

2007 FINANCIAL REVIEW

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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 independent operating subsidiaries.

This MD&A provides a comparison of the Fund's performance for its three- and twelve-month periods ended December 31, 2007 with the three- and twelve-month periods ended December 31, 2006 and it reviews the Fund's financial position as at December 31, 2007. It also includes discussion of the Fund's affairs up to February 27, 2008. This discussion should be read in conjunction with the 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 that, 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 2007 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", "anti-

pate" 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:

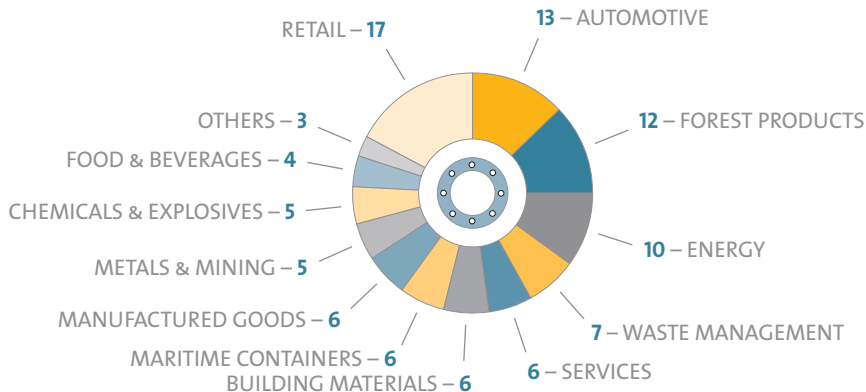
1. The highly competitive conditions that currently exist in the Fund's market and the Fund's ability to compete
2. The Fund's ability to recruit, train and retain qualified drivers
3. Increases in fuel prices, and the Fund's ability to recover these costs from its customers
4. Foreign currency fluctuations
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 unless required to do so by applicable securities laws. Unanticipated events are likely to occur. Readers should also refer to the section **Risks and Uncertainties** at the end of this

MANAGEMENT'S
DISCUSSION
AND ANALYSIS

REVENUE BY SECTOR OF ACTIVITY – 2007

(In percentage)



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 is Canada's pre-eminent transportation, logistics services provider. Its operations extend throughout Canada, and it directly serves more urban centers than any other Canadian transport and logistics services provider.

HUMAN RESOURCES

Including the Fund's recent acquisitions, the Fund has approximately 14,680 employees including 2,200 owner operators and 1,150 employees in the Personnel Services division working all across Canada in its 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.

FACILITIES

The Fund's head office is situated in Montréal, Québec. As at December 31, 2007 the Fund has approximately 251 terminals, with 71 in Ontario, 91 in Alberta and British Columbia, 69 in Québec and 20 in the Atlantic Provinces. The Fund also has 3 terminals in the United States.

CUSTOMERS

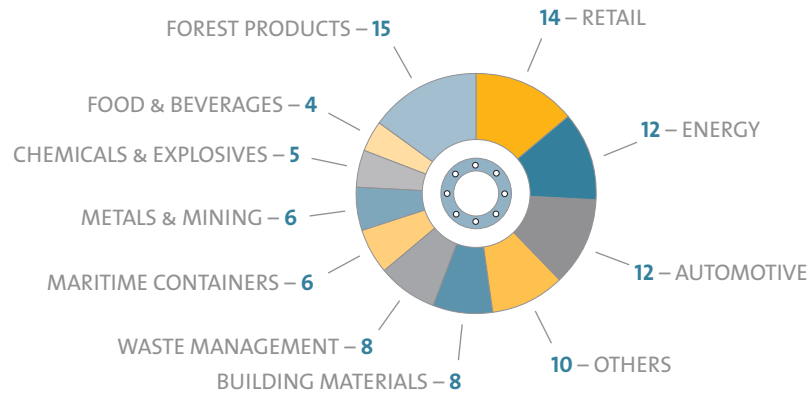
The Fund has a diverse customer base operating across a broad cross-section of industries (see graph above) with no single client accounting for more than 10% of consolidated revenue. Some of the Fund's major customers include Ford, Electrolux, Staples, Happag-Lloyd, EnCana. Because of its customer diversity, 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. In the last several years, the Fund concluded strategic partnerships with other transport companies in North America, in order to extend its service offering to customers across Canada and the United States.

EQUIPMENT

The Fund has the largest trucking fleet in Canada, with approximately 7,490 power units (including 2,200 owner operators) and 12,850 trailers as at December 31, 2007. This includes approximately 1,000 trailers operated by the Fund's Fleet Management division.

REVENUE BY SECTOR OF ACTIVITY – 2006

(In percentage)



SEASONALITY OF OPERATIONS

The activities conducted by the Fund are subject to general demand for freight transportation. Historically, demand has been relatively stable with the first quarter being generally the weakest in terms of demand, both the second and third quarters being stronger and the fourth quarter being the strongest. This is with the exception of the Fund’s Oilfield Services where the first and fourth quarters are the strongest and the second and third quarters are the weakest. The Oilfield Services thus provide a natural counterbalance to the Fund’s transportation cycles. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise.

SERVICES

TransForce provides a comprehensive and unique combination of capabilities, resources and geographical coverage in both domestic and transborder markets. Its companies operate in four well-defined business segments:

- Less-Than-Truckload and Parcel
- Specialized Services, which includes its Waste Management divisions, its Oilfield Services divisions, Logistics and Dedicated Fleet divisions as well as Fleet Management and Personnel Services divisions
- Specialized Truckload
- Truckload

In each of these business segments, the Fund’s independent subsidiaries are recognized for their professional expertise. TransForce offers Parcel Delivery service across Canada and Less-Than-Truckload

service across Canada and into the United States through its exclusive partnerships. Specialized Services includes Waste Management divisions, Oilfield Services divisions as well as Logistics and Dedicated Fleet divisions. Specialized Truckload service includes both the domestic and transborder markets while Truckload service includes mainly transborder services east of the Mississippi.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Fund considers its purchase price allocation, goodwill and intangible asset valuation estimates as being critical and that if changed, could materially affect the Fund’s overall financial condition or results of operations.

APPROVAL OF THE FINANCIAL STATEMENTS

The Fund’s audited financial statements have been approved by its board of trustees upon recommendation of its audit committee prior to release.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President & Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted as of December 31, 2007, by and under the supervision of the

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund's management, including the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that our disclosure controls and procedures, as defined in Canada by **Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings**, are effective to provide reasonable assurance that information required to be disclosed in reports that we file or submit under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Fund's management is responsible for and has designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. The Fund continually reviews and enhances its systems of controls and procedures. However, because of the inherent limitations in all control systems, internal control over financial reporting will not prevent or detect all misstatements due to error or fraud.

CHANGES IN THE DESIGN OF INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the design of internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

TAX ON INCOME TRUSTS

On October 31, 2006, the Finance Minister of Canada announced its Tax Fairness Plan. The proposed Plan includes a Distribution Tax on certain amounts distributed by "specified investment flow-through" ("SIFT") trust or SIFT partnership. This proposed new tax would apply as of 2007 to new entities, but is deferred until 2011 for SIFTs that were publicly traded as of October 31, 2006.

Under Canadian GAAP, income taxes are required to be accounted for using legislation which is enacted or at least "substantively enacted". As at June 30, 2007, the Finance Minister of Canada's proposed Plan met the definition of "substantively enacted" legislation.

As such, the income tax impact of the proposed Plan was recognized in the Fund's financial statements in Q2 07 which resulted in a future income tax expense of \$1.4 million.

CHANGES IN ACCOUNTING POLICIES

Adopted in 2007

On January 1, 2007, the Fund adopted CICA Handbook Sections 1530, **Comprehensive Income**, Section 3251, **Equity**, Section 3855, **Financial Instruments – Recognition and Measurement** and, Section 3861, **Financial Instruments – Disclosure and Presentation** and Section 3865, **Hedges**.

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles Section 3251.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and, therefore, the comparative figures have not been restated. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value, except for loans

and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is de-recognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Fund designated its accounts receivable as loans and receivables, which are measured at amortized cost. The Fund's bank indebtedness, accounts payable and accrued liabilities, and, long-term debt and capital lease obligations are classified as other financial liabilities, which are measured at amortized cost. The Fund's deferred financing charges have been netted against the related indebtedness and are amortized using the effective interest rate method.

Any derivative instruments, including embedded derivatives, are to be recorded in the statement of income at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income. The Fund has elected to apply this accounting treatment for all embedded derivatives in host contracts entered into on or after January 1, 2003.

The Fund enters into foreign exchange forward contracts, average rate forward exchange contracts and foreign exchange collars for the sale of U.S. dollars in exchange for Canadian dollars. In the prior year, the Fund has also entered into heating oil futures. Both of these derivative instruments are marked-to-market and any gain or loss in fair value is recognized immediately in the statement of income.

Adopted in 2008

The CICA has issued CICA Handbook Section 3862, **Financial Instruments – Disclosures** (“HB-3862”) and Section 3863, **Financial Instruments – Presentation** (“HB-3863”). These new standards establish standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments and for presentation of financial instruments and non-financial derivatives. These new standards supersede Handbook Section 3861. This new standard relates to disclosure only and will not impact the financial results of the Fund.

Both sections are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Fund will adopt these standards on January 1, 2008.

The CICA has issued CICA Handbook Section 1535, **Capital Disclosures** (“HB-1535”). This standard requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. This Section is applicable to interim and annual financial statements relating to fiscal years on or after October 1, 2007. This new standard relates to disclosure only and will not impact the financial results of the Fund.

The Fund will adopt this standard on January 1, 2008.

In June 2007, the CICA issued Section 3031, **Inventories**, which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards (“IFRS”). This Section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. This Section applies to interim and annual financial statements beginning on or after January 1, 2008. The Fund has not yet determined what impact adopting this standard will have on its consolidated financial statements.

