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Report to Unitholders
for the three and six-month periods
ended June 30, 2007

TransForce
IncomeFund

TransForce Income Fund is the leader in Canada's trucking and transportation logistics industry. Diversified through a growing number of wholly-owned subsidiaries, it serves more Canadian urban centers across the country than any other carrier and operates throughout North America.

TransForce creates value for its unitholders by acquiring and assisting successful independent operating companies that provide the highest level of expertise to clients. It currently focuses on four business segments: Less-Than-Truckload and Parcel Delivery; Specialized Services, which includes its ancillary transportation services and fleet management & personnel services businesses; Specialized Truckload; and Truckload. The range of services leads to a diversification across regions, industries and clients.

Since becoming an Income Fund in October 2002 TransForce has made 40 significant acquisitions from a total of 66 acquisitions, increased revenues by 303%, increased net income by 653% and paid more than \$430 million in distributions and dividends to unitholders and tracking shareholders.

TransForce Income Fund is listed on the Toronto Stock Exchange under the symbol TIF.UN. TransForce units are included in the S&P/TSX Composite Index.

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 six month periods ended June 30, 2007 with the three and six month periods ended June 30, 2006 and it reviews the Fund's financial position as at June 30, 2007. It also includes discussion of the Fund's affairs up to August 8, 2007. 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 2006 Annual Report, Annual Information Form, Management Proxy Circular, Material Change Reports and the various press releases issued by the Fund are also available on its website or directly through the SEDAR system at www.sedar.com.

Forward-looking statements

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

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

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

The foregoing list should not be construed as exhaustive, and the Fund disclaims any obligation subsequently to revise or update any previously made forward-looking statements 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 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

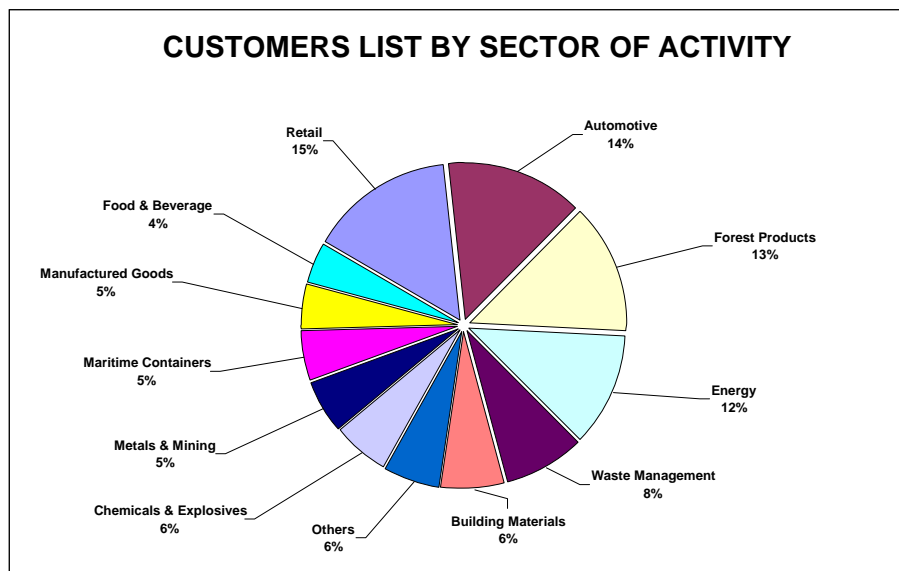
Including the Fund's recent acquisitions, the Fund has approximately 13,250 employees including 1,940 owner operators and 747 employees in the Fund's Fleet Management and Personnel Services divisions working all across Canada in its different business segments. A number of these employees are subject 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 June 30, 2007 the Fund has approximately 201 terminals, with 53 in Ontario, 78 in Alberta and British Columbia, 58 in Québec and 12 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 below) with no single client accounting for more than 10% of consolidated revenue. Some of the Fund's major customers include, Happag-Lloyd, Domtar, EnCana, Staples and Electrolux. 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 6,740 power units (including 1,940 owner operators) and 12,650 trailers as at June 30, 2007. This includes approximately 1,000 trailers operated by the Fund's Fleet Management and Personnel Services divisions.

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 interim financial statements have been approved by its board of trustees upon recommendation of its audit committee prior to release.

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 has been recognized in the Fund's financial statements which resulted in a future income tax expense of \$1.4 million.

Changes in accounting policies

On January 1, 2007, the Fund adopted CICA Handbook Sections 1530, "Comprehensive Income", Section 3251 "Equity", Section 3855, "Financial Instruments - Recognition and Measurement", Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3865, "Hedges. The adoption of these new sections has no significant impact on the Fund's financials statements.

Consolidated highlights

Financial Results

(unaudited)

	Three months ended		Three months ended	
<i>(in thousands of dollars, except per unit amounts)</i>	June 30, 2007		June 30, 2006	
Revenue	495,652	100.0%	455,582	100.0%
Earnings before interest, income taxes, depreciation and amortization from continuing operations (EBITDA) ^{Note (1)}	64,119	12.9%	61,565	13.5%
Depreciation and amortization expense	27,483	5.5%	22,485	4.9%
Interest expense	8,644	1.7%	5,273	1.2%
Gain on disposal of fixed assets	(673)	(0.1%)	127	-
Income from continuing operations before income taxes	28,665	5.8%	33,680	7.4%
Income taxes	2,364	0.5%	(594)	(0.1%)
Net income from continuing operations	26,301	5.3%	34,274	7.5%
Income from discontinued operations (net of income taxes)	-	-	662	0.1%
Net income	26,301	5.3%	34,936	7.6%
Earnings per unit (continuing operations)				
Basic	0.31		0.40	
Diluted	0.31		0.40	
Earnings per unit (net earnings)				
Basic	0.31		0.41	
Diluted	0.31		0.40	
EBITDA / Revenue ratio	12.9%		13.5%	

