



BOYD GROUP INCOME FUND

INTERIM REPORT TO UNITHOLDERS

Second Quarter and Six Months Ended June 30, 2013

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To Our Unitholders,

We are pleased to report our financial results for the second quarter of 2013. We continued to make substantial progress towards our growth objectives for the year with the addition of six new single locations during the quarter, including an entry into a new market with our Ontario location. This brings our total single collision location additions to ten thus far this year. We also acquired a controlling interest in the retail auto glass business, Glass America, Inc. ("Glass America"), which operates 61 retail auto glass locations across 23 U.S. states. This, combined with our existing glass business, allows us to provide glass repair and replacement services in 28 states across the U.S. The acquisition of Glass America is a positive step for our glass business, which is a complementary natural extension of our collision repair business.

Successful execution of our growth strategy has resulted in record quarterly sales. For the quarter ended June 30, 2013, sales increased by 33.0% to \$136.9 million, from \$102.9 million in the prior year. The substantial increase resulted primarily from multi-shop acquisitions, including Glass America which added \$3.8 million in revenue to Boyd in its first month of operation, and 20 new single locations. Additionally \$8.1 million of the increase came from 7.9% growth in same-store sales and another \$1.1 million from favourable currency translation of sales generated by our U.S. operations. This was partially offset by \$0.6 million in lost sales from the closure of two under-performing locations in 2012. The ability to drive organic growth in our existing operations remains an important component of our overall growth strategy. Therefore, we are pleased to report continuing same-store sales growth, which can be attributed to more favourable market and weather conditions. We believe overall success in our revenue growth is the result of our high quality of service offerings, strong reputation of our brands, and the continuing consolidation of the industry providing market-share gain opportunities.

Earnings before interest, income taxes, depreciation and amortization, adjusted for the fair value adjustments related to the convertible debenture conversion feature, exchangeable share liability, unit option liability, non-controlling interest put option, and acquisition costs ("Adjusted EBITDA")¹ for the second quarter was also a quarterly record \$9.2 million, or 6.7% of sales, compared with Adjusted EBITDA of \$6.8 million, or 6.6% of sales, in the prior year. The 35.3% increase in Adjusted EBITDA was primarily due to increased same-store sales, which contributed \$1.1 million of EBITDA, combined with \$0.8 million of EBITDA from the acquisition of multi-shop collision repair businesses. Glass America, which generates its strongest sales during the summer months, also contributed \$0.4 million of EBITDA in its first month of operation.

The net loss for the second quarter was \$2.6 million or \$0.205 per unit (fully diluted) compared to net earnings of \$1.1 million or \$0.090 per unit (fully diluted) for the same period last year. The decrease in net earnings was the result of fair value adjustments to financial instruments of \$5.8 million, acquisition costs of \$0.5 million and accelerated brand name amortization of \$0.1 million. Fair value adjustments, which are non-cash charges to our earnings, resulted primarily from the 22.1% appreciation in our unit price during the quarter. Excluding the impact of these adjustments, net earnings would have increased to \$3.8 million or 2.8% of sales. This compares to adjusted earnings of \$3.2 million or 3.1% of sales for the same period in 2012 if the same items were adjusted. The increase in the adjusted net earnings is the result of the growth in sales with stable margins partially offset by higher finance costs and increased income tax expense.

For the quarter ended June 30, 2013, the Fund generated adjusted distributable cash of \$5.2 million and declared distributions and dividends of \$1.5 million, resulting in a payout ratio based on adjusted distributable cash of 29.0% for the quarter. This compares with a payout ratio of 46.1% a year ago. The increase in adjusted distributable cash is largely due to higher cash flow from operations resulting from the growth of the company. As a growth company offering yield, our objective continues to be to maintain a conservative distribution policy that will provide us with the financial flexibility necessary to support our growth initiatives while gradually increasing distributions over time.

With respect to our balance sheet, the Fund now holds total debt, net of cash, of \$56.1 million, compared with \$47.0 million at December 31, 2012 and \$30.6 million at June 30, 2012. The increase in debt is due to the assumption of capital leases and use of cash to acquire Glass America. We have a cash position of \$32.8 million, compared with \$39.0 million as at December 31, 2012. The decrease in cash during the second quarter was primarily a result of the investment in Glass America.

We continue to execute on our single location growth strategy with six additions in the second quarter of 2013, including an entry into a new market with our Ontario location acquired in May. This brings the total number of new single location additions announced in 2013 to ten. Single location growth opportunities continue to be a great avenue for accretive growth, with a full pipeline and continuing attractive pricing and development costs well within our targeted range. We will continue this momentum and maintain our target to grow single locations by 6% to 10% annually for the foreseeable future. For 2013, this translates into 13 to 22 new locations.

The second component of our strategy is accelerated growth through opportunistic acquisitions of multi-shop operations (“MSO’s”). Successful execution of this strategy was demonstrated by our recent acquisition of Glass America, which strengthens our Glass business and is a complimentary natural extension of the collision repair business. The integration of Glass America is proceeding as planned and expected. We remain both positive and patient for additional opportunities to grow by acquiring MSO’s. While we remain opportunistic in our strategy to acquire MSO’s, there has been more competition for these types of acquisitions. We will maintain our position of being disciplined and selective in the identification and assessment of all acquisition opportunities.

We remain confident in the ability of our business model to increase market share by expanding in both the U.S. and Canada through strategic acquisitions alongside organic growth from our existing operations. Accretive growth remains our focus whether it is through organic growth or acquisitions. The North American collision repair industry remains highly fragmented and offers attractive opportunities for industry leaders to build value through focused consolidation and economies of scale. The Company remains confident in its management team, systems and experience. This, along with a strong balance sheet and financing options, will continue to position Boyd well for success into the future.

On behalf of the Trustees of the Boyd Group Income Fund and Boyd Group employees, thank you for your continued support.

Sincerely,





(signed)

Brock Bulbuck
President & Chief Executive Officer

Management's Discussion & Analysis

OVERVIEW

Boyd Group Income Fund (the "Fund"), through its operating company, The Boyd Group Inc. and its subsidiaries ("Boyd" or the "Company"), is believed to be the largest multi-site non-franchised operator of automotive collision repair service centres in North America, with 228 locations in five Canadian provinces and fourteen U.S. states. Boyd carries on business in Canada under the trade name "Boyd Autobody & Glass" and in the U.S., Boyd operates primarily under the trade name "Gerber Collision & Glass". Pending rebranding to Gerber Collision & Glass, it also currently operates two recent acquisitions under "The Recovery Room" and "AutoCrafters Collision Repair" trade names. The Company is also a major retail auto glass operator in the U.S. with locations across 28 U.S. states under the trade names Gerber Collision & Glass, Glass America, Auto Glass Services, Auto Glass Authority and S&L Glass. The Company also operates Gerber National Glass Services, an auto glass repair and replacement referral business with approximately 3,000 affiliated service providers throughout the U.S. under the "Gerber National Glass Services" name. The following is a geographic breakdown of the collision repair locations by trade name.

| | | | | | |
|---|-----------|---|------------|---|-----------|
|  | 40 |  | 164 |  | 14 |
| | centers | | centers | | centers |
| <ul style="list-style-type: none"> • Manitoba (14) • Alberta (12) • British Columbia (11) • Saskatchewan (2) • Ontario (1) | | <ul style="list-style-type: none"> • Illinois (35) • North Carolina (23) • Washington (15) • Florida (14) • Georgia (14) • Colorado (13) • Arizona (12) • Indiana (9) | | <ul style="list-style-type: none"> • Florida (14) | |
| | | | |  | 10 |
| | | | | | centers |
| | | | | <ul style="list-style-type: none"> • Florida (10) | |

Boyd provides collision repair services to insurance companies, individual vehicle owners, as well as fleet and lease customers, with a high percentage of the Company's revenue being derived from insurance-paid collision repair services. In Canada, government-owned insurers operating in Manitoba, Saskatchewan and British Columbia, dominate the insurance-paid collision repair markets in which they operate. In the U.S. and Canadian markets other than Manitoba and Saskatchewan, private insurance carriers compete for consumer policyholders, and in many cases significantly influence the choice of collision repairer through Direct Repair Programs ("DRP's").

The following review of the Fund's operating and financial results for the six months ended June 30, 2013, including material transactions and events up to and including August 13, 2013, should be read in conjunction with the unaudited interim condensed consolidated financial statements, as well as the audited annual consolidated financial statements, management discussion and analysis and Annual Information Form of Boyd Group Income Fund for the year ended December 31, 2012 as filed on SEDAR at www.sedar.com. The Fund's units trade on the Toronto Stock Exchange under the symbol TSX: BYD.UN.

SIGNIFICANT EVENTS

On January 16, 2013, the Company acquired the assets of Wilmington Paint & Body Works, a single location collision repair business located in Wilmington, North Carolina.

On February 9, 2013, the Company acquired the assets of Twin City Collision, a single location collision repair business in Stanwood, Washington.

On February 25, 2013, the Company acquired the assets of a former single location collision repair business in Lakeland, Florida.

On March 28, 2013, the Company acquired the assets of CBS Quality Cars, a single location collision repair business in Durham, North Carolina.

On April 1, 2013, the Company acquired the assets of Factory Finish, a single location collision repair business in Wilmington, North Carolina.

On April 30, 2013, the Company acquired the assets of Swanson's Auto Body, a single location collision repair business in Spokane, Washington.

On May 9, 2013, the Company acquired the assets of Sonny Hancock Collision Center, a single location collision repair business in Gastonia, North Carolina.

On May 30, 2013, the Company combined the Remington, Schaumburg and Woodfield, Schaumburg locations in Illinois.

On May 31, 2013, the Company acquired a controlling interest in the retail auto glass business of Glass America, Inc. ("Glass America"), which operates 61 retail auto glass locations across 23 U.S. states under the trade names of Glass America and Auto Glass Services. The Fund and its operating partner in its glass business each contributed their interests in their existing U.S. auto glass business ("Gerber Glass") on a relative valuation basis, along with a \$6.25 million U.S. cash equity contribution into a new entity and received a combined equity interest of 70%. Boyd funded \$5.25 million U.S. of the cash equity contribution and holds 55.19% of the new entity, as well as operating and Board control positions. Boyd's operating partner funded \$1.0 million U.S. of the cash equity contribution and holds 14.81% of the new entity. The shareholders of Glass America contributed the business of Glass America on a relative valuation basis for a 30% non-controlling interest position. The cash equity contributions by Boyd and its operating partner were used to pay off third party debt of Glass America. In connection with the acquisition, the Glass America partner was issued a put option, which if exercised would obligate Boyd to purchase the non-controlling interest ownership at agreed upon valuation multiples as early as June 1, 2015. At the same time Boyd obtained a call option, which would require Glass America to sell their non-controlling interest ownership to Boyd at agreed upon valuation multiples as early as December 1, 2016. Under the call and put options, Boyd will have the option, but not the obligation, to pay the purchase price with Boyd units. In connection with the Glass America acquisition, the Company terminated its original put option agreement with its glass operating partner and issued a new put option. The new put option is restricted until December 1, 2016 and is exercisable anytime thereafter by the glass operating partner. The put option may be exercised before December 1, 2016 upon the occurrence of certain unusual events such as a change of control or resignation of the glass operating partner.

On May 31, 2013, the Company completed the acquisition of Queensway Auto Body, Limited, a single location collision repair business in Kitchener, Ontario.

On June 14, 2013, the Company acquired the assets of Morris Auto Body, a single location collision repair business in Loveland, Colorado.

On June 28, 2013, the Company acquired the assets of Shenandoah Collision Center, a single location collision repair business in Newnan, Georgia.

OUTLOOK

Boyd continues to execute on its growth strategy with six additions of new single locations in the second quarter of 2013, including an entry into a new market with Boyd's Ontario location acquired in May. Single location growth opportunities continue to be a great avenue for accretive growth, with a full pipeline and continuing attractive pricing and development costs well within Boyd's targeted range. The Company has announced ten new locations in 2013 and has a number of others in progress. Boyd will continue this momentum and maintain its target to grow single locations by 6% to 10% annually for the foreseeable future. For 2013, this translates into 13 to 22 new locations. As well, the Company remains both positive and patient for additional opportunities to grow by acquiring multi-shop operations ("MSO's"). While the Company remains opportunistic in its strategy to acquire MSO's, there has been more competition for these types of acquisitions. The Company maintains its position of being disciplined and selective in its identification and assessments of all acquisition opportunities.

Boyd's commitment to growth is further demonstrated by its recent acquisition of Glass America. This was a positive step for the Company's glass business, which is a complimentary natural extension of the collision repair business. The integration of Glass America is proceeding as planned and expected.