MANAGEMENT'S
DISCUSSION
AND ANALYSIS

Consolidated Highlights
FINANCIAL RESULTS

(unaudited) (in thousands of dollars, except per unit amounts)	Three months ended December 31, 2007		Three months ended December 31, 2006	
Revenue	493,528	100.0%	456,824	100.0%
Earnings before interest, income taxes, depreciation and amortization from continuing operations (EBITDA) ¹	61,119	12.4%	65,802	14.4%
Depreciation and amortization expense	27,349	5.5%	22,899	5.0%
Interest expense	11,053	2.2%	6,066	1.3%
Goodwill impairment	56,000	11.3%	-	-
Gain on disposal of fixed assets	(3,065)	(0.6%)	(553)	(0.1%)
Income (loss) from continuing operations before income taxes	(30,218)	(6.0%)	37,390	8.2%
Income taxes	639	0.1%	(222)	-
Net income (loss) from continuing operations	(30,857)	(6.1%)	37,612	8.2%
Income from discontinued operations (net of income taxes)	-	-	17,441	3.8%
Net income (loss)	(30,857)	(6.1%)	55,053	12.0%
Earnings (loss) per unit (continuing operations)				
Basic	(0.36)		0.44	
Diluted	(0.36)		0.44	
Earnings (loss) per unit (net earnings)				
Basic	(0.36)		0.64	
Diluted	(0.36)		0.64	
EBITDA / Revenue ratio	12.4%		14.4%	

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

(in thousands of dollars, except per unit amounts)	Twelve months ended December 31, 2007		Twelve months ended December 31, 2006	
Revenue	1,940,149	100.0%	1,794,847	100.0%
Earnings before interest, income taxes, depreciation and amortization from continuing operations (EBITDA) ¹	243,005	12.5%	241,669	13.5%
Depreciation and amortization expense	107,668	5.5%	90,104	5.0%
Interest expense	36,245	1.9%	23,663	1.3%
Goodwill impairment	56,000	2.9%	-	-
Gain on disposal of fixed assets	(5,293)	(0.3%)	(5,186)	(0.3%)
Income from continuing operations before income taxes	48,385	2.5%	133,088	7.5%
Income taxes	3,575	0.2%	1,394	0.1%
Net income from continuing operations	44,810	2.3%	131,694	7.4%
Income from discontinued operations (net of income taxes)	-	-	19,317	1.1%
Net income	44,810	2.3%	151,011	8.5%
Earnings per unit (continuing operations)				
Basic	0.52		1.55	
Diluted	0.52		1.55	
Earnings per unit (net earnings)				
Basic	0.52		1.78	
Diluted	0.52		1.78	
EBITDA / Revenue ratio	12.5%		13.5%	

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

Consolidated Financial Results

THREE MONTHS ENDED DECEMBER 31, 2007

The financial highlights for the fourth quarter of 2007 are as follows:

- Increased revenues 8.0% to \$493.5 million
- EBITDA¹ decreased to \$61.1 million from \$65.8 million
- Goodwill impairment of \$56.0 million related to Oilfield Services

For purposes of the Q4 2007 section of the MD&A, significant acquisitions will be defined as acquisitions concluded in or after Q4 2006 and in 2007 and will include Westfreight and ICS. The results of the hazardous waste operating division sold in Q4 2006 have been reported as discontinued operations.

The increase in revenue year-over-year for the fourth quarter of 2007 is due to significant acquisitions. These acquisitions account for \$28.3 million additional revenue over Q4 2006.

The Fund's EBITDA¹ decreased to \$61.1 in Q4 2007 compared to \$65.8 million in Q4 2006. Significant acquisitions contributed \$2.3 million of EBITDA in Q4 2007.

The Fund performed its goodwill impairment test at December 31, 2007. The results determined that the carrying amount of the Fund's Oilfield Services reporting unit's assets exceeded its fair value. The conditions which contributed to the impairment of goodwill are:

- commodity price weakness of natural gas negatively impacting expectations of industry activity levels,
- upward cost pressures experienced by the industry adversely impacting operating margins,
- downward pricing pressures experienced by the industry as a result of lower activity levels adversely impacting operating margins,
- the mid-September 2007 Alberta Royalty Review report and subsequent late October 2007 Alberta provincial government announced increases to Alberta royalty rates paid by producers that will reduce producers' return on Alberta related investments, adversely impacting expectations of industry activity levels and;
- recent changes to tax laws and rates for trusts commencing in 2011 reducing after tax cash flows of the Fund.

Accordingly, a goodwill impairment loss of \$56.0 million was recognized in the Fund's Oilfield Services reporting unit.

Segmented Results

REVENUE BY SEGMENT

(unaudited) (in thousands of dollars)	Three months ended December 31, 2007		Three months ended December 31, 2006		Variance	
Revenue						
Less-Than-Truckload & Parcel delivery	194,380	39%	174,029	38%	20,351	12%
Specialized Services	135,528	27%	108,068	24%	27,460	25%
Specialized Truckload	71,343	14%	72,402	16%	(1,059)	(1%)
Truckload	92,277	19%	102,325	22%	(10,048)	(10%)
Total	493,528	100%	456,824	100%	36,704	8%

LESS-THAN-TRUCKLOAD & PARCEL DELIVERY

Revenue from LTL and Parcel activities remained the greatest component of the Fund's revenue, at 39% of total revenue. This segment's revenue for Q4 2007 totaled \$194.4 million, compared to \$174.0 million for Q4 2006. This increase is mostly due to significant acquisitions. The ICS acquisition contributed \$15.1 million in Q4 07.

Excluding the impact of inter-divisional eliminations, Q4 07 LTL revenue dropped 2.8% from Q4 06. This was primarily driven by a decrease in tonnage per day of 5.8%. Revenue per hundredweight increased 2.2% over Q4 06.

Excluding ICS, Q4 07 Parcel revenue increased 10.8% from Q4 06. This was driven by an increase in the package volume per day of 11.6% offset by a decrease in the revenue per package of 0.7%.

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

MANAGEMENT'S
DISCUSSION
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SPECIALIZED SERVICES

Revenue from the Specialized Services division rose to \$135.5 million for Q4 2007 from \$108.1 million in for Q4 2006. Significant acquisitions account for \$13.2 million of the increase. Other, small acquisitions concluded in 2007 as well as organic growth account for the remaining difference.

SPECIALIZED TRUCKLOAD

Revenue for Specialized Truckload decreased to \$71.3 million for Q4 2007 from \$72.4 million for Q4 2006.

TRUCKLOAD

This segment's revenue for Q4 2007 totaled \$92.2 million, compared to \$102.3 million for Q4 2006. This decrease reflects the current softness in the Fund's eastern-based trans-border business.

Consolidated Expenses

OPERATING EXPENSES

(in thousands of dollars)	Three months ended December 31, 2007	Three months ended December 31, 2006	Variance	
Operating expenses	354,206	319,844	34,362	11%
Percentage of revenue	72%	70%		

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 fourth quarter of 2007 were \$354.2 million, compared to \$319.8 million in Q4 2006. Significant acquisitions added \$19.7 million. The Fund's operating expenses as a percentage of revenue increased 2 percentage points versus the quarter from a year earlier.

FIXED COSTS AND GENERAL AND ADMINISTRATIVE EXPENSES

(in thousands of dollars)	Three months ended December 31, 2007	Three months ended December 31, 2006	Variance	
Fixed costs and general and administrative expenses	76,937	67,093	9,844	15%
Percentage of revenue	16%	15%		

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 fourth quarter of 2007 totaled \$76.9 million, increasing by \$9.8 million over Q4 2006. Significant acquisitions added \$6.3 million to the Fund's expenses in Q4 2007.

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, long term incentive plan expense, depreciation and amortization less the gain or plus the loss 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.

(unaudited) (in thousands of dollars)	Three months ended December 31, 2007	Three months ended December 31, 2006
Operating expenses	354,206	319,844
Fixed costs, general and administrative expenses	76,937	67,093
Incentive plan expense	1,266	4,085
Depreciation and amortization	27,349	22,899
Gain on disposal of fixed assets	(3,065)	(553)
	456,693	413,368
Revenue	493,528	456,824
Operating ratio	92.5%	90.5%

For the fourth quarter of 2007, the operating ratio stood at 92.5% versus the 90.5% in Q4 2006.

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 December 31, 2007	Three months ended December 31, 2006
Income (loss) from continuing operations	(30,857)	37,612
Depreciation and amortization	27,349	22,899
Interest on long-term debt	11,053	5,446
Other interest	-	620
Goodwill impairment	56,000	-
Gain on disposal of fixed assets	(3,065)	(553)
Income taxes	639	(222)
EBITDA	61,119	65,802

EBITDA amounted to \$61.1 million or 12.4% of revenue for Q4 2007, compared to \$65.8 million or 14.4% of revenue in Q4 2006.

DEPRECIATION AND AMORTIZATION

Depreciation of fixed assets rose to \$24.5 million in Q4 2007 from \$22.2 million in Q4 2006. The increase is mainly attributable to acquisitions. The Fund also amortized \$2.8 million of intangible assets in Q4 2007 versus \$0.7 million in 2006.

INTEREST EXPENSE

Interest expense increased to \$11.1 million in Q4 2007 from \$6.1 million in Q4 2006. This increase is primarily due to the financing of significant acquisitions and capital expenditures.

INCOME TAXES

The income tax expense increased to \$0.6 million in Q4 2007 from a recovery of \$0.2 million in Q4 2006. The Fund recorded the benefit of lower statutory tax rates in Q4 06.

INCOME FROM CONTINUING OPERATIONS

The Fund's loss from continuing operations for Q4 2007 totaled \$30.9 million including a goodwill impairment charge of \$56.0 million.

Excluding the goodwill impairment charge, the Fund's income from continuing operations for Q4 2007 decreased by 33% to \$25.1 million, compared to \$37.6 million in

Q4 2006. This is primarily due to increases in depreciation and amortization as well as interest expense over Q4 2006. Excluding the goodwill impairment charge, the Fund's earnings per unit from continuing operations for Q4 2007 is \$0.29 compared to \$0.44 in Q4 2006.

Consolidated Financial Results TWELVE MONTHS ENDED DECEMBER 31, 2007

For purposes of the twelve-month period ended December 31, 2007 section of the MD&A, significant acquisitions will be defined as acquisitions concluded in or after Q1 2006 and in 2007 and will include Kos, Hemphill, Streeper, Byers, Westfreight and ICS. The results of the hazardous waste operating division sold in Q4 2006 have been reported as discontinued operations.

