

2009 FINANCIAL REVIEW

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The following is TransForce Inc.'s management discussion and analysis (MD&A). Throughout this MD&A, the terms "Company" and "TransForce" shall mean TransForce Inc., and shall include its independent operating subsidiaries.

This MD&A provides a comparison of the Company's performance for its three-month period and the year ended December 31, 2009 with the three-month period and the year ended December 31, 2008, and it reviews the Company's financial position as at December 31, 2009. It also includes discussion of the Company's affairs up to February 24, 2010. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes. All amounts disclosed are in Canadian dollars.

The Company's annual consolidated financial statements have been approved by its Board of Directors upon recommendation of its audit committee prior to release.

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 Company.

Additional information relating to the Company can be found on its website at www.transforce.ca. The Company's continuous disclosure materials, including its annual and quarterly MD&A, annual and quarterly financial statements, annual report, annual information form, management proxy circular and the various press releases issued by the Company are also available on its website or directly through the SEDAR system at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The Company 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 Company 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 Company'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 Company's market and the Company's ability to compete
2. The Company's ability to recruit, train and retain qualified drivers
3. Increases in fuel prices, and the Company'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 Company's operations
7. Adverse weather conditions
8. Accidents
9. The market for used equipment
10. Changes in interest rates
11. Cost of liability insurance coverage
12. Downturns in general economic conditions affecting the Company and its customers
13. Illiquid credit markets

The foregoing list should not be construed as exhaustive, and the Company 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 Company's control. The Company's future financial and operating results may fluctuate as a result of these and other risk factors.

OUR BUSINESS

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

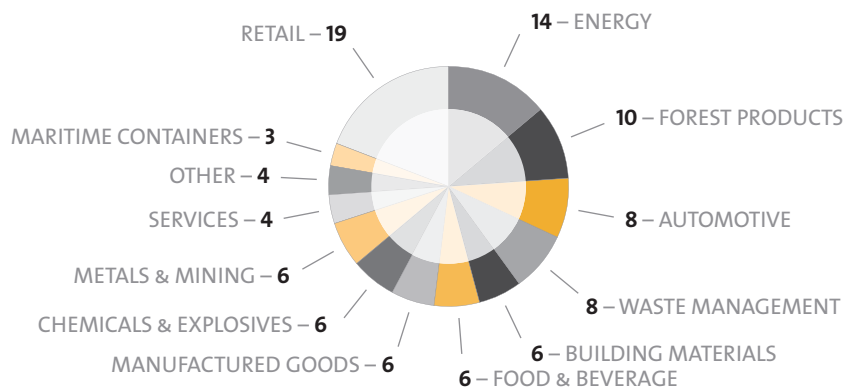
Services

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

- Less-Than-Truckload;
- Package and Courier;
- Specialized Services, which includes its ancillary transportation services such as logistics, fleet management & personnel services; oilfield & oilsand services, and waste management;
- Truckload, which includes specialized truckload and dedicated services.

REVENUE BY TOP CUSTOMERS' INDUSTRY – 2009

(In percentage)



In each of these reportable segments, the Company's independent subsidiaries are recognized for their professional expertise. TransForce offers package and courier service across Canada and less-than-truckload service across Canada and into the United States through its exclusive partnerships. Specialized services includes logistics, fleet management & personnel services; oilfield & oilsand services, and waste management services. Truckload service includes dry van, specialized equipment and dedicated services providing service in both the domestic and trans-border markets.

Seasonality of operations

The activities conducted by the Company 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 Company's oilfield & oilsand services group where the first and fourth quarters are the strongest and the second and third quarters are the weakest. The oilfield & oilsand services group thus provides a natural counterbalance to the Company's transportation cycles. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise.

Human resources

The Company has approximately 13,900 employees. These include 1,800 owner-operators and 1,800 employees who work in the Company's Personnel Services divisions across Canada in TransForce's different business segments. This compares to approximately 15,300 employees including 1,800 owner-operators and 1,800 employees in the Company's Personnel Services divisions for the last quarter

of 2008. A number of these employees are subject to collective agreements. The Company considers that it has a relatively low turnover rate among its employees and that employee relations are good.

Equipment

The Company has the largest trucking fleet in Canada, with approximately 6,700 power units (including 1,800 owner-operators) and 12,000 trailers as at December 31, 2009. This includes approximately 900 trailers operated by the Company's Fleet Management Services. This compares to approximately 7,300 power units (including 1,800 owner-operators) and 13,400 trailers as at December 31, 2008.

Facilities

The Company's head office is situated in Montréal, Québec. As at December 31, 2009 the Company has 260 terminals, with 63 in Ontario, 95 in Western Canada, 76 in Québec and 22 in the Atlantic Provinces. The Company also has four terminals in the United States.

Customers

The Company 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. Because of its customer diversity, as well as the wide geographic scope of the Company'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 Company. In the last several years, the Company 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.

2009 CONSOLIDATED FINANCIAL RESULTS

Consolidated highlights

The financial highlights for the year ended December 31, 2009 are:

- Total revenue decreased 18% to \$1.8 billion
- Revenue excluding fuel surcharge decreased 13% to \$1.7 billion
- EBITDA⁽¹⁾ decreased by 19% to \$226.5 million (21% excluding favourable ruling in a class-action settlement of \$4.5 million recorded in Q1 2008, and non-recurring conversion related costs of \$8.7 million recorded in Q2 2008)

- EBITDA margin was 12.3%, consistent with 12.4% realized last year (12.6% excluding favourable ruling in a class-action settlement of \$4.5 million recorded in Q1 2008 and non-recurring conversion related costs of \$8.7 million recorded in Q2 2008)
- Goodwill impairment of \$45.0 million in the oilfield services group of the Specialized Services segment
- Adjusted earnings per share⁽²⁾ decreased 48% to \$0.58 from \$1.11 in 2008
- Acquisition of ATS Andlauer Retail Solutions Division which is expected to generate \$120.0 million of annual revenue
- Long-term debt decreased by \$100.1 million to \$707.9 million

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

(2) See net income and earnings per share section for the exclusions.

SELECTED FINANCIAL DATA

(unaudited)
(in thousands of dollars, except per share amounts)

	Year ended December 31, 2009		Year ended December 31, 2008	
Revenue	1,718,357		1,980,543	
Fuel surcharge revenue	128,169		281,386	
Total revenue	1,846,526	100.0%	2,261,929	100.0%
Earnings before interest, income taxes, depreciation and amortization (EBITDA) (1)	226,544	12.3%	279,963	12.4%
Depreciation and amortization expense	122,602	6.6%	123,006	5.4%
Interest on long-term debt	34,996	1.9%	46,597	2.1%
Change in fair value of interest rate swap contracts	(5,546)	(0.3%)	13,840	0.6%
Goodwill impairment	45,000	2.4%	-	-%
Gain on disposal of business	(119)	(0.0%)	-	-%
Gain on disposal of property, plant and equipment	(2,729)	(0.1%)	(2,657)	(0.1%)
Income before income taxes	32,340	1.8%	99,177	4.4%
Income taxes	21,411	1.2%	19,499	0.9%
Net income (2)	10,929	0.6%	79,678	3.5%
Earnings per share				
Basic	0.12		0.92	
Diluted	0.12		0.92	
EBITDA margin (EBITDA as a percentage of revenue)	12.3%		12.4%	

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

(2) TransForce Inc. operated as an Income Trust during part of 2008, conversion occurred in Q2 08.

For purposes of the 2009 consolidated financial results section of the MD&A, the Company did not account for the business acquisitions completed during 2009 in its comments since their contribution to the annual results were not significant. The most important acquisition of 2009, ATS Andlauer Retail Solutions Division, was concluded near the year end.

The decrease in revenue year-over-year for the year ended December 31, 2009 is indicative of the general economic

downturn experienced since the beginning of the year, resulting in lack of solid customer demand and a steady pressure on pricing. Consequently, total revenue in the year ended December 31, 2009 decreased 18% to \$1.8 billion from \$2.3 billion in 2008. Compared to last year, the lower average diesel fuel price contributed to the decrease in the fuel surcharge included in total revenue. Revenue excluding fuel surcharge decreased 13% to \$1.7 billion.

CONSOLIDATED EXPENSES

Operating expenses

(in thousands of dollars)	Year ended December 31, 2009	Year ended December 31, 2008	Variance	
Operating expenses	1,308,830	1,629,234	(320,404)	(20%)
Percentage of total revenue	71%	72%		

The Company'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 year ended December 31, 2009 were \$1.3 billion, compared to \$1.6 billion in 2008. Headcount, sub-contractor related costs and lower fuel consumption as a result of lower volume levels and a lower average diesel fuel price accounted for most of the year-over-year decrease.

TransForce reduced operating expenses by 20%, while total revenue declined by 18%. This resulted in a reduction in operating expenses as a percentage of revenue to 71% from 72% last year, indicating the Company's capacity to manage costs through better efficiency as well as the lower average diesel fuel price in 2009.

Fixed costs and general and administrative expenses

(in thousands of dollars)	Year ended December 31, 2009	Year ended December 31, 2008	Variance	
Fixed costs and general and administrative expenses	310,252	343,847	(33,595)	(10%)
Percentage of total revenue	17%	15%		

The Company'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.

During Q1 2008, the Company received a favourable ruling in a class-action settlement originating from prior years that was confirmed by the Supreme Court of Canada. As a result, the Company recorded a \$4.5 million amount receivable and a corresponding reduction to FCGA expenses.

During Q2 2008, the Company recorded \$2.8 million of non-recurring conversion-related costs.

FCGA expenses for the year ended December 31, 2009 were \$310.3 million compared to \$343.8 million in 2008. Excluding the impact of the \$4.5 million favourable class-action settlement recorded in Q1 2008 and non-recurring conversion related administrative costs of \$2.8 million recorded in Q2 2008, year-over-year costs decreased \$31.9 million, reflecting the salary and hiring freeze and other the cost-cutting initiatives aimed at discretionary spending initiated in Q1 2009 in response to the growing economic challenges. Bad debt expense for the year ended December 31, 2009 was \$3.7 million compared with \$3.6 million in 2008 (see note 4 of financial statements).

Operating ratio

The operating ratio (OR) is a non-GAAP financial measure which does not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP). It is the sum of operating expenses, fixed costs, general and administrative expenses, incentive compensation plan, depreciation and amortization, less the gain or plus the loss on disposal of property, plant and equipment, 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 Company's performance. Investors should also note that our presentation of OR may not be comparable to similarly titled measures by other companies.

(unaudited) (in thousands of dollars)	Year ended December 31, 2009	Year ended December 31, 2008
Operating expenses	1,308,830	1,629,234
Fixed costs, general and administrative expenses	310,252	343,847
Incentive plan compensation	900	8,885
Depreciation and amortization	122,602	123,006
Gain on disposal of property, plant and equipment	(2,729)	(2,657)
	1,739,855	2,102,315
Total revenue	1,846,526	2,261,929
Operating ratio	94.2%	92.9%
Operating ratio excluding depreciation and amortization	87.6%	87.5%

For the year ended December 31, 2009, the operating ratio stood at 94.2% versus 92.9% in 2008. Excluding the impact of the \$4.5 million favourable class-action settlement

recorded in Q1 2008 and non-recurring conversion related costs of \$8.7 million recorded in Q2 2008, the 2008 operating ratio was 92.6%.

EBITDA

While EBITDA (Earnings before interest, income taxes, depreciation and amortization) is not a recognized measure under GAAP, management believes it to be a useful supplemental measure. It is provided to assist in determining the ability of the Company 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.

Reconciliation of net income to EBITDA

(unaudited) (in thousands of dollars)	Year ended December 31, 2009	Year ended December 31, 2008
Net income (1)	10,929	79,678
Depreciation and amortization	122,602	123,006
Interest on long-term debt	34,996	46,597
Change in fair value of interest rate swap contracts	(5,546)	13,840
Goodwill impairment	45,000	-
Gain on disposal of business	(119)	-
Gain on disposal of property, plant and equipment	(2,729)	(2,657)
Income taxes	21,411	19,499
EBITDA	226,544	279,963

(1) TransForce Inc. operated as an Income Trust during part of 2008, conversion occurred in Q2 08.

EBITDA was \$226.5 million or 12.3% of total revenue for the year ended December 31, 2009, compared to \$280.0 million or 12.4% of total revenue in 2008. Excluding the impact of the \$4.5 million favourable class-action settlement recorded in Q1 2008 and non-recurring conversion related costs of \$8.7 million recorded in Q2 2008, 2008 EBITDA was \$284.2 million or 12.6% of total revenue.