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

	Six months ended		Six months ended	
<i>(in thousands of dollars, except per unit amounts)</i>	June 30, 2007		June 30, 2006	
Revenue	960,410	100.0%	889,334	100.0%
Earnings before interest, income taxes, depreciation and amortization from continuing operations (EBITDA) ^{Note (1)}	116,807	12.2%	110,696	12.4%
Depreciation and amortization expense	52,914	5.5%	43,659	4.9%
Interest expense	15,726	1.6%	12,107	1.4%
Gain on disposal of fixed assets	(1,241)	(0.1%)	(940)	(0.1%)
Income from continuing operations before income taxes	49,408	5.2%	55,870	6.2%
Income taxes	2,244	0.2%	(228)	-%
Net income from continuing operations	47,164	5.0%	56,098	6.2%
Income from discontinued operations (net of income taxes)	-	-	915	0.1%
Net income	47,164	5.0%	57,013	6.3%
Earnings per unit (continuing operations)				
Basic	0.55		0.67	
Diluted	0.55		0.67	
Earnings per unit (net earnings)				
Basic	0.55		0.68	
Diluted	0.55		0.68	
EBITDA / Revenue ratio	12.2%		12.4%	

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

CONSOLIDATED FINANCIAL RESULTS

Three months ended June 30, 2007

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

- Increased revenues 9% to \$495.7 million
- Increased EBITDA^{Note (1)} 4% to \$64.1 million

For purposes of the Q2 2007 section of the MD&A, significant acquisitions will be defined as acquisitions concluded in or after Q2 2006 and in 2007 and will include Byers and Westfreight. 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 second quarter of 2007 is due to significant acquisitions. These acquisitions account for \$30.4 million additional revenue over Q2 2006.

The Fund's EBITDA⁽¹⁾ rose 4%, from \$61.6 million in Q2 2006 to \$64.1 million in Q2 2007. This increase is mostly attributable to significant acquisitions. These acquisitions account for \$3.8 million of the increase over Q2 2006.

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

Segmented results

Revenue by segment

(unaudited)

(in thousands of dollars)	Three months ended		Three months ended		Variance	
	June 30, 2007		June 30, 2006			
Revenue						
Less than Truckload & Parcel delivery	185,772	37%	167,112	37%	18,660	11%
Specialized Services	121,761	25%	99,824	22%	21,937	22%
Specialized Truckload	91,651	19%	81,983	18%	9,668	12%
Truckload	96,468	19%	106,663	23%	(10,195)	-10%
Total	495,652	100%	455,582	100%	40,070	9%

Less than Truckload & Parcel delivery

Revenue from LTL and parcel activities remained the greatest component of the Fund's revenue, at 37% of total revenue. This segment's revenue for Q2 2007 totaled \$185.8 million, compared to \$167.1 million for Q2 2006. This is due to significant acquisitions. The Byers acquisition contributed \$19.0 million in Q2 07.

Excluding the impact of the Byers acquisition and inter-divisional eliminations, Q2 07 LTL revenue dropped 2.1% from Q2 06. This was primarily driven by a decrease in tonnage per day of 8.4%. Revenue per hundredweight increased 5.9% over Q2 06 which is encouraging and bodes well for increased profitability when tonnage levels improve.

Q2 07 Parcel revenue increased 6.0% from Q2 06. This was primarily driven by an increase in the revenue per package of 2.1% and an increase in package volume per day of 3.8%.

Specialized Services

Revenue from the Specialized Services division rose to \$121.8 million for Q2 2007 from \$99.8 million in for Q2 2006. Significant acquisitions account for \$11.4 million of the increase. Other, small acquisitions concluded in Q2 07 as well as organic growth account for the remaining difference.

Specialized Truckload

Revenue for Specialized Truckload increased to \$91.7 million for Q2 2007 from \$82.0 million for Q2 2006. Multiple, small acquisitions concluded in Q2 account for the majority of this increase.

Truckload

This segment's revenue for Q2 2007 totaled \$96.5 million, compared to \$106.7 million for Q2 2006. This decrease reflects the current softness in the Fund's eastern-based transborder business.

Consolidated expenses

Operating expenses

<i>(in thousands of dollars)</i>	Three months ended June 30, 2007	Three months ended June 30, 2006	Variance	
Operating expenses	353,567	326,205	27,362	8%
Percentage of revenue	71%	72%		

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

The operating expenses for the second quarter of 2007 were \$353.6 million, compared to \$326.2 million in Q2 2006. Significant acquisitions added \$22.1 million. The Fund's operating expenses as a percentage of revenue are steady versus the quarter from a year earlier.

Fixed costs and general and administrative expenses

<i>(in thousands of dollars)</i>	Three months ended June 30, 2007	Three months ended June 30, 2006	Variance	
Fixed costs and general and administrative expenses	75,470	66,720	8,750	13%
Percentage of revenue	15%	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 second quarter of 2007 totaled \$75.5 million, increasing by \$8.8 million over Q2 2006. Significant acquisitions added \$4.5 million to the Fund's expenses in Q2 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)	Three months ended June 30, 2007	Three months ended June 30, 2006
<i>(in thousands of dollars)</i>		
Operating expenses	353,567	326,205
Fixed costs, general and administrative expenses	75,470	66,720
Incentive plan expense	2,496	1,092
Depreciation and amortization	27,483	22,485
Gain on disposal of fixed assets	(673)	127
	458,343	416,629
Revenue	495,652	455,582
Operating ratio	92.5%	91.4%

For the second quarter of 2007, the operating ratio stood at 92.5% versus the 91.4% in Q2 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)	Three months ended June 30, 2007	Three months ended June 30, 2006
<i>(in thousands of dollars)</i>		
Income from continuing operations	26,301	34,274
Depreciation and amortization	27,483	22,485
Interest on long-term debt	8,644	3,822
Other interest	-	1,451
Gain on disposal of fixed assets	(673)	127
Income taxes	2,364	(594)
EBITDA	64,119	61,565

EBITDA amounted to \$64.1 million or 12.9% of revenue for Q2 2007, compared to \$61.6 million or 13.5% of revenue in Q2 2006.