The increase in revenue year-over-year for the twelve-month period ended December 31, 2007 is primarily due to significant acquisitions. These acquisitions account for \$124.1 million additional revenue over 2006.

The Fund's EBITDA¹ rose 1%, from \$241.7 million in the twelve-month period ended December 31, 2006 to \$243.0 million in the twelve-month period ended December 31, 2007. This increase is attributable to significant acquisitions. These acquisitions account for \$12.9 million of the increase over 2006.

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

MANAGEMENT'S
DISCUSSION
AND ANALYSISSegmented Results
REVENUE BY SEGMENT

(unaudited) (in thousands of dollars)	Twelve months ended December 31, 2007		Twelve months ended December 31, 2006		Variance	
Revenue						
Less-Than-Truckload & Parcel delivery	732,722	38%	669,575	37%	63,147	9%
Specialized Services	519,085	27%	408,935	23%	110,150	27%
Specialized Truckload	315,852	16%	307,789	17%	8,063	3%
Truckload	372,490	19%	408,548	23%	(36,058)	(9%)
Total	1,940,149	100%	1,794,847	100%	145,302	8%

LESS-THAN-TRUCKLOAD & PARCEL DELIVERY

Revenue from LTL and Parcel activities remained the greatest component of the Fund's revenue, at 38% of total revenue. This segment's revenue for the twelve-month period ended December 31, 2007 totaled \$732.7 million, compared to \$669.6 million for 2006. This increase is due to significant acquisitions. The Byers acquisition contributed \$55.9 million and ICS contributed \$15.1 million in the twelve-month period ended December 31, 2007.

Excluding the impact of the Byers acquisition and inter-divisional eliminations, LTL revenue in the first twelve months of 2007 dropped 3.6% versus 2006. This was primarily driven by a decrease in tonnage per day of 7.2%. Revenue per hundredweight increased 4.0% versus the same period in 2006.

Excluding ICS, Parcel revenue in the first twelve months of 2007 increased 6.5% versus 2006. This was primarily driven by an increase in package volume per day of 5.1% and an increase in the revenue per package of 1.3%.

Consolidated Expenses
OPERATING EXPENSES

(in thousands of dollars)	Twelve months ended December 31, 2007		Twelve months ended December 31, 2006		Variance	
Operating expenses	1,388,508		1,277,084		111,424	9%
Percentage of revenue	72%		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.

SPECIALIZED SERVICES

Revenue from the Specialized Services division rose to \$519.1 million for the twelve-month period ended December 31, 2007 from \$408.9 million in 2006. Significant acquisitions account for \$47.7 million of the increase. Other, small acquisitions concluded in 2007 as well as organic growth account for the remaining difference.

SPECIALIZED TRUCKLOAD

Revenue for Specialized Truckload increased to \$315.9 million for the twelve-month period ended December 31, 2007 from \$307.8 million in 2006. Multiple, small acquisitions concluded in 2007 account for the increase.

TRUCKLOAD

This segment's revenue for the twelve-month period ended December 31, 2007 totaled \$372.5 million, compared to \$408.5 million in 2006. This decrease reflects the current softness in the Fund's eastern-based trans-border business.

The operating expenses for the twelve-month period ended December 31, 2007 were \$1.39 billion, compared to \$1.28 billion in 2006. Significant acquisitions added \$89.8 million. The Fund's operating expenses as a percentage of revenue increased one percentage point versus the same period a year earlier.

FIXED COSTS AND GENERAL AND ADMINISTRATIVE EXPENSES

(in thousands of dollars)	Twelve months ended December 31, 2007	Twelve months ended December 31, 2006	Variance	
Fixed costs and general and administrative expenses	301,382	268,724	32,658	12%
Percentage of revenue	16%	15%		

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 twelve-month period ended December 31, 2007 totaled \$301.4 million, increasing by \$32.7 million over 2006. Significant acquisitions added \$21.4 million to the Fund's expenses in the twelve-month period ended December 31, 2007.

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, long term incentive plan expense, depreciation and amortization less the gain or plus the loss 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.

(unaudited) (in thousands of dollars)	Twelve months ended December 31, 2007	Twelve months ended December 31, 2006
Operating expenses	1,388,508	1,277,084
Fixed costs, general and administrative expenses	301,382	268,724
Incentive plan expense	7,254	7,370
Depreciation and amortization	107,668	90,104
Gain on disposal of fixed assets	(5,293)	(5,186)
	1,799,519	1,638,096
Revenue	1,940,149	1,794,847
Operating ratio	92.8%	91.3%

For the twelve-month period ended December 31, 2007, the operating ratio stood at 92.8% versus the 91.3% in 2006.

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)	Twelve months ended December 31, 2007	Twelve months ended December 31, 2006
Income from continuing operations	44,810	131,694
Depreciation and amortization	107,668	90,104
Interest on long-term debt	36,245	17,867
Other interest	-	5,796
Goodwill impairment	56,000	-
Gain on disposal of fixed assets	(5,293)	(5,186)
Income taxes	3,575	1,394
EBITDA	243,005	241,669

MANAGEMENT'S DISCUSSION AND ANALYSIS

EBITDA amounted to \$243.0 million or 12.5% of revenue for the twelve-month period ended December 31, 2007, compared to \$241.7 million or 13.5% of revenue in 2006.

DEPRECIATION AND AMORTIZATION

Depreciation of fixed assets rose to \$96.6 million in the twelve-month period ended December 31, 2007 from \$82.9 million in 2006. The increase is mainly attributable to acquisitions. The Fund also amortized \$11.1 million of intangible assets in the twelve-month period ended December 31, 2007 versus \$7.2 million in 2006.

INTEREST EXPENSE

Interest expense increased to \$36.2 million in the twelve-month period ended December 31, 2007 from \$23.7 million in 2006. This increase is primarily due to the financing of acquisitions and capital expenditures.

INCOME TAXES

The income tax expense increased to \$3.6 million in the twelve-month period ended December 31, 2007 versus \$1.4 million in 2006. This is primarily due to the recording of \$1.4 million in future income tax expense related to the change in tax status of the trust in Q2 07 as well as the Fund recording the benefit of lower statutory tax rates in Q4 06.

INCOME FROM CONTINUING OPERATIONS

The Fund's income from continuing operations for the twelve-month period ended December 31, 2007 totaled \$44.8 million including a goodwill impairment charge of \$56.0 million.

Excluding the goodwill impairment charge, the Fund's income from continuing operations for the twelve-month period ended December 31, 2007 decreased by 23% to

\$100.8 million, compared to \$131.7 million in 2006. This is primarily due to increases in depreciation and amortization as well as interest expense over 2006. Excluding the goodwill impairment charge, the Fund's earnings per unit from continuing operations for the twelve-month period ended December 31, 2007 is \$1.17 compared to \$1.55 in 2006.

Liquidity and Capital Resources

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities before the net change in non-cash balances decreased 9% from Q4 2006. It amounted to \$51.1 million for Q4 2007, compared to \$55.9 million in Q4 2006. For the twelve-month period ended December 31, 2006, cash flow from operating activities before the net change in non-cash balances decreased 4% to \$199.2 million from \$208.2 million in 2006.

DEBT AS AT DECEMBER 31, 2007

As at December 31, 2007, the Fund's long-term debt of \$686.6 million (including the short term portion) is composed of \$160.0 million 7-year term loan, \$384.1 million 4-year revolving facility, \$42.7 million in capital leases, \$69.5 million in conditional sales contracts and other debt and \$30.3 million for the CIT real estate related term loan.

During Q4 07, the Fund renegotiated its syndicated bank agreement. As a result, the Fund increased its authorized borrowing limit on its 4-year revolving term loan to \$515 million. The borrowing limit on the Fund's 7-year term loan remains unchanged at \$160 million. The Fund also had approximately \$8.7 million in letters of credit outstanding against the 4-year revolving facility. As such, approximately \$122.2 million was available to be drawn under this facility at December 31, 2007.

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.

(in thousands of dollars, except per unit amounts) Periods ended December 31	Three months 2007	Three months 2006	Twelve months 2007	Twelve months 2006
Operating Activities				
Cash flow from operating activities	74,317	71,921	210,410	198,925
Add (deduct):				
Purchase of units held by the fund for long-term incentive plan	1,019	4,863	9,017	13,417
Net change in non-cash working capital	(23,249)	(16,014)	(11,212)	9,250
Deferred financing charges	(261)	-	(737)	-
Other	(2,017)	(68)	(2,292)	(403)
Distributable cash from operating activities	49,809	60,702	205,186	221,189
Investing Activities				
Sustaining capital expenditures (note 1)	(26,096)	(22,823)	(76,061)	(74,807)
Proceeds from disposal of investment	-	29,491	-	29,491
Proceeds from disposal of fixed assets	7,706	5,039	22,815	25,404
Distributable cash from investing activities	(18,390)	11,707	(53,246)	(19,912)
Financing Activities				
Long-term incentive plan disbursement	(8,531)	(7,734)	(8,531)	(7,734)
Scheduled debt repayment (note 2)	(2,670)	(1,937)	(9,448)	(15,191)
Distributable cash from financing activities	(11,201)	(9,671)	(17,979)	(22,925)
Total distributable cash	20,218	62,738	133,961	178,352
Regular distribution declared (note 3)				
Distribution declared to Tracking shareholders	3,358	3,221	13,339	12,733
Distribution declared to Unitholders	29,026	27,790	115,378	107,976
Special distribution declared				
Distribution declared to Tracking shareholders	-	1,861	-	1,861
Distribution declared to Unitholders	-	14,877	-	14,877
Total distribution declared				
Distribution declared to Tracking shareholders	3,358	5,082	13,339	14,594
Distribution declared to Unitholders	29,026	42,667	115,378	122,853
Total distribution declared	32,384	47,749	128,717	137,447
Distributable cash surplus	(12,166)	14,989	5,244	40,905
Regular distribution declared per unit				
Distribution declared to Tracking shareholders	0.2439	0.2340	0.9690	0.9246
Distribution declared to Unitholders	0.3975	0.3825	1.5800	1.5125
Special distribution declared per unit				
Distribution declared to Tracking shareholders	-	0.1352	-	0.1352
Distribution declared to Unitholders	-	0.2069	-	0.2069
Total distribution declared per unit				
Distribution declared to Tracking shareholders	0.2439	0.3692	0.9690	1.0598
Distribution declared to Unitholders	0.3975	0.5894	1.5800	1.7194
Distributable cash earned per unit				
Tracking shareholders	0.1692	0.4992	1.0790	1.4310
Unitholders	0.2549	0.7622	1.6287	2.1851
Payout ratio – Regular distribution				
	155.9%	90.3%	97.0%	81.9%
Payout ratio – Total distribution				
	155.9%	77.3%	97.0%	78.7%

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Sustaining CAPEX

The Fund considers all of its CAPEX sustaining except for the following:

The Fund will relocate this Calgary terminal to a new facility. As part of this relocation, the Fund has invested \$4.8 million and \$15.8 million for the three and twelve-month periods ended December 31, 2007 respectively (\$8.6 million – 2006). This investment has been excluded from distributable cash. Also the Fund invested \$3.4 million and \$43.2 million for the three and twelve-month periods ended December 31, 2007 respectively as part of a lease buyout for five terminals. (\$32.0 million – 2006). This investment has also been excluded from distributable cash.