Management remains confident in its business model to increase market share by expanding its presence in both the U.S. and Canada through strategic acquisitions alongside organic growth from Boyd's existing operations. Accretive growth remains the Company's focus whether it is through organic growth or acquisitions. The North American collision repair industry remains highly fragmented and offers attractive opportunities for industry leaders to build value through focused consolidation and economies of scale. As a growth company offering yield, our objective continues to be to maintain a conservative distribution policy that will provide us with the financial flexibility necessary to support our growth initiatives while gradually increasing distributions over time. The Company remains confident in its management team, systems and experience. This, along with a strong balance sheet and financing options, will continue to position Boyd well for success into the future.

BUSINESS ENVIRONMENT & STRATEGY

As at August 13, 2013, the business environment of the Company and strategies adopted by management remain unchanged from those described in the Fund's 2012 annual MD&A.

Due to concerns over disclosure of potential competitively sensitive information, specific quantitative disclosure of the performance of new single store locations is no longer provided.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Statements made in this interim report, other than those concerning historical financial information, may be forward-looking and therefore subject to various risks and uncertainties. Some forward-looking statements may be identified by words like "may", "will", "anticipate", "estimate", "expect", "intend", or "continue" or the negative thereof or similar variations. Readers are cautioned not to place undue reliance on such statements, as actual results may differ materially from those expressed or implied in such statements.

The following table outlines forward-looking information included in this MD&A:

| Forward-looking Information | Key Assumptions | Most Relevant Risk Factors |
|--|--|--|
| The stated objective of adding new locations to grow the business 6% - 10% per year for the foreseeable future | <p>Opportunities continue to be available and are at attractive prices</p> <p>Financing options continue to be available at reasonable rates and on acceptable terms and conditions</p> <p>New and existing customer relationships are expected to provide acceptable levels of revenue opportunities</p> <p>Anticipated operating results would be accretive to overall Company results</p> | <p>Acquisition market conditions change and repair shop owner demographic trends change</p> <p>Credit and refinancing conditions prevent or restrict the ability of the Company to continue growth strategies</p> <p>Changes in market conditions and operating environment</p> <p>Significant declines in the number of insurance claims</p> <p>Integration of new stores is not accomplished as planned</p> <p>Increased competition which prevents achievement of acquisition and revenue goals</p> |
| Boyd remains confident in its business model to increase market share by expanding its presence in both the U.S. and Canada through strategic acquisitions alongside organic growth from Boyd's existing operations. | <p>Continued improvement in economic conditions and employment rates</p> <p>Pricing in the industry remains stable</p> <p>The Company's customer and supplier relationships provide it with competitive advantages to increase sales over time</p> <p>Market share growth will more than offset systemic changes in the industry and environment</p> | <p>Poor economic conditions</p> <p>Loss of one or more key customers</p> <p>Significant declines in the number of insurance claims</p> <p>Inability of the Company to pass cost increases to customers over time</p> <p>Increased competition which may prevent achievement of revenue goals</p> <p>Changes in market conditions and operating environment</p> <p>Changes in weather conditions</p> |
| Stated objective to gradually increase distributions over time | <p>Growing profitability of the Company and its subsidiaries</p> <p>The continued and increasing ability of the Company to generate cash available for distribution</p> <p>Balance sheet strength & flexibility is maintained and the distribution level is manageable taking into consideration bank covenants, growth requirements and maintaining a distribution level that is supportable over time</p> <p>No change in the Fund's structure</p> | <p>The Fund is dependent upon the operating results of the Company and its ability to pay interest and dividends to the Fund</p> <p>Economic conditions deteriorate</p> <p>Changes in weather conditions</p> <p>Decline in the number of insurance claims</p> <p>Loss of one or more key customers</p> <p>Changes in government regulation</p> |

We caution that the foregoing table contains what the Fund believes are the material forward looking statements and is not exhaustive. Therefore when relying on forward-looking statements, investors and others should refer to the "Risk Factors" section of the Fund's Annual Information Form, the "Business Risks and Uncertainties" and other sections of our Management's Discussion and Analysis and our other periodic filings with Canadian securities regulatory authorities. All forward-looking statements presented herein should be considered in conjunction with such filings.

NON-GAAP FINANCIAL MEASURES

EBITDA AND ADJUSTED EBITDA

Earnings before interest, taxes, depreciation and amortization (“EBITDA”) is not a calculation defined in International Financial Reporting Standards (“IFRS”). EBITDA should not be considered an alternative to net earnings in measuring the performance of the Fund, nor should it be used as an exclusive measure of cash flow. The Fund reports EBITDA and Adjusted EBITDA because it is a key measure that management uses to evaluate performance of the business and to reward its employees. EBITDA is also a concept utilized in measuring compliance with debt covenants. EBITDA and Adjusted EBITDA are measures commonly reported and widely used by investors and lending institutions as an indicator of a company’s operating performance and ability to incur and service debt, and as a valuation metric. While EBITDA is used to assist in evaluating the operating performance and debt servicing ability of the Fund, investors are cautioned that EBITDA and Adjusted EBITDA as reported by the Fund may not be comparable in all instances to EBITDA as reported by other companies.

The CICA’s Canadian Performance Reporting Board defined standardized EBITDA to foster comparability of the measure between entities. Standardized EBITDA represents an indication of an entity’s capacity to generate income from operations before taking into account management’s financing decisions and costs of consuming tangible and intangible capital assets, which vary according to their vintage, technological age and management’s estimate of their useful life. Accordingly, Standardized EBITDA comprises sales less operating costs before interest expense, capital asset depreciation, intangible asset amortization, impairment charges and income taxes. Adjusted EBITDA is calculated to exclude items of an unusual nature that do not reflect normal or ongoing operations of the Fund and which should not be considered in a valuation metric or should not be included in assessment of ability to service or incur debt. Included in this category of adjustments are fair value adjustment to exchangeable shares, fair value adjustment to unit options, fair value adjustment to convertible debenture conversion feature, fair value adjustment to non-controlling interest put options and acquisition and transaction costs. Fair value adjustment to exchangeable shares, fair value adjustment to unit options and fair value adjustment to convertible debenture conversion feature are not expected to have any cash impact on the Fund. From time to time, the Fund may make other adjustments to its Adjusted EBITDA for items that are not expected to recur. The following is a reconciliation of the Fund’s net earnings to EBITDA and Adjusted EBITDA:

| Adjusted EBITDA Reconciliation to Net (Loss) Earnings (000’s) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------------|------------------------------|------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Net (loss) earnings | \$ (2,567) | \$ 1,124 | \$ (2,537) | \$ 3,201 |
| Add: | | | | |
| Finance costs (net of income) | 1,422 | 640 | 2,804 | 1,258 |
| Income tax expense | 1,138 | 437 | 1,539 | 1,132 |
| Depreciation | 2,076 | 1,887 | 3,998 | 3,655 |
| Amortization of other intangible assets | 849 | 1,037 | 1,903 | 2,045 |
| Standardized EBITDA | \$ 2,918 | \$ 5,125 | \$ 7,707 | \$ 11,291 |
| Add: | | | | |
| Fair value adjustments to financial instruments | 5,776 | 1,345 | 8,800 | 1,978 |
| Acquisition and transaction costs | 476 | 310 | 838 | 493 |
| Adjusted EBITDA | \$ 9,170 | \$ 6,780 | \$ 17,345 | \$ 13,762 |

ADJUSTED NET EARNINGS

In addition to EBITDA and Adjusted EBITDA, the Fund believes that certain users of financial statements are interested in understanding net earnings excluding certain fair value adjustments and other unusual or infrequent adjustments. This can assist these users in comparing current results to historical results that did not include such items.

The following is a reconciliation of the Fund's net (loss) earnings to adjusted net earnings:

| Adjusted Net Earnings Reconciliation to Net (Loss) Earnings (000's) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------------|------------------------------|-----------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Net (loss) earnings | \$ (2,567) | \$ 1,124 | \$ (2,537) | \$ 3,201 |
| Add: | | | | |
| Fair value adjustments to financial instruments | 5,776 | 1,345 | 8,800 | 1,978 |
| Acquisition and transaction costs | 476 | 310 | 838 | 493 |
| Accelerated amortization of acquired brands | 98 | 385 | 344 | 767 |
| Adjusted net earnings | \$ 3,783 | \$ 3,164 | \$ 7,445 | \$ 6,439 |
| <i>Weighted average number of units outstanding</i> | 12,540,938 | 12,534,225 | 12,539,990 | 12,532,492 |
| <i>Adjusted net earnings per unit</i> | \$0.302 | \$0.252 | \$0.594 | \$0.514 |
| <i>Units and class A shares outstanding</i> | 12,927,485 | 12,927,485 | 12,927,485 | 12,927,485 |
| <i>Adjusted net earnings per unit and class A share</i> | \$0.293 | \$0.245 | \$0.576 | \$0.498 |

Distributable Cash

During the first six months of 2013, the Fund declared and paid distributions to unitholders and dividends to BGHI's Class A shareholders as follows:

| <u>Record date</u> | <u>Payment date</u> | <u>Distribution per unit/share</u> | <u>Distribution amount</u> | <u>Dividend amount</u> |
|--------------------|---------------------|--|--------------------------------|----------------------------|
| January 31, 2013 | February 26, 2013 | \$ 0.039 | \$ 489,002 | \$ 15,170 |
| February 28, 2013 | March 27, 2013 | 0.039 | 489,002 | 15,171 |
| March 31, 2013 | April 26, 2013 | 0.039 | 489,061 | 15,111 |
| April 30, 2013 | May 29, 2013 | 0.039 | 489,095 | 15,076 |
| May 31, 2013 | June 26, 2013 | 0.039 | 489,097 | 15,075 |
| June 30, 2013 | July 29, 2013 | 0.039 | 489,097 | 15,075 |
| | | \$ 0.234 | \$ 2,934,354 | \$ 90,678 |

Maintaining Productive Capacity

Productive capacity is defined by Boyd as the maintenance of the Company's facilities, equipment, signage, courtesy cars, systems, brand names and infrastructure. Although most of Boyd's repair facilities are leased, funds are required to ensure facilities are properly repaired and maintained. The Company's need to maintain its facilities and upgrade or replace equipment, signage, systems and courtesy car fleets forms part of the annual cash requirements of the business. The Company manages these expenditures by annually reviewing and determining its capital budget needs and then authorizing major expenditures throughout the year based upon individual business cases. The Company budgets and manages its cash maintenance capital expenditures up to approximately 0.8% of sales.

Although maintenance capital expenditures may remain within budget on an annual basis, the timing of these expenditures often varies significantly from quarter to quarter.

In many circumstances, large equipment expenditures including automobiles, shop equipment and computers can be financed using either operating or finance leases. Cash spent on maintenance capital expenditures plus the repayment of operating and finance leases, including the interest thereon, form part of the distributable cash calculations.

Non-recurring and Other Adjustments

Non-recurring and other adjustments may include, but are not limited to, post closure environmental liabilities, restructuring costs, acquisition search and transaction costs and repayment of prepaid rebates that are not refinanced. Management is not currently aware of any environmental remediation requirements or significant prepaid rebate repayment requirements. Acquisition costs are added back to distributable cash as they occur.

Debt Management

In addition to finance lease obligations arranged to finance growth and maintenance expenditures on property and equipment, the Company has historically utilized long-term debt and convertible debentures to finance the expansion of its business, usually through the acquisition and start-up of collision and glass repair and replacement businesses. Repayments of this debt do not form part of distributable cash calculations. Boyd's bank facilities include restrictive covenants, which could limit the Fund's ability to distribute cash. These covenants, based upon current financial results, would not prevent the Fund from paying future distributions at conservative and sustainable levels. These covenants will continue to be monitored in conjunction with any future anticipated distributions.

The following is a standardized and adjusted distributable cash calculation for 2013 and 2012.

