	35,526
	276,878	192,225	502,593	374,742

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Fund measures the performance of each segment by relying on revenue by segment and through the use of key operational performance indicators.

The principal assets of the Fund are used in the current operations of the four above-mentioned segments. For this reason, segmented asset information is not presented.

The Fund's revenue by geographic segment are as follows:

(in thousands of dollars)	**Three months Ended June 30, 2004**	**Three months Ended June 30, 2003**	**Six months Ended June 30, 2004**	**Six months Ended June 30, 2003**
Canada	187,893	129,559	342,398	250,488
United States	88,985	62,666	160,195	124,254
	276,878	192,225	502,593	374,742

Revenue allocated to the United States includes transborder revenue between Canada and the United States. Fixed assets and goodwill are mostly located in Canada.

8. RELATED PARTY TRANSACTIONS

Concurrent with the acquisition of CF, the Fund sold one of CF's properties for $20.0 million to Saplin Holdings, a limited partnership related to Jolina Capital Inc. (major shareholder of the Fund). The proceeds of the sale were used by the Fund to reduce debt in connection with the CF acquisition. Saplin Holdings has leased back the property to the Fund for a period of ten years. Based upon third-party valuation, both the sale to Jolina Capital Inc. and the leaseback to the Fund were conducted at fair market value.

The Fund has also paid rent to Jolina Capital Inc. in the amount of approximately $0.8 million in the six month period ended June 30, 2004 as part of the leaseback agreement.

9. LONG TERM INCENTIVE PLAN

As part of the Fund's Long Term Incentive Plan, trust units can be granted to executive officers based upon the Fund's financial performance measured against Distributable Cash targets.

As such, the Fund acquired 97,465 units during the quarter ended June 30, 2004 at an average cost of $10.26 per unit which are being held by a trustee.

As at June 30, 2004, no grants have been made of the trust units acquired and no compensation expense has been recorded or is required for the period ended June 30, 2004.

10. SUBSEQUENT EVENT

On July 19, 2004, the Fund concluded a refinancing transaction with CIT FINANCIAL LTD. for a $34.4 million, five-year term loan secured by certain real property of the Fund. The proceeds of the refinancing were used to reduce the Fund's borrowings under its bank operating facility.

11. COMPARATIVE FIGURES

Certain comparative figures for the three and six month periods ended June 30, 2003 have been reclassified to conform with the financial statement presentation adopted in the current period.

MARKET FACTS

Toronto Stock Exchange Symbol:	TIF.UN
Average Volume per day within the second quarter	64,897
Unit Price for the second quarter	
High	10.87
Low	9.25
Close June 30, 2004	10.79
Distribution per unit, per month	0.0975

ANALYST COVERAGE

Martin Goulet, National Bank Financial

Michael Morden, Scotia Capital

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