Depreciation and amortization

Depreciation of fixed assets rose to \$24.6 million in Q2 2007 from \$19.7 million in Q2 2006. The increase of \$4.9 million is mainly attributable to acquisitions. The Fund also amortized \$2.8 million of intangible assets in Q2 2007 versus \$2.8 million in 2006.

Interest expense

Interest expense increased to \$8.6 million in Q2 2007 from \$5.3 million in Q2 2006. This increase is primarily due to the financing of significant acquisitions and capital expenditures.

Income taxes

The income tax expense increased to \$2.4 million in Q2 2007 versus a recovery of \$0.6 million in Q2 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.

Income from continuing operations

The Fund's income from continuing operations for Q2 2007 decreased by 23% to \$26.3 million, compared to \$34.3 million in Q2 2006. This is primarily due to increases in depreciation and amortization, interest and income tax expense over Q2 2006.

CONSOLIDATED FINANCIAL RESULTS

Six months ended June 30, 2007

For purposes of the six-month period ended June 30, 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 and Westfreight. 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 six-month period ended June 30, 2007 is primarily due to significant acquisitions. These acquisitions account for \$64.6 million additional revenue over 2006.

The Fund's EBITDA⁽¹⁾ rose 6%, from \$110.7 million in six-month period ended June 30, 2006 to \$116.8 million in six-month period ended June 30, 2007. This increase is mostly attributable to significant acquisitions. These acquisitions account for \$7.1 million of the increase over 2006.

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

Segmented results

Revenue by segment

(unaudited)

(in thousands of dollars)	Six months ended		Six months ended		Variance	
	June 30, 2007		June 30, 2006			
Revenue						
Less than Truckload & Parcel delivery	358,386	37%	325,748	37%	32,638	10%
Specialized Services	249,012	26%	195,831	22%	53,181	27%
Specialized Truckload	164,547	17%	160,248	18%	4,299	3%
Truckload	188,465	20%	207,507	23%	(19,042)	(9%)
Total	960,410	100%	889,334	100%	71,076	8%

Less than Truckload & Parcel delivery

Revenue from LTL and parcel activities remained the greatest component of the Fund's revenue, at 37% of total revenue. This segment's revenue for six-month period ended June 30, 2007 totaled \$358.4 million, compared to \$325.7 million for 2006. This is due to significant acquisitions. The Byers acquisition contributed \$36.7 million in six-month period ended June 30, 2007.

Excluding the impact of the Byers acquisition and inter-divisional eliminations, LTL revenue in the first six months of 2007 dropped 2.9% versus 2006. This was primarily driven by a decrease in tonnage per day of 8.8%. Revenue per hundredweight increased 6.5% versus the same period in 2006.

Parcel revenue in the first six months of 2007 increased 3.8% versus 2006. This was primarily driven by an increase in the revenue per package of 3.6% and an increase in package volume per day of 0.2%.

Specialized Services

Revenue from the Specialized Services division rose to \$249.0 million for six-month period ended June 30, 2007 from \$195.8 million in 2006. Significant acquisitions account for \$22.5 million of the increase. Other, small acquisitions concluded in Q2 as well as organic growth account for the remaining difference.

Specialized Truckload

Revenue for Specialized Truckload increased to \$164.5 million for six-month period ended June 30, 2007 from \$160.2 million in 2006. Multiple, small acquisitions concluded in Q2 07 account for the majority of this increase.

Truckload

This segment's revenue for six-month period ended June 30, 2007 totaled \$188.5 million, compared to \$207.5 million in 2006. This decrease reflects the current softness in the Fund's eastern-based transborder business.

Consolidated expenses

Operating expenses

<i>(in thousands of dollars)</i>	Six months ended June 30, 2007	Six months ended June 30, 2006	Variance	
Operating expenses	686,388	640,171	46,217	7%
Percentage of revenue	71%	72%		

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 six-month period ended June 30, 2007 were \$686.4 million, compared to \$640.2 million in 2006. Significant acquisitions added \$47.1 million. The Fund's operating expenses as a percentage of revenue are steady versus the same period a year earlier.

Fixed costs and general and administrative expenses

<i>(in thousands of dollars)</i>	Six months ended June 30, 2007	Six months ended June 30, 2006	Variance	
Fixed costs and general and administrative expenses	152,223	136,274	15,949	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 six-month period ended June 30, 2007 totaled \$152.2 million, increasing by \$15.9 million over 2006. Significant acquisitions added \$10.4 million to the Fund's expenses in six-month period ended June 30, 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)	Six months ended	Six months ended
(in thousands of dollars)	June 30, 2007	June 30, 2006
Operating expenses	686,388	640,171
Fixed costs, general and administrative expenses	152,223	136,274
Incentive plan expense	4,992	2,193
Depreciation and amortization	52,914	43,659
Gain on disposal of fixed assets	(1,241)	(940)
	895,276	821,357
Revenue	960,410	889,334
Operating ratio	93.2%	92.4%

For the six-month period ended June 30, 2007, the operating ratio stood at 93.2% versus the 92.4% 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)	Six months ended	Six months ended
(in thousands of dollars)	June 30, 2007	June 30, 2006
Income from continuing operations	47,164	56,098
Depreciation and amortization	52,914	43,659
Interest on long-term debt	15,726	8,468
Other interest	-	3,639
Gain on disposal of fixed assets	(1,241)	(940)
Income taxes	2,244	(228)
EBITDA	116,807	110,696

EBITDA amounted to \$116.8 million or 12.2% of revenue for six-month period ended June 30, 2007, compared to \$110.7 million or 12.4% of revenue in 2006.