Standardized and Adjusted Distributable Cash ⁽¹⁾

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|---------------------|--------------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Cash flow from operating activities before changes in non-cash working capital items | \$ 5,686,094 | \$ 4,621,818 | \$ 11,010,596 | \$ 9,255,437 |
| Changes in non-cash working capital items | (49,429) | (724,420) | (2,370,366) | (2,333,020) |
| Cash flows from operating activities | 5,636,665 | 3,897,398 | 8,640,230 | 6,922,417 |
| Less adjustment for: | | | | |
| Sustaining expenditures on plant, software and equipment ⁽²⁾ | (673,378) | (779,998) | (1,611,792) | (1,624,348) |
| Standardized distributable cash | \$ 4,963,287 | \$ 3,117,400 | \$ 7,028,438 | \$ 5,298,069 |
| Standardized distributable cash per average unit and Class A common share | | | | |
| Per average unit and Class A common share | \$ 0.384 | \$ 0.241 | \$ 0.544 | \$ 0.410 |
| Per diluted unit and Class A common share | \$ 0.384 | \$ 0.241 | \$ 0.544 | \$ 0.410 |
| Standardized distributable cash from above | \$ 4,963,287 | \$ 3,117,400 | \$ 7,028,438 | \$ 5,298,069 |
| Add (deduct) adjustments for: | | | | |
| Collection of rebates ⁽³⁾ | 411,359 | 289,477 | 818,646 | 811,809 |
| Acquisition searches and transaction costs ⁽⁴⁾ | 476,378 | 310,141 | 837,985 | 492,890 |
| Proceeds of sale of equipment | 103,685 | 43,407 | 260,859 | 56,212 |
| Principal repayments of capital leases ⁽⁵⁾ | (743,855) | (608,627) | (1,380,432) | (1,197,105) |
| Adjusted distributable cash | \$ 5,210,854 | \$ 3,151,798 | \$ 7,565,496 | \$ 5,461,875 |
| Adjusted distributable cash per average unit and Class A common share | | | | |
| Per average unit and Class A common share | \$ 0.403 | \$ 0.244 | \$ 0.585 | \$ 0.423 |
| Per diluted unit and Class A common share | \$ 0.403 | \$ 0.244 | \$ 0.585 | \$ 0.423 |
| Distributions paid | | | | |
| Unitholders | \$ 1,467,253 | \$ 1,409,927 | \$ 2,934,259 | \$ 2,819,504 |
| Class A common shareholders | 45,262 | 44,414 | 90,773 | 89,177 |
| Total distributions paid | \$ 1,512,515 | \$ 1,454,341 | \$ 3,025,032 | \$ 2,908,681 |
| Distributions paid | | | | |
| Per Unit | \$ 0.117 | \$ 0.113 | \$ 0.234 | \$ 0.225 |
| Per Class A common share | \$ 0.117 | \$ 0.113 | \$ 0.234 | \$ 0.225 |
| Payout ratio based on standardized distributable cash | 30.5% | 46.7% | 43.0% | 54.9% |
| Payout ratio based on adjusted distributable cash | 29.0% | 46.1% | 40.0% | 53.3% |

- (1) Standardized and adjusted distributable cash are not recognized measures and do not have a standardized meaning under International Financial Reporting Standards (IFRS). Management believes that in addition to net earnings, standardized and adjusted distributable cash are useful supplemental measures as they provide investors with an indication of cash available for distribution. Investors should be cautioned however, that standardized and adjusted distributable cash should not be construed as an alternative to net earnings and cash flows determined in accordance with IFRS as an indicator of the Fund's performance. Boyd's method of calculating adjusted distributable cash may differ from other companies and income trusts and, accordingly, may not be comparable to similar measures used by other companies.
- (2) Includes sustaining expenditures on plant and equipment, information technology hardware and computer software but excludes capital expenditures associated with acquisition and development activities including rebranding of acquired locations. In addition to the maintenance capital expenditures paid with cash, during 2013 the Company acquired a further \$1,101,385 (2012 - \$1,404,000) in capital assets which were financed through finance leases and did not affect cash flows in the current period.
- (3) The Company receives prepaid rebates, under its trading partner arrangements, in quarterly installments for a period of six years subsequent to the date of initial receipt.
- (4) The Company has added back to distributable cash the costs expensed to perform acquisition searches and to complete transactions.
- (5) Repayments of these leases represent additional cash requirements to support the productive capacity of the Company and therefore have been deducted when calculating adjusted distributed cash.

RESULTS OF OPERATIONS

| (\$000's, except per unit figures) | Three months ended | | | Six months ended | | |
|---|--------------------|-------------|------------------|------------------|-------------|------------------|
| | June 30, 2013 | % change | June 30, 2012 | June 30, 2013 | % change | June 30, 2012 |
| Total Sales | 136,878 | 33.0% | 102,940 | 267,517 | 27.2% | 210,344 |
| Same Store Sales <i>(excluding foreign exchange)</i> | 110,211 | 7.9% | 102,143 | 216,602 | 4.7% | 206,964 |
| Sales - Canada | 19,636 | 14.2% | 17,192 | 38,996 | 6.2% | 36,723 |
| Same Store Sales - Canada | 19,337 | 12.5% | 17,192 | 38,696 | 5.4% | 36,723 |
| Sales - U.S. | 117,241 | 36.7% | 85,748 | 228,521 | 31.6% | 173,621 |
| Same Store Sales - U.S. <i>(excluding foreign exchange)</i> | 90,874 | 7.0% | 84,951 | 177,906 | 4.5% | 170,241 |
| Gross Margin % | 45.4% | 0.0% | 45.4% | 45.2% | (0.2%) | 45.4% |
| Operating Expense % | 38.7% | (0.2%) | 38.9% | 38.8% | (0.0%) | 38.8% |
| Adjusted EBITDA | 9,170 | 35.3% | 6,780 | 17,345 | 26.0% | 13,762 |
| Depreciation and Amortization | 2,925 | 0.0% | 2,924 | 5,901 | 3.5% | 5,700 |
| Finance Costs | 1,422 | 122.2% | 640 | 2,804 | 122.9% | 1,258 |
| Fair Value Adjustments to Financial Instruments | 5,776 | 329.4% | 1,345 | 8,800 | 344.9% | 1,978 |
| Income Tax Expense | 1,138 | 160.4% | 437 | 1,539 | 36.0% | 1,132 |
| Net (loss) earnings | (2,567) | (328.4%) | 1,124 | (2,537) | (179.3%) | 3,201 |
| Basic (loss) earnings per unit | (0.205) | (327.8%) | 0.090 | (0.202) | (179.2%) | 0.255 |
| Diluted (loss) earnings per unit | (0.205) | (327.8%) | 0.090 | (0.202) | (179.2%) | 0.255 |
| Standardized Distributable Cash | 4,963 | 59.2% | 3,117 | 7,028 | 32.7% | 5,298 |
| Adjusted Distributable Cash | 5,211 | 65.3% | 3,152 | 7,565 | 38.5% | 5,462 |
| Distributions and Dividends Paid | 1,513 | 4.1% | 1,454 | 3,025 | 4.0% | 2,909 |

¹ EBITDA, Adjusted EBITDA, Standardized Distributable Cash and Adjusted Distributable Cash are not recognized measures under International Financial Reporting Standards (IFRS). Management believes that in addition to net earnings, EBITDA, Adjusted EBITDA, Standardized Distributable Cash and Adjusted Distributable Cash are useful supplemental measures as they provide investors with an indication of operational performance. Investors should be cautioned, however, that EBITDA, Adjusted EBITDA, Standardized Distributable Cash and Adjusted Distributable Cash should not be construed as alternatives to net earnings determined in accordance with IFRS as an indicator of the Fund's performance.

2nd Quarter Comparison – Three months ended June 30, 2013 vs. 2012

Sales

Sales totalled \$136.9 million for the three months ended June 30, 2013, an increase of \$33.9 million or 33.0% compared to the same period last year. The increase in sales was the result of the following:

- \$21.5 million of incremental sales were generated from 20 new single locations as well as six Pearl Autobody ("Pearl") locations, 11 The Recovery Room ("TRR") locations, and 14 Autocrafters ("Autocrafters") locations.
- \$3.8 million of sales were generated in the first month of operations by the new Glass America business.
- Same-store sales excluding foreign exchange increased \$8.1 million or 7.9%, and increased a further \$1.1 million due to the translation of same-store sales at a higher U.S. dollar exchange rate.
- Sales were affected by the closure of two under-performing facilities which decreased sales by \$0.6 million.

Same-store sales are calculated by including sales for stores that have been in operation for the full comparative period.

Sales by Geographic Region (000's)

| <i>Three Months Ended June 30,</i> | 2013 | 2012 |
|------------------------------------|-------------------|-------------------|
| Canada | \$ 19,636 | \$ 17,192 |
| United States | 117,241 | 85,748 |
| Total | \$ 136,877 | \$ 102,940 |
| Canada - % of total | 14.3% | 16.7% |
| United States - % of total | 85.7% | 83.3% |

Sales in Canada for the three months ended June 30, 2013 totalled \$19.6 million, an increase from 2012 of \$2.4 million or 14.2% when compared to \$17.2 million for the same period last year. Increased sales in Canada resulted from an increase in same-store sales of \$2.1 million or 12.5% and \$0.3 million of sales generated by one new location. Same-store sales increases in 2013 are a result of improved market and weather conditions.

Sales in the U.S. for the three months ended June 30, 2013 totalled \$117.2 million, an increase from 2012 of \$31.5 million or 36.7% when compared to \$85.7 million for the same period last year. Increased sales in the U.S. resulted from the following:

- \$5.0 million of sales were generated from 19 new locations.
- \$2.9 million of incremental sales were generated by six Pearl locations, \$5.5 million of sales were generated by 11 TRR locations and \$7.9 million of sales were generated by 14 Autocrafters locations.
- \$3.8 million of sales were generated in the first month of operations by the new Glass America business.
- Same-store sales increased \$5.9 million or 7.0% excluding foreign exchange, and increased \$1.1 million due to the translation of same-store sales at higher U.S. dollar exchange rates. Same-store sales in the U.S. benefited from weather related activity in the quarter.
- Sales were affected by the closure of two under-performing facilities, which decreased sales by \$0.6 million.

Gross Margin

Gross Margin was \$62.2 million or 45.4% of sales for the three months ended June 30, 2013 compared to \$46.8 million or 45.4% of sales for the same period in 2012. Gross margin dollars increased as a result of higher sales compared to the prior period. There was no change in the gross margin percentage from the same period last year.

Previously reported gross margin for the second quarter of 2012 included vehicle detailing labour costs and general shop supplies for certain recent acquisitions which had been charged to cost of sales and was inconsistent with presentation for the balance of the company. These 2012 costs representing \$0.4 million or 0.3% of sales have been reclassified as operating expenses to be consistent with presentation in the current period.

Operating Expenses

Operating Expenses for the three months ended June 30, 2013 increased \$13.0 million to \$53.0 million from \$40.0 million for the same period of 2012, primarily due to the acquisition of new locations. Excluding the impact of foreign currency translation of approximately \$0.6 million, expenses increased \$9.7 million from 2012 as a result of new locations including Pearl, TRR, Autocrafters and Glass America, as well as a further \$2.9 million at same-store locations due primarily to same-store sales growth. Closed locations lowered operating expenses by a combined \$0.2 million.

Operating expenses as a percentage of sales was 38.7% for the three months ended June 30, 2013 compared to 38.9% for the same period in 2012. The decrease in operating expenses as a percentage of sales was primarily due to the fixed component of operating expenses remaining stable during a period of improved same-store sales. As noted under the "Gross Margin" section above, previously reported operating expenses in the second quarter of 2012 did not include vehicle detailing labour costs and general shop supplies for certain recent acquisitions, which had been charged to cost of sales. These 2012 costs representing \$0.4 million or 0.3% of sales have been reclassified as operating expenses to be consistent with presentation in the current period.

Adjusted EBITDA

*Earnings before interest, income taxes, depreciation and amortization, adjusted for the fair value adjustments related to the exchangeable share liability, unit option liability, convertible debenture conversion feature, non-controlling interest put option, as well as acquisition and transaction costs (“Adjusted EBITDA”)*¹ for the three months ended June 30, 2013 totalled \$9.2 million or 6.7% of sales compared to Adjusted EBITDA of \$6.8 million or 6.6% of sales in the same period of the prior year. The increase of \$2.4 million was the result of improvements in same-store sales which contributed \$1.1 million, combined with \$0.8 million of incremental EBITDA from Pearl, TRR and Autocrafters. Glass America, which generates its strongest sales during the summer months, generated \$0.4 million of EBITDA in its first month of operation, while other new single stores were flat for the quarter as they continue to ramp up. Changes in U.S. dollar exchange rates in 2013 offset by the closure of under-performing stores increased Adjusted EBITDA by \$0.1 million.

Depreciation and Amortization

Depreciation Expense related to plant and equipment totalled \$2.1 million or 1.5% of sales for the three months ended June 30, 2013, an increase of \$0.2 million when compared to the \$1.9 million or 1.9% of sales recorded in the same period of the prior year. The increase was primarily due to the acquisitions of Pearl, TRR and Autocrafters as well as new location growth. The reduction as a percentage of sales reflects the conversion of acquisitions to the Company’s depreciation policies, in the latter part of 2012.

Amortization of intangible assets for the three months ended June 30, 2013 totalled \$0.8 million or 0.6% of sales, a decrease of \$0.2 million when compared to the \$1.0 million or 1.0% of sales expensed for the same period in the prior year. The decrease is primarily the result of the True2Form and Cars brands being fully amortized in 2012.