Depreciation and amortization

Depreciation of property, plant and equipment decreased to \$102.6 million in the year ended December 31, 2009

from \$104.8 million in 2008. The Company also amortized \$20.0 million of intangible assets in the year ended December 31, 2009 versus \$18.2 million in 2008.

Interest on long-term debt

Interest on long-term debt decreased to \$35.0 million in the year ended December 31, 2009 from \$46.6 million in 2008 primarily as a result of lower interest rates as well as the Company's efforts to lower debt levels.

Change in fair value of interest rate swap contracts

The Company entered into interest rate swap contracts in order to mitigate the interest rate risk on a portion of its variable rate debt. As at December 31, 2009, the Company had interest rate swap contracts on the notional amount of \$337,917,000 of debt at an average contracted Banker's Acceptance rate of 2.85% that expire through various dates through October 2013. As at December 31, 2009, the fair market value of the interest rate swap contracts was approximately negative \$8,294,000 (December 2008 – negative \$13,840,000). As a result, the Company recorded a \$5.5 million recovery in the year ended December 31, 2009 related to these contracts (2008 – \$13.8 million expense) since it does not use hedge accounting.

Goodwill impairment

In the fourth quarter of 2009, \$45.0 million was accounted for separately in the consolidated statement of income as goodwill impairment. This goodwill impairment in the Specialized Services segment is associated with our Oilfield Services reporting unit. The impairment test determined that no goodwill impairment existed at December 31, 2008.

Income taxes

The income tax expense increased to \$21.4 million in the year ended December 31, 2009 from \$19.5 million in 2008.

This is due to the Company now recording income tax expense following its conversion from an income trust to a corporation in Q2 08.

For the year 2009, the income tax expense reflected an \$11.4 million unfavourable variance versus an anticipated income tax expense of \$10.0 million based on the Company's statutory tax rate of 31.03%. The non-deductible goodwill impairment charge increased the income tax expense by \$14.1 million and the future income tax benefit following a change in statutory rates decreased the income tax expense by \$3.7 million.

Net income and earnings per share

The Company's net income for the year ended December 31, 2009 decreased to \$10.9 million, compared to \$79.7 million in 2008. Excluding the after-tax change in fair value of interest rate swap contracts (\$3.8 million recovery in 2009 and \$9.4 million expense in 2008), the after-tax non-recurring conversion charges of \$9.9 million recorded in 2008, the after-tax favourable ruling in a class-action settlement of \$3.0 million recorded in 2008 as well as the goodwill impairment charge recorded in 2009, the Company's adjusted net income for the year ended December 31, 2009 would have been \$52.1 million compared to \$96.0 million in 2008 and the adjusted earnings per share would have been \$0.58 for 2009 and \$1.11 for 2008.

SEGMENTED RESULTS

(unaudited)

Year ended December 31, 2009
(in thousands of dollars)

	Less-Than-Truckload	Package and Courier	Specialized Services	Truckload	Corporate	Eliminations	Total
Revenue	470,065	275,766	433,727	588,447	-	(49,648)	1,718,357
Fuel Surcharge	53,901	19,145	4,354	50,769	-	-	128,169
Total revenue	523,966	294,911	438,081	639,216	-	(49,648)	1,846,526
Operating expenses	364,290	181,486	320,196	509,838	(17,332)	(49,648)	1,308,830
Fixed costs, general and administrative expenses	109,259	65,750	57,078	69,667	8,498	-	310,252
Incentive compensation plan	-	-	-	-	900	-	900
EBITDA (1)	50,417	47,675	60,807	59,711	7,934	-	226,544

(unaudited)

Year ended December 31, 2008
(in thousands of dollars)

	Less-Than-Truckload	Package and Courier	Specialized Services	Truckload	Corporate	Eliminations	Total
Revenue	537,496	263,261	531,823	710,739	-	(62,776)	1,980,543
Fuel Surcharge	109,157	33,340	9,849	129,040	-	-	281,386
Total revenue	646,653	296,601	541,672	839,779	-	(62,776)	2,261,929
Operating expenses	436,536	181,585	393,269	676,388	4,232	(62,776)	1,629,234
Fixed costs, general and administrative expenses	127,581	69,212	58,259	76,718	12,077	-	343,847
Incentive compensation plan	-	-	-	-	8,885	-	8,885
EBITDA (1)	82,536	45,804	90,144	86,673	(25,194)	-	279,963

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

Please refer to analysis and comments made on consolidated financial results to explain segmented results as they generally applied to all segments at the exception of the Package and Courier segment where the 2009 Company's performance is slightly below last year results (before significant acquisitions).

Less-Than-Truckload

Revenue from Less-Than-Truckload activities contributed 28% of total revenue before eliminations. This segment's combined revenue for the year ended December 31, 2009 was \$524.0 million, compared to \$646.7 million for 2008. Excluding fuel surcharge, combined revenue for the year ended December 31, 2009 was \$470.1 million, compared to \$537.5 million for 2008.

Operating Expenses from Less-Than-Truckload activities for the year ended December 31, 2009 were \$364.3 million, compared to \$436.5 million for 2008.

FCGA Expenses from Less-Than-Truckload activities for the year ended December 31, 2009 were \$109.3 million, compared to \$127.6 million for 2008.

EBITDA from Less-Than-Truckload activities for the year ended December 31, 2009 was \$50.4 million, compared to \$82.5 million for 2008.

Package and Courier

Revenue from Package and Courier activities contributed 15% of total revenue before eliminations. This segment's combined revenue for the year ended December 31, 2009 was \$294.9 million, compared to \$296.6 million for 2008. Excluding fuel surcharge, combined revenue for the year ended December 31, 2009 was \$275.8 million, compared to \$263.3 million for 2008. Total revenue for 2009 was positively impacted by the acquisition of ATS Andlauer Retail Solutions Division which contributed \$23.2 million

Operating Expenses from Package and Courier activities for the year ended December 31, 2009 were \$181.5 million, compared to \$181.6 million for 2008.

FCGA Expenses from Package and Courier activities for the year ended December 31, 2009 were \$65.8 million, compared to \$69.2 million for 2008.

EBITDA from Package and Courier activities for the year ended December 31, 2009 were \$47.7 million, compared to \$45.8 million for 2008.

Specialized Services

Revenue from Specialized Services activities contributed 23% of total revenue before eliminations. This segment's combined revenue for the year ended December 31, 2009 was \$438.1 million, compared to \$541.7 million for 2008. Excluding fuel surcharge, combined revenue for the year ended December 31, 2009 was \$433.7 million, compared to \$531.8 million for 2008.

Operating Expenses from Specialized Services activities for the year ended December 31, 2009 were \$320.2 million, compared to \$393.3 million for 2008.

FCGA Expenses from Specialized Services activities for the year ended December 31, 2009 were \$57.1 million, compared to \$58.3 million for 2008.

EBITDA from Specialized Services activities for the year ended December 31, 2009 was \$60.8 million, compared to \$90.1 million for 2008.

Truckload

Beginning in Q4 08, the former Truckload and Specialized Truckload segments were combined into Truckload.

Revenue from Truckload activities contributed 34% of total revenue before eliminations. This segment's combined revenue for the year ended December 31, 2009 was \$639.2 million, compared to \$839.8 million for 2008. Excluding fuel surcharge, combined revenue for the year ended December 31, 2009 was \$588.5 million, compared to \$710.7 million for 2008.

Operating Expenses from Truckload activities for the year ended December 31, 2009 were \$509.8 million, compared to \$676.4 million for 2008. Operating lease expense in the year ended December 31, 2009 was \$19.2 million compared to \$29.3 million in 2008.

FCGA Expenses from Truckload activities for the year ended December 31, 2009 were \$69.7 million, compared to \$76.7 million for 2008.

EBITDA from Truckload activities for the year ended December 31, 2009 was \$59.7 million, compared to \$86.7 million for 2008.

Corporate

Intersegment revenue eliminations were \$49.6 million for the year ended December 31, 2009, compared to \$62.8 million for 2008.

The Operating Expense recovery of \$17.3 million in the year ended December 31, 2009 compares to an expense of \$4.2 million for 2008. The majority of the variance in the operating expenses over last year came from unrealized and realized gains on foreign exchange contracts and heating oil futures compared to losses in 2008.

FCGA Expenses were \$8.5 million for the year ended December 31, 2009, compared to \$12.1 million for 2008. These expenses are made up primarily by corporate headcount related costs. Excluding the \$4.5 million favourable class-action settlement in Q1 08 and the non-recurring conversion related costs of \$2.8 million recorded in Q2 08, the FCGA decreased by \$5.3 million.

FOURTH QUARTER CONSOLIDATED FINANCIAL RESULTS Consolidated highlights

The financial highlights for the fourth quarter of 2009 are:

- Total revenue decreased 10% to \$488.6 million
- Revenue excluding fuel surcharge decreased 7% to \$452.4 million
- EBITDA⁽¹⁾ decreased by 18% to \$60.3 million
- EBITDA margin decrease to 12.3%, compared to 13.6% in Q4 2008

SELECTED FINANCIAL DATA

(unaudited)
(in thousands of dollars, except per share amounts)

	Three months ended December 31, 2009		Three months ended December 31, 2008	
Revenue	452,445		485,244	
Fuel surcharge revenue	36,183		59,255	
Total revenue	488,628	100.0%	544,499	100.0%
Earnings before interest, income taxes, depreciation and amortization (EBITDA) (1)	60,250	12.3%	73,839	13.6%
Depreciation and amortization expense	30,505	6.2%	32,504	6.0%
Interest on long-term debt	7,784	1.6%	11,261	2.1%
Change in fair value of interest rate swap contracts	824	0.2%	11,715	2.2%
Goodwill impairment	45,000	9.2%	-	-%
Loss on disposal of business	15	0.0%	-	-%
Gain on disposal of property, plant and equipment	(338)	(0.1%)	(91)	(0.0%)
Income (loss) before income taxes	(23,540)	(4.8%)	18,450	3.4%
Income taxes	3,619	0.7%	3,650	0.7%
Net income (loss)	(27,159)	(5.6%)	14,800	2.7%
Earnings per share				
Basic	(0.29)		0.17	
Diluted	(0.29)		0.17	
EBITDA margin (EBITDA as a percentage of revenue)	12.3%		13.6%	

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

The Company recorded a \$0.9 million expense for its stock-based compensation plan in the year ended December 31, 2009. In the same period of 2008, TransForce recorded an \$8.9 million expense that was primarily related to the termination of its previous incentive plan, which was discontinued in the second quarter of 2008, concurrent with TransForce's conversion from income trust to corporation.

EBITDA for the year ended December 31, 2009 was \$7.9 million, compared to a loss of \$25.2 million for 2008.

- Goodwill impairment of \$45.0 million in the oilfield services group of the Specialized Services segment
- Adjusted earnings per share⁽²⁾ decreased 27% to \$0.19 from \$0.26 in Q4 2008
- Acquisition of ATS Andlauer Retail Solutions Division which is expected to generate \$120.0 million of annual revenue

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

(2) See net income (loss) and earnings per share section for the exclusions.

For purposes of the fourth quarter consolidated financial results section of the MD&A, significant acquisitions will be defined as the acquisition of ATS Andlauer Retail Solutions Division concluded in Q4 2009. Acquisitions during Q4 2008 have been concluded early in the quarter; consequently these 2008 acquisitions are not accounted for in the year-over-year variance analysis.

The decrease in revenue year-over-year for the fourth quarter of 2009 is indicative of the continuing general economic downturn and a lower average diesel price. Total revenue in Q4 2009 decreased 10% to \$488.6 million from \$544.5 million in 2008. The significant acquisitions accounted for \$23.2 million in additional revenue over Q4 2008. Revenue excluding fuel surcharge decreased 7% to \$452.4 million.

CONSOLIDATED EXPENSES

Operating expenses

(in thousands of dollars)	Three months ended December 31, 2009	Three months ended December 31, 2008	Variance	
Operating expenses	351,872	384,859	(32,987)	(9%)
Percentage of total revenue	72%	71%		

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

The Company's operating expenses as a percentage of revenue increased one percentage point from the same quarter last year. Headcount, sub-contractor related costs and lower fuel consumption as a result of lower volume levels and a lower average diesel price account for most of the year-over-year decrease.

The operating expenses for the fourth quarter of 2009 were \$351.9 million, compared to \$384.9 million in 2008. Significant acquisitions added \$15.1 million. The Com-

Fixed costs and general and administrative expenses

(in thousands of dollars)	Three months ended December 31, 2009	Three months ended December 31, 2008	Variance	
Fixed costs and general and administrative expenses	75,806	85,801	(9,995)	(12%)
Percentage of total revenue	16%	16%		

The Company'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.

acquisitions added \$4.3 million. Year-over-year costs decreased, before significant acquisitions, by \$14.3 million reflecting the salary and hiring freeze and other the cost-cutting initiatives aimed at discretionary spending initiated in Q1 2009 in response to the growing economic challenges. Bad debt expense for Q4 2009 was \$0.7 million compared with \$1.7 million in 2008.