2. Scheduled debt repayment excludes:

1) Debt payments made on debt acquired as part of business acquisitions. This totals \$10.1 million for the three-month period ended December 31, 2007 and \$ 43.4 million for the twelve-month period ended December 31, 2007 (\$89.9 million – 2006).

2) Term loan due September 30, 2013 of \$160 million, the revolving term loan due September 30, 2010 of \$384.1 million and single payment due on July 15, 2009 of \$27.9 million to CIT Financial Ltd for its 5-year term loan.

The total scheduled debt payable as at December 31, 2007 totals \$37.5 million (\$28.0 million – 2006).

3. Tracking shareholders distribution

Dividends declared to Tracking shareholders net of income tax excludes a holdback portion which is due and payable to Tracking shareholders no later than March 31 of the following fiscal year in which the distribution was declared.

The Fund's policy is to make regular, 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 per unit starting in October 2002 to April 2004 of \$0.095, from May 2004 to September 2004 of \$0.0975, from October 2004 to November 2004 of \$0.10, from December 2004 to March 2005 of \$0.1025, from April 2005 to June 2005 of \$0.10625, from July 2005 to December 2005 of \$0.11, \$0.1175 for January 2006, from February 2006 to April 2006 of \$0.125, from May 2006 to February 2007 of \$0.1275 and of \$0.1325 for March 2007 to December 2007. The Fund has consistently maintained a conservative payout ratio in order to allow it to better face any economic slowdown should one occur. The Fund makes use of the excess distributable cash by using it in its business acquisition strategy.

During the fourth quarter of 2007, the Fund declared total distributions to Unitholders and Tracking shareholders of \$32.6 million. A total of \$29.0 million was declared to the Unitholders, while the economic equivalent of \$3.6 million was declared as dividends to holders of Tracking Share Units.

INVESTING ACTIVITIES

Capital expenditures for the fourth quarter of 2007 amounted to \$34.3 million and includes \$19.7 million for rolling stock, \$9.5 million for land and buildings and \$5.1 million for technology and facility improvements.

The Fund used \$97.7 million for business acquisitions in Q4 2007. The proceeds from the disposal of fixed assets generated \$7.7 million in Q4 2007; \$3.5 million of rolling stock and \$4.2 million of other assets.

The Fund's investing activities therefore used total cash flow of \$122.0 million in Q4 2007 compared to \$53.3 million in Q4 2006.

Financial Position

HIGHLIGHTS

(in thousands of dollars)	December 31, 2007	December 31, 2006	% change
Total assets	1,442,541	1,215,719	18.7%
Total long-term debt (including the current portion of long-term debt)	686,639	394,382	74.1%
Unitholders' equity	492,507	579,250	15.0%
Long-term debt to equity ratio	139.42%	68.08%	
Long-term debt to total capitalization	58.23%	40.51%	

The Fund's long-term debt to equity and long-term debt to capitalization ratios have increased and reflect the capital expenditures and business acquisitions concluded in the twelve-month period ended December 31, 2007.

INCENTIVE PLAN

During Q4 2007, 99,999 trust units (339,670 in Q4 2006) were purchased on the open market to be granted in Q4 2007 for the January 1, 2007 to December 31, 2007

reference period. The average cost per unit of the trust units purchased was \$10.19 (\$14.31 in Q4 2006) for a total cost of \$1.0 million (\$4.9 million in Q4 2006).

During the twelve-month period of 2007, 699,418 trust units (839,670 in 2006) were purchased on the open market. Of these, 435,418 are to be granted in Q4 2007 for the January 1, 2007 to December 31, 2007 reference period. The remaining 264,000 are to be granted in 2008. The average cost per unit of the trust units purchased was \$12.89 (\$15.98 in 2006) for a total cost of \$9.0 million (\$13.4 million in 2006).

During 2007, 584,234 units were granted to employees (912,868 in 2006).

During 2007, 676,648 units (including 120,863 additional units received as distributions prior to vesting) vested with plan participants (573,483 in 2006). The Fund recorded a compensation expense of \$1.3 million in Q4 2007 (\$4.1 million in Q4 2006) and \$7.3 million for the twelve-month

period ended December 31, 2007 (\$7.4 million in 2006) related to vested trust units granted in 2007 and prior years.

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 decreased by \$85.8 million in the twelve-month period ended December 31, 2007 compared to December 31, 2006 as stated in the consolidated balance sheet. The net income for the twelve-month period ended December 31, 2007 is \$44.8 million, the declared distributions including dividends on Tracking Share Units were \$129.8 million and the deficit related to the Fund's units held for granting purposes totaled \$0.8 million.

OUTSTANDING UNIT DATA

On December 31, 2007 a total of 86,790,097 trust units combined with Tracking Share Units were outstanding, compared to 86,790,097 as at December 31, 2006. The following table provides the split:

(in thousands of dollars)	Number	Amount
Trust Units of the Fund:		
Balance as at December 31, 2006	73,023,781	499,339
Conversion of Tracking Share Units of TFI Holdings Inc. into Trust Units	600	1
Balance as at December 31, 2007	73,024,381	499,340
Tracking Shares of TFI Holdings Inc.:		
Balance as at December 31, 2006	13,766,316	20,065
Conversion of Tracking Share Units into Trust Units of the Fund	(600)	(1)
Balance as at December 31, 2007	13,765,716	20,064
Balance as at December 31, 2007	86,790,097	519,404

CONTRACTUAL OBLIGATIONS

(in thousands of dollars)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Bank 4-year revolving facility	384,100	-	384,100	-	-
Bank 7-year facility	160,000	-	-	-	160,000
Capital lease obligations	42,722	19,784	21,692	1,246	-
Other long-term obligations	99,817	15,219	66,314	11,063	7,221
Total contractual obligations	686,639	35,003	472,106	12,309	167,221

MANAGEMENT'S
DISCUSSION
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COMMITMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

(in thousands of dollars)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating leases – rolling stock	73,535	34,053	34,661	3,675	1,146
Operating leases – real estate & others	107,673	20,516	28,848	18,430	39,879
Total off-balance sheet obligations	181,208	54,569	63,509	22,105	41,025

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 the Fund believes the

ultimate recovery or liability if any resulting from such litigation individually or in total would not materially adversely affect the Fund's 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)	Q4 07	Q3 07	Q2 07	Q1 07	Q4 06	Q3 06	Q2 06	Q1 06
Revenue	493.5	486.2	495.7	464.8	456.8	448.7	455.6	433.8
EBITDA ¹	61.1	65.1	64.1	52.7	65.8	65.2	61.6	49.1
Net income (loss)	(30.9)	28.5	26.3	20.9	55.1	38.9	34.9	22.1
Earnings (loss) per unit								
Basic	(0.36)	0.33	0.31	0.24	0.64	0.45	0.41	0.27
Diluted	(0.36)	0.33	0.31	0.24	0.64	0.45	0.40	0.27

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

RELATED PARTY TRANSACTIONS

On January 31, 2007 the Fund acquired a property from Saplin Holdings for an amount of \$26 million. This amount was determined by an appraisal conducted by an independent third party. The transaction was also reviewed and approved by the Fund's corporate governance committee. The property will be used in the operations of the Fund.

it would be required to pay to cancel unfavorable contracts at the balance sheet date. As at December 31, 2007, the fair market value of the foreign exchange contracts approximated (\$58,000). (December 2006 – \$228,000).

FINANCIAL INSTRUMENTS

The Fund has entered into foreign exchange forward contracts, average rate forward exchange contracts and foreign exchange collars for the sale of U.S. dollars in exchange for Canadian dollars that expire on various dates through December 2008. As at December 31, 2007, the notional amount of these contracts was US\$28,000,000 (December 2006 – US\$28,800,000), and the average exchange rate of the contracts was C\$0.9976 (December 2006 – C\$1.1597).

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 affect the Fund's performance. However, the Fund serves an extensive customer base, covers a broad geographic area and participates in four distinct transport sectors. These factors may 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.

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

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. The Fund is generally able to recover the majority of added fuel costs through surcharges to its customers. The cost of fuel ranges from 5% to 29% depending on the operating segment's total revenue.

CURRENCY FLUCTUATIONS

In the normal course of business the Fund is subject to fluctuations in the value of the U.S. 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 annual net U.S. denominated cash flow at approximately \$126.0 million dollars at December 31, 2007. A change of 1 cent in the exchange rate would impact the Fund's earnings before taxes by approximately \$1,260,000 on an annual basis.

INTEREST RATES FLUCTUATIONS

The Fund is subject to fluctuations in interest rates. The Fund had \$565.3 million of long-term debt at variable rates as at December 31, 2007. A 1% change in interest rates would impact the Fund's earnings before taxes by approximately \$5,653,000.

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 December 31, 2007 no client accounted for more than 10% of total accounts receivable.

LOAN DEFAULT

The Fund's current credit facilities and financing agreement impose certain covenant 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 TFI 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 December 31, 2007, 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 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.

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.

MANAGEMENT'S RESPONSIBILITY

The consolidated financial statements of TransForce Income Fund and all information in this annual report are the responsibility of management and have been approved by the Board of Trustees.