Depreciation and amortization

Depreciation of fixed assets rose to \$47.5 million in six-month period ended June 30, 2007 from \$39.3 million in 2006. The increase of \$8.2 million is mainly attributable to acquisitions. The Fund also amortized \$5.5 million of intangible assets in six-month period ended June 30, 2007 versus \$4.3 million in 2006.

Interest expense

Interest expense increased to \$15.7 million in six-month period ended June 30, 2007 from \$12.1 million in 2006. This increase is primarily due to the financing of acquisitions and capital expenditures.

Income taxes

The income tax expense increased to \$2.2 million in six-month period ended June 30, 2007 versus a recovery of \$0.2 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.

Income from continuing operations

The Fund's income from continuing operations for six-month period ended June 30, 2007 decreased by 16% to \$47.2 million, compared to \$56.1 million in 2006. This is primarily due to increases in depreciation and amortization, interest and income tax expense over 2006.

Liquidity and capital resources

Cash flow from operating activities

Cash flow from operating activities before the net change in non-cash balances decreased 3% from Q2 2006. It amounted to \$52.2 million for Q2 2007, compared to \$53.8 million in Q2 2006. For the six month period ended June 30, 2006, cash flow from operating activities before the net change in non-cash balances increased 3% to \$97.3 million from \$94.9 million in 2006.

Debt as at June 30, 2007

As at June 30, 2007, the Fund's long-term debt of \$589.3 million (including the short term portion) is composed of \$160.0 million 7-year term loan, \$274.9 million 4-year revolving facility, \$30.1 million in capital leases, \$93.4 million in conditional sales contracts and other debt and \$30.9 million for the CIT real estate related term loan.

During Q2 07, the Fund exercised the addition of \$50 million to its 4-year revolving credit facility. The Fund also had approximately \$8.7 million in letters of credit outstanding against the 4-year revolving facility. As such, approximately \$16.4 million was available to be drawn under this facility at June 30, 2007. The Fund can also borrow up to an additional \$140M under its bank facilities subject to certain conditions being met.

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 June 30	Three months	Three months	Six months	Six months
Unaudited	2007	2006	2007	2006
OPERATING ACTIVITIES				
Cash flow from operating activities	49,417	42,571	84,350	79,141
Add (deduct):				
Purchase of units held by the fund for long-term incentive plan	3,319	3,526	3,998	5,464
Net change in non-cash working capital	2,749	11,266	12,949	15,744
Deferred financing charges	(160)	-	(310)	-
Other	(160)	(119)	(240)	(297)
Distributable cash from operating activities	55,165	57,244	100,747	100,052
INVESTING ACTIVITIES				
Sustaining capital expenditures (Note 1)	(15,110)	(21,461)	(33,103)	(32,042)
Proceeds from disposal of fixed assets	5,064	5,530	9,988	11,490
Distributable cash from investing activities	(10,046)	(15,931)	(23,115)	(20,552)
FINANCING ACTIVITIES				
Scheduled debt repayment (note 2)	(2,713)	(4,575)	(4,164)	(9,536)
Distributable cash from financing activities	(2,713)	(4,575)	(4,164)	(9,536)
Total distributable cash	42,406	36,738	73,468	69,964
Total distribution declared				
Distribution declared to Tracking shareholders (note 3)	3,357	3,200	6,624	6,291
Distribution declared to Unitholders	29,027	27,325	57,324	52,681
Total distribution declared	32,384	30,525	63,948	58,972
Distributable cash surplus	10,022	6,213	9,520	10,992
Total distribution declared per unit				
Distribution declared to Tracking shareholders	0.2439	0.2324	0.4812	0.4566
Distribution declared to Unitholders	0.3975	0.3800	0.7850	0.7475
Distributable cash earned per unit				
Tracking shareholders	0.3407	0.2967	0.5885	0.5728
Unitholders	0.5093	0.4496	0.8885	0.8680
Payout ratio - regular distribution	78.0%	84.5%	88.4%	86.1%

Note 1: Sustaining CAPEX

As part of the relocation of the Fund's Calgary terminal, the Fund has invested \$3.6 million in the three-month period ended June 30, 2007 and \$7.2 million in the six-month period ended June 30, 2007 (\$2.0 million - 2006). This investment has been excluded from distributable cash. Also the Fund invested nil in the three-month period ended June 30, 2007 and \$38.5 million in the six-month period ended June 30, 2007 as part of lease buyouts for two terminals (\$10.5 million - 2006). This has also been excluded from distributable cash.

Note 2: Scheduled debt repayment excludes:

- 1) Debt payments made on debt acquired as part of business acquisitions. This totals \$19.4 million for the three-month period ended June 30, 2007 and \$ 26.7 million for the six-month period ended June 30, 2007 (\$38.2 million - 2006).
- 2) Term loan due on September 30, 2013 of \$160 million, the revolving term loan due on September 30, 2010 of \$274.9 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 June 30, 2007 totals \$41.0 million (\$70.1 million - 2006)

Note 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 June 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 second 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 second quarter of 2007 amounted to \$18.8 million and include \$9.6 million for rolling stock, \$5.2 million for land and buildings and \$4.0 million for technology and facility improvements. The Fund expects its net capital expenditure program for the year 2007 to be comparable to the 2006 level. The Fund invests in new equipment in order to ensure its quality of service while keeping maintenance costs low.