Fair Value Adjustments to Financial Instruments

Fair Value Adjustment to the Convertible Debenture Conversion Feature resulted in non-cash expense related to the associated liability of \$2.6 million for the second quarter of 2013, compared to \$nil in the same period last year. The fair value for the convertible debenture conversion feature is estimated using a Black-Scholes valuation model. The increase in the liability and the related expense is primarily the result of an increase in the market value of the Fund’s units.

Fair Value Adjustment to Exchangeable Shares resulted in a non-cash expense related to the increase in the associated liability of \$1.5 million for the second quarter of 2013, compared to \$0.7 million in the same period of the prior year. The Class A exchangeable shares of BGHI are exchangeable into units of the Fund. This exchangeable feature results in the shares being presented as a financial liability of the Fund. The liability represents the value of the Fund attributable to these shareholders. Exchangeable Class A shares are measured at the market price of the units of the Fund as of the statement of financial position date. The increase in the liability and the related expense for both periods is the result of increases in the market value of the Fund’s units.

Fair Value Adjustment to Unit Options resulted in a non-cash expense related to an increase in the associated liability of \$1.6 million for the second quarter of 2013, compared to \$0.6 million in the same period of the prior year. Similar to the exchangeable share liability, the unit option liability is impacted by changes in the market value of the Fund’s units. The cost of cash-settled unit-based transactions is measured at fair value using a Black-Scholes model and expensed over the vesting period with the recognition of a corresponding liability. The increase in the liability and the related expense is primarily the result of an increase in the market value of the Fund’s units.

Fair Value Adjustment to Non-controlling interest put option resulted in a non-cash expense of \$nil for the second quarter of 2013, compared to a \$0.1 million charge to expense in the same period of the prior year. On May 31, 2013, in connection with the acquisition of Glass America, the Company entered into new put option agreements, which provide the parties with the right to require the Company to purchase their retained interest according to a valuation formula defined in the agreements. Initial recognition of the put option liabilities was recorded in equity; future changes in the estimated put option liabilities will be recorded in earnings.

¹ EBITDA and Adjusted EBITDA are not recognized measures under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, EBITDA and Adjusted EBITDA are useful supplemental measures as they provide investors with an indication of operational performance. Investors should be cautioned, however, that EBITDA and Adjusted EBITDA should not be construed as alternatives to net earnings determined in accordance with GAAP as an indicator of the Fund’s performance.

Finance Costs

Finance Costs of \$1.4 million or 1.0% of sales for the second quarter of 2013 compared to \$0.6 million or 0.6% of sales in the same period of the prior year. The increase in interest expense primarily resulted from increases in long-term debt as a result of the acquisitions of Pearl, TRR and Autocrafters as well as the issuance of the convertible debentures in the fourth quarter of 2012.

Income Taxes

Current and Deferred Income Tax Expense was \$1.1 million for the second quarter of 2013, compared to \$0.4 million for the same period in 2012. The increase in the expense is primarily the result of increased taxable income from the growth of the business. Income tax expense is impacted by permanent differences such as mark to market adjustments which impacts the tax computed on accounting income as well as distributions made by the Fund.

Net (Loss) Earnings and (Loss) Earnings Per Unit

Net loss for the three months ended June 30, 2013 was \$2.6 million or 1.9% of sales, compared to earnings of \$1.1 million or 1.1% of sales for the same period last year. Earnings in 2013 were impacted by fair value adjustments to financial instruments of \$5.8 million, acquisition costs of \$0.5 million and accelerated brand name amortization of \$0.1 million. Excluding the impact of these adjustments, net earnings would have increased to \$3.8 million or 2.8% of sales. This compares to adjusted earnings of \$3.2 million or 3.1% of sales for the same period in 2012 if the same items were adjusted. The increase in the adjusted net income for the year is the result of the contribution of new acquisitions as well as increases in same-store sales. The reduction in adjusted net earnings as a percentage of sales is primarily due to higher finance costs and income tax expense.

Basic and Diluted Loss Per Unit was \$0.205 per unit for the three months ended June 30, 2013 compared to earnings of \$0.090 per unit in the same period in 2012. The decrease to the basic and diluted earnings per unit amounts is primarily due to the impact of the fair value adjustments to financial instruments, as well as higher finance costs and income tax expense. Excluding the impact of the fair value adjustments, acquisition costs and accelerated brand name amortization, basic earnings per unit would have increased to \$0.302 for the three months ended June 30, 2013 compared to \$0.252 for the same period in the prior year.

Year-to-date Comparison – Six months ended June 30, 2013 vs. 2012

Sales

Sales totalled \$267.5 million for the six months ended June 30, 2013, an increase of \$57.2 million or 27.2% compared to the same period last year. The increase in sales was the result of the following:

- \$43.9 million of incremental sales were generated from 24 new single locations as well as six Pearl locations, 11 TRR locations and 14 Autocrafters locations.
- \$3.8 million of sales were generated in the first month of operations by the new Glass America business.
- Same-store sales excluding foreign exchange increased \$9.6 million or 4.7%, and increased a further \$1.8 million due to the translation of same-store sales at a higher U.S. dollar exchange rate.
- Sales were affected by the closure of three under-performing facilities which decreased sales by \$1.9 million.

Same-store sales are calculated by including sales for stores that have been in operation for the full comparative period.

Sales by Geographic Region (000's)

| <i>Six months ended June 30,</i> | 2013 | 2012 |
|----------------------------------|-------------------|-------------------|
| Canada | \$ 38,996 | \$ 36,723 |
| United States | 228,521 | 173,621 |
| Total | \$ 267,517 | \$ 210,344 |
| Canada - % of total | 14.6% | 17.5% |
| United States - % of total | 85.4% | 82.5% |

Sales in Canada for the six months ended June 30, 2013 totalled \$39.0 million, which was \$2.3 million above sales for the same period last year. Increased sales resulted from a \$2.0 million or 5.4% same-store sales increase and \$0.3 million of sales from one new location. Same-store sales increases in 2013 are a result of improved market and weather conditions.

Sales in the U.S. for the six months ended June 30, 2013 totalled \$228.5 million, an increase from 2012 of \$54.9 million or 31.6% when compared to \$173.6 million for same period last year. Increased sales in the U.S. resulted from the following:

- \$11.2 million of sales were generated from 23 new locations.
- \$6.0 million of incremental sales were generated by six Pearl locations, \$10.2 million of sales were generated by 11 TRR locations and \$16.1 million of sales were generated by 14 Autocrafters locations.
- \$3.8 million of sales were generated in the first month of operations by the new Glass America business.
- Same-store sales increased \$7.7 million or 4.5% excluding foreign exchange, and increased \$1.8 million due to the translation of same-store sales at higher U.S. dollar exchange rates. Same-store sales in the U.S. benefited from improved market conditions and weather related activity in 2013.
- Sales were affected by the closure in 2012 of three under-performing facilities, which decreased sales by \$1.9 million.

Gross Margin

Gross Margin was \$121.0 million or 45.2% of sales for the six months ended June 30, 2013 compared to \$95.5 million or 45.4% of sales for the same period in 2012. Gross margin dollars increased as a result of higher sales compared to the prior period. The gross margin percentage reduced slightly when compared with the prior period due to lower gross margins from operations acquired late in 2012.

The previously reported gross margin for the six months ended June 30, 2012 included vehicle detailing labour costs and general shop supplies for certain recent acquisitions which had been charged to cost of sales and was inconsistent with presentation for the balance of the company. These 2012 costs representing \$1.1 million or 0.4% of sales have been reclassified as operating expenses to be consistent with presentation in the current period.

Operating Expenses

Operating Expenses for the six months ended June 30, 2013 increased \$22.1 million to \$103.8 million from \$81.7 million for the same period of 2012, primarily due to the acquisition of new locations. Excluding the impact of foreign currency translation of approximately \$0.9 million, expenses increased \$16.7 million from 2012 as a result of new locations including Pearl, TRR, Autocrafters, and Glass America as well as a further \$5.2 million at same-store locations due primarily to same-store sales growth. Closed locations lowered operating expenses by a combined \$0.7 million.

Operating expenses as a percentage of sales was 38.8% for the six months ended June 30, 2013, which compared to 38.8% for the same period in 2012. As noted under the "Gross Margin" section above, previously reported operating expenses for the six months ended June 30, 2012 did not include vehicle detailing labour costs and general shop supplies for certain recent acquisitions, which had been charged to cost of sales. These 2012 costs representing \$1.1 million or 0.4% of sales have been reclassified as operating expenses to be consistent with presentation in the current period.

Adjusted EBITDA

*Earnings before interest, income taxes, depreciation and amortization, adjusted for the fair value adjustments related to the exchangeable share liability, unit option liability, convertible debenture conversion feature, non-controlling interest put option, as well as acquisition and transaction costs ("Adjusted EBITDA")*² for the six months ended June 30, 2013 totalled \$17.3 million or 6.5% of sales compared to Adjusted EBITDA of \$13.8 million or 6.5% of sales in the same period of the prior year. The increase of \$3.5 million was the result of improvements in same-store sales, which contributed \$1.4 million, combined with \$1.5 million of incremental EBITDA contribution from the acquisition of Pearl, TRR, and Autocrafters. Glass America, which generates its strongest sales during the summer months, generated \$0.4 million of EBITDA in its first month of operation and other new stores contributed another \$0.1 million. Changes in U.S. dollar exchange rates in 2013 offset by the closure of under-performing stores increased Adjusted EBITDA by \$0.1 million.

² EBITDA and Adjusted EBITDA are not recognized measures under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, EBITDA and Adjusted EBITDA are useful supplemental measures as they provide investors with an indication of operational performance. Investors should be cautioned, however, that EBITDA and Adjusted EBITDA should not be construed as alternatives to net earnings determined in accordance with GAAP as an indicator of the Fund's performance.

Depreciation and Amortization

Depreciation Expense related to plant and equipment totalled \$4.0 million or 1.4% of sales for the six months ended June 30, 2013, an increase of \$0.3 million when compared to the \$3.7 million or 1.8% of sales recorded in the same period of the prior year. The increase was primarily due to the acquisitions of Pearl, TRR and Autocrafters as well as new location growth. The reduction as a percentage of sales reflects the conversion of acquisitions to the Company's depreciation policies, in the latter part of 2012.

Amortization of intangible assets for the six months ended June 30, 2013 totalled \$1.9 million or 0.7% of sales, a decrease of \$0.1 million when compared to the \$2.0 million or 1.0% of sales expensed for the same period in the prior year. The decrease is primarily the result of the True2Form and Cars brands being fully amortized in 2012.

Fair Value Adjustments to Financial Instruments

Fair Value Adjustment to the Convertible Debenture Conversion Feature resulted in non-cash expense related to the associated liability of \$3.5 million for the six months ended June 30, 2013, compared to \$nil in the same period last year. The fair value for the convertible debenture conversion feature is estimated using a Black-Scholes valuation model. The increase in the liability and the related expense is primarily the result of an increase in the market value of the Fund's units.

Fair Value Adjustment to Exchangeable Shares resulted in a non-cash expense related to the increase in the associated liability of \$2.6 million for the six months ended June 30, 2013, compared to \$1.0 million in the same period of the prior year. The Class A exchangeable shares of BGHI are exchangeable into units of the Fund. This exchangeable feature results in the shares being presented as a financial liability of the Fund. The liability represents the value of the Fund attributable to these shareholders. Exchangeable Class A shares are measured at the market price of the units of the Fund as of the statement of financial position date. The increase in the liability and the related expense for both periods is the result of increases in the market value of the Fund's units.

Fair Value Adjustment to Unit Options was a non-cash expense related to an increase in the associated liability of \$2.7 million for the six months ended June 30, 2013 compared to \$0.9 million in the same period of the prior year. Similar to the exchangeable share liability, the unit option liability is impacted by changes in the market value of the Fund's units. The cost of cash-settled unit-based transactions is measured at fair value using a Black-Scholes model and expensed over the vesting period with the recognition of a corresponding liability. The increase in the liability and the related expense is primarily the result of an increase in the market value of the Fund's units.

Fair Value Adjustment to Non-controlling interest put option resulted in a non-cash expense of \$nil for the six months ended June 30, 2013 compared to a \$0.1 million charge to expense in the same period of the prior year. On May 31, 2013, in connection with the acquisition of Glass America, the Company entered into new put option agreements, which provide the parties with the right to require the Company to purchase their retained interest according to a valuation formula defined in the agreements. Initial recognition of the put option liabilities was recorded in equity; future changes in the estimated put option liabilities will be recorded in earnings.

Finance Costs

Finance Costs of \$2.8 million or 1.0% of sales for the six months ended June 30, 2013, increased from \$1.3 million or 0.6% of sales for the same period in 2012. The increase in interest expense primarily resulted from increases in long-term debt as a result of the acquisitions of Pearl, TRR and Autocrafters as well as the issuance of the convertible debentures in the fourth quarter of 2012.