The financial statements have been prepared by management in conformity with generally accepted accounting principles in Canada. They include some amounts that are based on management's best estimates and judgement. Financial information included elsewhere in the annual report is consistent with that in the financial statements.

The management of TransForce Income Fund has developed and maintains an internal accounting system and administrative controls in order to provide reasonable assurance that the financial transactions are properly recorded and carried out with the necessary approval, and that the consolidated financial

statements are properly prepared and the assets properly safeguarded.

The Board of Trustees carries out its responsibility for the financial statements in this annual report principally through its Audit Committee. The Audit Committee reviews the Fund's annual consolidated financial statements and recommends their approval by the Board of Trustees.

These financial statements have been audited by the external auditors, KPMG LLP, Chartered Accountants, whose report follows.



Alain Bédard, CA, CMA
Chairman of the Board,
President and Chief Executive Officer
February 8, 2008

AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the consolidated balance sheets of TransForce Income Fund (the "Fund") as at December 31, 2007 and 2006 and the consolidated statements of income, comprehensive income and retained earnings (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also

includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Montréal, Canada
February 8, 2008

CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2006 (In thousands of dollars)	2007	2006
Assets		
Current assets:		
Accounts receivable (note 7 (b))	\$ 288,126	\$ 270,683
Inventories	9,970	9,623
Prepaid expenses	11,872	14,998
	309,968	295,304
Fixed assets (note 4)	649,348	533,054
Intangible assets (note 5)	68,619	52,642
Goodwill (note 6)	399,828	320,716
Other assets	6,238	8,688
Future income taxes (note 11)	8,540	5,315
	\$ 1,442,541	\$ 1,215,719
Liabilities and Unitholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 9,081	\$ 20,223
Accounts payable and accrued liabilities	204,907	177,846
Cash distributions payable to unitholders	9,675	9,310
Dividends payable on Tracking Share Units of TFI Holdings Inc.	2,191	2,134
Income taxes payable	5,721	4,765
Current portion of long-term debt (note 7)	35,003	35,758
	266,578	250,036
Long-term debt (note 7)	651,636	358,624
Asset retirement obligations (note 8)	5,521	3,660
Future income taxes (note 11)	23,737	22,147
Non-controlling interest	2,562	2,002
Unitholders' equity:		
Capital contributions and Tracking Share Units (note 9)	519,404	519,404
Contributed surplus	-	336
Units held by the Fund for long-term incentive plan	(11,751)	(11,136)
(Deficit) retained earnings	(15,146)	70,646
	492,507	579,250
Commitments, contingencies and guarantees (note 14)		
Subsequent event (note 18)		
	\$ 1,442,541	\$ 1,215,719

See accompanying notes to consolidated financial statements.

On behalf of the Trustees:



Trustee



Trustee

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME AND RETAINED EARNINGS (DEFICIT)

Years ended December 31, 2007 and 2006 (In thousands of dollars, except per unit amounts)		
	2007	2006
Revenue	\$ 1,767,101	\$ 1,627,483
Fuel surcharge revenue	173,048	167,364
	1,940,149	1,794,847
Expenses:		
Operating expenses	1,388,508	1,277,084
Fixed costs, general and administrative expenses	301,382	268,724
Incentive plan (note 9 (c))	7,254	7,370
Operating income from continuing operations before the following	243,005	241,669
Depreciation of fixed assets	96,593	82,884
Amortization of intangible assets	11,075	7,220
Interest on long-term debt	36,245	17,867
Other interest	-	5,796
Gain on disposal of fixed assets	(5,293)	(5,186)
Goodwill impairment (note 6)	56,000	-
Income from continuing operations before provision for income taxes	48,385	133,088
Provision for income taxes (note 11):		
Current	8,828	8,796
Future	(5,253)	(7,402)
	3,575	1,394
Income from continuing operations	44,810	131,694
Earnings from discontinued operations (note 17)	-	19,317
Net income and comprehensive income	44,810	151,011
Retained earnings, beginning of year	70,646	57,963
Distributions to unitholders	(115,378)	(122,853)
Dividends on Tracking Share Units of TFI Holdings Inc.	(14,412)	(15,475)
Incentive plan compensation (note 2 (h))	(812)	-
(Deficit) retained earnings, end of year	\$ (15,146)	\$ 70,646
Earnings per unit (notes 10 and 17):		
From continuing operations:		
Basic	\$ 0.52	\$ 1.55
Diluted	0.52	1.55
Net income:		
Basic	0.52	1.78
Diluted	0.52	1.78
Weighted average number of units outstanding (note 10)	85,853,200	84,726,039

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2007 and 2006 (In thousands of dollars)	2007	2006
Cash flows from operating activities:		
Net income	\$ 44,810	\$ 151,011
Non-cash items:		
Depreciation of fixed assets	96,593	84,740
Amortization of intangible assets	11,075	7,220
Incentive plan expense	7,254	7,370
Purchase of units held by the Fund for the incentive plan	(9,017)	(13,417)
Future income taxes	(5,253)	(1,076)
Gain on disposal of fixed assets	(5,293)	(5,192)
Deferred financing charges	737	-
Goodwill impairment	56,000	-
Gain on disposal of discontinued operations	-	(22,884)
Other	2,292	403
	199,198	208,175
Net change in non-cash balances related to operations	11,212	(9,250)
	210,410	198,925
Cash flows from financing activities:		
Repayment of bank overdraft	(11,142)	(27,816)
Increase in long-term debt	264,712	290,932
Repayment of long-term debt	(52,845)	(192,789)
Cash distributions paid to unitholders	(115,013)	(111,191)
Dividends paid on Tracking Share Units	(14,355)	(16,109)
Issuance of trust units	-	143,760
	71,357	86,787
Cash flows from investing activities:		
Additions to fixed assets	(134,966)	(115,464)
Proceeds from disposal of fixed assets	22,815	25,404
Business acquisitions (including bank advances, net of cash) (note 3)	(172,897)	(228,010)
Other assets, net	3,281	2,867
Proceeds from disposal of discontinued operations (note 17)	-	29,491
	(281,767)	(285,712)
Net change in cash and cash equivalents during the year	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	\$ -	\$ -
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	\$ 36,037	\$ 24,054
Income taxes	9,290	9,910

See accompanying notes to consolidated financial statements.

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Years ended December 31, 2007 and 2006 (Tabular amounts in thousands of dollars)

TransForce Income Fund (the “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.

1. Changes in Accounting Policies ADOPTED IN 2007

On January 1, 2007, the Fund adopted CICA Handbook Sections 1530, **Comprehensive Income**, Section 3251, **Equity**, Section 3855, **Financial Instruments – Recognition and Measurement** and Section 3861, **Financial Instruments – Disclosure and Presentation**.

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and, therefore, the comparative figures have not been restated.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments,

including derivatives, are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Fund designated its accounts receivable as loans and receivables, which are measured at amortized cost. The Fund’s bank indebtedness, accounts payable and accrued liabilities, and long-term debt are classified as other financial liabilities, which are measured at amortized cost. The Fund’s deferred financing charges have been netted against the related indebtedness and are amortized using the effective interest rate method.

Any derivative instruments, including embedded derivatives, are to be recorded in the statement of income at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in earnings. The Fund has elected to apply this accounting treatment for all embedded derivatives in host contracts entered into on or after January 1, 2003.

The Fund enters into foreign exchange forward contracts, average rate forward exchange contracts and foreign exchange collars for the sale of U.S. dollars in exchange for Canadian dollars. In the prior year, the Fund also entered into heating oil futures. These derivative instruments are marked-to-market and any gain or loss in fair value is recognized immediately in the statement of income.

ADOPTED IN 2008

The CICA has issued CICA Handbook Section 3862, **Financial Instruments – Disclosures (“HB-3862”)** and Section 3863, **Financial Instruments – Presentation (“HB-3863”)**. These new standards establish standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments and for presentation of financial instruments and non-financial derivatives. These new standards supersede Handbook Section 3861. This new standard relates to disclosure only and will not impact the financial results of the Fund.

Both sections are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Fund will adopt these standards on January 1, 2008.

The CICA has issued CICA Handbook Section 1535, **Capital Disclosures (“HB-1535”)**. This standard requires an entity to disclose information to enable users of its financial statements to evaluate the entity’s objectives, policies and processes for managing capital. This Section is applicable to interim and annual financial statements relating to fiscal years on or after October 1, 2007. This new standard relates to disclosure only and will not impact the financial results of the Fund.

The Fund adopted this standard on January 1, 2008.

In June 2007, the CICA issued Section 3031, **Inventories**, which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards (“IFRS”). This Section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation

of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. This Section applies to interim and annual financial statements beginning on or after January 1, 2008. The Fund has not yet determined what impact adopting this standard will have on its consolidated financial statements.

2. Significant Accounting Policies

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts disclosed in the financial statements and the accompanying notes. Actual results could differ from those estimates.

A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Fund have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The Fund carries on its business through its own divisions, subsidiaries, associated businesses and joint ventures. The accounts of its subsidiaries are consolidated. The Fund follows the equity method of accounting for associated businesses for which the Company has the ability to significantly influence, generally representing 20% to 50% ownership. Joint ventures, which are established to carry out specific projects, are accounted for using the proportionate consolidation method. Joint ventures represent a negligible portion of the Fund’s operations.

B) FIXED ASSETS AND CAPITAL LEASES

Fixed assets are accounted for at cost and depreciated over their estimated useful lives, considering their residual value, according to the following methods and annual rates:

Asset	Basis	Rate/period
Buildings	Declining balance	5%
Rolling stock	Primarily straight-line	8% to 30%
Furniture, equipment, machinery and hardware/software	Primarily straight-line	10% to 33 1/3%
Leasehold improvements	Straight-line	Term of leases

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Capital leases, transferring substantially all the risks and benefits of ownership relating to property leased to the Fund, are capitalized by recording, as assets and liabilities, the present value of payments provided for under these leases. The leased property capitalized under this policy is amortized over its estimated useful life.

C) GOODWILL AND INTANGIBLES

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired business. Goodwill is tested for impairment annually or more often, when an event occurs or circumstances arise that could indicate a reduction in its fair value. Any impairment in the value of goodwill is written off against consolidated income in the period it occurs.

