



# **BOYD GROUP INCOME FUND**

2014 Annual Report

# BOYD GROUP INCOME FUND

## 2014 Annual Report

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# BOYD GROUP INCOME FUND

## 2014 REPORT TO UNITHOLDERS

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To Our Unitholders,

In 2014, Boyd Group Income Fund continued to demonstrate that its growth strategy was effective at expanding the Company's market presence, generating strong financial performance and building a platform for long-term unitholder value. To reiterate, this strategy is to grow through a combination of adding single locations, acquiring multiple shop operations when accretive opportunities arise and by increasing same-store sales. Last year we were once again successful on all three fronts.

In the year, 16 new single locations were added in nine states through a combination of acquisitions and new store development. This is within our guidance of 6 to 10% single location growth in the year, or 16 to 26 new locations. There continue to be many opportunities to add new single locations, and we continue to have a steady pipeline of opportunities to evaluate and pursue.

We were also successful in acquiring three multi-shop operations ("MSO") with 48 locations to add to our portfolio. In line with our criteria, these MSO acquisitions were immediately accretive to earnings and cash flow. They also expanded our geographic footprint, particularly the third quarter acquisition of Champs, located in Louisiana. This was our first entry into Louisiana and it will drive further growth by establishing a regional presence we can build on with new single location additions. There continues to be increased competition to acquire large MSOs and we will maintain our discipline to acquire them at prices and terms that are accretive to the Fund. In January 2015, we acquired Craftmaster, a full-service auto collision repair service provider with six locations in Florida. This additional Florida acquisition further solidified our market leading position in this state with 50 locations.

To enhance our glass repair third party administrator business, we purchased Netcost Claims Services in May. This added their call centre and roadside assistance services to our existing third party administration business, Gerber National Glass Services, which will allow us to better serve both fleet management and insurance industry customers. Subsequent to the acquisition of Netcost, we merged Gerber National Glass Services with Netcost Claims Services to form Gerber National Claims Services.

To continue to have the resources to execute acquisitions, Boyd closed a bought deal public offering for gross proceeds of \$112.8 million in September. The financing consisted of 1,306,000 trust units at a price of \$42.35 per unit and \$57.5 million of convertible debentures maturing in 2021. The net proceeds were largely used to repay indebtedness under our revolving credit facility, with the balance of funds available for our acquisition program.

Along with growing our business through large acquisitions and new single locations, growing sales at our existing locations is a vitally important component of our strategy. In 2014, same-store sales were \$536.1 million, a 7.2% increase over \$500.2 million in the previous year, reflecting the benefit of our growing national presence and market share.

Total sales for 2014 were \$844.1 million, a 46.0% increase over \$578.3 million in the previous year, reflecting the contribution of 48 locations added through multi-shop acquisitions, 16 new single locations, contributions from the glass business, the addition of Netcost Claims Services and the same-store sales growth mentioned above. Earnings before interest, income taxes, depreciation and amortization, adjusted for fair value adjustments to financial instruments and acquisition, transaction and process improvement costs ("Adjusted EBITDA")<sup>1</sup> for 2014 totalled \$69.0 million, or 8.2% of sales, compared to \$41.5 million, or 7.2% of sales, in 2013. This 66.2% increase in Adjusted EBITDA primarily reflects the improvement in same-store sales, contributions from acquisitions and single location growth, combined with the impact of a stronger U.S. currency.

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<sup>1</sup> EBITDA, Adjusted EBITDA, distributable cash, adjusted distributable cash and adjusted net earnings are not recognized measures under International Financial Reporting Standards ("IFRS"). Management believes that in addition to sales, net earnings and cash flows, the supplemental measures of distributable cash, adjusted distributable cash, adjusted net earnings, EBITDA and Adjusted EBITDA are useful as they provide investors with an indication of earnings from operations and cash available for distribution, both before and after debt management, productive capacity maintenance and non-recurring and other adjustments. Investors should be cautioned, however, that EBITDA, Adjusted EBITDA, distributable cash, adjusted distributable cash and adjusted net earnings should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Fund's performance. Boyd's method of calculating these measures may differ from other public issuers and, accordingly, may not be comparable to similar measures used by other issuers. For a detailed explanation of how the Fund's non-GAAP measures are calculated, please refer to the Fund's MD&A filing for the period ended December 31, 2014, which can be accessed via the SEDAR Web site ([www.sedar.com](http://www.sedar.com)).

The net loss for 2014 was \$15.3 million, compared to \$11.6 million in 2013. The net losses reported for 2014 and 2013 were due to fair value adjustments related to financial instruments that are mainly attributable to an increase in value as the Fund's unit price increased. Excluding these non-cash and other adjustments, net earnings would have been \$30.0 million for the year, a 62.5% increase over adjusted net earnings of \$18.5 million in 2013.

The Fund generated adjusted distributable cash<sup>1</sup> of \$46.4 million in 2014 and declared distributions and dividends of \$7.5 million, resulting in a payout ratio based on adjusted distributable cash of 16.2%. This compares with a payout ratio of 28.0% a year ago. The increase in adjusted distributable cash and decreased payout ratio were largely due to an increase in cash flow from operations. We believe that maintaining a conservative payout ratio, along with the financial flexibility to continue to grow, is important for long-term success.