FCGA expenses for the fourth quarter of 2009 were \$75.8 million compared to \$85.8 million in 2008. Significant

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, incentive compensation plan, depreciation and amortization, less the gain or plus the loss on disposal of property, plant and equipment, 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 Company's performance. Investors should also note that our presentation of OR may not be comparable to similarly titled measures by other companies.

(unaudited) (in thousands of dollars)	Three months ended December 31, 2009	Three months ended December 31, 2008
Operating expenses	351,872	384,859
Fixed costs, general and administrative expenses	75,806	85,801
Incentive compensation plan	700	-
Depreciation and amortization	30,505	32,504
Gain on disposal of property, plant and equipment	(338)	(91)
	458,545	503,073
Total revenue	488,628	544,499
Operating ratio	93.8%	92.4%
Operating ratio excluding depreciation and amortization	87.6%	86.4%

For the fourth quarter of 2009, the operating ratio was at 93.8% versus 92.4% in Q4 2008.

EBITDA

While EBITDA (Earnings before interest, income taxes, depreciation and amortization) is not a recognized measure under GAAP, management believes it to be a useful supplemental measure. It is provided to assist in determining the ability of the Company 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.

Reconciliation of net income to EBITDA

(unaudited) (in thousands of dollars)	Three months ended December 31, 2009	Three months ended December 31, 2008
Net income	(27,159)	14,800
Depreciation and amortization	30,505	32,504
Interest on long-term debt	7,784	11,261
Change in fair value of interest rate swap contracts	824	11,715
Goodwill impairment	45,000	-
Loss on disposal of business	15	-
Gain on disposal of property, plant and equipment	(338)	(91)
Income taxes	3,619	3,650
EBITDA	60,250	73,839

EBITDA amounted to \$60.3 million or 12.3% of total revenue in Q4 2009, compared to \$73.8 million or 13.6% of total revenue in Q4 2008.

Depreciation and amortization

Depreciation of property, plant and equipment was \$24.7 million in Q4 2009 compared to \$27.5 million in Q4 2008. The Company also amortized \$5.8 million of intangible assets in Q4 2009 versus \$5.0 million in 2008.

Interest on long-term debt

Interest on long-term debt decreased to \$7.8 million in Q4 2009 from \$11.3 million in Q4 2008, primarily as a result of lower interest rates as well as lower debt levels.

Change in fair value of interest rate swap contracts

As explained in the 2009 consolidated financial results, the Company entered into interest rate swap contracts. As a result of a change in fair value of these contracts, the Company recorded a \$0.9 million expense in Q4 09 related to these contracts (Q4 2008 – \$11.7 million expense) since it does not use hedge accounting.

Goodwill impairment

In the fourth quarter of 2009, \$45.0 million was accounted for separately in the consolidated statement of income as goodwill impairment. This goodwill impairment in the Specialized Services segment is associated with our Oilfield Services reporting unit. The impairment test determined that no goodwill impairment existed at December 31, 2008.

Income taxes

The income tax expense slightly decreased to \$3.6 million in Q4 2009 from \$3.7 million in Q4 2008.

For the fourth quarter 2009, the income tax expense reflected a \$10.9 million unfavourable variance versus an anticipated income tax recovery of \$7.3 million based on the Company's statutory tax rate of 31.34%. The non-deductible goodwill impairment charge increased the income tax expense by \$14.1 million and the future income tax benefit following a change in statutory rates decreased the income tax expense by \$3.2 million.

Net income (loss) and earnings per share

The Company's net loss for Q4 was \$27.2 million, compared to a net income of \$14.8 million in Q4 2008. Excluding the after-tax change in fair value of interest rate swap contracts (\$0.6 million expense in Q4 2009 and \$8.0 million expense in Q4 2008) as well as the goodwill impairment charge recorded in 2009, the Company's adjusted net income for the quarter ended December 31, 2009 would have been \$18.4 million, compared to \$22.8 million in Q4 2008, and the adjusted earnings per share would have been \$0.19 for Q4 2009 versus \$0.26 in Q4 2008.

SEGMENTED RESULTS

(unaudited) Three month period ended December 31, 2009 (in thousands of dollars)	Less-Than-Truckload	Package and Courier	Specialized Services	Truckload	Corporate	Eliminations	Total
Revenue	117,192	87,017	110,775	150,601	-	(13,140)	452,445
Fuel Surcharge	14,390	6,869	1,168	13,756	-	-	36,183
Total revenue	131,582	93,886	111,943	164,357	-	(13,140)	488,628
Operating expenses	94,914	58,228	83,084	132,277	(3,491)	(13,140)	351,872
Fixed costs, general and administrative expenses	27,103	19,351	14,843	15,911	(1,402)	-	75,806
Incentive compensation plan	-	-	-	-	700	-	700
EBITDA (1)	9,565	16,307	14,016	16,169	4,193	-	60,250

(unaudited) Three month period ended December 31, 2008 (in thousands of dollars)	Less-Than-Truckload	Package and Courier	Specialized Services	Truckload	Corporate	Eliminations	Total
Revenue	131,694	66,987	138,912	169,137	-	(21,486)	485,244
Fuel Surcharge	23,387	7,528	2,441	25,899	-	-	59,255
Total revenue	155,081	74,515	141,353	195,036	-	(21,486)	544,499
Operating expenses	102,936	45,590	99,542	152,207	6,070	(21,486)	384,859
Fixed costs, general and administrative expenses	32,448	17,012	15,509	19,646	1,186	-	85,801
Incentive compensation plan	-	-	-	-	-	-	-
EBITDA (1)	19,697	11,913	26,302	23,183	(7,256)	-	73,839

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

Less-Than-Truckload

Revenue from Less-Than-Truckload activities contributed 26% of total revenue before eliminations. This segment's combined revenue for Q4 2009 was \$131.6 million, compared to \$155.1 million for Q4 2008. Excluding fuel surcharge, combined revenue for Q4 2009 was \$117.2 million, compared to \$131.7 million for Q4 2008.

Operating Expenses from Less-Than-Truckload activities for Q4 2009 were \$94.9 million, compared to \$102.9 million for Q4 2008.

FCGA Expenses from Less-Than-Truckload activities for Q4 2009 were \$27.1 million, compared to \$32.4 million for Q4 2008.

EBITDA from Less-Than-Truckload activities for Q4 2009 were \$9.6 million, compared to \$19.7 million for Q4 2008.

Package and Courier

Revenue from Package and Courier activities contributed 19% of total revenue before eliminations. This segment's combined revenue for Q4 2009 was \$93.9 million, compared to \$74.5 million for Q4 2008. The significant acquisi-

tions accounted for \$23.2 million in additional revenue over Q4 2008. Excluding fuel surcharge, combined revenue for Q4 2009 was \$87.0 million, compared to \$67.0 million for Q4 2008.

Operating Expenses from Package and Courier activities for Q4 2009 were \$58.2 million, compared to \$45.6 million for Q4 2008. Significant acquisitions added \$15.1 million.

FCGA Expenses from Package and Courier activities for Q4 2009 were \$19.4 million, compared to \$17.0 million for Q4 2008. Significant acquisitions added \$4.3 million.

EBITDA from Package and Courier activities for Q4 2009 were \$16.3 million, compared to \$11.9 million for Q4 2008.

Specialized Services

Revenue from Specialized Services activities contributed 22% of total revenue before eliminations. This segment's combined revenue for Q4 2009 was \$111.9 million, compared to \$141.4 million for Q4 2008. Excluding fuel surcharge, combined revenue for Q4 2009 was \$110.8 million, compared to \$138.9 million for Q4 2008.

Operating Expenses from Specialized Services activities for Q4 2009 were \$83.1 million, compared to \$99.5 million for Q4 2008.

FCGA Expenses from Specialized Services activities for Q4 2009 were \$14.8 million, compared to \$15.5 million for Q4 2008.

EBITDA from Specialized Services activities for Q4 2009 were \$14.0 million, compared to \$26.3 million for Q4 2008.

Truckload

Beginning in Q4 08, the former Truckload and Specialized Truckload segments were combined into Truckload.

Revenue from Truckload activities contributed 33% of total revenue before eliminations. This segment's combined revenue for Q4 2009 was \$164.4 million, compared to \$195.0 million for Q4 2008. Excluding fuel surcharge, combined revenue for Q4 2009 was \$150.6 million, compared to \$169.1 million for Q4 2008.

Operating Expenses from Truckload activities for Q4 2009 were \$132.3 million, compared to \$152.2 million for Q4 2008. Operating lease expense in Q4 09 were \$4.0 million compared to \$6.4 million in 2008. Including owner-operators, the total tractor count is 2,300 in Q4 09 compared to 2,800 in Q4 2008.

FCGA Expenses from Truckload activities for Q4 2009 were \$15.9 million, compared to \$19.6 million for Q4 2008.

EBITDA from Truckload activities for Q4 2009 were \$16.2 million, compared to \$23.2 million for Q4 2008.

Corporate

Intersegment revenue eliminations were \$13.1 million for Q4 2009, compared to \$21.5 million for Q4 2008.

The Operating Expense recovery was \$3.4 million in Q4 2009, compared to a charge of \$6.1 million for Q4 2008. The majority of the variance in the operating expenses over last year came from unrealized and realized gains on foreign exchange contracts and heating oil futures compared to losses in 2008.

FCGA Recovery was \$1.4 million for Q4 2009, compared to an expense of \$1.2 million for Q4 2008. These expenses are made up primarily by corporate headcount related costs. The 2009 recovery is due to a reallocation from corporate to the other reporting segments.

EBITDA for Q4 2009 was \$4.2 million, compared to a loss of \$7.3 million for Q4 2008.

Summary of eight most recent quarterly results

(\$ million, except per share amounts)	Q4 09	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08
Revenue	488.6	451.4	454.2	452.4	544.5	595.5	595.6	526.3
EBITDA (1)	60.3	62.0	59.8	44.5	73.8	82.3	66.9	56.9
Net income (loss) (2)	(27.2)	17.0	18.0	3.1	14.8	26.5	19.3	19.1
Earnings (loss) per share								
Basic	(0.29)	0.19	0.21	0.04	0.17	0.31	0.22	0.22
Diluted	(0.29)	0.19	0.21	0.04	0.17	0.31	0.22	0.22

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

(2) TransForce Inc. operated as an Income Trust prior to Q2 08.

LIQUIDITY AND CAPITAL RESOURCES

Sources and uses of cash

	Three months ended December 31	Three months ended December 31	Year ended December 31	Year ended December 31
(in thousands of dollars)	2009	2008	2009	2008
Sources of cash:				
Cash flow from operating activities before net change in non-cash operating working capital	50,684	48,050	191,234	218,712
Net change in non-cash operating working capital	-	39,145	18,572	-
Increase in bank advances and overdraft	2,856	3,540	-	3,436
Increase in long-term debt	42,990	644	950	118,733
Proceeds from disposal of property, plant and equipment	3,494	6,904	23,085	24,167
Issuance of shares	-	-	47,616	-
Others	101	-	1,154	-
Total sources	100,125	98,283	282,611	365,048
Uses of cash:				
Net change in non-cash operating working capital	2,427	-	-	11,140
Decrease in bank advances and overdraft	-	-	5,691	-
Cash distributions paid to unitholders	-	-	-	53,216
Dividends paid	9,525	8,679	36,136	20,220
Additions to property, plant and equipment	20,150	35,236	60,022	100,685
Business acquisitions	57,881	40,846	67,095	93,794
Repayment of long-term debt	9,493	12,234	112,140	84,140
Others	649	1,288	1,527	1,853
Total usage	100,125	98,283	282,611	365,048

Cash flow from operating activities

In the year ended December 31, 2009, cash flow from operating activities before the net change in non-cash operating working capital decreased 13% from 2008. It amounted to \$191.2 million in 2009, compared to \$218.7 million in 2008. The decrease is mainly due to a lower general volume levels observed in the trucking industry resulting from the poor economic conditions. However, this decrease compares with the reduction observed in our revenue before fuel surcharge, indicating our capacity to manage our costs.

For the fourth quarter, cash flow from operating activities before the net change in non-cash operating working capital increased by 5% from \$48.1 million in Q4 2008 to \$50.7 million for Q4 2009.