The Fund used \$35.7 million for business acquisitions in Q2 2007. The proceeds from the disposal of fixed assets generated \$5.1 million in Q2 2007; \$4.6 million of rolling stock and \$0.5 million of other assets.

The Fund's investing activities therefore used total cash flow of \$49.1 million in Q2 2007, compared to \$35.0 million in Q2 2006.

Financial position

Highlights

<i>(in thousands of dollars)</i>	June 30, 2007	December 31, 2006	% change
Total assets	1,407,615	1,215,719	15.8%
Total long-term debt (including the current portion of long-term debt)	589,292	394,382	49.4%
Unitholders' equity	562,923	579,250	-2.8%
Long-Term Debt to equity ratio	104.68%	68.08%	
Long-Term Debt to Total Capitalization	51.14%	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 six-month period ended June 30, 2007.

Incentive plan

During Q2 2007, 229,647 trust units (200,000 in Q2 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 \$14.45 (\$17.63 in Q2 2006) for a total cost of \$3.3 million (\$3.5 million in Q2 2006).

During the first six month of 2007, 279,647 trust units (300,000 in 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 \$14.30 (\$18.21 in 2006) for a total cost of \$4.0 million (\$5.5 million in 2006).

The Fund recorded a compensation expense of \$2.5 million in Q2 2007 (\$1.1 million in Q2 2006) and \$5.0 million for the six month period ended June 30, 2007 (\$2.2 million in 2006) related to the trust units granted in prior years and the anticipated 2007 grant.

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 \$17.3 million in the six-month period ended June 30, 2007, compared to December 31, 2006 as stated in the consolidated balance sheet. The net income for the six-month period ended June 30, 2007 is \$47.2 million and the declared distributions including dividends on Tracking Share Units were \$64.5 million.

Outstanding unit data

On June 30, 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:

	Number	Amount (in thousands of \$)
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 June 30, 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 June 30, 2007	13,765,716	20,064
Balance as at June 30, 2007	86,790,097	519,404

Contractual obligations

<i>(in thousands of dollars)</i>	<i>Payments Due by Period</i>				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Bank 4 year revolving facility	274,900	-	-	274,900	-
Bank 7 year facility	160,000	-	-	-	160,000
Capital Lease Obligations	30,102	10,261	17,281	2,547	13
Other Long Term Obligations	124,290	23,944	76,957	15,663	7,726
Total Contractual Obligations	589,292	34,205	94,238	293,110	167,739

Commitments and off-balance sheet arrangements

<i>(in thousands of dollars)</i>	<i>Payments Due by Period</i>				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating Leases – Rolling Stock	78,796	36,750	39,200	2,846	-
Operating Leases – Real Estate & Others	93,274	17,020	25,194	15,291	35,769
Total Off-balance sheet Obligations	172,070	53,770	64,394	18,137	35,769

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

<i>(\$ million, except per share amounts)</i>								
	Q2 07	Q1 07	Q4 06	Q3 06	Q2 06	Q1 06	Q4 05	Q3 05
Revenue	495.7	464.8	456.8	448.7	455.6	433.8	418.8	375.5
EBITDA ^{Note (1)}	64.1	52.7	65.8	65.2	61.6	49.1	59.0	51.2
Net income	26.3	20.9	55.1	38.9	34.9	22.1	35.9	68.4
Earnings per unit								
Basic	0.31	0.24	0.64	0.45	0.41	0.27	0.47	0.89
Diluted	0.31	0.24	0.64	0.45	0.40	0.27	0.47	0.89

Note 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.

Financial instruments

The Fund has entered into foreign exchange forward contracts, average rate forward exchange contracts and foreign exchange collars for the sale of US dollars in exchange for Canadian dollars that expire on various dates through December 2007. As at June 30, 2007, the notional amount of these contracts was US\$14,000,000 (December 2006 - US\$28,800,000), and the average exchange rate of the contracts was C\$1.1673 (December 2006 - C\$1.1597).

The fair value of the foreign exchange contracts generally reflects the estimated amount that the Fund would receive from settlements of favorable contracts, or which it would be required to pay to cancel unfavorable contracts at the balance sheet date. As at June 30, 2007, the fair market value of the foreign exchange contracts approximated \$1,000,000 (December 2006 - \$228,000).

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.

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 6% 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 US dollar. The Fund manages this risk through the use of foreign exchange forward contracts. Please refer to the *Financial Instruments* section for more details on the currency fluctuation.

The Fund estimates its annual net US denominated cash flow at approximately \$126.0 million dollars at June 30, 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 \$449.2 million of long-term debt at variable rates as at June 30, 2007. A 1% change in interest rates would impact the Fund's earnings before taxes by approximately \$4,492,000.

Credit

The Fund sells services to clients primarily in Canada and the United States. The concentration of credit risk to which the Fund is exposed is limited due to the significant number of customers that make up its client base and their distribution across different geographic areas. As at June 30, 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 June 30, 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.