Intangible assets consist of customer relationships, customer contracts, trademarks and licenses and permits. Intangible assets with finite lives are amortized on a straight-line basis over their expected lives ranging from 3 to 10 years.

D) OTHER ASSETS

Other assets are comprised principally of investments in associated businesses and joint ventures and long-term deposits.

E) REVENUE RECOGNITION

The Fund performs primarily short-to-medium-distance hauls. Revenue is recognized when the freight is delivered. Revenues derived from the Logistics and Waste Management operations are recognized as the services are rendered.

F) PENSION COSTS AND OBLIGATIONS

The pension obligations of the defined benefit pension plan are actuarially determined using the projected benefit method prorated on years of service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Pension obligations are discounted based on current market interest rates, and plan assets are valued at fair market value. Current service costs are expensed during the year in which they occur. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of active employees at the date of amendment. The excess of the net actuarial gain (loss) over the greater of 10% of the opening balance

of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

G) FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities in foreign currency of Canadian corporations and integrated foreign operations are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the rate in effect on the transaction date. Income and expense items in foreign currency are translated at the average rate in effect during the year, with the exception of depreciation which is translated at the historical rate. Gains and losses are included in consolidated income of the year.

H) INCENTIVE PLAN COMPENSATION

The Fund has an incentive plan for its executive officers. The Fund uses the fair value based method of accounting for stock-based compensation.

Under the incentive plan (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 market value ("FMV") at the time of granting. When the FMV of the units at the time of granting is greater than the Fund's cost of the units acquired under the Plan, the difference is recorded as contributed surplus. When the FMV of the units at the time of granting is lower than the Fund's cost of the units acquired under the Plan, the difference is recorded as a reduction to retained earnings.

I) INCOME TAXES

The Fund accounts for income taxes using the liability method of tax allocation. Under this method, income taxes are recognized based on the expected future tax consequences of the differences between the carrying amounts and tax bases of assets and liabilities, using the enacted or substantively enacted tax rates for the periods in which such differences are expected to reverse. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are restricted to cash and highly liquid investments having an initial term of three months or less from the acquisition date and are presented at cost which approximates market value.

K) ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are recognized, at fair value, in the period in which the Fund incurred either a statutory, contractual or legal obligation associated to the retirement of a fixed asset. The associated costs are capitalized as part of the carrying value of the related asset and depreciated over its remaining useful life. The liability is accreted using various assumptions determined by the Fund.

L) DERIVATIVE FINANCIAL AND COMMODITY INSTRUMENTS

In the normal course of its operations, the Fund is exposed to risks related to U.S. dollar exchange rate fluctuations, as well as fuel price fluctuations. The Fund manages these risks by using derivative financial instruments. The Fund's management is responsible for determining the acceptable level of risk and does not use derivative financial instruments for speculative purposes.

The Fund purchases foreign exchange forward contracts and futures on fuel prices that are not designated as hedging instruments.

Those instruments are recorded at their fair value in current asset or liabilities with changes in their fair values recorded in earnings.

3. Business Acquisitions

During 2007, the Fund acquired 24 businesses, the largest of which are: Westfreight Systems Inc. and Westfreight Holdings (U.S.A.) Inc. on January 3; Location Beaudry on April 1; and Century II Holdings Inc., including its operating subsidiary Information Communication Services (ICS) Inc. on November 1.

During 2006, the Fund acquired 14 businesses, the largest of which are: Kos Oilfield Transportation Ltd. on January 31; Streeper Contracting Ltd. on February 1; Hemphill Trucking Inc. on March 15; and Byers Transportation Systems Inc. on October 1.

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:

	2007	2006
Assets:		
Cash	\$ 43,963	\$ 3,560
Non-cash working capital	1,013	23,818
Fixed assets	78,449	68,342
Intangibles	27,052	34,479
Goodwill	135,112	164,918
Other assets	702	401
	286,291	295,518
Liabilities:		
Bank overdraft	3,174	4,400
Long-term debt	64,113	34,153
Future income taxes	3,618	10,795
	70,905	49,348
Net assets	\$ 215,386	\$ 246,170
Consideration:		
Cash	\$ 213,686	\$ 227,170
Due to vendors	1,700	1,000
Units	-	18,000
	\$ 215,386	\$ 246,170

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4. Fixed Assets

	2007		2006	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	\$ 95,438	\$ -	\$ 69,511	\$ -
Buildings	146,427	22,100	101,929	16,911
Rolling stock	549,957	200,758	508,012	202,496
Furniture, equipment, machinery and hardware/software	126,549	56,586	109,479	46,408
Leasehold improvements	19,085	8,664	16,092	6,154
	937,456	\$ 288,108	805,023	\$ 271,969
Accumulated depreciation	(288,108)		(271,969)	
Net carrying value	\$ 649,348		\$ 533,054	

Fixed assets include property under capital leases which is recorded at the present value of the payments provided for under these leases for rolling stock and machinery, totaling \$71,370,000 (2006 – \$52,914,000), less related accumulated depreciation amounting to \$22,261,000 (2006 – \$16,878,000).

During the year, the Fund acquired fixed assets in the amount of \$16,994,000 (2006 – \$16,548,000) under capital leases and conditional sales contracts.

5. Intangible Assets

	2007		2006	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Customer relationships	\$ 60,430	\$ 11,405	\$ 39,510	\$ 4,437
Customer contracts	10,438	6,786	10,438	4,689
Trademarks	5,268	1,339	3,487	569
Non-competition agreements, licenses and permits	14,328	2,315	9,977	1,075
	90,464	\$ 21,845	63,412	\$ 10,770
Accumulated amortization	(21,845)		(10,770)	
Net carrying value	\$ 68,619		\$ 52,642	

During the year, the Fund acquired \$20,920,000 of customer relationships, \$1,781,000 of trademarks and \$4,351,000

of non-competition agreements, licenses and permits.

6. Goodwill

	Operating segments				Total
	Less-Than-Truckload freight transportation and parcel delivery	Truckload freight transportation	Specialized Truckload transportation	Specialized services and waste management	
Balance as at December 31, 2006	\$ 119,678	\$ 29,613	\$ 32,678	\$ 138,747	\$ 320,716
Business acquisitions	80,582	2,190	13,011	39,329	135,112
Goodwill impairment	-	-	-	(56,000)	(56,000)
Balance as at December 31, 2007	\$ 200,260	\$ 31,803	\$ 45,689	\$ 122,076	\$ 399,828

The Fund performed its goodwill impairment test as at December 31, 2007. The results determined that the carrying amount of the Fund's Oilfield Services reporting unit assets exceeded their fair value. The conditions which contributed to the impairment of goodwill are:

- commodity price weakness of natural gas negatively impacting expectations of industry activity levels;
- upward cost pressures experienced by the industry adversely impacting operating margins;
- downward pricing pressures experienced by the industry as a result of lower activity levels adversely impacting operating margins;
- the mid-September 2007 Alberta Royalty

Review report and subsequent late October 2007 Alberta provincial government announced increases to Alberta royalty rates paid by producers that will reduce producers' return on Alberta related investments, adversely impacting expectations of industry activity levels; and

- recent changes to tax laws and rates for trusts commencing in 2011 reducing after tax cash flows of the Fund.

The result of these conditions has decreased the enterprise value of the Fund, which is reflected in the market value of the Fund as at December 31, 2007. Accordingly, a goodwill impairment loss of \$56.0 million was recognized in the Fund's Oilfield Services reporting unit.

7. Long-Term Debt

	2007	2006
Term loan, at authorized amount of \$160,000,000, variable banker's acceptance rate plus 195 basis points, no repayment provisions, maturing in October 2013 (see (b) (d))	\$ 160,000	\$ 160,000
Revolving term loan, at authorized amount of \$515,000,000, variable Banker's acceptance rate plus 180 basis points, no repayment provisions, maturing in October 2010 (see (b) (d))	384,100	121,500
Obligations under capital leases, collateralized by rolling stock and machinery, having a carrying value of \$49,109,000 at interest rates varying between 4.34% and 9.74%, payable in monthly instalments of \$1,538,000, principal and interest, maturing on various dates through August 2012 (see (a))	42,722	29,066
Conditional sales contracts, collateralized by rolling stock, having a carrying value of \$29,169,000, at interest rates varying between 4.67% and 8.75%, payable in monthly instalments of \$818,000, principal and interest, maturing on various dates through August 2015	28,676	13,600
Notes payable and purchase price balances, at interest rates varying between nil and 8%, payable in monthly, quarterly and annual instalments, maturing on various dates through November 2020 (see (c))	43,308	38,643
Term loan, at the authorized amount of \$34,400,000, fixed rate of 7.278%, monthly repayments of \$298,000, maturing in July 2009 with a balance payable of \$27,950,000 (see (c))	30,251	31,573
Deferred financing charges (see (e))	(2,418)	-
	686,639	394,382
Current portion of long-term debt	35,003	35,758
	\$ 651,636	\$ 358,624

A) The interest for the period on obligations under capital leases totaled \$2,566,000 (2006 – \$3,624,000).

B) The term loans are collateralized by accounts receivable plus certain rolling stock of the Fund. Under the terms of the

loan agreements, the Fund is subject to certain covenants regarding the maintenance of financial ratios. Based on certain ratios, the interest rate will vary between Banker's acceptance plus 87.5 basis points to Banker's acceptance plus 195 basis points.

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C) The term loans are collateralized by certain real estate properties of the Fund. Under the terms of the loan agreements, the Fund is subject to certain covenants regarding the maintenance of financial ratios.

D) The bank agreement also provides up to an additional \$125,000,000 in financing dependent upon certain debt levels being met. The additional \$125,000,000 can be added to either the four-year revolving term loan or the seven-year term loan at the borrower's discretion.

E) As a result of the adoption of new accounting policies, as described in note 1, the Fund has reclassified the January 1, 2007 balance of deferred financing fees against long-term debt.