At December 31, 2014, the Fund had total debt, net of cash of \$89.5 million, compared with \$48.4 million at December 31, 2013 and \$87.1 million at September 30, 2014. The increase in net debt is due to the issuance of \$57.5 million in convertible debentures in September 2014. Excluding all convertible debentures, which the Fund can redeem in units, net debt reduces from \$89.5 million to \$7.9 million.

Looking ahead to the rest of 2015, we are confident that our growth strategy will continue to deliver results. We expect to continue to be able to grow single locations by 6 to 10% – in 2015 this would translate into 19 to 32 new locations. We remain active, but disciplined, in the MSO market with one acquisition completed in January and will maintain a strict criteria for any potential target. Our balance sheet is strong and we have the financial capacity to execute on deals. We are positioned with approximately \$175-\$200 million of “dry powder”, or available cash and credit facilities, for growth while remaining conservatively leveraged.

Driving same-store sales growth and operational excellence will also be a priority. We will continue to make investments to improve customer satisfaction, repair cycle times and operational efficiency. As of March of this year our operating process improvement initiative, called the WOW Operating Way, has been certified in approximately 10% of our locations. Although still very early on in a network-wide roll-out of this initiative, these certified locations are meaningfully outperforming our overall network in customer satisfaction and repair cycle time metrics. These results demonstrate the payback from investing in operational process improvements and will help us maintain, and even elevate our status as a key supplier to our insurance company customers. In 2015, we will continue to roll-out the WOW Operating Way throughout our network and are confident it will have a positive and meaningful impact over time.

On behalf of the Management and employees of the Boyd Group, we thank you for your continued support and I look forward to reporting on our progress in upcoming quarters.

Sincerely,

*(signed)*

Brock Bulbuck  
President & Chief Executive Officer

## BOYD GROUP INCOME FUND

### 2014 CHAIRMAN'S MESSAGE

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To Our Unitholders,

Boyd Group Income Fund delivered impressive results in 2014. As mentioned in the 2014 Report to Unitholders by the CEO, sales increased 46.0%, adjusted EBITDA grew 66.2%, and adjusted net earnings grew from \$18.5 million in 2013 to \$30.0 million, or 62.5% in 2014.

These results are a testament to the significant contributions by the Fund's management team and employees during the last fiscal year. They are also a result of the disciplined and well executed implementation of the Fund's business model and strategy.

During the year, 64 new locations were added through the acquisition of multi-shop operations, single location acquisitions, and newly developed locations. These new locations contributed to the Fund's increased sales and earnings and further secured Boyd's position as a leading provider of auto collision repair services in North America.

It is important to note that this significant growth is supported by a strategic, disciplined, and conservative approach to the financial management of the Fund. This is evidenced by a strong and flexible balance sheet and increased distributions with a conservative payout ratio. This approach maintains a prudent, stable, and reliable level of distributions that preserves cash for additional growth while at the same time rewarding Unitholders. Since 2007 Boyd has increased distributions every year.

At the end of 2014 the Fund is well positioned for future growth with a balance sheet that is virtually free of bank debt. With cash on hand combined with cash available from its expanded credit facilities, the Fund would be able to fund between \$175 million and \$200 million in new acquisitions, while maintaining a relatively conservative balance sheet.

The financial results, the execution of the growth strategy, as well as the operational initiatives and improvements achieved in 2014 have been recognized by the capital markets. The Fund's unit price has increased from \$33.40 at the beginning of 2014 to \$47.60 at the end of the year; an increase of over 42%.

Your Fund's management, with the support of the Board, continues to evolve and adapt its business model and strategies in response to changes in the markets in which we operate. Likewise, the Board is adapting to various regulatory changes and trends in corporate governance, while at the same time ensuring the Board's strengths complement the strategic business activities of the Fund. As an example of this, in advance of last year's annual meeting the Board of Trustees adopted its majority voting policy. In addition, in the last 2-3 years we have added two new independent Board members in Mr. Gross and Mr. Brown, both of whom have added valuable yet distinct perspectives to the Board.

This year Mr. Wally Comrie, the Chair of the Corporate Governance and Nomination Committee, has decided to retire as a Trustee effective at the next annual meeting. Wally was an advisor to the company at the initial business planning stage, an initial Board member when Boyd first went public in 1998, and has been a Trustee of the Fund since its inception in 2002. On behalf of the Board of Trustees and management, I would like to thank Wally for his many years of dedicated contributions to the success of the Fund.

In its quest to replace Mr. Comrie, the Board has begun a formalized Trustee recruitment process. It is the intention of the Board to fill the position with complementary skills while also recognizing regulatory influences in the decision making process.

In conclusion, the Board of Trustees is very pleased with the performance of the Fund in 2014. On behalf of the Board I would like to thank management and employees whose collective dedication and hard work resulted in the success of the past year. Furthermore, thank you to all Unitholders for your continued support.

Sincerely,

*(signed)*

Allan Davis  
Independent Chair



## **SIGNIFICANT EVENTS**

On January 31, 2014, the Company announced that it entered into a letter of intent with its existing paint supplier for a new or amended agreement. Under the new agreement, the Company continued to benefit from a back-end purchase discount structure that was put in place as part of the amendment and restructuring of its paint supply agreement in October 2013.

On January 31, 2014, the Company completed the acquisition of Kustom Koachworks, Inc., a two-location collision repair business in Phoenix, Arizona.

On February 5, 2014, as part of a new start-up, the Company commenced operations in a new collision repair facility in Ellicott City, Maryland.