Income Taxes

Current and Deferred Income Tax Expense of \$1.5 million for the six months ended June 30, 2013 compares to an expense of \$1.1 million for the same period in 2012. The increase in the expense is primarily the result of increased taxable income from the growth in the business. Income tax expense is impacted by permanent differences such as mark to market adjustments which impacts the tax computed on accounting income as well as distributions made by the Fund.

Net (Loss) Earnings and (Loss) Earnings Per Unit

Net Loss for the six months ended June 30, 2013 was \$2.5 million or 0.9 % of sales, compared to earnings of \$3.2 million or 1.5% of sales for the same period in 2012. The earnings in 2013 were impacted by fair value adjustments to financial instruments of \$8.8 million, acquisition costs of \$0.8 million and accelerated brand name amortization of \$0.3 million. Excluding the impact of these adjustments, net earnings would have increased to \$7.4 million or 2.8% of sales. This compares to adjusted earnings of \$6.4 million or 3.1% of sales for the same period in 2012 if the same items were adjusted. The increase in the adjusted net income for the year is the result of the contribution of new acquisitions and new location growth as well as increases in same-store sales. The reduction in adjusted net earnings as a percentage of sales is primarily due to higher finance costs and income tax expense.

Basic and Diluted Loss Per Unit was \$0.202 for the six months ended June 30, 2013 compared to basic and diluted earnings per unit of \$0.255 for the same period in 2012. The decrease to the basic and diluted earnings per unit amounts is primarily due to the impact of the fair value adjustments to financial instruments, as well as higher finance costs and income tax expense. Excluding the impact of the fair value adjustments, acquisition costs and accelerated brand name amortization, basic earnings per unit would have increased to \$0.594 for the six months ended June 30, 2013 compared to \$0.514 for the same period in the prior year.

SUMMARY OF QUARTERLY RESULTS

| (\$000's, except per unit data) | 2013 | | | 2012 | | | 2011 | |
|---|---------|---------|---------|---------|---------|---------|---------|--------|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Sales | 136,878 | 130,639 | 115,000 | 109,080 | 102,940 | 107,404 | 100,493 | 97,333 |
| Net (loss) earnings | (2,567) | 30 | 2,356 | 1,504 | 1,123 | 2,078 | (2,070) | 6,519 |
| Basic (loss) earnings per unit | (0.205) | 0.002 | 0.188 | 0.120 | 0.090 | 0.166 | (0.192) | 0.593 |
| Diluted (loss) earnings per unit | (0.205) | 0.002 | 0.188 | 0.120 | 0.090 | 0.166 | 0.181 | 0.220 |
| Adjusted net earnings ⁽¹⁾ | 3,783 | 3,662 | 4,995 | 3,269 | 3,164 | 3,275 | 4,475 | 2,709 |
| Adjusted net earnings per unit ⁽¹⁾ | 0.302 | 0.292 | 0.398 | 0.261 | 0.252 | 0.261 | 0.357 | 0.247 |
| Adjusted net earnings per unit and class A share ⁽¹⁾ | 0.293 | 0.283 | 0.386 | 0.253 | 0.245 | 0.253 | 0.346 | 0.210 |
| Adjusted EBITDA ⁽¹⁾ | 9,170 | 8,175 | 8,601 | 7,471 | 6,780 | 6,982 | 7,642 | 6,380 |

⁽¹⁾ Non-GAAP financial measures

Sales have increased in recent quarters due to the acquisition of Master, Pearl, TRR, Autocrafters, Glass America and other new locations as well as same-store sales increases. The decrease in earnings in the first and second quarters of 2013 and the fourth quarter of 2011 is primarily due to the fair value adjustments for exchangeable Class A shares, unit options, and the convertible debenture conversion feature, which reduced net earnings as well as expensing acquisition and transaction costs. The fourth quarter of 2011 was also negatively impacted by settlement costs associated with the retirement of a senior executive.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations, together with cash on hand and unutilized credit available on existing credit facilities are expected to be sufficient to meet operating requirements, capital expenditures and distributions. At June 30, 2013, the Fund had cash, net of outstanding deposits and cheques, held on deposit in U.S. bank accounts totaling \$32.8 million (December 31, 2012 - \$39.0 million). The net working capital ratio (current assets divided by current liabilities) was 1.29:1 at June 30, 2013 (December 31, 2012 - 1.41:1).

At June 30, 2013, the Fund had total debt outstanding, net of cash, of \$56.1 million compared to \$48.5 million at March 31, 2013, \$47.0 million at December 31, 2012, \$32.9 million at September 30, 2012 and \$30.6 million at June 30, 2012. The increase in debt is the result of a decrease in cash resulting from the Company's \$5.25 million U.S. investment in the acquisition of Glass America. Obligations under capital lease also increased by \$1.8 million in the second quarter of 2013, primarily due to leases assumed as part of the acquisition of Glass America.

Total Debt

| Total Debt, Net of Cash (\$ Millions) | June 30, 2013 | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 |
|---------------------------------------|------------------|-------------------|----------------------|-----------------------|------------------|
| Bank indebtedness | \$ - | \$ - | \$ - | \$ 3.7 | \$ 3.0 |
| U.S. senior bank debt | 31.2 | 30.5 | 30.2 | 21.5 | 22.7 |
| Convertible debentures | 30.6 | 30.5 | 30.3 | - | - |
| Seller loans (1) | 18.8 | 19.0 | 19.3 | 15.2 | 13.3 |
| Obligations under capital lease | 8.3 | 6.5 | 6.2 | 6.4 | 7.1 |
| | 88.9 | 86.5 | 86.0 | 46.8 | 46.1 |
| Cash | 32.8 | 38.0 | 39.0 | 13.9 | 15.5 |
| Total Debt, Net of Cash | \$ 56.1 | \$ 48.5 | \$ 47.0 | \$ 32.9 | \$ 30.6 |

(1) Seller loans are loans granted to the Company by the sellers of businesses related to the acquisition of those businesses

Operating Activities

Cash flow generated from operations, before considering working capital changes, was \$5.7 million for the three months ended June 30, 2013, compared to \$4.6 million for the same period in 2012. The increase was primarily due to increased adjusted EBITDA in the second quarter of 2013 resulting from same-store sales growth, as well as the acquisitions of Pearl, TRR, Autocrafters and Glass America offset by higher finance costs.

For the second quarter of 2013, working capital changes were stable.

Cash flow generated from operations, before considering working capital changes, was \$11.0 million for the six months ended June 30, 2013, compared to \$9.3 million for the same period in 2012. This also reflected higher Adjusted EBITDA offset by increased financing costs.

For the six months ended June 30, 2013 working capital changes used cash of \$2.4 million compared to \$2.3 million for the same period in 2012. Increases and decreases in accounts receivable, inventory, prepaid expenses, income taxes, accounts payable and accrued liabilities are significantly influenced by timing of collections and expenditures.

Financing Activities

Cash used in financing activities totalled \$2.3 million for the three months ended June 30, 2013 compared to cash provided by financing activities of \$1.0 million for the same period last year. For the second quarter of 2013 financing activities reflected normal operating levels, with cash used to repay debt and distributions offset by rebates received from trading partners. In 2013, the Fund used available cash for these activities instead of drawing on its operating line as occurred in the same period last year.

Cash used in financing activities totalled \$3.9 million for the six months ended June 30, 2013, compared to cash provided by financing activities of \$1.1 million for the same period in 2012. On a year-to-date basis activities were similar to those described above, other than an additional \$1.4 million proceeds received from a sale-leaseback transaction of owned real estate for a facility located in Garner, North Carolina.

Trading Partner Funding – Prepaid Rebates and Loans

During the first six months of 2013, the Company received regularly scheduled rebates from its trading partners, in the amount of \$0.8 million U.S. (2012 - \$0.8 million U.S.). Additional prepaid rebates are available for new acquisitions and start-ups and regular testing of the criteria used to determine additional rebates will apply, with any under-funded (or over-funded) amounts being collected (or repaid) by the Company at that time.

Debt Financing

The Company supplements its debt financing by negotiating with sellers in certain acquisitions to provide financing to the Company in the form of term notes. The notes payable to sellers are typically at favourable interest rates and for terms of 5-10 years. This source of financing is another means of supporting the Fund's growth, at a relatively low cost.

During the first six months of 2013, the Fund obtained debt from sellers in the amount of \$0.2 million.

The Fund has traditionally used capital leases to finance a portion of both its maintenance and expansion capital expenditures. During the first six months of 2013, the Fund entered into or assumed through acquisition, capital leases for vehicles and equipment in the amount of \$3.3 million (2012 - \$1.9 million), including \$1.8 million in capital leases assumed as part of the acquisition of Glass America. At June 30, 2013, the Fund owed \$8.3 million in finance obligations compared to \$6.2 million at December 31, 2012.

Investing Activities

Cash used in investing activities totalled \$9.1 million for the three months ended June 30, 2013, compared to \$3.9 million for the same period in 2012. The activity in both periods relates primarily to the acquisitions and new location growth, with the increased use of cash in the current period reflecting the acquisition of Glass America.

Cash used in investing activities totalled \$12.0 million for the six months ended June 30, 2013, compared to \$10.8 million for the same period in 2012. The activity in both periods relates primarily to the acquisitions and new location growth that occurred during these periods, as well as spending on equipment purchases and facility improvements to maintain the productive capacity of operations.

Sustaining Capital Expenditures

The Fund spent approximately \$1.6 million or 0.6 % of sales on the acquisition of software, equipment and facility upgrades during the first six months of 2013, compared to \$1.6 million or 0.8% of sales during the same period in 2012.

RELATED PARTY TRANSACTIONS

The \$1.8 million liability associated with the senior managers unit loan program, which is described in the Fund's 2012 annual MD&A, was settled in the first quarter of 2013. Pursuant to the conditions of the senior managers unit loan program, loan repayments by senior managers amounted to \$32,014 for the six months ended June 30, 2013.

On May 31, the glass operating partner contributed \$1.0 million U.S. towards the acquisition of Glass America. At the same time, his previous put option agreement with the Fund was terminated and replaced with a new put option agreement described in Note 10 to the Fund's Q2 2013 interim financial statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements that present fairly the financial position, financial condition and results of operations in accordance with Canadian generally accepted accounting principles requires that the Fund make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

The critical accounting estimates are substantially unchanged from those identified in the 2012 annual MD&A.

FUTURE ACCOUNTING STANDARDS

The following is an overview of accounting standard changes that the Fund will be required to adopt in future years:

The IASB intends to replace IAS 39 "Financial Instruments: Recognition and Measurement" in its entirety with IFRS 9 "Financial Instruments" in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. The Fund is currently evaluating the impact the final standard is expected to have on its financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Fund's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the second quarter of 2013, there have been no changes in the Fund's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

The design of internal controls at Glass America have been considered and based on the pre-existing controls in place and oversight controls implemented, no areas of immediate concern with respect to disclosure controls and procedures or internal controls have been identified. However, due to the short period since the acquisition, a full assessment has not been completed. As a result, the Fund has noted this limitation in the certificates and provides the following summary information with respect to Glass America. During the three month period ending June 30, 2013 Glass America reported sales of \$3.8 million and net earnings of \$0.2 million. As at June 30, 2013, Glass America reported current assets of \$4.6 million, current liabilities of \$5.8 million, \$1.1 million of long-term assets and \$0.6 million of long-term liabilities.

BUSINESS RISKS AND UNCERTAINTIES

Risks and uncertainties affecting the business remain substantially unchanged from those identified in the 2012 annual MD&A.

ADDITIONAL INFORMATION

The Fund's units and convertible debentures trade on the Toronto Stock Exchange under the symbols TSX: BYD.UN and TSX: BYD.DB. Additional information relating to the Boyd Group Income Fund is available on SEDAR (www.sedar.com) and our website (www.boydgroup.com).

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These unaudited condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Management is responsible for their integrity, objectivity and reliability, and for the maintenance of financial and operating systems, which include effective controls, to provide reasonable assurance that the Fund's assets are safeguarded and that reliable financial information is produced.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting, disclosure control and internal control. The Board exercises these responsibilities through its Audit Committee, all members of which are not involved in the daily activities of the Fund. The Audit Committee meets with management and, as necessary, with the independent auditors, Deloitte LLP, to satisfy itself that management's responsibilities are properly discharged and to review and report to the Board on the interim condensed consolidated financial statements.

These interim condensed consolidated financial statements and related notes and other interim filings have not been reviewed by the Fund's auditors.