The Company's objectives when managing its cash flow from operations are to ensure proper capital investment is done in order to provide stability and competitiveness to its operations, to ensure sufficient liquidity to pursue its growth strategy and undertake selective acquisitions, and to maintain an appropriate debt level so that there are no financial constraints on the use of capital.

Investing activities

For 2009, total capital expenditures, including acquisitions under capital leases and conditional sales contracts for a total of \$5.0 million (2008 – \$9.7 million), amounted to \$65.0 million compared to \$110.4 million in 2008. These expenditures include \$44.2 million for rolling stock, \$8.4 million for land and buildings, \$1.1 million for technology and \$11.3 million for other equipment. The proceeds from the disposal of property, plant and equipment generated \$23.1 million in 2009 (2008 – \$24.2 million) and include \$14.8 million for rolling stock and \$8.2 million for land and buildings. The Company invests in new equipment in order to ensure its quality of service while keeping maintenance costs low. Its capital expenditure was lower in 2009 and these investments reflect the level of reinvestment required to keep its equipment in good order and an adequate allocation of its capital resources. Furthermore, under the rolling stock category, the Company took advantage of the market conditions to invest in its power units at a level comparable to previous years. While on the trailers side, the acquisitions were down from 2008 and this unusual low level of investment permitted the Company to readjust its trailer fleet and improve its trailers-to-power units ratio.

Business acquisitions in the year ended December 31, 2009 were \$67.1 million compared to \$93.8 million in 2008. The principal business acquisition in 2009 is the Retail Solutions Division of ATS Andlauer Transportation Services Limited Partnership (ATS) concluded on November 19, 2009. The acquired Division is expected to generate approximately \$120 million in annual revenue. It relies on 165 owner-operators for the bulk of its business and employs a total of 447 employees.

The Company's investing activities used total cash flow of \$104.4 million in 2009 compared to \$172.2 million in 2008.

Total capital expenditures for the fourth quarter of 2009 including acquisitions under capital leases and conditional sales contracts for a total of \$0.6 million (Q4 2008 – \$5.5 million), amounted to \$20.8 million compared to \$40.7 million in Q4 2008. Expenditures in the quarter include \$15.9 million for rolling stock, \$1.5 million for land and buildings, \$3.4 million for other equipment. The proceeds from the disposal of property, plant and equipment generated \$3.5 million in Q4 2009 (Q4 2008 – \$6.9 million) and include \$3.4 million for rolling stock.

Business acquisitions in the three-month period ended December 31, 2009 were \$57.9 million compared to \$40.8 million in 2008.

The Company's investing activities used total cash flow of \$75.1 million in Q4 2009 compared to \$70.5 million in Q4 2008.

Debt as at December 31, 2009

As at December 31, 2009, the Company's long-term debt of \$707.9 million (including the short-term portion) is composed of a \$160.0-million seven-year term loan (maturing October 2013), a \$378.1-million four-year revolving

facility (maturing October 2010), a \$100.0-million FSTQ unsecured debenture (maturing October 2013), \$14.7 million in capital leases and \$55.1 million in conditional sales contracts and other debt.

In regard to the revolving facility maturing in October 2010, the Company intends to renew the loan before its maturity date to pursue its objectives. There is a risk that the Company will not be able to renew this long-term debt on similar conditions, which may materially impact the consolidated financial statements. However, in light of actual market conditions, Company Management expects to renew the revolving term loan, at its current or near authorized amount, with terms and conditions that will not have a material impact on its consolidated financial statements.

The Company also had approximately \$15.9 million in letters of credit outstanding against the four-year revolving facility. As a result, approximately \$121.0 million was available to be drawn under this facility at December 31, 2009.

As part of the Company's syndicated bank debt, two financial covenants must be maintained. The first is an adjusted debt (senior balance sheet debt plus five times rent expense) to earnings before interest, income taxes, depreciation and amortization and rent expense (EBITDAR) ratio. This covenant is measured on a consolidated last 12-month basis and must be kept below 3.5 times. As at December 31, 2009, the Company's adjusted debt-to-EBITDAR ratio was 3.17. The second covenant is an EBITDAR-to-fixed cost (interest and rent expense) ratio. This covenant is measured on a consolidated last 12-month basis and must be kept above 2.75 times. As at December 31, 2009, the Company's EBITDAR to fixed cost ratio was 3.17 times. The Company believes it will be compliant with these covenants throughout 2010.

FINANCIAL POSITION

Highlights

(in thousands of dollars)	December 31, 2009	December 31, 2008	Variance
Total assets	1,525,656	1,621,907	(5.9%)
Total long-term debt (including the current portion of long-term debt)	707,929	808,014	(12.4%)
Shareholders' equity	533,415	509,850	4.6%
Long-term debt to equity ratio	132.72%	158.48%	
Long-term debt to total capitalization	57.03%	61.31%	

The Company's long-term debt to equity and long-term debt to capitalization ratios have decreased since December 2008 and reflect the constant effort maintained during 2009 to achieve our debt reduction objective.

Outstanding share data

On December 31, 2009 a total of 95,253,937 shares were outstanding, compared to 86,790,097 shares as at December 31, 2008. The following table provides the details:

Shares of the Company

(in thousands of dollars, except share numbers)

	Number	\$
Balance as at December 31, 2008	86,790,097	519,404
Issuance of shares	8,463,840	48,147
Balance as at December 31, 2009	95,253,937	567,551

There was no change in the Company's outstanding capital stock between December 31, 2009 and February 24, 2010.

On March 18, 2009, the Company initiated a Normal Course Issuer Bid (NCIB) that will allow it to purchase for cancellation up to a maximum of 5,000,000 of its shares. The NCIB expires on March 17, 2010. As at December 31, 2009, no shares had been purchased under the NCIB.

On August 13, 2009, the Company completed a public offering and a private placement with Jolina Capital Inc., its principal shareholder, by which respectively 7,040,000 common shares and 1,423,840 common shares were issued and sold at a price of \$5.85 per share. The proceeds, net of the underwriters' fees and issue costs of \$1,897,000, amounted to \$47,616,000 (\$48,147,000 after related income taxes).

Contractual obligations

(in thousands of dollars)	Total	Payments Due by Period			
		Less Than 1 year	1-3 years	4-5 years	After 5 years
Bank 4-year revolving facility	378,095	378,095	-	-	-
Bank 7-year facility	160,000	-	-	160,000	-
Unsecured debenture	100,000	-	-	100,000	-
Capital lease obligations	14,749	9,177	4,531	1,041	-
Other long-term obligations	55,085	16,491	22,258	9,795	6,541
Total contractual obligations	707,929	403,763	26,789	270,836	6,541

Commitments, contingencies and off-balance sheet arrangements

(in thousands of dollars)	Total	Payments Due by Period			
		Less Than 1 year	1-3 years	4-5 years	After 5 years
Operating leases – Rolling stock	26,598	15,059	10,022	1,509	8
Operating leases – Real estate & others	105,938	22,767	33,046	18,857	31,268
Total off-balance sheet obligations	132,536	37,826	43,068	20,366	31,276

Approximately \$22 million of the real estate commitments over five years is related to the Toronto facility used by Canpar under a lease terminating in 2026.

A contingent consideration related to the ATS business acquisition, concluded on November 19, 2009, has not been included in the purchase price allocation. This consider-

Incentive compensation plan

The Company recorded a \$0.9 million compensation expense in the year ended December 31, 2009 compared to \$8.9 million in 2008 related to the termination of its previous incentive plan in Q2 08.

Retained earnings (Deficit)

The Company's retained earnings decreased by \$25.5 million in the year ended December 31, 2009 compared to December 31, 2008 as stated in the consolidated balance sheet. The net income for the year ended December 31, 2009 is \$10.9 million and the declared dividends were \$36.4 million.

ation is contingent on achieving specified revenue levels in future periods. The maximum yearly amount payable over the next five years is \$4.0 million for a total consideration of \$20.0 million. On yearly confirmations of the contractual conditions, the amounts then payable will be added to the goodwill.

Financial instruments

The Company has entered into foreign exchange forward contracts, average rate forward exchange contracts and currency option instruments for the sale of US dollars in exchange for Canadian dollars that expire on various dates through December 2011. As at December 31, 2009, the notional amount of these contracts was US\$58,618,000 (December 2008 – US\$43,227,000), and the average exchange rate of the contracts was C\$1.1361 (December 2008 – C\$1.1533).

The fair value of the foreign exchange contracts generally reflects the estimated amount that the Company would receive from settlements of favourable contracts, or which it would be required to pay to cancel unfavourable contracts at the balance sheet date. As at December 31, 2009, the fair value of the foreign exchange contracts was approximately \$4,089,000 (December 2008 – negative \$3,775,000).

The Company has also entered into interest rate swap contracts in order to mitigate the interest rate risk on a portion of its variable rate debt. As at December 31, 2009, the Company had interest rate swap contracts on the notional amount of \$337,917,000 of debt, at an average contracted Banker's Acceptance rate of 2.85%, that expire at various dates through October 2013. This represents 60% of the Company's total variable rate debt. As a result, the effective interest rate on the interest swap contracts is 4.4% at December 31, 2009. As at December 31, 2009, the fair value of the interest rate swap contracts was approximately negative \$8,294,000 (December 2008 – negative \$13,840,000).

In November 2009, the Company has ended all of its heating oil futures contracts taking advantage of favourable market rates. As at December 31, 2008, the notional amount of these contracts was US \$5,845,000, and the average heating oil price of the contracts was C\$0.5929 per litre. As at December 31, 2008, the fair value of the heating oil futures is negative \$762,000.

Legal proceedings

The Company 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 Company believes the ultimate recovery or liability, if any, resulting from such litigation individually or in total would not materially adversely affect the Company's financial condition or results of operations and, if necessary, have been provided for in the financial statements.

Subsequent event

In January 2010, the Company entered into an agreement for the sale and leaseback of one of its properties for a consideration of \$32.0 million. The transaction will be finalized in the first quarter of 2010.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company considers its purchase price allocation, goodwill and intangible asset valuation estimates as being critical and that, if changed, they could materially affect the Company's overall financial condition or results of operations. Refer to Note 2 (b) Use of estimates and (d) Goodwill and intangibles in the Company's audited 2009 financial statements.

CHANGES IN ACCOUNTING POLICIES

Adopted during the current period

Goodwill and Intangible Assets

In February 2008, the CICA issued HB Section 3064, Goodwill and Intangible Assets, which replaced existing HB Section 3062, Goodwill and Other Intangible Assets, and HB Section 3450, Research and Development. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

The adoption of this Section was applied retrospectively with restatement of consolidated financial statements of prior periods. The impact on the balance sheet of prior periods was the reclassification of software from Property, plant and equipment to Intangible assets. The related depreciation has also been reclassified to Amortization of intangible assets. There was no impact on the Company's Retained earnings.

EIC-173 Credit risk and fair value of financial assets and financial liabilities

Emerging Issues Committee (EIC) approved in January 2009 an abstract which clarifies that own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of derivative instruments. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this Abstract. The adoption of this new standard did not have any significant impact on its financial statements disclosures or results of operations.

To be adopted in future periods

Business Combinations

CICA issued HB 1582, Business Combinations, to establish new standards for accounting for business combinations. It is the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. New HB 1582, HB 1601, Consolidated Financial Statements, and HB 1602, Non-Controlling Interests, are to be implemented concurrently.

This new section requires, amongst others, that most identifiable assets, liabilities, non-controlling interests and goodwill acquired in a business combination be recorded at “full fair value” and acquisition-related costs are recognized as expenses as incurred and that liabilities associated with restructuring or exit activities are recognized only if they meet the definition of a liability as of the acquisition date.

Consolidated Financial Statements

CICA issued HB 1601, Consolidated Financial Statements, which supersedes the like named HB 1600. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Section establishes standards for the preparation of consolidated financial statements. HB 1601 carries forward the consolidation guidance previously included in HB 1600.

Non-Controlling Interests

CICA issued HB 1602, Non-Controlling Interests, to provide guidance on accounting for non-controlling interests subsequent to a business combination. The section is to be implemented concurrently with HB 1582, Business Combinations. HB 1602 is effective for fiscal years beginning on or after January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. HB 1602 is to be applied retrospectively, with certain exceptions.

HB 1602 replicates the provisions of IAS 27, Consolidated and Separate Financial Statements, other than the disclosure requirements. The key features are: non-controlling interests in subsidiaries are presented in the consolidated balance sheet with equity, separate from the parent shareholders' equity. In income statements, non-controlling interest is not deducted in arriving at consolidated net income but is allocated to the controlling interest and the non-controlling interest according to their percentage ownership.