On March 24, 2014, the Board of Trustees of the Fund adopted a Majority Voting Policy in respect to the election of Trustees of the Fund and directors of subsidiaries at the Annual General Meeting of Unitholders. If a candidate receives more votes withheld than are voted in his or her favour, the candidate shall submit his/her resignation to the Board, to be effective on the date if and when accepted by the Board.

On March 31, 2014, the Fund finalized and executed a new definitive agreement with its existing paint supplier. Under the new agreement, Boyd continues to benefit from the back-end purchase discount structure that was originally put in place as part of the amendment and restructuring of its paint supply agreement in October 2013.

On April 2, 2014, as part of a new start-up, the Company commenced operations in a new collision repair facility in Fayetteville, North Carolina.

On April 7, 2014, the Company ceased operations in one of its collision repair facilities in Glenview, Illinois.

On April 14, 2014, the Company signed a definitive agreement and concurrently completed the acquisition of Dora Holdings, Inc. and Collision Revision 13081 Inc., which collectively owns and operates 25 collision repair centers in Illinois, Indiana and Florida under the trade name "Collision Revision". Collision Revision generated sales of approximately \$50 million U.S. for the trailing twelve months ended December 31, 2013.

On April 30, 2014, the Company ceased operations in its collision repair facilities in Rockdale and Spring Grove, Illinois.

On May 1, 2014, the Company completed the acquisition of Performance Restorations, Inc., a single-location collision repair business in Mundelein, Illinois.

On May 30, 2014, the Company signed a definitive agreement and concurrently completed the acquisition of Netcost 866netglass LLC, operating as Netcost Claims Services ("Netcost"). Netcost is a third party administrator that offers first notice of loss, glass and related services. Netcost generated sales of approximately \$25 million U.S. in 2013.

On June 6, 2014, the Company signed a definitive agreement and concurrently completed, effective June 2, 2014, the acquisition of Collex Collision Experts Inc. and Collex Collision Experts of Florida Inc. ("Collex"), which own and operate 16 collision repair centers in Michigan and Florida. Collex generated sales of approximately \$46 million U.S. for the trailing twelve months ended January 2014.

On June 30, 2014, the Company acquired the assets of Crawford Auto Construction, Inc., doing business as Crawford Auto Construction, a single location collision repair business on Kedzie Avenue in Chicago, Illinois.

On June 30, 2014, the Company ceased operations in a facility in British Columbia and a facility in Cicero, Illinois.

On August 12, 2014, the Company acquired the collision repair assets of LaFontaine Subaru, Inc., in Commerce Township, Michigan.

On August 18, 2014, as part of a new start-up, the Company commenced operations in a new collision repair facility in Spokane, Washington.

On August 29, 2014, the Company acquired the collision repair assets of Atlanta Import Collision Center, Inc., in Atlanta, Georgia.

On September 2, 2014, as part of a new start-up, the Company commenced operations in a new collision repair facility in Roseville, Michigan.

On September 8, 2014, as part of a new start-up, the Company commenced operations in a new collision repair facility in Naples, Florida.

On September 12, 2014, the Company signed a definitive agreement and concurrently completed the acquisition of Champ's Holding Company, LLC ("Champ's"), which owns and operates seven collision repair centers in Louisiana. Champ's generated sales of approximately \$37 million U.S. for the trailing twelve months ended June 2014.

On September 29, 2014, the Fund completed a bought deal public offering where it sold to an underwriting syndicate 1,181,000 trust units issued out of treasury at \$42.35 per unit and \$50,000,000 aggregate principal amount of convertible unsecured subordinated debentures due October 31, 2021 (the "2014 Debentures", and together with the units, the "Securities") with a conversion price of \$61.40. The Debentures bear interest at an annual rate of 5.25% payable semi-annually in arrears on April 30 and October 31 of each year, commencing April 30, 2015. On redemption or maturity, the Debentures may, at the option of the Fund, be repaid in cash, or subject to regulatory approval, with units of the Fund. Concurrent with the closing, the Underwriters exercised an over-allotment option and purchased an additional 125,000 trust units at the offering price and an additional \$7,500,000 aggregate principal amount of debentures, which increased the gross proceeds under the offering to \$112,809,100.

On October 15, 2014, the Company acquired the collision repair assets of Advanced Auto Body, in Brunswick, Georgia.

On October 31, 2014, the Company acquired the collision repair assets of Lake City Auto Body, in Coeur d'Alene, Idaho.

On October 31, 2014, the Company acquired certain collision repair assets of San Jose Ventures, LLC, in Jacksonville, Florida.

On November 7, 2014, the Company acquired the collision repair assets of Malo's Auto Body, in Seattle, Washington.

On November 24, 2014, the Company acquired the collision repair assets of Town Lake Collision Center, in Woodstock, Georgia.

On December 31, 2014, the Company ceased operations in its collision repair facilities in Allentown, Pennsylvania and Wilmington, North Carolina.

On January 2, 2015, the Company acquired the assets of Craftmaster Auto Body ("Craftmaster"), a multi-location collision repair company operating six locations in the Florida market. Craftmaster was established in 1981 and generated sales of approximately \$13.6 million U.S for the trailing twelve months ended August 2014.

On January 5, 2015, the Company announced the appointment of Narendra "Pat" Pathipati as Executive Vice President and Chief Financial Officer. Mr. Pathipati succeeds Dan Dott, who will remain with Boyd as Senior Vice President Finance for a one year transition period. Following this transition period Mr. Dott intends to retire on December 31, 2015.