Minimum instalments payable for the subsequent years under capital leases amounting to approximately \$46,199,000, of which \$3,477,000 is interest, are as follows:

2008	\$	21,142
2009		15,908
2010		7,692
2011		1,326
2012		131

Principal instalments of other long-term debt payable during the subsequent years are as follows:

2008	\$	15,219
2009		56,118
2010		394,296
2011		7,548
2012		3,515
Thereafter		167,221

8. Asset Retirement Obligations

The analysis of the asset retirement obligation for the year ended December 31, 2007 is as follows:

Balance as at December 31, 2006	\$	3,660
Additional liability for current obligations		2,082
Accretion expense		511
Payment of obligations		(732)
Balance as at December 31, 2007	\$	5,521

Included in depreciation and amortization for fixed assets is a charge of \$573,000 for the amortization of the asset retirement cost.

The following assumptions were used to estimate the fair values of the obligation on the initial date of adoption and as at December 31, 2007:

Total undiscounted amount of the estimated cash flows	\$	10,723
Risk-free interest rate		5.43% to 6%
Inflation rate		2.00% to 3.97%

The estimate of the total liability for future asset retirement obligations is subject to change, based on amendments to laws and regulations and as new information concerning the Fund's operations becomes available. Future changes, if any, to the estimated total liability as a result of amended requirements, laws, regulations and operating assumptions may be significant and would be recognized prospectively as a change in estimate, when applicable.

9. Capital Contributions and Tracking Share Units

A) TRUST UNITS OF THE FUND

Authorized: an unlimited number of trust units with one voting right per unit. Each trust unit is redeemable at the holder's option at the lesser of: (a) 90% of the weighted average price per trust unit in the last ten days the units were traded on the open market or (b) closing market price as at the redemption date as defined by trust agreement. All redemptions are limited to a maximum of \$50,000 in cash per month. All amounts greater than \$50,000 will be paid by the distribution of notes from a subsidiary of the Fund.

SPECIAL VOTING UNITS

Authorized: an unlimited number of non-transferable special voting units. The special voting unit entitles the holder thereof to one vote, is only issued with a Tracking Share Unit of TFI Holdings Inc. and is indivisible therefrom.

Issued and fully paid:

	Number	Amount
Balance as at December 31, 2005	62,629,189	\$ 322,658
Issuance of trust units	9,250,000	161,760
Special unit distribution	1,114,592	14,877
Conversion of Tracking Share Units of TFI Holdings Inc. into trust units	30,000	44
Balance as at December 31, 2006	73,023,781	499,339
Conversion of Tracking Share Units of TFI Holdings Inc. into trust units	600	1
Balance as at December 31, 2007	73,024,381	\$ 499,340

On January 31, 2006, 1,000,000 units were issued as part of the purchase price of Kos Corp. Oilfield Transportation Ltd. The units were issued at \$18 per unit.

On February 28, 2006, the Fund completed a public offering by which 7,500,000 units were issued and sold at a price of \$18.40 per unit. The proceeds, net of the underwriters' fees and issue costs of \$7,350,000, amounted to \$130,650,000.

On March 8, 2006, the Fund issued 750,000 units following the exercise in full of an over-allotment option at a price of \$18.40 per unit. The proceeds, net of the underwriters' fees and issue costs of \$690,000, amounted to \$13,110,000.

A special distribution of 0.0155 additional trust units per unit (or its economic equivalent for holders of Tracking Share Units) was declared on October 20, 2006 as a result of

Issued and fully paid by TFI Holdings Inc.:

	Number	Amount
Balance as at December 31, 2005	13,796,316	\$ 20,109
Conversion of Tracking Share Units into trust units of the Fund	(30,000)	(44)
Balance as at December 31, 2006	13,766,316	20,065
Conversion of Tracking Share Units into trust units of the Fund	(600)	(1)
Balance as at December 31, 2007	13,765,716	\$ 20,064

C) INCENTIVE PLAN

Pursuant to the incentive plan (the "Plan") of the Fund established on September 17, 2002, trust units can be offered to executive officers of the Fund based upon the Fund's financial performance benchmarked against certain distributable cash threshold amounts per trust unit. Trust units will be purchased on the open market on behalf of the Plan

the Fund's disposal of the hazardous waste operations of its subsidiary, Service Matrec Inc. This special distribution was paid to unitholders with the issuance of 1,114,592 additional trust units and its economic equivalent was paid in cash to shareholders holding Tracking Share Units.

B) TRACKING SHARE UNITS OF TFI HOLDINGS INC.

Authorized: an unlimited number of Tracking Share Units, without par value, non-voting and non-participating. Each Tracking Share Unit is exchangeable at the holder's option and, in certain circumstances, at the Fund's option, for one trust unit of the Fund. Holders of Tracking Share Units are entitled to receive dividends paid by TFI Holdings Inc., which dividends, to the greatest extent possible, will be equal to distributions paid by the Fund to the holders of its units, net of the TFI Holdings Inc.'s income tax payable on the income earned to make the distribution.

participants and will be held by a trustee until their rights vest ("Capitalized Units"). Distributions received on Capitalized Units will be converted into Additional Units under the Plan. 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. Vesting of Additional Units will occur immediately at the time of granting.

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During 2007, 584,234 (2006 – 912,868) trust units were granted under the Plan to 121 participants (2006 – 156). The trust units were granted to Plan participants on December 20, 2007 (2006 – November 30, 2006 and December 22, 2006). The weighted average fair market value at the date of

granting was \$9.10 per unit (2006 – \$13.41). As such, the Fund recorded a compensation expense of \$7,254,000 in 2007 (2006 – \$7,370,000). Additional units granted and vested during the year have been recorded against contributed surplus with the excess of \$812,000 in deficit.

Reference period	Weighted average cost per units capitalized	Capitalized units	Granted units	Units vested during the year	Units vested to date	Units cancelled	Non-vested units	Weighted average cost of non-vested units
October 1, 2003 to								
September 30, 2004	\$ 16.13	9,602	(9,602)	111,329	351,936	(2,031)	-	\$ -
October 1, 2004 to								
September 30, 2005	16.13	23,399	(23,399)	147,020	307,394	(4,889)	123,621	16.87
October 1, 2005 to								
December 31, 2006	15.96	879,867	(879,867)	315,134	315,134	-	564,733	16.02
Balance as at								
December 31, 2006	15.97	912,868	(912,868)	573,483	974,464	(6,920)	688,354	16.17
October 1, 2004 to								
September 30, 2005	12.40	16,485	(16,485)	137,105	444,499	(3,001)	-	-
October 1, 2005 to								
December 31, 2006	12.40	75,306	(75,306)	346,696	661,830	(10,976)	282,367	16.02
January 1, 2007 to								
December 31, 2007	12.94	492,443	(492,443)	192,847	192,847	-	299,596	12.82
January 1, 2008 to								
December 31, 2008	12.94	264,000	-	-	-	-	264,000	12.82
Balance as at								
December 31, 2007	\$ 12.88	848,234	(584,234)	676,648	1,299,176	(13,977)	845,963	\$ 13.89

10. Earnings Per Unit

	2007	2006
Basic earnings per unit:		
Income from continuing operations	\$ 44,810	\$ 131,694
Weighted average number of units outstanding	73,024,199	71,581,164
Trust units held for the incentive plan	(936,897)	(629,126)
Adjusted weighted average number of trust units outstanding	72,087,302	70,952,038
Weighted average number of Tracking Share Units outstanding	13,765,898	13,774,001
Adjusted weighted average number of units outstanding	85,853,200	84,726,039
Basic earnings per unit	\$ 0.52	\$ 1.55
	2007	2006
Diluted earnings per unit:		
Income from continuing operations	\$ 44,810	\$ 131,694
Adjusted weighted average number of units outstanding	85,853,200	84,726,039
Potential dilutive impact of the incentive plan	-	18,046
Adjusted weighted average number of units outstanding	85,853,200	84,744,085
Diluted earnings per unit	\$ 0.52	\$ 1.55

Earnings per unit amounts for 2006 take into account the special unit distributions of 1,114,592 units that occurred on October 20,

2006 as if they had occurred on January 1, 2006 (note 9 (a)).

11. Income Taxes

Income that is currently earned by the Fund that is distributed annually to unitholders is not subject to taxation in the Fund, but is taxed at the individual unitholder level.

On June 22, 2007, legislation (the "SIFT Rules") relating to the federal income taxation of publicly listed or traded trusts (such as income trusts and real estate investment trusts) and partnerships received royal assent. The SIFT Rules apply to a publicly traded trust that is a specified investment flow-through entity (a "SIFT"), which existed before November 1, 2006 ("Existing Trust") commencing with taxation years ending in 2011.

Certain distributions attributable to a SIFT will not be deductible in computing the SIFT's taxable income and the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Distributions paid by a SIFT as returns of capital will not be subject to this tax. There will be circumstances where an Existing

Trust may lose its transitional relief where its equity capital grows beyond certain dollar limits measured by reference to the Existing Trust's market capitalization at the close of trading on October 31, 2006.

The Fund is a SIFT as defined in the Legislation. Accordingly, the Fund will be subject to taxes on distributions of certain income earned from investments in its subsidiaries made after 2010. The Fund is also required to recognize future income tax assets and liabilities with respect to the temporary differences between the carrying amount and tax bases of its assets and liabilities and those of its subsidiaries that are expected to reverse in or after 2011. The impact of this legislation for this period is a future income tax expense of \$1,450,000 recorded in 2007. The Fund expects that its distributions will not be subject to tax prior to 2011 and accordingly has not provided for future income taxes on the temporary differences expected to reverse prior to then.

Income tax expense (recovery) attributable to income consists of:

	2007	2006
Current	\$ 8,828	\$ 8,796
Future:		
Total	(5,253)	(1,076)
Portion included in discontinued operations	-	(6,326)
	(5,253)	(7,402)
Total from continuing operations	\$ 3,575	\$ 1,394

The effective income tax rates differ from the federal and provincial statutory income

tax rates in Canada mainly as a result of the following:

	2007	2006
Income from continuing operations before income taxes	\$ 48,385	\$ 133,088
Portion of income from the Fund subject to tax in the hands of unitholders	(99,480)	(119,714)
Portion of income before income taxes subject to tax in the Fund's corporate subsidiaries	(51,095)	13,374
Canadian statutory income tax rate	33.67%	33.65%
Income taxes calculated at statutory rates	(17,204)	4,500
Increase (decrease) resulting from:		
Goodwill impairment	18,855	-
Future income tax benefit following a change in statutory rates	(946)	(2,380)
Future income tax related to SIFT Rules	1,450	-
U.S. withholding tax	402	-
Loss on foreign exchange translation	495	(49)
Other	523	(677)
	\$ 3,575	\$ 1,394

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Future income taxes represent the net tax effect of temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities. Significant

components of the Fund's future income tax assets (liabilities) as at December 31, 2007 and 2006 were as follows:

	2007	2006
The tax effect of temporary differences relates to the following:		
Fixed assets and intangible assets	\$ (22,029)	\$ (24,459)
Liabilities and other provisions	764	2,312
Losses carryforward	6,068	5,315
Net future income tax liabilities	\$ (15,197)	\$ (16,832)

The excess of the carrying value of the fixed assets and intangible assets of the non-taxable entities over their tax basis is approximately \$35,450,000 (2006 – \$48,540,000).

for accounting purposes as at December 31 of each year. The last actuarial valuation was at December 31, 2007.