The Company does not expect these three new standards to have a material impact on the Company's consolidated financial statements.

Conversion to International Financial Reporting Standards

CONVERSION PROGRESS

In 2005, the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with International Financial Reporting Standards (IFRS). On February 13, 2008, the AcSB confirmed that publicly accountable entities will be required to prepare financial statements in accordance with IFRS, in full and without modification, for interim and annual financial statements for fiscal years beginning on or after January 1, 2011, which represent the “Changeover” date for the Company. In the Company's reporting for those periods following the Changeover date, comparative data for equivalent periods in the previous fiscal year will be required, making January 1, 2010 the “Transition” date for the Company.

IFRS uses a conceptual framework similar to Canadian GAAP, but presents significant differences on certain recognition, measurement and disclosure principles. In the period leading up to the Changeover, the AcSB will continue to issue accounting standards that are better aligned with IFRS thus mitigating the impact of conversion to IFRS. Further, the International Accounting Standards Board (IASB) will also continue to issue new, or amend existing accounting standards during the conversion period, and as a result, the final impact on the Company's consolidated financial statements of applying IFRS in full will only be entirely measurable once all applicable IFRS requirements at the final Changeover date are known.

To ensure adequate management of this process, the Company has established a Committee composed of members from different levels and positions to oversee project coordination and monitoring. Staff with the appropriate qualifications and experience has been assigned to the project.

The TransForce transition to full implementation of IFRS consists of four phases:

Phase 1 – Preliminary Study

This phase involves performing a high-level assessment to identify areas of accounting differences and their impact that may arise from the transition to IFRS.

Phase 2 – Evaluation

During this phase the Company prioritizes the areas identified in Phase 1 (high, medium or low) and performs an

evaluation of the key areas that may be impacted by the transition to IFRS. A detailed conversion plan will then be developed. Since changes are expected to IFRS standards during the conversion period and could impact the conversion plan, a monitoring process will be established.

Phase 3 – Conversion

In this phase, the Company designs and develops solutions to address the differences identified in phase 2. Changes required to the existing accounting policies, information systems, business processes and internal controls over financial reporting will be identified in order to perform conversion to IFRS. Impacts on contractual arrangements are evaluated and reported appropriately; modifications will be made as required. It also involves the development of a communication and training program for the Company's finance and other staff, as necessary.

Phase 4 – Implementation

The objective of this final phase is to enable continued IFRS reporting and to facilitate knowledge sharing. Changes identified in phase 3 are implemented and tested to ensure that any difference is addressed prior to the changeover date. Implementation also involves further training of staff as revised systems begin to take effect and will continue until completion of the implementation.

The project will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements, embedding IFRS in business processes, eliminating unnecessary data collection processes and submitting IFRS financial statements to the Audit Committee for approval.

Progress reporting to the Audit Committee on the status of the IFRS implementation project has been instituted. The Company completed the Phase 1 in July 2009 and began the phase 2 in the third quarter of 2009. The IFRS team will now focus on the detailed conversion plan and, concurrently, will start the phase 3 in Q1 2010.

POTENTIAL IMPACT OF IMPLEMENTATION ON TRANSFORCE

The comparisons of IFRS with Canadian GAAP, which are currently reflected in the Company's accounting policies, have helped identify a number of areas of differences.

IFRS 1, First-Time Adoption of International Financial Reporting Standards, provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company is analyzing the various accounting policy choices available and will implement those determined to be most appropriate in the circumstances.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time. Transitional adjustments relating to those standards where comparative figures are not required to be restated will only be made as of the first day of the year of adoption.

The following are selected key areas of accounting differences where changes in accounting policies in conversion to IFRS may impact the Company's consolidated financial statements. The list and comments should not be construed as a comprehensive list of changes that will result from transition to IFRS but rather highlights those areas of accounting differences the Company currently believes to be most significant. Notwithstanding, analysis of changes is still in progress and certain decisions remain to be made where choices relating to accounting policies are available. The areas of differences highlighted below are based on existing Canadian GAAP and IFRS effective at December 31, 2009. At this stage, the Company is not able to reliably quantify the full impact of these and other differences on TransForce's consolidated financial statements.

Business combinations

IFRS 3 – Business combinations requirements differ from the actual Canadian GAAP. See the new CICA HB 1582 at the beginning of this section.

Property, plant and equipment

IAS 16 – Property, plant and equipment requires a more rigorous and broader separation accounting for the asset's components. Other differences between IFRS and Canadian GAAP exist in relation to the guidance when accounting for the replacement of components and the capitalization of administration and services costs is not allowed under IFRS. At the date of Transition, the fair value can be used as deemed cost under IFRS 1.

Impairment of assets

Mainly IAS 36 – impairment of assets. IFRS contains a single comprehensive impairment standard under which assets are tested for impairment either individually or within cash-generating units (CGUs). CGUs will have to be established and are typically identified at a lower level within the Company than an operating unit under Canadian GAAP. Differences also exist in the measurement methods of impairment charges and rules may more frequently conclude to an impairment charge.

Provisions

IAS 37 – Provisions, contingent liabilities and contingent assets, requires a provision to be recognized when: there is a present obligation as a result of a past transaction or

event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation. "Probable" in this context means more likely than not. Under Canadian GAAP, the criterion for recognition in the financial statements is "likely", which is a higher threshold than "probable". Therefore, it is possible that there may be some provisions or contingent liabilities which would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP. Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP uses the low-end of the range), and the requirement under IFRS for provisions to be discounted where material.

The Company will continue to review all proposed and ongoing projects of the IASB and assess their impact on its conversion process.

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 Company's performance. However, the Company 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 Company 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 Company's activities.

General operating environment

The Company is subject to changes in its general operating environment. The elements affecting its environment

are the cost of liability insurance, the market for used equipment, adverse weather conditions and accidents.

Fuel prices

The Company is exposed to variations in the price of fuel. The Company is generally able to recover the majority of added fuel costs through surcharges to its customers. It also strives to ensure the fuel consumption of its fleet is as efficient as possible. The cost of fuel ranges from 2% to 14% of an operating segment's total revenue depending on the operating segment.

Currency fluctuations

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

The Company estimates its annual net US-denominated cash flow at approximately \$116 million (before forward exchange contracts) at December 31, 2009. A change of one cent in the exchange rate would impact the Company's earnings before taxes by approximately \$1.20 million on an annual basis (before forward exchange contracts).

Interest rates fluctuations

The Company is subject to fluctuations in interest rates. The Company had \$224.5 million of long-term debt at variable rates as at December 31, 2009 (net of \$337.9 million of interest rate swap contracts). A 1% change in interest rates would have impacted the Company's 2009 earnings before taxes by approximately \$2.2 million.

Credit

The Company sells services to clients primarily in Canada and the United States. The concentration of credit risk to which the Company 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, 2009, no client accounted for more than 10% of total accounts receivable.

Loan default

The Company'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 the Company being unable to pay dividends to shareholders and the lenders realizing on their security and causing the Company to lose some or all of its investment. As at December 31, 2009, the Company is in compliance with all of its debt covenants and obligations.

Key personnel

The future success of the Company 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 Company. There can be no assurance that the Company will be able to retain its current personnel or, in the event of their departure, to attract new personnel of equal quality.

DISCLOSURE CONTROLS AND PROCEDURES

TransForce's President and Chief Executive Officer (CEO), acting also as Chief Financial Officer, is responsible for establishing and maintaining the Company's 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 CEO, 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, 2009, by and under the supervision of the Company's management, including the CEO. Based on this evaluation, the CEO has 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 Company'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. An evaluation of the effectiveness of the internal controls over financial reporting was conducted as of December 31, 2009, by and under the supervision of the Company's management, including the CEO, using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Based on this evaluation, the CEO has concluded that our internal controls over financial reporting are effective. The Company continually reviews and enhances its systems of internal 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.

The CEO has concluded that there were no changes in the design of internal control over financial reporting during the year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTLOOK

Although some economic indicators appear to be signaling an end to the recession as 2010 begins, these are not translating to immediate improvement in the level of activity in the transportation and logistics industry served by TransForce. Overall volumes remain low and beyond the control of the Company. As a result, TransForce expects 2010 to be a challenging year with some potential for improvement in the latter months.

As it has done for more than a year, TransForce will continue to control its costs while exercising pricing discipline to the extent possible in the current environment. Its goal is to protect its EBITDA margin to allow it to remain well-positioned to ensure shareholders can benefit from increased volumes that should flow from eventual higher general economic activity in North America.

The Company intends to continue to pay down debt in 2010 by at least the \$100 million retired in 2009, strengthening the balance sheet and providing for greater financial flexibility in the future. This debt reduction represents an approximate increase of \$1.00 per share in the enterprise value of TransForce.

The Company believes its relative financial strength and superior operating skills mean it continues to be the strongest competitor in its industry. TransForce will emerge from the economic slowdown in a better position to generate profits and to move quickly to continue its role as an industry consolidator through acquisitions that meet its strict criteria. Current market conditions may dictate continued restraint but TransForce remains committed to its strategy of growth through longer-term acquisitions.

MANAGEMENT'S RESPONSIBILITY

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

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

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 22, 2010

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of TransForce Inc. (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of income, comprehensive income and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 Company as at December 31, 2009 and 2008, 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 22, 2010

* CA Auditor permit no 8821.

CONSOLIDATED BALANCE SHEETS

Years ended December 31, 2009 and 2008
(In thousands of dollars)


	2009	2008
Assets		
Current assets:		
Accounts receivable	\$ 262,219	\$ 302,801
Inventories	9,116	11,296
Income tax receivable	751	519
Prepaid expenses	9,480	14,285
Future income taxes (note 11)	–	1,666
	281,566	330,567
Property, plant and equipment (note 5)	667,315	715,261
Intangible assets (note 6)	146,946	132,124
Goodwill (note 7)	418,951	435,851
Other assets	6,774	6,258
Future income taxes (note 11)	4,104	1,846
	\$ 1,525,656	\$ 1,621,907
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 6,826	\$ 12,517
Accounts payable and accrued liabilities	187,934	218,763
Dividends payable	9,525	9,250
Current portion of long-term debt (note 8)	403,763	69,028
	608,048	309,558
Long-term debt (note 8)	304,166	738,986
Asset retirement obligations (note 9)	10,794	8,204
Future income taxes (note 11)	69,233	55,309
Shareholders' equity:		
Share capital (note 10)	567,551	519,404
Contributed surplus	900	–
Deficit	(35,036)	(9,554)
	533,415	509,850
Commitments, contingencies and guarantees (note 14)		
Subsequent event (note 16)		
	\$ 1,525,656	\$ 1,621,907

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director
Alain Bédard



Director
Ronald D. Rogers

CONSOLIDATED STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND DEFICIT

Years ended December 31, 2009 and 2008 (In thousands of dollars, except per share amounts)	2009	2008
Revenue	\$ 1,718,357	\$ 1,980,543
Fuel surcharge revenue	128,169	281,386
	1,846,526	2,261,929
Expenses:		
Operating expenses	1,308,830	1,629,234
Fixed costs, general and administrative expenses	310,252	343,847
Incentive compensation plan (note 10 (c))	900	8,885
Operating income before the following	226,544	279,963
Depreciation of property, plant and equipment	102,557	104,826
Amortization of intangible assets	20,045	18,180
Interest on long-term debt	34,996	46,597
Change in fair value of interest rate swap contracts	(5,546)	13,840
Gain on disposal of property, plant and equipment	(2,729)	(2,657)
Gain on disposal of business	(119)	-
Income before the following	77,340	99,177
Goodwill impairment (note 7)	45,000	-
Income before provision for income taxes	32,340	99,177
Provision for income taxes (note 11):		
Current	9,055	11,003
Future	12,356	8,496
	21,411	19,499
Net income and comprehensive income	10,929	79,678
Deficit, beginning of year	(9,554)	(15,146)
Distributions declared to unitholders	-	(43,541)
Dividends	(36,411)	(27,279)
Incentive compensation plan (note 10 (c))	-	(3,266)
Deficit, end of year	\$ (35,036)	\$ (9,554)
Earnings per share (note 10 (d)):		
Basic and diluted	\$ 0.12	\$ 0.92
Weighted average number of shares outstanding	90,036,501	86,467,788

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2009 and 2008
(In thousands of dollars)

	2009	2008
Cash flows from operating activities:		
Net income	\$ 10,929	\$ 79,678
Non-cash items:		
Depreciation of property, plant and equipment	102,557	104,826
Amortization of intangible assets	20,045	18,180
Incentive compensation plan	900	8,885
Purchase of units held by the Fund for the incentive plan	-	(400)
Future income taxes	12,356	8,496
Gain on disposal of property, plant and equipment	(2,729)	(2,657)
Gain on disposal of business	(119)	-
Amortization of deferred financing charges	1,560	1,344
Goodwill impairment	45,000	-
Others	735	360
	191,234	218,712
Net change in non-cash operating working capital	18,572	(11,140)
	209,806	207,572
Cash flows from financing activities:		
(Decrease) increase in bank overdraft	(5,691)	3,436
Increase in long-term debt	950	118,733
Repayment of long-term debt	(112,140)	(84,140)
Cash distributions paid to unitholders	-	(53,216)
Dividends paid	(36,136)	(20,220)
Issuance of shares	47,616	-
	(105,401)	(35,407)
Cash flows from investing activities:		
Additions to property, plant and equipment	(60,022)	(100,685)
Proceeds from disposal of property, plant and equipment	23,085	24,167
Business acquisitions (including bank advances, net of cash) (note 3)	(67,095)	(93,794)
Proceeds from disposal of business	1,154	-
Others	(1,527)	(1,853)
	(104,405)	(172,165)
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	\$ 34,941	\$ 46,134
Income taxes	10,395	16,277

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008
(Tabular amounts in thousands of dollars)

TransForce Inc. (the “Company”) was incorporated under the *Canada Business Corporations Act*, pursuant to the Plan of Arrangement described in note 10 (a).