**CONSOLIDATED STATEMENTS
OF INCOME**

(unaudited)

**(In thousands of dollars, except
per unit amounts)**

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Revenues	450,125	409,697	877,122	804,883
Fuel surcharge revenues	45,527	45,885	83,288	84,451
Total revenues	495,652	455,582	960,410	889,334
Expenses				
Operating expenses	353,567	326,205	686,388	640,171
Fixed costs, general and administrative expenses	75,470	66,720	152,223	136,274
Incentive plan expense	2,496	1,092	4,992	2,193
Operating income from continuing operations before the following:	64,119	61,565	116,807	110,696
Depreciation of fixed assets	24,642	19,697	47,455	39,320
Amortization of intangible assets	2,841	2,788	5,459	4,339
Interest on long-term debt	8,644	3,822	15,726	8,468
Other interest	-	1,451	-	3,639
Gain on disposal of fixed assets	(673)	127	(1,241)	(940)
Income from continuing operations before provision for income taxes	28,665	33,680	49,408	55,870
Provision for income taxes				
Current	2,806	1,744	5,326	3,362
Future	(442)	(2,338)	(3,082)	(3,590)
	2,364	(594)	2,244	(228)
Income from continuing operations	26,301	34,274	47,164	56,098
Earnings from discontinued operations	-	662	-	915
Net income	26,301	34,936	47,164	57,013
Earnings per unit				
From continuing operations				
Basic	0.31	0.40	0.55	0.67
Diluted	0.31	0.40	0.55	0.67
Net earnings				
Basic	0.31	0.41	0.55	0.68
Diluted	0.31	0.40	0.55	0.68
Outstanding weighted average number of				
Units	72,174,911	72,496,144	72,251,410	69,647,344
Tracking shares	13,765,854	13,768,063	13,766,084	13,781,813
Total	85,940,765	86,264,207	86,017,494	83,429,157
Units outstanding				
Number of Trust units of the Fund	73,024,381	73,023,781	73,024,381	73,023,781
Number of Tracking shares	13,765,716	13,766,316	13,765,716	13,766,316

Total CONSOLIDATED SHEETS	BALANCE	86,790,097	86,790,097	86,790,097	86,790,097
(in thousands of dollars)		As at June 30, 2007 (unaudited)	As at December 31, 2006 (audited)		
ASSETS					
Current assets					
Accounts receivable		301,662	270,683		
Inventories		9,743	9,623		
Prepaid expenses		20,282	14,998		
		<u>331,687</u>	<u>295,304</u>		
Fixed assets		635,755	533,054		
Goodwill		368,102	320,716		
Intangible assets		58,879	52,642		
Other assets		8,110	8,688		
Future income taxes		5,082	5,315		
		<u>1,407,615</u>	<u>1,215,719</u>		
LIABILITIES AND UNITHOLDERS' EQUITY					
Current liabilities					
Bank indebtedness		11,938	20,223		
Accounts payable and accrued liabilities		200,564	177,846		
Cash distributions payable to unitholders		9,675	9,310		
Dividends payable on Tracking Share Units of TFI Holdings Inc.		1,655	2,134		
Income taxes payable		2,537	4,765		
Current portion of long-term debt		34,205	35,758		
		<u>260,574</u>	<u>250,036</u>		
Long-term debt		555,087	358,624		
Non-controlling interest		2,325	2,002		
Asset retirement obligations		3,735	3,660		
Future income taxes		22,971	22,147		
Unitholders' equity					
Capital contributions and Tracking Share Units		519,404	519,404		
Contributed surplus		908	336		
Units held by the fund for incentive plan		(10,714)	(11,136)		
Retained earnings		53,325	70,646		
		<u>562,923</u>	<u>579,250</u>		
		<u>1,407,615</u>	<u>1,215,719</u>		

**CONSOLIDATED STATEMENTS
OF RETAINED EARNINGS
(unaudited)
(in thousands of dollars)**

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
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Retained earnings, beginning of period	59,677	51,340	70,646	57,963
Net income for the period	26,301	34,936	47,164	57,013
Distributions to unitholders	(29,027)	(27,325)	(57,324)	(52,681)
Dividends on Tracking Share Units of TFI Holdings Inc.	(3,626)	(3,453)	(7,161)	(6,797)
Retained earnings, end of period	53,325	55,498	53,325	55,498

**CONSOLIDATED STATEMENTS
OF CASH FLOWS
(unaudited)
(in thousands of dollars)**

Three months ended June 30, 2007 Three months ended June 30, 2006 Six months ended June 30, 2007 Six months Ended June 30, 2006

**CASH FLOW FROM
OPERATING ACTIVITIES**

Net income for the period	26,301	34,936	47,164	57,013
Non-cash items:				
Depreciation of fixed assets	24,642	20,330	47,455	40,608
Amortization of intangible assets	2,841	2,788	5,459	4,339
Incentive plan expense	2,496	1,092	4,992	2,193
Purchase of units held by the fund for the Incentive plan	(3,319)	(3,526)	(3,998)	(5,464)
Deferred financing charges	160	-	310	-
Future income taxes	(442)	(2,027)	(3,082)	(3,159)
(Gain) Loss on disposal of fixed assets	(673)	125	(1,241)	(942)
Other	160	119	240	297
	52,166	53,837	97,299	94,885
Net change in non-cash working capital balances related to operations	(2,749)	(11,266)	(12,949)	(15,744)
	49,417	42,571	84,350	79,141

**CASH FLOW FROM FINANCING
ACTIVITIES**

Increase in (repayment of) bank advances and overdraft	(8,736)	36,095	(8,285)	66,731
Increase in long-term debt	-	-	556	-
Repayment of long-term debt	(22,082)	(13,313)	(30,885)	(47,705)
Increase (decrease) in new long term revolver facility	62,900	-	153,400	-
Cash distributions paid to unitholders	(29,027)	(27,145)	(56,959)	(56,038)
Dividends paid on Tracking Share Units	(3,358)	(3,178)	(7,640)	(7,805)
Issuance of trust units	-	-	-	143,760
	(303)	(7,541)	50,187	98,943