## **OUTLOOK**

Boyd continues to execute on its growth strategy of new single locations. Single location growth opportunities continue to be available and a great avenue for accretive growth with attractive pricing and development costs within Boyd's targeted range. The Company has announced 16 new locations in 2014 with a number of others in progress. Boyd will maintain its target to grow with single location growth by 6 to 10% annually for the foreseeable future. For 2015, this translates into 19 to 32 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 and less availability. The Company maintains its position of being disciplined and selective in its identification and assessment of all acquisition opportunities.

Boyd furthered its MSO growth strategy in 2014 and the early part of 2015 with the acquisition of Collision Revision in April, Collex in June, Champ's in September and Craftmaster in January 2015.

As performance based DRP programs with insurance companies continue to develop and evolve it is becoming increasingly important that top performing collision repairers, including Boyd, continue to drive towards higher levels of operating performance as measured primarily by customer satisfaction ratings, repair cycle times and average cost of repair. To this end, Boyd has undertaken incremental investments to enhance its processes and operational performance. In total, Boyd invested approximately \$2.9 million in consulting fees related to this process improvement initiative in 2014. In 2015, Boyd has transitioned this investment from external consulting fees to internal resources.

In response to the recent trend of aluminum based components becoming more prevalent in new vehicles, the Company is in the process of investing in specialized aluminum repair equipment. This equipment will allow the Company to support this anticipated market need. The Company believes that expenditures in this area over the next six months will require \$2.5 to \$3.0 million of investment in excess of historical levels, most of which will be financed through finance leases. Additional investments in the future may also be required as the prevalence of aluminum components in the North American fleet increases.

Management remains confident in its business model and its ability 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, Boyd's objective continues to be to maintain a conservative distribution policy that will provide the financial flexibility necessary to support growth initiatives while gradually increasing distributions over time. The Company remains confident in its management team, systems and experience. This, along with a strong statement of financial position and financing options, positions Boyd well for success into the future.

## **BUSINESS ENVIRONMENT & STRATEGY**

The collision repair industry in North America is estimated by Boyd to represent approximately \$30 to \$40 billion U.S. in annual revenue. The industry is highly fragmented, consisting primarily of small independent family owned businesses operating in local markets. It is estimated that car dealerships have approximately 22% of the total market. It is believed that multi-unit collision repair operators with greater than \$20 million in annual revenues (including multi-unit car dealerships), now have approximately 16% of the total market.

Customer relationship dynamics in the Company's principal markets differ from region to region. In three of the Canadian provinces where Boyd operates, government-owned insurance companies have, by legislation, either exclusive or semi-exclusive rights to provide insurance to automobile owners. Although Boyd's services in these markets are predominantly paid for by government-owned insurance companies, these insurers do not typically refer insured automobile owners to specific collision repair centers. In these markets Boyd focuses its marketing to attract business from individual vehicle owners primarily through consumer based advertising. Boyd manages relationships in the government-owned insurance markets through active participation in industry associations.

In Alberta, British Columbia and in the United States, where private insurers operate, a greater emphasis is placed on establishing and maintaining DRP's and other referral arrangements with insurance, fleet and lease companies. DRP's are established between insurance companies and collision repair shops to better manage automobile repair claims and increase levels of customer satisfaction. Insurance, fleet and lease companies select collision repair operators to participate in their programs based on integrity, convenience and physical appearance of the facility, quality of work, customer service, cost of repair, cycle time and other key performance metrics. There is a continuing trend among major insurers in both the public and private insurance markets towards using performance-based criteria for selecting collision repair partners and for referring work to them. Local and regional DRP's, and more recently national and self-managed DRP relationships, represent an opportunity for Boyd to increase its business as the percentage of insurance paid collision claims handled through DRP's increases. Along with the growth in DRP's, insurers have also moved to consolidate DRP repair volumes with a fewer number of repair shops. There is some preference among some insurance carriers to do business with multi-location collision repairers in order to reduce the number and complexity of contacts necessary to manage their networks of collision repair providers and to achieve a higher level of consistent performance. Boyd continues to develop and strengthen its DRP relationships with insurance carriers in both Canada and the United States and believes it is well positioned to take advantage of these trends.

In addition, Boyd has used consumer based advertising in some of its markets to complement and supplement its DRP growth strategies. The Company believes this strategy is effective in increasing its brand awareness and overall sales. Boyd

plans to continue this strategy and to continue to expand it into other Canadian and U.S. markets, as it achieves sufficient critical mass in these other markets to do so.