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

I, **Brock Bulbuck, Chief Executive Officer of the Boyd Group Income Fund**, certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of the **Boyd Group Income Fund**, (the “issuer”) for the interim period ended **June 30, 2013**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Committee of Sponsor Organizations of the Treadway Commission (“COSO”) framework in Internal Control – Integrated Framework.

5.2 **ICFR – material weakness relating to design:** N/A

5.3 **Limitation on scope of design:**

(a) the fact that the issuer’s other certifying officer(s) and I have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of

i) N/A

ii) N/A

iii) A business that the issuer acquired not more than 365 days before the last day of the period covered by the interim filings; and

(b) summary financial information about the proportionately consolidated entity, special purpose entity or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.

6. **Reporting Changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on April 1, 2013 and ended on June 30, 2013 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: August 14, 2013

(signed)

Brock Bulbuck
Chief Executive Officer

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, **Dan Dott, Chief Financial Officer of the Boyd Group Income Fund**, certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of the **Boyd Group Income Fund**, (the “issuer”) for the interim period ended **June 30, 2013**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim report do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Committee of Sponsor Organizations of the Treadway Commission (“COSO”) framework in Internal Control – Integrated Framework.
- 5.2 **ICFR – material weakness relating to design:** N/A
- 5.3 **Limitation on scope of design:**
 - (a) the fact that the issuer’s other certifying officer(s) and I have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of
 - i) N/A
 - ii) N/A
 - iii) A business that the issuer acquired not more than 365 days before the last day of the period covered by the interim filings; and

(b) summary financial information about the proportionately consolidated entity, special purpose entity or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.

6. **Reporting Changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on April 1, 2013 and ended on June 30, 2013 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: August 14, 2013

(signed)

Dan Dott, C.A.
Vice President & Chief Financial Officer



BOYD GROUP INCOME FUND

Interim Condensed Consolidated Financial Statements

Three and Six Months Ended June 30, 2013

Notice: These interim condensed consolidated financial statements have not been audited or reviewed by the Fund's independent external auditors, Deloitte LLP.

BOYD GROUP INCOME FUND**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)***(Canadian dollars)*

| | June 30, 2013 | December 31, 2012 |
|---|-----------------------|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 32,776,732 | \$ 38,976,398 |
| Accounts receivable | 33,095,928 | 28,944,908 |
| Income taxes recoverable | 1,147,312 | 1,364,530 |
| Inventory | 8,047,490 | 8,665,638 |
| Prepaid expenses | 5,538,084 | 4,311,623 |
| | 80,605,546 | 82,263,097 |
| Note receivable | 899,045 | 1,048,834 |
| Property, plant and equipment | 53,309,622 | 45,897,362 |
| Deferred income tax asset | 3,578,325 | 4,386,844 |
| Intangible assets <i>(Note 4)</i> | 40,684,221 | 41,271,177 |
| Goodwill <i>(Note 5)</i> | 68,245,541 | 49,691,918 |
| | \$ 247,322,300 | \$ 224,559,232 |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 52,024,078 | \$ 50,231,017 |
| Distributions payable <i>(Note 6)</i> | 489,097 | 489,002 |
| Dividends payable <i>(Note 10)</i> | 15,075 | 15,170 |
| Current portion of long-term debt | 5,320,904 | 4,756,972 |
| Current portion of obligations under finance leases | 3,409,955 | 2,006,469 |
| Current portion of settlement accrual | 1,366,233 | 1,101,464 |
| | 62,625,342 | 58,600,094 |
| Long-term debt | 44,667,069 | 44,775,928 |
| Obligations under finance leases | 4,923,553 | 4,182,570 |
| Convertible debenture | 30,647,783 | 30,327,395 |
| Convertible debenture conversion feature <i>(Note 10)</i> | 5,519,546 | 2,008,699 |
| Unearned rebates | 31,978,317 | 31,598,860 |
| Settlement accrual | - | 892,717 |
| Exchangeable class A shares <i>(Note 10)</i> | 8,489,485 | 5,929,304 |
| Unit based payment obligation <i>(Note 10)</i> | 6,253,206 | 3,567,136 |
| Non-controlling interest put options <i>(Note 10)</i> | 17,668,866 | 1,072,391 |
| | 212,773,167 | 182,955,094 |
| Equity | | |
| Accumulated other comprehensive income (loss) | 3,580,926 | (1,264,776) |
| Deficit | (47,915,637) | (35,998,484) |
| Unitholders' capital | 74,881,773 | 74,865,327 |
| Contributed surplus | 4,002,071 | 4,002,071 |
| | 34,549,133 | 41,604,138 |
| | \$ 247,322,300 | \$ 224,559,232 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements

BOYD GROUP INCOME FUND
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
(Canadian dollars)

| | Unitholders' Capital | | Contributed Surplus | Accumulated Other Comprehensive (Loss) Earnings | Deficit | Total Equity |
|--|----------------------|---------------|---------------------|---|-----------------|---------------|
| | Units | Amount | | | | |
| Balances - January 1, 2012 | 12,528,136 | \$ 74,830,675 | \$ 4,002,071 | \$ (192,026) | \$ (37,381,319) | \$ 41,259,401 |
| Issue costs | - | (92,496) | | | | (92,496) |
| Retractions | 10,380 | 127,148 | | | | 127,148 |
| Other comprehensive loss | | | | (1,072,750) | | (1,072,750) |
| Net earnings | | | | | 7,061,171 | 7,061,171 |
| Comprehensive earnings | | | | (1,072,750) | 7,061,171 | 5,988,421 |
| Distributions to unitholders | | | | | (5,678,336) | (5,678,336) |
| Balances - December 31, 2012 | 12,538,516 | \$ 74,865,327 | \$ 4,002,071 | \$ (1,264,776) | \$ (35,998,484) | \$ 41,604,138 |
| Issue costs | - | (26,065) | | | | (26,065) |
| Retractions | 2,437 | 42,511 | | | | 42,511 |
| Other comprehensive earnings | | | | 4,845,702 | | 4,845,702 |
| Net (loss) | | | | | (2,536,649) | (2,536,649) |
| Comprehensive earnings | | | | 4,845,702 | (2,536,649) | 2,309,053 |
| Equity contributed by non-controlling interest (Note 10) | | | | | 9,942,917 | 9,942,917 |
| Recognition of non-controlling interest put option liabilities (Note 10) | | | | | (16,389,067) | (16,389,067) |
| Distributions to unitholders (Note 6) | | | | | (2,934,354) | (2,934,354) |
| Balances - June 30, 2013 | 12,540,953 | \$ 74,881,773 | \$ 4,002,071 | \$ 3,580,926 | \$ (47,915,637) | \$ 34,549,133 |
| Balances - January 1, 2012 | 12,528,136 | \$ 74,830,675 | \$ 4,002,071 | \$ (192,026) | \$ (37,381,319) | \$ 41,259,401 |
| Issue costs | - | (26,179) | | | | (26,179) |
| Retractions | 8,186 | 94,437 | | | | 94,437 |
| Other comprehensive earnings | | | | 90,037 | | 90,037 |
| Net earnings | | | | | 3,201,230 | 3,201,230 |
| Comprehensive earnings | | | | 90,037 | 3,201,230 | 3,291,267 |
| Distributions to unitholders (Note 6) | | | | | (2,819,811) | (2,819,811) |
| Balances - June 30, 2012 | 12,536,322 | \$ 74,898,933 | \$ 4,002,071 | \$ (101,989) | \$ (36,999,900) | \$ 41,799,115 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements

BOYD GROUP INCOME FUND**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS (Unaudited)**

Six Months Ended June 30,

(Canadian dollars)

| | 2013 | 2012 |
|---|----------------|----------------|
| Sales | \$ 267,516,730 | \$ 210,344,177 |
| Cost of sales | 146,493,178 | 114,893,940 |
| Gross margin | 121,023,552 | 95,450,237 |
| Operating expenses | 103,758,668 | 81,688,944 |
| Foreign exchange gains | (80,455) | (292) |
| Acquisition and transaction costs | 837,985 | 492,890 |
| Depreciation | 3,997,799 | 3,655,302 |
| Amortization of intangible assets | 1,902,831 | 2,044,869 |
| Fair value adjustments to financial instruments (Note 10) | 8,799,606 | 1,977,530 |
| Finance costs | 2,804,302 | 1,257,600 |
| | 122,020,736 | 91,116,843 |
| (Loss) earnings before income taxes | (997,184) | 4,333,394 |
| Income tax expense | | |
| Current | 606,185 | 844,073 |
| Deferred | 933,280 | 288,091 |
| | 1,539,465 | 1,132,164 |
| Net (loss) earnings | \$ (2,536,649) | \$ 3,201,230 |
| <i>The accompanying notes are an integral part of these interim condensed consolidated financial statements</i> | | |
| Basic (loss) earnings per unit (Note 9) | \$ (0.202) | \$ 0.255 |
| Diluted (loss) earnings per unit (Note 9) | \$ (0.202) | \$ 0.255 |
| Weighted average number of units outstanding | 12,539,990 | 12,532,492 |

BOYD GROUP INCOME FUND**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (Unaudited)**

Six Months Ended June 30,

| | 2013 | 2012 |
|--|----------------|--------------|
| Net (loss) earnings | \$ (2,536,649) | \$ 3,201,230 |
| Other comprehensive earnings | | |
| Items that may be reclassified subsequently to Consolidated Statements of Comprehensive Earnings | | |
| Change in unrealized earnings on translating financial statements of foreign operations | 4,845,702 | 90,037 |
| Other comprehensive earnings, net of income taxes | 4,845,702 | 90,037 |
| Comprehensive earnings | \$ 2,309,053 | \$ 3,291,267 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements

BOYD GROUP INCOME FUND
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
Six Months Ended June 30,
(Canadian dollars)

| | 2013 | 2012 |
|--|----------------------|----------------------|
| Cash flows from operating activities | | |
| Net (loss) earnings | \$ (2,536,649) | \$ 3,201,230 |
| Items not affecting cash | | |
| Non-controlling interest put option adjustment | - | 97,670 |
| Deferred income taxes | 933,280 | 288,091 |
| Amortization of discount on convertible debt | 320,388 | - |
| Amortization of intangible assets | 1,902,831 | 2,044,869 |
| Depreciation | 3,997,799 | 3,655,302 |
| Amortization of unearned rebates | (1,802,856) | (1,445,685) |
| Gain on disposal of equipment | (66,533) | (14,693) |
| Adjustment in liability for exchangeable class A shares | 2,602,691 | 972,844 |
| Interest accrued on class A exchangeable shares | 90,678 | 88,870 |
| Unit option compensation expense | 2,686,068 | 907,016 |
| Adjustment in liability for convertible debt conversion feature | 3,510,847 | - |
| Unrealized foreign exchange loss on internal loans | - | 9,000 |
| Unrealized loss on derivative contracts | - | 20,100 |
| Realized foreign exchange loss on internal loan | - | 95,500 |
| Realized loss on derivative contracts | - | (115,500) |
| Payment of accrued settlement obligation | (627,948) | (549,177) |
| | 11,010,596 | 9,255,437 |
| Changes in non-cash working capital items | (2,370,366) | (2,333,020) |
| | 8,640,230 | 6,922,417 |
| Cash flows (used in) provided by financing activities | | |
| Issue costs | (26,065) | (19,713) |
| Repayment of long-term debt | (2,490,895) | (1,484,288) |
| Increase in bank indebtedness | - | 3,024,114 |
| Repayment of obligations under finance leases | (1,380,432) | (1,197,105) |
| Proceeds on sale-leaseback agreement | 1,370,985 | 482,840 |
| Dividends paid on class A common shares | (90,773) | (89,177) |
| Distributions paid to unitholders | (2,934,259) | (2,819,504) |
| Increase in unearned rebates | 827,575 | 2,669,083 |
| Repayment of unearned rebates | - | (247,368) |
| Collection of rebates receivable | 818,646 | 811,809 |
| | (3,905,218) | 1,130,691 |
| Cash flows used in investing activities | | |
| Proceeds on sale of equipment | 260,859 | 56,212 |
| Equipment purchases and facility improvements | (1,514,845) | (1,429,289) |
| Acquisition and development of businesses (net of cash acquired) | (9,763,263) | (9,188,157) |
| Software purchases and licensing | (96,947) | (195,059) |
| Senior managers unit loan program | (899,045) | - |
| | (12,013,241) | (10,756,293) |
| Foreign exchange | 1,078,563 | (194,698) |
| Net decrease in cash position | (6,199,666) | (2,897,883) |
| Cash, beginning of period | 38,976,398 | 18,443,269 |
| Cash, end of period | \$ 32,776,732 | \$ 15,545,386 |
| Income taxes paid | \$ 315,234 | \$ 1,367,751 |
| Interest paid | \$ 2,414,024 | \$ 1,411,265 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements

BOYD GROUP INCOME FUND**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS (Unaudited)***Three Months Ended June 30,**(Canadian dollars)*

| | 2013 | 2012 |
|---|----------------|----------------|
| Sales | \$ 136,877,565 | \$ 102,939,708 |
| Cost of sales | 74,682,952 | 56,166,819 |
| Gross margin | 62,194,613 | 46,772,889 |
| Operating expenses | 53,012,491 | 40,014,549 |
| Foreign exchange losses (gains) | 10,880 | (21,198) |
| Acquisition and transaction costs | 476,378 | 310,141 |
| Depreciation | 2,076,467 | 1,887,226 |
| Amortization of intangible assets | 849,131 | 1,036,571 |
| Fair value adjustments to financial instruments (Note 10) | 5,776,050 | 1,345,128 |
| Finance costs | 1,422,095 | 639,581 |
| (Loss) earnings before income taxes | (1,428,879) | 1,560,891 |
| Income tax expense | | |
| Current | 606,185 | 211,827 |
| Deferred | 531,499 | 225,403 |
| | 1,137,684 | 437,230 |
| Net (loss) earnings | \$ (2,566,563) | \$ 1,123,661 |
| <i>The accompanying notes are an integral part of these interim condensed consolidated financial statements</i> | | |
| Basic (loss) earnings per unit (Note 9) | \$ (0.205) | \$ 0.090 |
| Diluted (loss) earnings per unit (Note 9) | \$ (0.205) | \$ 0.090 |
| Weighted average number of units outstanding | 12,540,938 | 12,534,225 |

BOYD GROUP INCOME FUND**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (Unaudited)***Three Months Ended June 30,*

| | 2013 | 2012 |
|--|----------------|--------------|
| Net (loss) earnings | \$ (2,566,563) | \$ 1,123,661 |
| Other comprehensive earnings | | |
| Items that may be reclassified subsequently to Consolidated Statements of Comprehensive Earnings | | |
| Change in unrealized earnings on translating financial statements of foreign operations | 3,081,269 | 1,010,404 |
| Other comprehensive earnings, net of income taxes | 3,081,269 | 1,010,404 |
| Comprehensive earnings | \$ 514,706 | \$ 2,134,065 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements

BOYD GROUP INCOME FUND
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
Three Months Ended June 30,
(Canadian dollars)

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Cash flows from operating activities | | |
| Net (loss) earnings | \$ (2,566,563) | \$ 1,123,661 |
| Items not affecting cash | | |
| Non-controlling interest put option adjustment | - | 97,670 |
| Deferred income taxes | 531,499 | 225,403 |
| Amortization of discount on convertible debt | 167,039 | - |
| Amortization of intangible assets | 849,131 | 1,036,571 |
| Depreciation | 2,076,467 | 1,887,226 |
| Amortization of unearned rebates | (912,539) | (741,806) |
| Gain on disposal of equipment | (6,946) | (11,718) |
| Adjustment in liability for exchangeable class A shares | 1,538,290 | 680,262 |
| Interest accrued on class A exchangeable shares | 45,226 | 44,240 |
| Unit option compensation expense | 1,603,368 | 567,196 |
| Adjustment in liability for convertible debt conversion feature | 2,634,392 | - |
| Unrealized foreign exchange loss on internal loans | - | 98,500 |
| Unrealized gain on derivative contracts | - | (87,500) |
| Realized foreign exchange loss on internal loan | - | 95,500 |
| Realized loss on derivative contracts | - | (115,500) |
| Payment of accrued settlement obligation | (273,270) | (277,887) |
| | 5,686,094 | 4,621,818 |
| Changes in non-cash working capital items | (49,429) | (724,420) |
| | 5,636,665 | 3,897,398 |
| Cash flows provided by (used in) financing activities | | |
| Repayment of long-term debt | (1,304,609) | (758,343) |
| Increase in bank indebtedness | - | 3,024,114 |
| Repayment of obligations under finance leases | (743,855) | (608,627) |
| Proceeds on sale-leaseback agreement | - | 280,340 |
| Dividends paid on class A common shares | (45,262) | (44,414) |
| Distributions paid to unitholders | (1,467,253) | (1,409,927) |
| Increase in unearned rebates | 827,575 | 517,816 |
| Repayment of unearned rebates | - | (247,368) |
| Collection of rebates receivable | 411,359 | 289,477 |
| | (2,322,045) | 1,043,068 |
| Cash flows used in investing activities | | |
| Proceeds on sale of equipment | 103,685 | 43,407 |
| Equipment purchases and facility improvements | (637,857) | (763,774) |
| Acquisition and development of businesses (net of cash acquired) | (8,579,509) | (3,183,333) |
| Software purchases and licensing | (35,521) | (16,224) |
| Senior managers unit loan program | 32,014 | - |
| | (9,117,188) | (3,919,924) |
| Foreign exchange | 579,069 | (38,603) |
| Net (decrease) increase in cash position | (5,223,499) | 981,939 |
| Cash, beginning of period | 38,000,231 | 14,563,447 |
| Cash, end of period | \$ 32,776,732 | \$ 15,545,386 |
| Income taxes paid | \$ 105,654 | \$ 657,449 |
| Interest paid | \$ 1,161,783 | \$ 682,418 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements

BOYD GROUP INCOME FUND

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2012 and June 30, 2013

(in Canadian dollars)

1. GENERAL INFORMATION

Boyd Group Income Fund (the "Fund") is an unincorporated, open-ended mutual fund trust established under the laws of the Province of Manitoba, Canada on December 16, 2002. It was established for the purposes of acquiring and holding a majority interest in The Boyd Group Inc. (the "Company"). The Company is partially owned by Boyd Group Holdings Inc. ("BGHI"), which is controlled by the Fund. These financial statements reflect the activities of the Fund, the Company and all its subsidiaries including BGHI. The Company's business consists of the ownership and operation of autobody/autoglass repair facilities acquired either through the acquisition of existing businesses, or through site development resulting in new locations. At the reporting date, the Company operated locations in five Canadian provinces under the trade name Boyd Autobody & Glass, as well as in 14 U.S. states under the trade names Gerber Collision & Glass, The Recovery Room and Autocrafters Collision. The Company is also a major retail auto glass operator in the U.S. with locations across 28 U.S. states under the trade names Gerber Collision & Glass, Glass America, Auto Glass Services, Auto Glass Authority and S&L Glass. The Company also operates Gerber National Glass Services, an auto glass repair and replacement referral business with approximately 3,000 affiliated service providers throughout the U.S. under the "Gerber National Glass Services" name. The units of the Fund are listed on the Toronto Stock Exchange and trade under the symbol "BYD.UN". The head office and principal address of the Fund are located at 3570 Portage Avenue, Winnipeg, Manitoba, Canada, R3K 0Z8.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of August 13, 2013, the date the Board of Trustees approved the statements. Any subsequent changes to IFRS that are given effect in the Fund's annual consolidated financial statements for the year ending December 31, 2013 could result in restatement of these interim condensed consolidated financial statements.

2. BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

These interim condensed consolidated financial statements for the three and six months ended June 30, 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting' using the same accounting policies and methods of computation followed in the consolidated financial statements for the year ended December 31, 2012. During the three and six months ended June 30, 2013, the Fund did not adopt any changes in accounting policy that resulted in a material impact to the financial statements of the Fund. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS.

3. ACQUISITIONS

On May 31, 2013, the Company acquired a controlling interest in the retail auto glass business of Glass America, Inc. ("Glass America"), which operates 61 retail auto glass locations across 23 U.S. states under the trade names of Glass America and Auto Glass Services. The Fund and its existing glass-business operating partner each contributed their interests in the Company's U.S. auto glass business ("Gerber Glass") on a relative valuation basis, along with a \$6.25 million U.S. cash equity contribution into a new subsidiary entity and received a combined equity interest of 70% of the new business. Boyd funded \$5.25 of a \$6.25 million U.S. cash contribution to the new entity and holds a 55.19% effective interest in the new glass business. Boyd's existing operating partner funded \$1.0 million U.S. of the cash equity contribution and holds 14.81% of the new entity. The shareholders of Glass America contributed the business of Glass America on a relative valuation basis for a 30% non-controlling interest position.

BOYD GROUP INCOME FUND**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three and six months ended June 30, 2012 and June 30, 2013

(in Canadian dollars)

The Fund also completed ten other acquisitions during the first six months of 2013 related to its stated objective of growing through individual locations by between six and ten percent per year.

| <u>Acquisition Date</u> | <u>Business & Assets Purchased</u> | <u>Location</u> |
|-------------------------|--|----------------------------|
| January 16, 2013 | Wilmington Paint & Body Works | Wilmington, North Carolina |
| February 9, 2013 | Twin City Collision | Stanwood, Washington |
| February 25, 2013 | Express Paint and Body | Lakeland, Florida |
| March 28, 2013 | CBS Quality Cars | Durham, North Carolina |
| April 1, 2013 | Factory Finish | Wilmington, North Carolina |
| April 30, 2013 | Swanson's Auto Body | Spokane, Washington |
| May 9, 2013 | Sonny Hancock Collision Center | Gastonia, North Carolina |
| May 31, 2013 | Queensway Auto Body | Kitchener, Ontario |
| June 14, 2013 | Morris Auto Body | Loveland, Colorado |
| June 28, 2013 | Shenandoah Collision Center | Newnan, Georgia |

The Fund has accounted for the acquisitions using the purchase method as follows:

| | 2013 | | |
|---|--------------------|--------------------|---------------------------|
| Identifiable net assets acquired at fair value: | Glass America | Other Acquisitions | Total |
| Cash | 2,097,040 | - | 2,097,040 |
| Other current assets | 4,143,182 | 428,614 | 4,571,796 |
| Property, plant and equipment | 1,179,148 | 3,983,359 | 5,162,507 |
| <u>Liabilities assumed</u> | <u>(7,065,523)</u> | <u>(157,046)</u> | <u>(7,222,569)</u> |
| Identifiable net assets acquired | 353,847 | 4,254,927 | 4,608,774 |
| <u>Goodwill</u> | <u>14,926,161</u> | <u>-</u> | <u>14,926,161</u> |
| Total purchase consideration | 15,280,008 | 4,254,927 | 19,534,935 |
| Consideration provided | | | |
| Cash | 6,461,875 | 4,057,101 | 10,518,976 |
| Seller Notes | - | 197,826 | 197,826 |
| Shares issued to Glass America | | | |
| <u>non-controlling interest</u> | <u>8,818,133</u> | <u>-</u> | <u>8,818,133</u> |
| Total consideration provided | 15,280,008 | 4,254,927 | 19,534,935 |

The preliminary purchase prices for acquisitions as disclosed above may be revised as additional information becomes available. Further adjustments may be recorded in future periods as purchase price adjustments are finalized.

Acquisition-related costs of \$837,985 (2012 - \$492,890) have been charged as an expense in the consolidated statement of earnings for the six months ended June 30, 2013.

U.S. acquisition transactions are initially recognized in Canadian dollars at the rates of exchange in effect on the transaction dates. Subsequently, the assets and liabilities are translated at the rate in effect at the balance sheet date.

The results of operations reflect the revenues and expenses of acquired operations from the date of acquisition. The revenue included in the consolidated statement of earnings since May 31, 2013 contributed by Glass America was \$3,774,581. Glass America also contributed net earnings of \$193,362 over the same period.

BOYD GROUP INCOME FUND**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three and six months ended June 30, 2012 and June 30, 2013

*(in Canadian dollars)***4. INTANGIBLE ASSETS**

| | |
|---|---------------|
| Balance at January 1, 2013 | \$ 41,271,177 |
| Amortization | (1,902,831) |
| Purchase price allocation adjustments within the measurement period | (1,024,700) |
| Foreign exchange | 2,340,575 |

| | |
|--------------------------|---------------|
| Balance at June 30, 2013 | \$ 40,684,221 |
|--------------------------|---------------|

The purchase price allocation adjustment represents a reclassification between customer relationship asset and goodwill within the acquisition measurement period.

5. GOODWILL

| | |
|---|---------------|
| Balance at January 1, 2013 | \$ 49,691,918 |
| Acquired through business combination | 14,926,161 |
| Purchase price allocation adjustments within the measurement period | 1,024,700 |
| Foreign exchange | 2,602,762 |

| | |
|--------------------------|---------------|
| Balance at June 30, 2013 | \$ 68,245,541 |
|--------------------------|---------------|

The purchase price allocation adjustment represents a reclassification between customer relationship asset and goodwill within the acquisition measurement period.