12. Pension Plan

The Fund has defined benefit pension plans for 596 of its employees. The Fund also maintains defined contribution plans under which the Fund's responsibility is limited to its level of contributions.

During the year, the Fund announced the wind-up of one of its defined benefit plans. A curtailment loss of \$1,254,700 and a settlement loss of \$3,278,600 have been recognized as at December 31, 2007.

The Fund measures its accrued benefit obligations and the fair value of plan assets

Information about the Fund's defined benefit pension plans as at December 31, 2007 and 2006 is as follows:

	2007	2006
Components of defined benefit cost recognized:		
Current service cost	\$ 1,688	\$ 1,676
Interest cost	2,207	2,146
Actual return on plan assets	(812)	(4,395)
Actuarial gains	(477)	(478)
Curtailment loss	1,255	-
Settlement loss	3,279	-
Benefit cost before adjustments to recognize the long-term nature of defined benefit plans	7,140	(1,051)
Adjustments to recognize the long-term nature of defined benefit plans:		
Difference between expected and actual return on plan assets for the year	(2,060)	1,787
Difference between actuarial losses recognized and actual actuarial losses on accrued benefit obligation for the year	599	293
Amortization of transition obligation	(230)	(230)
Total adjustments to defer costs to future periods	(1,691)	1,850
Total benefit cost recognized	\$ 5,449	\$ 799

	2007	2006
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 43,603	\$ 41,657
Employee contributions	631	630
Benefits paid	(3,462)	(2,028)
Current service cost	1,688	1,676
Interest cost on accrued benefit obligation	2,207	2,146
Actuarial gain	(477)	(478)
Curtailment	1,255	-
Benefit obligation, end of year	\$ 45,445	\$ 43,603
Change in plan assets:		
Fair value of assets, beginning of year	\$ 40,368	\$ 35,345
Employer contributions	1,554	2,026
Employee contributions	631	630
Benefits paid	(3,462)	(2,028)
Actual return on plan assets	812	4,395
Fair value of assets, end of year	\$ 39,903	\$ 40,368
Reconciliation:		
Accrued benefit obligation	\$ 45,445	\$ 43,603
Fair value of plan assets	39,903	40,368
Funded status of plans – surplus (deficit)	(5,542)	(3,235)
Unamortized amounts:		
Net actuarial loss	3,120	5,399
Transitional asset	-	(691)
Accrued benefit (liability) asset	\$ (2,422)	\$ 1,473

The significant assumptions used are as follows:

	2007	2006
Accrued benefit obligation:		
Discount rate	5.1%	5.1%
Rate of salary escalation	3.2%	3.2%
Benefit costs for the years:		
Discount rate	4.8%	5.1%
Expected long-term rate of return on plan assets	7.1%	7.1%
Rate of salary escalation	3.1%	3.2%

Plan assets consist of:

	2007	2006
Asset category:		
Equity securities	23%	61%
Debt securities	52%	34%
Money market fund	25%	5%
	100%	100%

13. Financial Instruments

A) FOREIGN EXCHANGE RISKS

The Fund has entered into foreign exchange forward contracts, average rate forward exchange contracts and foreign exchange collars for the sale of U.S. dollars in exchange for Canadian dollars that expire on various dates through to December 2008. As at December 31, 2007, the notional amount

of these contracts was US\$28,000,000 (2006 – US\$28,800,000), and the average exchange rate of the contracts was CA\$0.9976 (2006 – CA\$1.1597).

The fair value of the foreign exchange contracts generally reflects the estimated amount which the Fund would receive from settlements of favourable contracts or

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which it would be required to pay to cancel unfavourable contracts at the balance sheet date. As at December 31, 2007, the fair market value of the foreign exchange contracts approximated (\$58,000) (2006 – \$228,000).

B) FAIR VALUE

Due to the short-term nature of these instruments, the carrying amount of accounts receivable, bank indebtedness and advances and accounts payable and accrued liabilities approximates their fair value. The fair value of long-term debt is determined based on the net present value of contractual future payments of principal discounted at current market rates of interest for debt instruments with similar conditions and maturities. The carrying amount of the long-term debt approximates, in all material respects, its fair value.

C) CREDIT RISK

The Fund sells services to customers 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 the Fund's customer base and their distribution across different geographic areas. As at December 31, 2007 and 2006, no customers accounted for more than 10% of total accounts receivable.

D) COMMODITY RISK

As at December 31, 2007, the Fund has no outstanding commodity derivative contracts.

In 2006, the Fund entered into heating oil futures that expired on various dates through to December 2006. As at December 31, 2006, the notional amount of these futures was \$4,075,000 and the average heating oil price of the futures was \$0.81/liter.

The fair value of the heating oil futures generally reflects the estimated amount which the Fund would receive from settlements of favourable futures or which it would be required to pay to cancel unfavourable futures at the balance sheet date. As at December 31, 2006, the fair market value of the heating oil contracts is negative by \$600,000.

14. Commitments, Contingencies and Guarantees

A) The Fund entered into operating leases expiring on various dates through to March 2026, which call for lease payments of \$181,208,000 with respect to rolling stock, real estate and others. Minimum lease payments for the upcoming years are as follows:

2008	\$	54,569
2009		40,234
2010		23,275
2011		13,006
2012		9,099
2013 to 2026		41,025

B) As of December 31, 2007, the Fund had outstanding letters of guarantee for an aggregate amount of \$8,719,000 (2006 – \$9,031,000). The letters of guarantee are collateralized by the Fund's accounts receivable plus certain rolling stock.

C) There are pending claims against the Fund and, in the opinion of management, these claims are adequately provided for and settlement should not have a significant impact on the Fund's financial position or results of operations.

D) Significant guarantees the Fund has provided to third parties include the following:

OPERATING LEASES

The Fund has guaranteed a portion of the residual values of certain of its assets under operating leases with expiry dates between January 2008 and April 2010, for the benefit of the lessor. If the fair value of the assets, at the end of their respective lease term, is less than the residual value, the Fund must, under certain conditions, compensate the lessor for a portion of the shortfall up to a maximum amount. As at December 31, 2007, the maximum exposure in respect of these guarantees is \$3,077,000 (2006 – \$4,627,000), and no provisions were necessary nor recorded associated with these guarantees.

15. Segmented Information

The Fund operates within the trucking and logistics industry in Canada and the United States in the following four reportable segments: Less-Than-Truckload and Parcel

Delivery, Truckload, Specialized Truckload as well as Specialized Services. Revenues from continuing operations for each of these segments were as follows:

	2007	2006
Less-Than-Truckload and Parcel Delivery	\$ 732,722	\$ 669,575
Truckload	372,490	408,548
Specialized Truckload	315,852	307,789
Specialized services	519,085	408,935
	\$ 1,940,149	\$ 1,794,847

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 revenues 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 operating revenues by geographic segment are as follows:

	2007	2006
Canada	\$ 1,276,141	\$ 1,158,208
United States	664,008	636,639
	\$ 1,940,149	\$ 1,794,847

Revenues allocated to the United States include the transborder revenues between Canada and the United States. Fixed assets and goodwill are mostly located in Canada.

16. Related Party Transactions

The Fund leases a property from Saplin Holdings, a limited partnership related to Jolina Capital Inc. (important stakeholder of the Fund). Under this agreement, the Fund has paid rent to Saplin Holdings in the amount of approximately \$169,000 in 2007 (\$2.0 million in 2006).

On January 31, 2007, the Fund acquired a property from Saplin Holdings, a limited partnership related to Jolina Capital Inc., in the amount of \$26 million. This amount was determined pursuant to an appraisal conducted by an independent third party. The property will be used in the operations of the Fund.

17. Disposal of Discontinued Operations

On October 3, 2006, the Fund completed the sale of its hazardous waste and industrial cleaning business of its waste management subsidiary, Services Matrec Inc., which operated in the industry for net cash proceeds of \$29,491,000 (net of \$1,921,000 of non-cash working capital items). This resulted in a gain of \$17,441,000 (net of future income taxes of \$5,443,000).

The summary financial information of these discontinued operations is as follows:

SUMMARY OF STATEMENT OF INCOME

	2007	2006
Revenue	\$ -	\$ 14,832
Operating income	\$ -	\$ 4,621
Net income	\$ -	\$ 1,876
Gain on disposal of discontinued operations (net of income taxes)	-	17,441
Income from discontinued operations	\$ -	\$ 19,317
Earnings per unit from discontinued operations:		
Basic	\$ -	\$ 0.23
Diluted	-	0.23

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SUMMARY OF ASSETS AND LIABILITIES SOLD

	2007	2006
Assets:		
Fixed assets	-	8,528
Liabilities:		
Non-cash working capital	-	1,921
Net assets disposed of	\$ -	\$ 6,607
Cash proceeds	\$ -	\$ 29,491

18. Subsequent Event

On January 15, 2008, the Fund acquired all the shares of Groupe Thibodeau inc. ("Thibodeau") and its affiliated companies. Thibodeau is a Less-Than-Truckload and Truckload carrier that is headquartered in Portneuf, Québec and operates primarily in Québec, Ontario and the United States. Revenues for the year ended October 31, 2007 were \$84 million.

This acquisition will be recorded under the purchase method and the earnings will be consolidated from the acquisition date.

The cash consideration of the purchase price will be largely financed with additional long-term debt.

19. Comparative Figures

Certain comparative figures for prior periods have been reclassified to conform with the financial statement presentation adopted in the current year.