**CASH FLOW FROM INVESTING
ACTIVITIES**

Additions to fixed assets	(18,793)	(33,170)	(78,868)	(44,614)
Proceeds from disposal of fixed assets	5,064	5,530	9,988	11,490
Business acquisitions (including bank advances net of cash)	(35,709)	(8,216)	(66,635)	(146,697)
Other assets, net	324	826	978	1,737
	(49,114)	(35,030)	(134,537)	(178,084)

Net change in cash and cash equivalent during the period	-	-	-	-
Cash and cash equivalent, beginning of the period	-	-	-	-

Cash and cash equivalent, end of the period	-	-	-	-
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Supplemental cash flow information:

Cash paid during the period for:

Interest	8,555	5,414	15,610	11,949
Income taxes	2,534	3,899	5,926	5,745

Notes to unaudited Interim Financial Statements

For the three and six-month period ended June 30, 2007

(unaudited)

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

1. ORGANIZATION

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

TransForce Income Fund, through its independent operating subsidiaries (the “Fund”), operates in four well-defined business segments: Less than Truckload (LTL) and Parcel Delivery, Truckload (TL), Specialized Truckload, and Specialized Services.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements of the Fund have been prepared in accordance with Canadian generally accepted accounting principles and contain the financial position, results of operations and cash flows of the Fund. The same accounting policies used in the last annual report have been applied in the unaudited interim consolidated financial statements except for changes described in note 3. The unaudited interim consolidated financial statements do not include all the information and notes required according to generally accepted accounting principles for annual financial statements, and should therefore be read in conjunction with the audited consolidated financial statements of the Fund in the annual report for the fiscal period ended December 31, 2006.

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

3. CHANGES IN ACCOUNTING POLICIES

On January 1, 2007, the Fund adopted CICA Handbook Sections 1530, "Comprehensive Income", Section 3251 "Equity", Section 3855, "Financial Instruments - Recognition and Measurement", 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 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; 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, 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 has determined it currently has no derivative or embedded derivative instruments and as such is not impacted by the change in accounting policy.

The Fund enters into foreign exchange forward contracts, average rate forward exchange contracts and foreign exchange collars for the sale of US dollars in exchange for Canadian dollars. 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.

4. BUSINESS ACQUISITIONS

During the six-month period ended June 30, 2007, the Fund acquired all of the shares of Westfreight Systems Inc. and Westfreight Holdings (U.S.A.) Inc. on January 3, 2007 , Canadian American Transport Limited on February 15, 2007, McArthur Express inc on April 1, Legal Freight Services Ltd on April 1, E&L Transport Services inc. on May 1, Groupe Excellent on May 1, McMurray Serv U on May 14, Modem Transport on May 26, Logipro on June 1, Martrans on June 8 and MTMX on June 22.

The Fund also acquired the assets of Location Beaudry on May 1 and of Transport RC on June 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 preliminary purchase price allocation is as follows:

	Six months ended June 30, 2007
<hr/>	
Assets	
Cash	8,759
Non-cash working capital	5,204
Fixed assets	63,661
Other assets	242
Intangible assets	11,696
Goodwill	47,386
	<hr/>
	136,948
	<hr/>
Liabilities	
Bank advances and overdraft	1,774
Long-term debt	55,815
Future income tax liabilities	4,139
	<hr/>
	61,728
	<hr/>
Net assets	75,220
	<hr/>
Consideration	
Cash	73,620
Balance of sale	1,600
	<hr/>
	75,220
	<hr/>

5. FIXED ASSETS

	As at June 30, 2007		As at December 31, 2006	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	94,007	-	69,511	-
Buildings	134,412	19,768	101,929	16,911
Rolling stock	568,047	215,941	508,012	202,496
Furniture, machinery and hardware/software	126,299	60,799	109,479	46,408
Leasehold improvements	17,096	7,598	16,092	6,154
	939,861	304,106	805,023	271,969
Accumulated depreciation	(304,106)		(271,969)	
Net carrying value	635,755		533,054	

During the three-month period ended June 30, 2007, the Fund acquired fixed assets in the amount of \$16.0 million under capital leases and conditional sales contracts (2006 – \$3.5 million). During the six-month period ended June 30, 2007, the Fund acquired fixed assets in the amount of \$16.4 million under capital leases and conditional sales contracts (2006 – \$14.7 million).

6. GOODWILL

	LTL and Parcel delivery	Truckload	Specialized Truckload	Specialized Services	Total
Balance as at December 31, 2006	119,678	29,613	32,678	138,747	320,716
Business acquisitions during the period	3,689	1,606	8,990	33,101	47,386
Balance as at June 30, 2007	123,367	31,219	41,668	171,848	368,102

7. INTANGIBLE ASSETS

	As at June 30, 2007		As at December 31, 2006	
	Cost	Accumulated amortization	Cost	Accumulated Amortization
Customer relationships	49,803	7,796	39,510	4,437
Customer contracts	10,438	5,904	10,438	4,489
Non-competition agreements, licenses and permits	10,817	1,599	9,977	1,075
Trade marks	4,060	940	3,487	569
	75,118	16,239	63,412	10,770
Accumulated amortization	(16,239)		(10,770)	
Net carrying value	58,879		52,642	

8. 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 and Specialized Services. The Fund's revenue in each of these segments was as follows:

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
LTL & Parcel delivery	185,772	167,112	358,386	325,748
Specialized Services	121,761	99,824	249,012	195,831
Specialized Truckload	91,651	81,983	164,547	160,248
Truckload	96,468	106,663	188,465	207,507
Revenue Total	495,652	455,582	960,410	889,334

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

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

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

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Canada	319,056	300 793	624,493	577,437
United States	176,596	154 789	335,917	311,897
Revenue Total	495,652	455,582	960,410	889,334

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

9. 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 appraiser. The property will be used in the operations of the Fund.