1. CHANGES IN ACCOUNTING POLICIES

Adopted during the current period

(a) Goodwill and intangible assets

In February 2008, the CICA issued HB Section 3064, *Goodwill and Intangible Assets*, which replaced the existing HB Section 3062, *Goodwill and Other Intangible Assets*, and HB Section 3450, *Research and Development*. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

The adoption of this Section was applied retrospectively with restatement of consolidated financial statements of prior periods. The impact on the balance sheet of prior periods was the reclassification of software from Property, plant and equipment to Intangible assets. The related depreciation has also been reclassified to Amortization of intangible assets. There was no impact on the Company’s deficit.

(b) EIC-173 Credit Risk and Fair Value of Financial Assets and Financial Liabilities

Emerging Issues Committee (EIC) approved in January 2009 an abstract which clarifies that own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this Abstract. The adoption of this new standard did not have any significant impact on the financial statement disclosures or results of operations.

To be adopted in future periods

(a) Business combinations

CICA issued HB 1582, *Business Combinations*, to establish new standards for accounting for business combinations. It is the Canadian equivalent to IFRS 3, *Business Combinations* (January 2008). The section is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period begin-

ning on or after January 1, 2011. Earlier application is permitted. New HB 1582, HB 1601, *Consolidated Financial Statements*, and HB 1602, *Non-Controlling Interests*, are to be implemented concurrently.

This new section requires, amongst others, that most identifiable assets, liabilities, non-controlling interests and goodwill acquired in a business combination be recorded at “full fair value” and acquisition-related costs are recognized as expenses as incurred and that liabilities associated with restructuring or exit activities are recognized only if they meet the definition of a liability as of the acquisition date.

(b) Consolidated financial statements

CICA issued HB 1601, *Consolidated Financial Statements*, which supersedes the like named HB 1600. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Section establishes standards for the preparation of consolidated financial statements. HB 1601 carries forward the consolidation guidance previously included in HB 1600.

(c) Non-controlling interests

CICA issued HB 1602, *Non-Controlling Interests*, to provide guidance on accounting for non-controlling interests subsequent to a business combination. The section is to be implemented concurrently with HB 1582, *Business Combinations*. HB 1602 is effective for fiscal years beginning on or after January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. HB 1602 is to be applied retrospectively, with certain exceptions.

HB 1602 replicates the provisions of IAS 27, *Consolidated and Separate Financial Statements*, other than the disclosure requirements. The key features are: non-controlling interests in subsidiaries are presented in the consolidated balance sheet with equity, separate from the parent shareholders’ equity. In income statements, non-controlling interest is not deducted in arriving at consolidated net income, but is allocated to the controlling interest and the non-controlling interest according to their percentage ownership.

The Company does not expect these three new standards to have a material impact on the Company’s consolidated financial statements.

(d) International Financial Reporting Standards (IFRS)

In 2005, the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with International Financial Reporting Standards (IFRS). On February 13, 2008, the AcSB confirmed that publicly accountable enterprises would be required to apply, and report in accordance with IFRS, in full and without modification, effective in fiscal years beginning on or after January 1, 2011 (the “Changeover” date). In the Company’s reporting in those periods following the Changeover date, the Company will be required to present comparative data for equivalent periods in the previous fiscal year, making January 1, 2010 the “Transition” date for the Company.

IFRS uses a conceptual framework similar to Canadian generally accepted accounting principles (“Canadian GAAP”), but presents significant differences on certain recognition, measurement and disclosure principles. In the period leading up to the Changeover, the AcSB will continue to issue accounting standards that are better aligned with IFRS, as illustrated by Section 3064, *Goodwill and Intangible Assets*, applicable for the Company as of January 1, 2009, as it relates to IAS 38, *Intangible Assets*, thus mitigating the impact of conversion to IFRS. Further, the International Accounting Standards Board (IASB) will also continue to issue new, or amend existing accounting standards during the conversion period, and, as a result, the final impact on the Company’s consolidated financial statements of applying IFRS in full will only be entirely measurable once all applicable IFRS standards at the final Changeover date are known.

The Company has developed a plan to convert its consolidated financial statements to IFRS. The Company has also set up an IFRS dedicated team. The Company is monitoring the impact of the transition on its business practices, systems and internal controls over financial reporting. A detailed analysis of the differences between IFRS and the Company’s accounting policies, as well as an assessment of the impact of various alternatives are in progress. Changes in accounting policies are likely and may materially impact the Company’s 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 recorded in the financial statements or disclosed in the accompanying notes.

(a) Principles of consolidation

The consolidated financial statements of the Company have been prepared in accordance with Canadian GAAP. The Company carries on its business through its own divisions, subsidiaries, associated businesses and joint ventures. The accounts of its subsidiaries are consolidated. The Company 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 Company’s operations.

(b) Use of estimates

The preparation of the accompanying financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, goodwill, intangible assets, and other long-lived assets, the calculation of income taxes, asset retirement obligations and pension obligations. These estimates and assumptions are based on management’s best estimates and judgment.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile equity, foreign currency and energy markets, and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. Actual results could differ from these estimates. Changes in those estimates and assumptions resulting from changes in the economic environment will be reflected in the financial statements of future periods.

(c) Property, plant and equipment and capital leases

Property, plant and equipment 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	6% to 30%
Furniture, equipment, machinery and hardware	Primarily straight-line	10% to 20%
Leasehold improvements	Straight-line	Term of leases

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

(d) Goodwill and intangibles

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

Goodwill is assessed for impairment annually using the two-step method and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverability of goodwill is measured at the reporting unit level. The Company consistently determines the fair value of its reporting units based on the use of comparative market multiples. The use of comparative market multiples (the market approach) compares the Company to other comparable companies based on valuation multiples to arrive at fair value. The Company regularly compares itself and its divisions to its competitors and the Company believes the judgments used to arrive at these comparable companies are reasonable. There are inherent uncertainties related to these factors and judgment in applying them to the analysis of goodwill for impairment.

When testing for goodwill impairment, the Company first compares the fair value of a reporting unit with its carrying amount. Fair value for the goodwill impairment test is determined using the market approach based on the Company's future budgets, which include many assumptions as to the anticipated Company's growth, general economic conditions, the feasibility of certain sale and leaseback transactions of certain of the Company's properties, including assumptions related to the fair value of these properties and to the cost of renting them back, and other expectations. If the carrying amount of a reporting unit exceeds its fair value, goodwill is considered poten-

tially impaired and further tests are performed to measure the amount of impairment loss. In the second step of the goodwill impairment test, the Company compares the implied fair value of the reporting unit's goodwill with the carrying amount of the reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to the carrying amount of goodwill over its implied fair value. The implied fair value of goodwill is determined in the same manner that the amount of goodwill recognized in a business combination is determined. The Company allocates the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities represents the implied fair value of goodwill.

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

(e) Financial instruments

The Company classifies financial instruments 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. Derivative financial instruments are included in the "Accounts receivable" or in the "Accounts payable and accrued liabilities", as the case may be. 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 income 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 income.

The Company classifies its accounts receivable as loans and receivables, which are measured at amortized cost. The Company'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 Company's deferred financing charges have been netted against the related indebtedness and are amortized using the effective interest rate method.

(f) Other assets

Other assets are comprised principally of long-term deposits.

(g) Revenue recognition

The Company 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.

(h) 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 estimates 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 value. For the purpose of calculating the expected return on plan assets, those assets are valued at fair 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 10% of the greater of the opening balance of the accrued benefit obligation and the opening balance of the fair value of plan assets is amortized over the average remaining service period of active employees.

(i) Foreign currency translation

Monetary assets and liabilities in foreign currency of domestic 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.

(j) Income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, income taxes are recognized based on the expected future tax consequences of the differences between the carrying amounts and tax basis 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.

(k) 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 fair value.

(l) Asset retirement obligations

Asset retirement obligations are recognized, at fair value, in the period in which the Company incurred either a statutory, contractual or legal obligation associated with 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 Company.

3. BUSINESS ACQUISITIONS

During 2009, the Company acquired 5 businesses, the largest one is the Retail Solutions Division of ATS Andlauer Transportation Services Limited Partnership (ATS), on November 19, 2009.

During 2008, the Company acquired 14 businesses, the largest of which were Transport Thibodeau, on January 14, 2008, and Roland Thibault Inc., on October 21, 2008.

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

	2009	2008
Assets:		
Cash	\$ 581	\$ 8,795
Non-cash operating working capital	2,087	-
Property, plant and equipment	8,032	83,850
Intangibles	34,263	77,184
Goodwill	28,792	36,023
Other assets	-	37
	73,755	205,889
Liabilities:		
Bank overdraft	-	3,208
Long-term debt	3,910	55,217
Future income taxes	1,545	28,104
Non-controlling interest	-	(2,640)
Asset retirement obligations	-	1,777
Non-cash operating working capital	-	342
	5,455	86,008
Net assets	\$ 68,300	\$ 119,881
Consideration:		
Cash	\$ 67,676	\$ 99,381
Due to vendors	624	20,500
	\$ 68,300	\$ 119,881

Of the goodwill and intangible assets acquired in 2009, \$56,445,000 is deductible for tax purposes (2008 – \$2,377,000).

4. ACCOUNTS RECEIVABLE

The Company grants credit to its customers under the ordinary course of business. Management believes that the credit risk of accounts receivable is limited due to the following reasons:

- There is a broad base of customers with dispersion across different market segments.

- No single customer accounts for more than 10% of the Company's total revenue.
- Approximately 92% (2008 – 90%) of the Company's trade accounts receivable are less than 60 days old.
- Bad debt write-offs to total revenue have been approximately 0.2% of consolidated revenues for the last 3 years. In light of the above, the allowance for doubtful accounts at December 31, 2009 was \$5.0 million and \$7.0 million at December 31, 2008. All bad debt write-offs are charged to fixed costs, general and administrative expenses.

5. PROPERTY, PLANT AND EQUIPMENT

	2009		2008	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	\$ 120,250	\$ –	\$ 119,496	\$ –
Buildings	168,633	39,094	168,970	33,365
Rolling stock	633,913	297,783	624,667	250,062
Furniture, equipment, machinery and hardware	133,983	62,856	125,694	52,852
Leasehold improvements	23,685	13,416	22,883	10,170
	1,080,464	\$ 413,149	1,061,710	\$ 346,449
Accumulated depreciation	413,149		346,449	
Net carrying value	\$ 667,315		\$ 715,261	

Property, plant and equipment include assets under capital leases which are recorded at the present value of minimum lease payments provided for under these leases for rolling stock and machinery, totaling \$38,940,000 (2008 – \$67,551,000), less related accumulated depreciation amounting to \$19,890,000 (2008 – \$29,970,000).

Property, plant and equipment also include assets held for resale in the amount of \$5,696,000 (2008 – \$5,942,000).

During the year, the Company acquired property, plant and equipment in the amount of \$5,040,000 (2008 – \$9,721,000) under capital leases and conditional sales contracts.