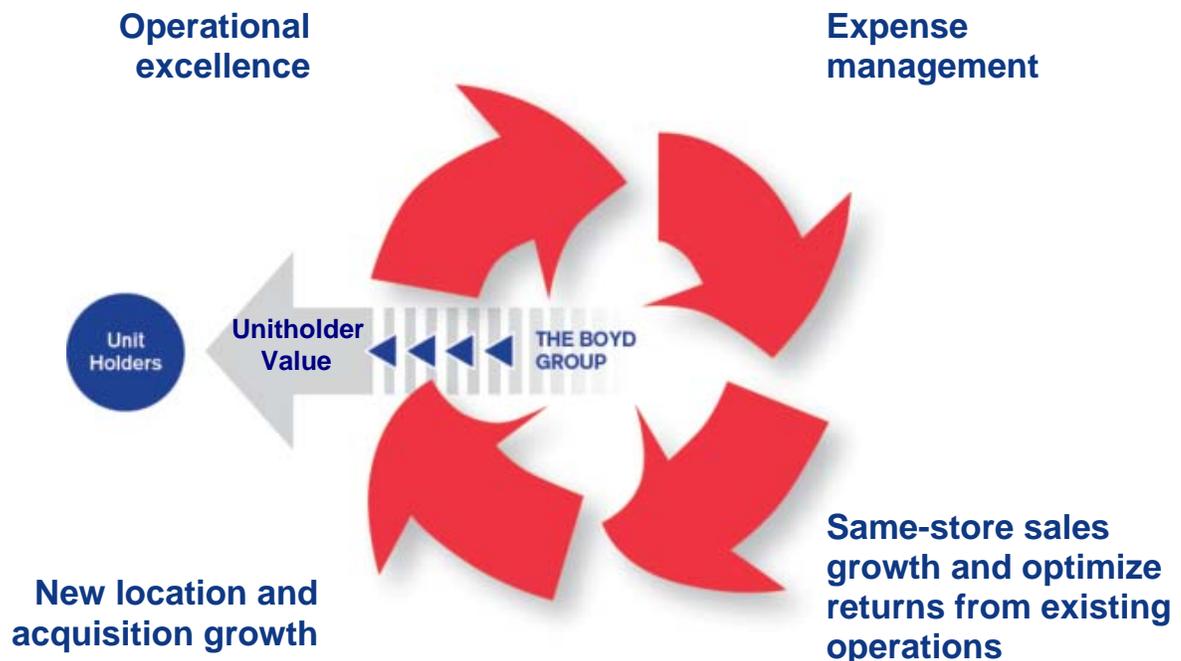
Boyd has continued to diversify and broaden its product offerings through growth in the automobile glass repair and replacement business and the auto glass third-party administrator network business. In order to accelerate growth in the glass business, in May 2013, the Fund committed to an amended agreement with a senior member of its U.S. management team and an agreement with the owners of Glass America to acquire a controlling interest in the retail auto glass business of Glass America, Inc. In May 2014, Boyd acquired Netcost to add to its existing third-party administrator business. The Netcost business has been integrated with Gerber National Glass Services and renamed Gerber National Claim Services or “GNCS” with approximately 5,500 affiliated glass provider locations and 4,600 affiliated emergency roadside services providers throughout the U.S. As part of its referral business, GNCS also owns and operates its own call center.

As described further under “Business Risks and Uncertainties”, operating results are expected to be subject to fluctuations due to a variety of factors including changes in customer purchasing patterns, pricing by insurance companies, general operating effectiveness, automobile technologies, general and regional economic downturns and weather conditions. A negative economic climate has the potential to affect results negatively. The Fund has worked to mitigate this risk by continuing to focus on meeting insurance companies’ performance requirements, and in doing so, grow market share.

Boyd’s primary strategy is to continue to focus on maximizing its opportunities through a commitment to:

- Use of best practices, economies of scale and infrastructure and systems to enhance profitability and achieve operational excellence;
- Expense management through a focus on cost containment and efficiency improvements;
- Optimizing returns from existing operations by achieving same-store sales growth; and
- Growing the business by 6 to 10% through the opening or acquiring of new single locations, in addition to being alert to opportunities for accelerated growth through the acquisition of other multi-location businesses.

## BUSINESS STRATEGY



## Operational Excellence

Operational excellence has been a key component of Boyd’s past success and has contributed to the Company being viewed as a best-in-class service provider. Delivering on our customers’ expectations related to cost of repair, time to repair, quality and customer service are critical to being successful and being rewarded with same-store sales growth. The Company’s commitment to operational excellence is embodied in its mission and goal, which is condensed into a top of mind cheer for its employees which is ‘Wow every customer, be the best’.

Boyd also conducts extensive customer satisfaction polling at all operating locations to assist in keeping customer satisfaction at the forefront of its mandate.

Boyd will also continue to invest in its infrastructure, process improvement initiatives and IT systems to contribute to best-in-class service to its customers and improved operational performance.

## Expense Management

Boyd continues to manage its operating expenses as a percentage of sales. By working continuously to identify cost savings and to achieve same-store sales growth, Boyd will continue to manage this expense ratio. Operating expenses have a high fixed component and therefore same-store sales growth contributes to a lower percentage of operating expenses to sales.

## Same-Store Sales / Optimize Returns

Increasing same-store sales and running shops at or near capacity has a positive impact on financial performance. Boyd also continues to seek opportunities to broaden its product and service offerings in all markets to help grow same-store sales. During the last few years, the Company has focused energy and resources on increasing its share of the automobile glass repair and replacement business.

## New Location and Acquisition Growth

In line with stated growth strategies, Boyd was successful in opening 16 new single locations in 2014 and 17 locations in 2013. Boyd believes that it is well positioned to continue this growth plan by adding new single locations to grow the business between 6 to 10% in the coming year and each year in the foreseeable future. Boyd also plans to continue to be alert to opportunities for accelerated growth through the acquisition of other multi-location businesses. Boyd successfully completed three such acquisitions in 2014 with its Collision Revision, Collex and Champ’s acquisitions.

## CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Statements made in this annual 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:

<b>Forward-looking Information</b>	<b>Key Assumptions</b>	<b>Most Relevant Risk Factors</b>
The stated objective of adding new locations to grow the business 6 to 10% per year for the foreseeable future	Opportunities continue to be available and are at attractive prices  Financing options continue to be available at reasonable rates and on acceptable terms and conditions  New and existing customer relationships are expected to provide acceptable levels of revenue opportunities  Anticipated operating results would be accretive to overall Company results	Acquisition market conditions change and repair shop owner demographic trends change  Credit and refinancing conditions prevent or restrict the ability of the Company to continue growth strategies  Changes in market conditions and operating environment  Significant declines in the number of insurance claims  Integration of new stores is not accomplished as planned  Increased competition which prevents achievement of acquisition and revenue goals

Boyd remains confident in its business model to increase market share by expanding its presence in both the U.S. and Canada through strategic and accretive acquisitions alongside organic growth from Boyd's existing operations	<p>Continued stability 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>Anticipated operating results would be accretive to overall Company results</p>	<p>Economic conditions deteriorate</p> <p>Loss of one or more key customers or loss of significant volume from any customer</p> <p>Decline 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 &amp; 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 or loss of significant volume from any customer</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.

## SELECTED ANNUAL INFORMATION

The following table summarizes selected financial information for the Fund over the prior three years:

<b>For the year ended December 31,</b> <i>(thousands of Canadian dollars, except per unit amounts)</i>	<b>2014</b>	2013	2012
Sales	\$ 844,104	\$ 578,260	\$ 434,424
Net (loss) earnings	\$ (15,311)	\$ (11,595)	\$ 7,061
Adjusted net earnings	\$ 29,990	\$ 18,457	\$ 14,703
Basic (loss) earnings per unit	\$ (0.999)	\$ (0.891)	\$ 0.563
Diluted (loss) earnings per unit	\$ (0.999)	\$ (0.891)	\$ 0.563
Cash distributions per unit declared:			
Trust unit distributions	\$ 0.482	\$ 0.470	\$ 0.453
<b>As at December 31,</b> <i>(thousands of Canadian dollars)</i>	<b>2014</b>	2013	2012
Total assets	\$ 487,813	\$ 282,268	\$ 224,559
Total long-term financial liabilities	\$ 232,674	\$ 117,675	\$ 92,756

Acquisitions and new single location growth had the largest impact on growing sales from 2012 to present. During 2012 there were 39 locations added through multi-shop acquisitions. In addition the Company added 15 new single locations in 2012. In 2013, the Company continued to grow through acquisitions with the addition of Glass America which expanded the Company's retail glass business in 23 U.S. states as well as 25 Hansen Collision locations and 17 new single locations. In 2014 there were 48 locations added through the multi-shop acquisitions of Collision Revision, Collex and Champ's. As well, the Company added Netcost along with 16 new single locations.

The net losses reported for 2014 and 2013 were due to fair value adjustments related to financial instruments that mainly arise as the Fund's unit price increases. Excluding these non-cash and other adjustments, net earnings would have increased compared to prior year in both years as a result of the increase in sales and gross profit, offset by higher finance costs and higher taxes.

The change in total assets and total long-term financial liabilities was significantly impacted by the 2012 and 2013 multi-shop acquisitions, as well as the 2014 acquisitions of Collision Revision, Collex, Champ's and Netcost. In addition to these changes, fluctuations in total assets have primarily related to increases in property, plant and equipment as a result of new location growth, as well as capital expansion from convertible debenture and equity offerings. Long-term financial liabilities have increased primarily due to financing of acquisitions as well as the 2014 convertible debenture offering. Additional growth in finance leases and the recognition of Class A exchangeable shares, unit options, convertible debenture conversion feature and the non-controlling interest put liability as financial liabilities under IFRS has also contributed to the growth in long-term financial liabilities. During 2014, the translation of assets and liabilities at higher exchange rates also contributed to the overall increase in these values.

Since the end of 2007, the Fund has increased monthly distributions to unitholders and Boyd Group Holdings Inc. has increased dividends to its Class A shareholders annually such that as of March 26, 2015 the distribution/dividend rate is \$0.041 per month or \$0.492 on an annualized basis.

## **BOYD GROUP INCOME FUND**

Boyd Group Income Fund (the "Fund"), is an unincorporated, open-ended mutual fund trust. The Fund owns 100% of the Class I common shares and subordinated notes (the "Notes") issued by the Company up to the end of 2010. Distributions to unitholders, when paid by the Fund, were funded from a combination of interest income earned on the Notes and from dividends on the Class I common share investment or as a return of capital on Notes. As a result of the restructuring announced in December 2010, the original Notes issued by the Company were repaid and new notes were issued by a U.S. subsidiary of the Company, The Boyd Group U.S. Inc. (the "New Notes"). Distributions since 2010 are funded from a combination of interest income on the New Notes as well as continuing dividends on the Class I common shares. There was no return of capital in 2013 and 2014. The Class I common shares held by the Fund currently, through March 26, 2015, represent 88.8% of the total common shares of the Company.