10. EARNINGS PER UNIT

Periods ended June 30	Three months 2007	Three months 2006	Six months 2007	Six months 2006
BASIC EARNINGS PER UNIT				
Income from continuing operations	26,301 \$	34,274 \$	47,164 \$	56,098 \$
Weighted average number of trust units outstanding	73,024,243	73,022,034	73,024,013	70,114,638
Trust units held for long term incentive plan	(849,332)	(525,890)	(772,603)	(467,294)
Adjusted weighted average number of trust units outstanding	72,174,911	72,496,144	72,251,410	69,647,344
Weighted average number of Tracking Share Units outstanding	13,765,854	13,768,063	13,766,084	13,781,813
Adjusted weighted average number of units outstanding	85,940,765	86,264,207	86,017,494	83,429,157
Basic earnings per unit	0.31 \$	0.40 \$	0.55 \$	0.67 \$
DILUTED EARNINGS PER UNIT				
Income from continuing operations	26,301 \$	34,274 \$	47,164 \$	56,098 \$
Dilution effect of Tracking Share Units	- \$	- \$	- \$	- \$
	26,301 \$	34,274 \$	47,164 \$	56,098 \$
Adjusted weighted average number of trust units outstanding	85,940,765	86,264,207	86,017,494	83,429,157
Potential dilutive impact of long-term incentive plan	17,975	24,813	5,683	38,419
Adjusted weighted average number of units outstanding	85,958,740	86,289,020	86,023,177	83,467,576
Diluted earnings per unit	0.31 \$	0.40 \$	0.55 \$	0.67 \$

The Fund disposed of its hazardous waste division in Q4 2006. The net income related to this division in Q2 2006 totals \$0.7 million and \$0.9 million in the six month period ended June 30, 2006 and has an insignificant impact on earnings per unit on a basic or diluted basis.

11. EMPLOYEE PENSION PLANS

The Fund provides defined benefit plans to a limited number of eligible employees. Pension obligations are affected by factors such as interest rates, adjustments arising from plan amendments, changes in assumptions and experience gains or losses. The costs are based on a measurement of the pension plan obligations and the pension fund assets.

Total pension expense for the three and six-month period ended June 30, 2007 is as follows:

	Three months June 30 2007	Three months June 30 2006	Six months June 30 2007	Six months June 30 2006
Pension expense	353	418	706	693

12. LONG TERM INCENTIVE PLAN

During Q2 2007, 229,647 trust units (200,000 in Q2 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 \$14.45 (\$17.63 in Q2 2006) for a total cost of \$3.3 million (\$3.5 million in Q2 2006).

During the first six month of 2007, 279,647 trust units (300,000 in 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 \$14.30 (\$18.21 in 2006) for a total cost of \$4.0 million (\$5.5 million in 2006).

The Fund recorded a compensation expense of \$2.5 million in Q2 2007 (\$1.1 million in Q2 2006) and \$5.0 million for the six month period ended June 30, 2007 (\$2.2 million in 2006) related to the trust units granted in prior years and the anticipated 2007 grant.

13. CAPITAL CONTRIBUTIONS AND TRACKING SHARE UNITS

On June 30, 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:

	Number	Amount
		(in thousands of \$)
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 June 30, 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 June 30, 2007	13,765,716	20,064
Balance as at June 30, 2007	86,790,097	519,404

14. 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. 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.

Significant components of the Fund's future tax liabilities and assets as of June 30, 2007 are as follows:

	June 30, 2007
Fixed assets and Intangible assets	(1,650)
Liabilities and other provisions	<u>200</u>
Total future tax liabilities	(1,450)

15. SUBSEQUENT EVENT

On August 2, 2007 the Fund announced that it had entered into a letter of intent with Century II Holdings Inc. to acquire all of its issued and outstanding shares. Century II Holdings Inc. is a publicly listed holding company (TSX: CH) whose wholly owned subsidiary, Information Communication Services (ICS) Inc. (ICS Courier), operates a fixed route courier business. The letter of intent provides that the purchase price per share would be \$9.75. Century II Holdings Inc. currently has 12,398,886 issued and issuable shares outstanding. The transaction is conditional to signing a definitive agreement, normal closing and regulatory conditions and is expected to close on October 31, 2007.

16. COMPARATIVE FIGURES

Certain comparative figures for the three and six-month period ended June 30, 2006 have been reclassified to conform to the financial statement presentation adopted in the current period.

Certification of Interim Filings

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

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) TransForce Income Fund, for the three and six month periods ending June 30, 2007;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - a. designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and
 - b. designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

August 8, 2007



Salvatore Vitale, CA
Chief Financial Officer

Certification of Interim Filings

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

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) TransForce Income Fund, for the three and six month periods ending June 30, 2007;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - a. designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and
 - b. designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

August 8, 2007



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

HEAD OFFICE

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Caisse de dépôt et placement du Québec
GE Canada Finance Holding Company
National Bank of Canada
Royal Bank of Canada
The Bank of Nova Scotia

ANNUAL MEETING OF UNITHOLDERS

Tuesday, April 24, 2007
at 9:00 am
Hyatt Regency Calgary
700 Centre Street SE
Calgary, Alberta

STOCK EXCHANGE LISTING

The trust units of TransForce
Income Fund are listed on
the Toronto Stock Exchange
(Symbol: TIF.UN)

REGISTRAR AND TRANSFER AGENT

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**TransForce**
IncomeFund