6. DISTRIBUTIONS

The Fund's Trustees have discretion in declaring distributions. The Fund's distribution policy is to make distributions of its available cash from operations taking into account current and future performance, amounts necessary for principal and interest payments on debt obligations, amounts required for maintenance capital expenditures and amounts allocated to reserves.

Distributions to unitholders were declared and paid as follows:

| <u>Record Date</u> | <u>Payment Date</u> | <u>Distribution per Unit</u> | <u>Distribution Amount</u> |
|--------------------|---------------------|----------------------------------|--------------------------------|
| January 31, 2013 | February 26, 2013 | \$ 0.039 | \$ 489,002 |
| February 28, 2013 | March 27, 2013 | 0.039 | 489,002 |
| March 31, 2013 | April 26, 2013 | 0.039 | 489,061 |
| April 30, 2013 | May 29, 2013 | 0.039 | 489,095 |
| May 31, 2013 | June 26, 2013 | 0.039 | 489,097 |
| June 30, 2013 | July 29, 2013 | 0.039 | 489,097 |
| | | \$ 0.234 | \$ 2,934,354 |

7. SEASONALITY

The Fund's financial results for any individual quarter are not necessarily indicative of results to be expected for the full year. Interim period revenues and earnings are typically sensitive to regional and local weather, market conditions, and in particular, to cyclical variations in economic activity.

8. SEGMENTED REPORTING

The Company has one reportable line of business, being automotive collision repair and related services, with all revenues relating to a group of similar services. In this circumstance, IFRS requires the Company to provide geographical disclosure. For the year-to-date periods reported, all of the Company's revenues were derived within Canada or the United States of America.

BOYD GROUP INCOME FUND**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three and six months ended June 30, 2012 and June 30, 2013

(in Canadian dollars)

Reportable assets include property, plant and equipment, goodwill and intangible assets which are all located within these two geographic areas.

| | <u>Revenues</u> | | <u>Reportable Assets</u> | |
|---------------|--------------------------------|-------------------------|--------------------------------|-----------------------------|
| | <u>June 30,</u> <u>2013</u> | June 30, <u>2012</u> | <u>June 30,</u> <u>2013</u> | December 31, <u>2012</u> |
| Canada | \$ 38,995,998 | \$ 36,723,448 | \$ 18,611,454 | \$ 16,129,213 |
| United States | 228,520,732 | 173,620,729 | 143,627,930 | 120,731,244 |
| Total | \$ 267,516,730 | \$ 210,344,177 | \$ 162,239,384 | \$ 136,860,457 |

9. EARNINGS PER UNIT

| | <u>Three Months</u> <u>Ended June 30,</u> <u>2013</u> | | <u>Six Months</u> <u>Ended June 30,</u> <u>2013</u> | |
|--------------------------------------|---|--------------|---|--------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| a) Earnings: | | | | |
| Net earnings | \$ (2,566,563) | \$ 1,123,661 | \$ (2,536,649) | \$ 3,201,230 |
| b) Number of units: | | | | |
| Average number of units outstanding | 12,540,938 | 12,534,225 | 12,539,990 | 12,532,492 |
| Earnings per unit (a) divided by (b) | | | | |
| Basic | \$ (0.205) | \$ 0.090 | \$ (0.202) | \$ 0.255 |
| Diluted | \$ (0.205) | \$ 0.090 | \$ (0.202) | \$ 0.255 |

Class A exchangeable shares, unit options and convertible debentures are instruments that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.

10. FINANCIAL INSTRUMENTS**Fair Value Adjustment to Financial Instruments**

| | For the three months ended: | |
|---|-----------------------------|---------------------|
| | June 30, 2013 | June 30, 2012 |
| Fair value adjustment to convertible debenture conversion feature | \$ 2,634,392 | \$ - |
| Fair value adjustment to exchangeable shares | 1,538,290 | 680,262 |
| Fair value adjustment to unit options | 1,603,368 | 567,196 |
| Fair value adjustment to non-controlling interest put option | - | 97,670 |
| Fair value adjustments to financial instruments | \$ 5,776,050 | \$ 1,345,128 |

| | For the six months ended: | |
|---|---------------------------|---------------------|
| | June 30, 2013 | June 30, 2012 |
| Fair value adjustment to convertible debenture conversion feature | \$ 3,510,847 | \$ - |
| Fair value adjustment to exchangeable shares | 2,602,691 | 972,844 |
| Fair value adjustment to unit options | 2,686,068 | 907,016 |
| Fair value adjustment to non-controlling interest put option | - | 97,670 |
| Fair value adjustments to financial instruments | \$ 8,799,606 | \$ 1,977,530 |

BOYD GROUP INCOME FUND**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three and six months ended June 30, 2012 and June 30, 2013

*(in Canadian dollars)***Fair Value Measurement**

The Fund's financial instruments measured at fair value are limited to cash, the exchangeable Class A shares, the non-controlling interest put option, and the convertible debenture conversion feature. The valuation techniques used to measure these financial instruments are described in the subsequent corresponding sections of this Note and Note 11.

The following presents the Fund's assets and liabilities measured at fair value on a recurring basis and categorized by hierarchy level at June 30, 2013:

| Asset (liability) (\$000's) | (Quoted prices in an active markets for identical assets) Level 1 | (Significant other observable inputs) Level 2 | (Significant other unobservable inputs) Level 3 |
|--|---|--|---|
| Cash | 32,777 | - | - |
| Convertible debenture conversion feature | - | (5,520) | - |
| Exchangeable class A shares | (8,489) | - | - |
| Non-controlling interest put options | - | (17,669) | - |

The Fund's financial instruments not measured at fair value include accounts receivable, accounts payable and accrued liabilities, long-term debt and the non-derivative component of convertible debentures. The carrying value of accounts receivable, accounts payable and long-term debt approximates their fair value. The non-derivative component of the convertible debentures had a carrying value of \$30,647,783 and a fair value of \$32,100,454 at June 30, 2013.

Convertible Debenture Conversion Feature

The fair value for the convertible debenture conversion feature is estimated using a Black-Scholes valuation model with the following assumptions used: unit price \$23.51, dividend yield 4.94%, expected volatility 30.95%, risk free interest rate of 1.28%, term of 4.5 years. The fair value of the debenture conversion feature will change based on movement in bond rates and the market price of units of the fund.

Exchangeable Class A Shares

The Class A common shares of BGHI are exchangeable into units of the Fund. To facilitate the exchange, BGHI issues one Class B common share to the Fund for each Class A common share that has been retracted. The Fund in turn issues a trust unit to the Class A common shareholder. Exchangeable Class A shares are measured at the market price of the units of the Fund as of the statement of financial position date. The market price is based on a ten day trading average for the units at such date. Exchanges are recorded at carrying value. At June 30, 2013 there were 361,101 (December 31, 2012 – 363,538) shares outstanding with a carrying value of \$8,489,485 (December 31, 2012 – \$5,929,305).

Dividends on the exchangeable Class A shares are recorded as interest expense and were declared and paid as follows:

| <u>Record Date</u> | <u>Payment Date</u> | <u>Dividend per Share</u> | <u>Dividend Amount</u> |
|--------------------|---------------------|-------------------------------|----------------------------|
| January 31, 2013 | February 26, 2013 | \$ 0.039 | \$ 15,170 |
| February 28, 2013 | March 27, 2013 | 0.039 | 15,171 |
| March 31, 2013 | April 26, 2013 | 0.039 | 15,111 |
| April 30, 2013 | May 29, 2013 | 0.039 | 15,076 |
| May 31, 2013 | June 26, 2013 | 0.039 | 15,075 |
| June 30, 2013 | July 29, 2013 | 0.039 | 15,075 |
| | | \$ 0.234 | \$ 90,678 |

BOYD GROUP INCOME FUND**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three and six months ended June 30, 2012 and June 30, 2013

*(in Canadian dollars)***Non-controlling Interest Put Option**

Effective January 1, 2011, the Fund entered into an agreement that provides a member of its U.S. management team the opportunity to participate in the future growth of the Fund's U.S. glass business. Within the agreement was a put option held by the non-controlling shareholder that provided the shareholder an option to put the business back to the Fund according to a valuation formula defined in the agreement. In connection with the Glass America acquisition, on May 31, 2013 the original put option agreement was terminated and a new put option was issued. The new put option is restricted until December 1, 2016 and is exercisable anytime thereafter by the glass-business operating partner. The put option may be exercised before December 1, 2016 upon the occurrence of certain unusual events such as a change of control or resignation of the operating partner. Termination of the original put and initial recognition of the new put liability resulted in a net \$3,258,428 reduction of equity, which was offset by a non-controlling interest contribution to equity of \$1,124,784. Future changes in the estimated liability will be recorded in earnings.

On May 31, 2013 the Company entered into an agreement whereby Glass America contributed its auto-glass business to Gerber Glass in exchange for shares representing a 30% ownership interest in the new combined Gerber Glass entity. The agreement contains a put option, which provides the non-controlling interest with the right to require the Company to purchase their retained interest according to a valuation formula defined in the agreement. Issuance of the put option resulted in a \$13,130,639 reduction of equity, which was offset by Glass America's non-controlling interest contribution to equity of \$8,818,133. Future changes in the estimated liability will be recorded in earnings. The put option is restricted until June 1, 2015 and is exercisable anytime thereafter.

The liability recognized in connection with both put options has been calculated using formulas defined in the agreements. The formulas are based on multiples of estimated future earnings of the combined Gerber Glass and Glass America business, and estimated future exercise dates. The estimated future payment obligation is then discounted to its present value at each statement of financial position date.

The liability for non-controlling interest put options comprises the following:

| | June 30, 2013 | December 31, 2012 |
|--|----------------------|--------------------------|
| Glass-business operating partner non-controlling interest put option | \$ 4,390,675 | \$ 1,072,391 |
| Glass America non-controlling interest put option | 13,278,191 | - |
| | \$ 17,668,866 | \$ 1,072,391 |

The equity impact of these transactions with non-controlling interests is summarized as follows:

| | |
|--|------------------------|
| Glass-business operating partner equity contribution | \$ 1,124,784 |
| Glass America equity contribution | 8,818,133 |
| Equity contributed by non-controlling interest | \$ 9,942,917 |
| Termination of glass-business operating partner put option | \$ 1,132,247 |
| Recognition of new glass-business operating partner put option | (4,390,675) |
| Recognition of Glass America put option | (13,130,639) |
| Recognition of non-controlling interest put option liabilities | \$ (16,389,067) |

BOYD GROUP INCOME FUND**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three and six months ended June 30, 2012 and June 30, 2013

*(in Canadian dollars)***11. UNIT BASED PAYMENT OBLIGATION**

Pursuant to the Fund's Option Agreement and Confirmation, the Fund has granted options to purchase units of the Fund to certain key executives. The following options are outstanding at June 30, 2012:

| Date Granted | Issue Date | Number of Units | Exercise Price | Expiry Date | Fair Value |
|---------------------|-------------------|------------------------|-----------------------|--------------------|---------------------|
| January 11, 2006 | January 11, 2006 | 200,000 | \$1.91 | January 11, 2016 | \$ 2,822,408 |
| November 8, 2007 | January 2, 2008 | 150,000 | \$2.70 | January 2, 2018 | \$ 1,389,638 |
| November 8, 2007 | January 2, 2009 | 150,000 | \$3.14 | January 2, 2019 | \$ 1,165,410 |
| November 8, 2007 | January 2, 2010 | <u>150,000</u> | \$5.41 | January 2, 2020 | <u>\$ 875,750</u> |
| | | <u>650,000</u> | | | <u>\$ 6,253,206</u> |

The fair value of each option granted January 6, 2006 is estimated using a Black-Scholes valuation model with the following assumptions used for the options granted: unit price \$23.51 dividend yield 4.94%, expected volatility 30.95% (determined as a weighted standard deviation of the unit price over the past four years), risk free interest rate 1.06%, initial term 10 years, remaining term 2.5 years.

The fair value of each option granted November 8, 2007 is estimated using a Black-Scholes valuation model with the following assumptions used for the options granted: unit price \$23.51, dividend yield 4.94%, expected volatility 30.95%, risk free interest rates of 1.28%, 1.37% and 1.48% respectively, initial terms of 10, 11 and 12 years respectively, remaining terms of 4, 5 and 6 years respectively.

12. RELATED PARTY TRANSACTIONS

The \$1.8 million liability associated with the senior managers' unit loan program, which is described in the Fund's 2012 annual financial statements, was settled in the first quarter of 2013. Pursuant to the conditions of the senior managers unit loan program, loan repayments by senior managers amounted to \$32,014 for the six months ended June 30, 2013.

On May 31, the glass operating partner contributed \$1.0 million U.S. towards the acquisition of Glass America. At the same time, his previous put option agreement with the Fund was terminated and replaced with a new put option agreement described in Note 10.

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with presentation of the current year.