Boyd Group Holdings Inc. ("BGHI") owns 100% of the Class II common shares issued by the Company. The Class II common shares currently, through March 26, 2015, represent 11.2% of the common shares of the Company. The share structure of BGHI at March 26, 2015, consists of 100 million Voting shares, 264,816 Class A common shares and 1,798,047 Class B common shares. The Fund, through the ownership of 70 million or 70% of the Voting shares, has voting control of BGHI. The remaining 30% is held directly or indirectly by a senior officer of the Fund. Of the 264,816 Class A common shares, 107,329 are also held directly or indirectly by a senior officer of the Fund with the remaining shares being held by external third parties. The Class B common shares are all held by Boyd and are issued only upon exchange of Class A common shares for units of the Fund. Although the Fund has voting control it did not and continues not to have any significant economic interest in the activities of BGHI. All dividends received by BGHI from Boyd on the Class II common shares are passed on as dividends to Class A and B common shareholders of BGHI.

The Fund also holds 57,809 Class IV non-voting, redeemable, retractable preferred shares of the Company issued as a result of an internal restructuring in 2007, the bought deal public equity offerings completed in 2014, 2013 and 2011 and the convertible debenture offering completed in 2012.

The consolidated financial statements of the Fund, BGHI and their subsidiaries have been prepared in accordance with International Financial Reporting Standards and contain the consolidated financial position, results of operations and cash flows of the Fund, BGHI and the Company and the Company's subsidiary companies for the period ended December 31, 2014.

## 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 CPA’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 expenses before finance costs, capital asset amortization and 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 the fair value adjustment to exchangeable Class A shares, the fair value adjustment to unit based payment obligations, the fair value adjustment to convertible debenture conversion features and the fair value adjustment to the non-controlling interest put option. These items are adjustments that did not have any cash impact on the Fund. Also included as an adjustment to EBITDA are acquisition, transaction and process improvement costs which do not relate to the current operating performance of the business units but are typically costs incurred to expand operations. 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 loss to EBITDA and Adjusted EBITDA:

<i>(thousands of Canadian dollars)</i>	For the three months ended		For the years ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Net loss	\$ (10,806)	\$ (6,901)	\$ (15,311)	\$ (11,595)
Add:				
Finance costs (net of Finance income)	2,836	1,907	8,317	6,180
Income tax expense	2,995	1,349	11,737	4,034
Depreciation of property, plant and equipment	3,732	2,807	13,405	9,392
Amortization of intangible assets	2,652	1,300	7,139	4,142
Standardized EBITDA	\$ 1,409	\$ 462	\$ 25,287	\$ 12,153
Add (deduct):				
Fair value adjustments	16,122	11,893	37,360	27,100
Gain on sale of software	-	-	-	(336)
Write down of goodwill	-	252	-	252
Acquisition, transaction and process improvement costs	1,466	926	6,325	2,331
Adjusted EBITDA	\$ 18,997	\$ 13,533	\$ 68,972	\$ 41,500

### 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 earnings to adjusted net earnings:

<i>(thousands of Canadian dollars, except per unit and per share amounts)</i>	<b>For the three months ended</b>		<b>For the years ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net loss	\$ (10,806)	\$ (6,901)	\$ (15,311)	\$ (11,595)
Add:				
Fair value adjustments	16,122	11,893	37,360	27,100
Gain on sale of software	-	-	-	(336)
Write down of goodwill	-	252	-	252
Acquisition, transaction and process improvement costs	1,466	926	6,325	2,331
Amortization of acquired brand names	653	252	1,616	705
Adjusted net earnings	\$ 7,435	\$ 6,422	\$ 29,990	\$ 18,457
Weighted average number of units	16,359,050	14,383,379	15,331,353	13,011,370
Adjusted net earnings per unit	\$ 0.454	\$ 0.446	\$ 1.956	\$ 1.419

## Distributable Cash

Boyd endeavors to ensure transparency and consistency in the calculation of distributable cash and follows the guidelines suggested by the Canadian Institute of Chartered Accountants ("CICA") released, in July 2007, *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities* to complement the Canadian Securities Administrators ("CSA") National Policy 41-201 which was also revised in July 2007. The Fund has endeavoured to follow the CICA guidance as well as CSA National Policy 41-201.

Distributions to unitholders and dividends to the BGHI shareholders were declared and paid as follows:

<i>(thousands of Canadian dollars, except per unit and per share amounts)</i>		<b>Dividend</b>	<b>Distribution</b>	<b>Dividend</b>
<b>Record date</b>	<b>Payment date</b>	<b>per Unit / Share</b>	<b>amount</b>	<b>amount</b>
January 31, 2014	February 26, 2014	\$ 0.0400	\$ 597	\$ 15
February 28, 2014	March 27, 2014	0.0400	597	15
March 31, 2014	April 28, 2014	0.0400	598	15
April 30, 2014	May 28, 2014	0.0400	597	15
May 31, 2014	June 26, 2014	0.0400	598	15
June 30, 2014	July 29, 2014	0.0400	598	15
July 31, 2014	August 27, 2014	0.0400	602	10
August 31, 2014	September 26, 2014	0.0400	602	11
September 30, 2014	October 29, 2014	0.0400	654	11
October 31, 2014	November 26, 2014	0.0400	654	10
November 30, 2014	December 22, 2014	0.0410	671	11
December 31, 2014	January 28, 2015	0.0410	671	11
		\$ 0.4820	\$ 7,439	\$ 154