6. INTANGIBLE ASSETS

	2009		2008	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Customer relationships	\$ 96,418	\$ 33,725	\$ 69,514	\$ 22,071
Customer contracts	11,991	8,910	11,991	8,215
Trademarks	11,234	4,372	7,825	2,665
Non-compete agreements, licenses and permits	81,676	10,025	77,886	5,593
Software	11,570	8,911	10,878	7,426
	212,889	\$ 65,943	178,094	\$ 45,970
Accumulated amortization	65,943		45,970	
Net carrying value	\$ 146,946		\$ 132,124	

During the year, the Company acquired \$27,064,000 (2008 – \$9,084,000) of customer relationships, \$3,409,000 (2008 – \$2,557,000) of trademarks, nil (2008 – \$1,553,000)

of customer contracts, \$3,790,000 (2008 – \$63,558,000) of non-compete agreements, licenses and permits and \$692,000 (2008 – \$1,871,000) of software.

7. GOODWILL

	Less-Than- Truckload	Package and Courier	Specialized Services	Truckload	Total
Balance as at December 31, 2007	\$ 100,827	\$ 99,433	\$ 125,942	\$ 73,626	\$ 399,828
Business acquisitions	13,198	(2,523)	20,640	4,708	36,023
Balance as at December 31, 2008	114,025	96,910	146,582	78,334	435,851
Business acquisitions	–	25,067	423	3,302	28,792
Business disposal	–	–	(692)	–	(692)
Goodwill impairment	–	–	(45,000)	–	(45,000)
Balance as at December 31, 2009	\$ 114,025	\$ 121,977	\$ 101,313	\$ 81,636	\$ 418,951

The Company performed its goodwill impairment test as at December 31, 2009. The results determined that the carrying amount of the Company's Oilfield Services reporting unit, part of the specialized services reporting segment, exceeded its fair value. The conditions which contributed to the impairment of goodwill were:

- 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.

Accordingly, a goodwill impairment loss of \$45.0 million (2008 – nil) was recognized in the Company's Oilfield Services reporting unit.

Changes in economic and operating conditions that occur after the annual impairment analysis and their impact on the assumptions used may result in a goodwill impairment charge in the future. Such economic and operating conditions may include an important and sustained decline in the Company's market capitalization, decrease in customer demands and illiquidity in the overall credit markets. Management will continue to monitor these conditions and if such changes in economic and operating conditions occur, it may require a goodwill impairment test to be performed.

8. LONG-TERM DEBT

	2009	2008
Term loan, at authorized amount of \$160,000,000, variable banker's acceptance rate plus 165 basis points, no repayment provisions, maturing in October 2013 (see (b))	\$ 160,000	\$ 160,000
Revolving term loan, at authorized amount of \$515,000,000, variable banker's acceptance rate plus 150 basis points, no repayment provisions, maturing in October 2010 (see (b))	378,095	405,113
Unsecured debenture of \$100 million, fixed rate of 9%, maturing in October 2013 (see (d))	100,000	100,000
Obligations under capital leases, collateralized by rolling stock and machinery, having a carrying value of \$19,050,000, interest rates varying between 4.43% and 9%, payable in monthly instalments of \$693,000, principal and interest, maturing on various dates through October 2013 (see (a))	14,749	31,508
Conditional sales contracts, collateralized by rolling stock, having a carrying value of \$27,647,000, interest rates varying between nil and 8.75%, payable in monthly instalments of \$891,000, principal and interest, maturing on various dates through August 2015	24,825	34,758
Notes payable and purchase price balances, interest rates varying between nil and 7.5%, payable in monthly, quarterly and annual instalments, maturing on various dates through November 2020	32,053	51,159
Term loan, at the authorized amount of \$34,400,000, collateralized by land and building having a carrying value of \$30,549,000, fixed rate of 7.278%, monthly repayments of \$298,000. In July 2009, the balance payable of \$27,950,000 (see (c)) has been totally paid.	–	28,829
Deferred financing charges	(1,793)	(3,353)
	707,929	808,014
Current portion of long-term debt	403,763	69,028
	\$ 304,166	\$ 738,986

- (a) The interest for the period on obligations under capital leases was \$1,250,000 (2008 – \$2,434,000).
- (b) The term loans are collateralized by accounts receivable plus certain rolling stock of the Company with a carrying value of \$554,902,000. Under the terms of the loan agreements, the Company is subject to certain covenants regarding the maintenance of financial ratios. Based on certain ratios, the interest rate will vary between banker's acceptance rate plus 87.5 basis points to banker's acceptance rate plus 195 basis points. The Company was in compliance with these covenants at year-end.
- (c) The term loans are collateralized by certain real estate properties of the Company. Under the terms of the loan agreements, the Company was subject to certain covenants regarding the maintenance of financial ratios. The Company has paid the balance in July 2009.
- (d) On May 26, 2008, TransForce concluded a \$100 million loan agreement with Solidarity Fund QFL. The loan is in the form of an unsecured debenture of TFI Holdings Limited Partnership, an indirect wholly-owned subsidiary of the Company, and is repayable in October 2013. The debenture may be repaid, without penalty, commencing one year after the date of disbursement of the loan,

subject to the approval of the Company's syndicate of bank lenders. The loan bears interest at an annual rate of 9%, payable monthly.

Minimum instalments payable for the subsequent years under capital leases amounting to approximately \$15,751,000, of which \$1,002,000 is interest, are as follows:

2010	\$ 9,784
2011	3,867
2012	1,031
2013	1,069

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

2010	\$ 394,586
2011	13,682
2012	8,575
2013	267,203
2014	2,593
Thereafter	6,541

9. ASSET RETIREMENT OBLIGATIONS

The analysis of the asset retirement obligations for the year ended December 31, 2009 is as follows:

Balance as at December 31, 2008	\$	8,204
Additional liability for current obligations		2,174
Accretion expense		465
Payment of obligations		(49)
Balance as at December 31, 2009	\$	10,794

Included in depreciation for property, plant and equipment is a charge of \$623,000 (2008 – \$604,000) for the amortization of the asset retirement cost.

The following assumptions were used to estimate the fair values of the obligations on the initial date of adoption and as at December 31, 2009:

Total undiscounted amount of the estimated cash flows	\$	16,511
Risk-free interest rate		5% to 6%
Inflation rate		2% 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 Company'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.

10. SHARE CAPITAL

(a) Plan of Arrangement

On May 14, 2008, TransForce Income Fund (the "Fund") obtained a final order from the Québec Superior Court with respect to its Plan of Arrangement, as well as Articles of Arrangement from Industry Canada, thereby completing the conversion of the Fund into TransForce Inc.

Effective May 14, 2008, all of the outstanding trust units of the Fund and Tracking Share Units of TFI Holdings Inc., an affiliated corporation, were exchanged for common shares of TransForce Inc. on a one-for-one basis. As a result, 86,790,097 common shares of the Company were issued at the date of conversion.

(b) Shares

The Company is authorized to issue an unlimited number of common shares and preferred shares, issuable in series.

(i) Common shares

The common shares entitle the holders thereof to one vote per share. The holders of the common shares are entitled to receive any dividends declared by the Company on the common shares.

Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Company, the holders of the common shares are entitled to receive the remaining property of the Company upon its dissolution, liquidation or winding-up.

On March 18, 2009, the Company initiated a Normal Course Issuer Bid (NCIB) that will allow it to purchase for cancellation up to a maximum of 5,000,000 of its shares. The NCIB expires on March 17, 2010. As at December 31, 2009, no shares had been purchased under the NCIB.

On August 13, 2009, the Company completed a public offering and a private placement, by which 8,463,840 common shares were issued and sold at a price of \$5.85 per share. The proceeds, net of the underwriters' fees and issue costs of \$1,897,000, amounted to \$47,616,000 (\$48,147,000 after related income taxes).

(ii) Preferred shares

The preferred shares may be issued in one or more series, with such rights and conditions as may be determined by resolution of the directors who shall determine the designation, rights, privileges, conditions and restrictions to be attached to the preferred shares of such series. There are no voting rights attached to the preferred shares except as prescribed by law. In the event of the liquidation, dissolution or winding-up of the Company, or any other distribution of assets of the Company among its shareholders, the holders of the preferred shares of each series are entitled to receive, with priority over the common shares and any other shares ranking junior to the preferred shares of the Company, an amount equal to the redemption price for such shares, plus an amount equal to any dividends declared thereon but unpaid and no more. The preferred shares for each series are also entitled to such other preferences over the common shares and any other shares ranking junior to the preferred shares as may be determined as to their respective series authorized to be issued. The preferred shares of each series shall be on a parity basis with the preferred shares of every other series with respect to payment of dividends and return of capital. There are no preferred shares currently issued and outstanding.

	Number	Amount
Issued and outstanding:		
Balance as at December 31, 2007	–	\$ –
Conversion of Trust Units into Shares	73,024,381	499,340
Conversion of Tracking Share Units of TFI Holdings Inc. into Shares	13,765,716	20,064
Balance as at December 31, 2008	86,790,097	519,404
Issuance of shares	8,463,840	48,147
Balance as at December 31, 2009	95,253,937	\$ 567,551

(c) Incentive compensation plan

In 2008, the Company adopted an incentive compensation plan. The maximum number of shares which may be issued under this plan shall be equal to ten percent (10%) of the number of issued and outstanding shares of the Company from time to time.

The Company has reserved 1,882,600 common shares for issuance under its Stock Option Plan. The granting of options and the related vesting period are at the discretion of the Board of Directors and have a maximum term of 10 years. The exercise price payable for each common share covered by a stock option is determined by the Board of Directors at the date of grant, but may not be less than the closing price of volume weighted average trading price of the Company's shares for the last five trading days immediately preceding the effective date of the grant.

The Company granted 1,882,600 stock options during 2009 (2008 – nil), the cost of which will be expensed over their vesting period based on their estimated fair values on the date of grant, determined using the Black-Scholes option-pricing model.

Compensation cost related to stock option awards granted during the year under the fair value based approach was calculated using the following assumptions:

Expected option life	6 years
Risk-free interest rate	3.00%
Expected stock price volatility	55.00%
Average dividend yield	6.33%
Weighted average fair value of options granted	\$1.94

As at December 31, 2009, there are 1,882,600 outstanding stock options with an exercise price of \$6.32, none of which are exercisable. The options vest equally over three years.

For the year ended December 31, 2009, the Company recognized compensation cost of \$900,000 (2008 – nil) with an offsetting credit to contributed surplus.

As a result of the Company's conversion to a corporate structure effective May 14, 2008, the previous incentive compensation plan was terminated and all unvested units as at May 14, 2008 became vested with plan participants.

As such, the Company recorded a compensation expense of \$8,885,000 in 2008. Additional units granted and vested during the year have been recorded against contributed surplus with the excess of \$3,266,000 in deficit.

(d) Earnings per share

As at December 31, 2009, the 1,882,600 (2008 – nil) stock options were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive.

(e) Capital management

The Company's objectives when managing capital are:

- To ensure proper capital investment is done in order to provide stability and competitiveness to its operations;
- To ensure sufficient liquidity to pursue its growth strategy and undertake selective acquisitions; and
- To maintain an appropriate debt level so that there are no financial constraints on the use of capital.

On a quarterly basis, the Company monitors its adjusted debt to earnings before interest, income taxes, depreciation and amortization and rent expense ("EBITDAR") ratio. This ratio is measured on a consolidated last twelve month basis and must be kept below a certain threshold so as not breach a covenant in the Company's syndicated bank agreement. At December 31, 2009, the Company respected this covenant.

On a quarterly basis, the Company also monitors its fixed costs (interest and rent expenses) to earnings before interest, income taxes, depreciation and amortization and rent expense ("EBITDAR") ratio. This ratio is measured on a consolidated last twelve month basis and must be kept above a certain threshold so as not breach a covenant in the Company's syndicated bank agreement. At December 31, 2009, the Company respected this covenant.

The Company has sufficient liquidity to continue both its operations as well as its acquisition strategy.

Upon maturity of the Company's long-term debt, the Company's Management and its Board of Directors will assess if the debt should be renewed at its original value, increased or decreased based on the then required capital need, credit availability and future interest rates.

In regard to the revolving term loan maturing in October 2010, it is the Company's intention to renew it before its maturity date to pursue its objectives. There is a risk that the Company will not be able to renew this long-term debt at similar conditions, which may materially impact the consolidated financial statements. Considering the current market conditions, the Company's management expects to renew its revolving term loan, at its current or

near authorized amount, with terms and conditions that will not have a material impact on its consolidated financial statements.

11. INCOME TAXES

During 2008, as a result of the Company's conversion to a corporate structure, future income tax relating to the excess carrying value of property, plant and equipment and intangible assets over their tax basis for previously non-taxable entities was recorded. This resulted in a future income tax expense of \$3.5 million.

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

Income tax expense attributable to income consists of:

	2009	2008
Current	\$ 9,055	\$ 11,003
Future	12,356	8,496
Total	\$ 21,411	\$ 19,499

The effective income tax rates differ from the federal and provincial statutory income tax rates in Canada mainly as a result of the following:

	2009	2008
Income before provision for income taxes	\$ 32,340	\$ 99,177
Portion of income from the Fund subject to tax in the hands of unitholders	-	(33,584)
Portion of income before income taxes subject to tax in the Company's corporate subsidiaries	32,340	65,593
Canadian statutory income tax rate	31.03%	31.51%
Income taxes calculated at statutory rates	10,035	20,668
Increase (decrease) resulting from:		
Future income tax benefit following a change in statutory rates	(3,678)	(4,101)
Loss (gain) on foreign exchange translation	561	(427)
Other	363	(173)
Future income tax related to conversion to a corporation	-	3,532
Goodwill impairment	14,130	-
	\$ 21,411	\$ 19,499

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 Company's future income tax assets (liabilities) as at December 31, 2009 and 2008 were as follows:

	2009	2008
The tax effect of temporary differences relates to the following:		
Property, plant and equipment and intangible assets	\$ (70,926)	\$ (63,814)
Liabilities and other provisions	3,723	8,504
Loss carryforwards, expiring between 2026 and 2029	2,074	3,513
Net future income tax liabilities	\$ (65,129)	\$ (51,797)

12. PENSION PLAN

Defined contribution pension plans

The Company maintains defined contribution pension plans for its salaried employees and contributes an amount ranging from 1% to 6% of each participant's eligible salary.

The Company has expensed \$13,000,000 for these plans in the year ended December 31, 2009 (\$12,950,000 in 2008).

Defined benefit pension plans

The Company has defined benefit pension plans for 576 of its employees.

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plans for funding purposes was as of December 31, 2008 and the next required valuation will be as of December 31, 2009.

Information about the Company's defined benefit pension plans as at December 31, 2009 and 2008 is as follows:

	2009	2008
Components of defined benefit cost recognized:		
Current service cost	\$ 727	\$ 2,716
Interest cost	1,714	2,336
Actual return on plan assets	(2,574)	2,928
Actuarial losses (gains)	4,010	(7,786)
Settlement gain	–	(722)
Benefit cost before adjustments to recognize the long-term nature of defined benefit plans	3,877	(528)
Adjustments to recognize the long-term nature of defined benefit plans:		
Difference between expected and actual return on plan assets for the year	1,251	(5,626)
Difference between actuarial losses recognized and actual actuarial losses on accrued benefit obligation for the year	(3,868)	6,934
Amortization of transition obligation	19	19
Total adjustments to defer costs to future periods	(2,598)	1,327
Total benefit cost recognized	\$ 1,279	\$ 799

	2009	2008
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 23,445	\$ 45,445
Benefit obligation, acquired from business acquisitions	–	5,693
Employee contributions	439	529
Benefits paid	(1,807)	(25,488)
Current service cost	727	2,716
Interest cost on accrued benefit obligation	1,714	2,336
Actuarial losses (gains)	4,010	(7,786)
Benefit obligation, end of year	\$ 28,528	\$ 23,445
Change in plan assets:		
Fair value of assets, beginning of year	\$ 18,954	\$ 39,903
Fair value of assets acquired from business acquisition	–	5,403
Employer contributions	1,924	1,535
Employee contributions	439	529
Benefits paid	(1,807)	(25,488)
Actual return on plan assets	2,574	(2,928)
Fair value of assets, end of year	\$ 22,084	\$ 18,954
Reconciliation:		
Accrued benefit obligation	\$ 28,528	\$ 23,445
Fair value of plan assets	22,084	18,954
Funded status of plans – deficit	(6,444)	(4,491)
Unamortized amounts:		
Net actuarial losses	5,403	2,805
Accrued benefit liability	\$ (1,041)	\$ (1,686)

The accrued benefit liability is recorded in accounts payable and accrued liabilities.

The significant assumptions used are as follows:

	2009	2008
Accrued benefit obligation:		
Discount rate	6.2%	7.4%
Rate of salary escalation	3.2%	3.2%
Benefit costs for the years:		
Discount rate	7.4%	5.5%
Expected long-term rate of return on plan assets	6.7%	6.9%
Rate of salary escalation	3.2%	2.7%

Plan assets consist of:

	2009	2008
Asset category:		
Equity securities	52%	47%
Debt securities	43%	47%
Money market fund	5%	6%
	100%	100%

13. FINANCIAL INSTRUMENTS

Risks

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

	2009	2008
Allowance for doubtful accounts, beginning of year	\$ 6,989	\$ 6,584
Business acquisitions	–	436
Bad debt expense	3,738	3,557
Amount written off and recoveries	(5,680)	(3,588)
Allowance for doubtful accounts, end of year	\$ 5,047	\$ 6,989

The credit risk associated with foreign exchange contracts, interest rate swap contracts, and heating oil contracts arises from the possibility that a counterparty to the contracts in which the Company has an unrealized gain fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange forward rates, interest rates, or heating oil future prices attributable to the notional amounts. The counterparties to these contracts are major Canadian financial institutions.

The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterpart.

As at December 31, 2009, the Company's maximum credit exposure corresponds to the carrying amount of the financial assets.

(b) Foreign exchange risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's ac-

The following analysis provides a measurement of risks as at December 31, 2009.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company believes it has limited credit risk on accounts receivable other than those explained in note 4 – Accounts receivable.

tivities which result in exposure to fluctuations in foreign currency exchange rates consist of the selling of transportation services which will be paid in US\$. The Company estimates its annual net US denominated cash flow at approximately \$116 million (2008 – \$132 million). This cash flow is earned evenly throughout the year.

At December 31, 2009, the US/CDN rate was \$1.0466 (2008 – \$1.2246). Based on the year-end balance sheet exposure of US\$27,270,000, a 1-cent increase in the Canadian dollar would result in a decrease in income before provision for income taxes of approximately \$272,700 (2008 – \$291,100) while a 1-cent decrease would result in an increase of approximately \$272,700 (2008 – \$291,100) in income before provision for income taxes.

The Company mitigates and manages this exposure by creating offsetting positions through the use of derivative financial instruments. These instruments include forward contracts and currency option instruments, which are commitments to buy or sell at a future date, and may be settled in cash.

The Company's commitments to sell foreign currencies as at December 31, 2009 and 2008 are as follows:

					2009
	Exchange rate	Maturity	Notional contract amount US\$	Notional contract amount CDN\$	Fair value CDN\$
Sell contracts:					
Foreign exchange average rate forward contracts (US\$ for CDN\$)	1.1659	Less than 1 year	\$ 34,993	\$ 40,798	\$ 4,158
Foreign exchange average rate forward contracts (US\$ for CDN\$)	1.1621	1 to 2 years	5,625	6,537	592
Foreign exchange forward contracts (US\$ for CDN\$)	1.07	Less than 1 year	18,000	19,260	328
Sell options:					
Currency option instruments (US\$ for CDN\$)	1.07	1 to 2 years	18,000	19,260	(989)
Assets					\$ 4,089

					2008
	Exchange rate	Maturity	Notional contract amount US\$	Notional contract amount CDN\$	Fair value CDN\$
Sell contracts:					
Foreign exchange average rate forward contracts (US\$ for CDN\$)	1.1533	Less than 1 year	\$ 43,227	\$ 49,856	\$ (3,775)
Liabilities					\$ (3,775)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company had \$562.4 million (2008 – \$583.8 million) of long-term debt at variable rates as at December 31, 2009. All other debts of the Company, being \$145.5 million (2008 – \$224.2 million) of capital leases, conditional sales type leases, mortgages and other loans, have fixed interest rates and are therefore not exposed to cash flow interest rate risk.

In order to limit the Company's exposure to interest rate fluctuations, the Company entered into interest rate swap contracts. As at December 31, 2009, the Company had interest rate swap contracts on the notional amount of \$337.9 million (2008 – \$224.2 million) of debt at an aver-

age contracted banker's acceptance rate of 2.85% (2008 – 3.65%) that expire at various dates through October 2013. As a result, the effective interest rate on the interest swap contracts is 4.4% (2008 – 5.2%) at December 31, 2009.

Therefore, the Company had \$224.5 million (2008 – \$359.6 million) of long-term debt at variable rates as at December 31, 2009 net of \$337.9 million (2008 – \$224.2 million) of interest rate swap contracts. Based on long-term debts at variable rates as at December 31, 2009, had interest rates been 100-basis points higher, income before provision for income taxes would have been approximately \$2,245,000 (2008 – \$3,596,000) lower. Had interest rates been 100-basis points lower, income before provision for income taxes would have been approximately \$2,245,000 (2008 – \$3,596,000) higher.

The Company's interest rate swap contracts at December 31, 2009 and 2008 are as follows:

	2009	
	Notional contract amount CDN\$	Fair value CDN\$
Coverage period:		
Next 12 months	\$ 337,917	\$ (3,166)
1 to 2 years	306,250	(3,103)
2 to 3 years	275,000	(1,463)
3 to 4 years	191,667	(562)
Liabilities		\$ (8,294)

	2008	
	Notional contract amount CDN\$	Fair value CDN\$
Coverage period:		
Next 12 months	\$ 224,167	\$ (5,393)
1 to 2 years	153,333	(3,619)
2 to 3 years	106,250	(2,515)
3 to 4 years	75,000	(1,746)
4 to 5 years	25,000	(567)
Liabilities		\$ (13,840)

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Typically, the Company ensures that it has sufficient cash or available credit lines to meet expected operational expenses; this excludes the

potential impact of extreme circumstances that cannot reasonably be predicted. The Company monitors its short and medium-term liquidity needs on an ongoing basis using forecasting tools. In addition, the Company maintains a revolving term loan which matures in October 2010 and is expected to be renewed (see note 8 and 10 (e)).

The following are the contractual maturities of the financial liabilities as at December 31, 2009:

	Contractual cash flows	Carrying amount	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Financial liabilities:						
Bank indebtedness	\$ 6,826	\$ 6,826	\$ 6,826	\$ -	\$ -	\$ -
Long-term debt	772,105	707,929	403,763	26,789	270,836	6,541
Accounts payable and accrued liabilities	187,934	187,934	187,934	-	-	-
Dividends payable	9,525	9,525	9,525	-	-	-
Total	\$ 976,390	\$ 912,214	\$ 608,048	\$ 26,789	\$ 270,836	\$ 6,541

The fair value of the financial liabilities approximates their carrying values.

It is the Company's intention to either renew the long-term debts coming due in the next 12 months at similar terms and conditions or to repay them (see note 10 (e)). All other financial liabilities would be financed through the collection of accounts receivable and cash flow generated from the business.

In addition, the Company has \$121.0 million (2008 – \$93.9 million) available on its revolving line of credit that was not drawn at December 31, 2009.

Heating oil contracts

In November 2009, the Company has ended all of its heating oil futures contracts taking advantage of favourable market rate. The Company's heating oil futures contracts as at December 31, 2008 were as follows:

	Future notional contract amount US\$	Future notional contract amount CDN\$	2008 Fair value CDN\$
Less than 1 year	\$ 3,721	\$ 4,557	\$ (555)
1 to 2 years	2,121	2,597	(207)
Liabilities			\$ (762)

14. COMMITMENTS, CONTINGENCIES AND GUARANTEES

(a) The Company entered into operating leases expiring on various dates through March 2026, which call for lease payments of \$132.5 million (2008 – \$142.5 million) with respect to rolling stock, real estate and others. Minimum lease payments for the upcoming years are as follows:

2010	\$ 37,826
2011	25,168
2012	17,900
2013	12,394
2014	7,972
2015 to 2026	31,276

(b) As at December 31, 2009, the Company had outstanding letters of guarantee for an aggregate amount of \$15,888,000 (2008 – \$16,018,000). The letters of guarantee are collateralized by the Company's accounts receivable plus certain rolling stock.

(c) There are pending claims against the Company and, in the opinion of management, these claims are ad-

equately provided for and settlement should not have a significant impact on the Company's financial position or results of operations.

(d) A contingent consideration related to the ATS business acquisition, concluded on November 19, 2009, has not been included in the purchase price allocation. This consideration is contingent on achieving specified revenue levels in future periods. The maximum yearly amount payable over the next five years is \$4,000,000 for a total consideration of \$20,000,000. On yearly confirmations of the contractual conditions, the amounts then payable will be added to the goodwill.

15. SEGMENTED INFORMATION

The Company operates within the trucking and logistics industry in Canada and the United States in the following four reportable segments: Less-Than-Truckload, Package and Courier, Specialized Services, as well as Truckload.

Sales between Company's segments are measured at the exchange amount. Transactions, other than sales, are measured at carrying value.