<i>(thousands of Canadian dollars, except per unit and per share amounts)</i>				
<b>Record date</b>	<b>Payment date</b>	<b>Dividend per Unit / Share</b>	<b>Distribution amount</b>	<b>Dividend amount</b>
January 31, 2013	February 26, 2013	\$ 0.0390	\$ 489	\$ 16
February 28, 2013	March 27, 2013	0.0390	489	15
March 31, 2013	April 26, 2013	0.0390	489	15
April 30, 2013	May 29, 2013	0.0390	489	15
May 31, 2013	June 26, 2013	0.0390	489	15
June 30, 2013	July 29, 2013	0.0390	489	15
July 31, 2013	August 28, 2013	0.0390	489	15
August 31, 2013	September 26, 2013	0.0390	489	15
September 30, 2013	October 29, 2013	0.0390	493	15
October 31, 2013	November 28, 2013	0.0390	583	15
November 30, 2013	December 20, 2013	0.0400	597	15
December 31, 2013	January 29, 2014	0.0400	597	15
		\$ 0.4700	\$ 6,182	\$ 181

### **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 to ensure the Company's physical appearance communicates Boyd's standard of professional service and quality. 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 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 addition to normal maintenance capital expenditures, the Company is in the process of investing in specialized aluminum repair equipment. This equipment will allow the Company to support an anticipated market need as more vehicle components are produced using aluminum. The Company believes that expenditures in this area over the next six months may require \$2.5 to \$3.0 million of investment in excess of historical levels, the majority of which will be financed through finance leases. Additional investments in the future will likely be required as the prevalence of aluminum components in the North American fleet increases.

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, transaction and process improvement costs. Management is not currently aware of any environmental remediation requirements. Acquisition, transaction and process improvement 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 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 2014 and 2013.

<b>Standardized and Adjusted Distributable Cash</b> <sup>(1)</sup>	<b>For the three months ended</b>		<b>For the years ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<i>(thousands of Canadian dollars, except per unit and per share amounts)</i>				
Cash flow from operating activities before changes in non-cash working capital items	\$ 15,116	\$ 12,978	\$ 48,977	\$ 29,866
Changes in non-cash working capital items	(5,710)	(1,136)	2,242	(4,841)
Cash flows from operating activities	9,406	11,842	51,219	25,025
Less adjustment for:				
Sustaining expenditures on plant, software and equipment <sup>(2)</sup>	(2,260)	(1,685)	(6,266)	(3,620)
<b>Standardized distributable cash</b>	<b>\$ 7,146</b>	<b>\$ 10,157</b>	<b>\$ 44,953</b>	<b>\$ 21,405</b>
Standardized distributable cash per average unit and Class A common share				
Per average unit and Class A common share	\$ 0.430	\$ 0.688	\$ 2.872	\$ 1.598
Per diluted unit and Class A common share <sup>(6)</sup>	\$ 0.430	\$ 0.688	\$ 2.872	\$ 1.598
Standardized distributable cash from above	\$ 7,146	\$ 10,157	\$ 44,953	\$ 21,405
Add (deduct) adjustments for:				
Collection of rebates <sup>(3)</sup>	-	-	-	1,238
Acquisition, transaction and process improvement costs <sup>(4)</sup>	1,466	926	6,325	2,331
Proceeds on sale of equipment and software	31	141	202	776
Gain on disposal of software	-	-	-	(336)
Principal repayments of finance leases <sup>(5)</sup>	(930)	(901)	(3,971)	(3,077)
Payment to non-controlling interest <sup>(7)</sup>	(1,066)	-	(1,066)	-
<b>Adjusted distributable cash</b>	<b>\$ 6,647</b>	<b>\$ 10,323</b>	<b>\$ 46,443</b>	<b>\$ 22,337</b>
Adjusted distributable cash per average unit and Class A common share				
Per average unit and Class A common share	\$ 0.400	\$ 0.699	\$ 2.967	\$ 1.667
Per diluted unit and Class A common share <sup>(6)</sup>	\$ 0.400	\$ 0.699	\$ 2.967	\$ 1.667
Distributions and dividends paid				
Unitholders	\$ 1,980	\$ 1,672	\$ 7,366	\$ 6,074
Class A common shareholders	\$ 33	\$ 45	\$ 159	\$ 181
Total distributions and dividends paid	\$ 2,013	\$ 1,717	\$ 7,525	\$ 6,255
Distributions and dividends paid				
Per unit	\$ 0.121	\$ 0.118	\$ 0.481	\$ 0.469
Per Class A common share	\$ 0.121	\$ 0.118	\$ 0.481	\$ 0.469
Payout ratio based on standardized distributable cash	28.2%	16.9%	16.7%	29.2%
Payout ratio based on adjusted distributable cash	30.3%	16.6%	16.2%	28.0%

<sup>(1)</sup> As defined in the non-GAAP financial measures section of the MD&A.

<sup>(2)</sup> 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 2014 the Company acquired a further \$2,615,000 (2013 - \$3,948,000) in capital assets which were financed through finance leases and did not affect cash flows in the current period.

- <sup>(3)</sup> The Company received prepaid rebates, under its previous trading partner arrangements, in quarterly installments until cancelled at September 30, 2013 as part of its renegotiation with its paint supplier.
- <sup>(4)</sup> The Company has added back to distributable cash the costs related to acquisitions and process improvement initiatives.
- <sup>(5)</sup> 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.
- <sup>(6)</sup> Per diluted unit and Class A common share amounts have been calculated in accordance with definitions of dilution and antidilution contained in IAS 33, *Earnings per Share*. Diluted distributable cash amounts will differ from average distributable cash amounts on a per unit basis if earnings per unit calculations show a dilutive impact.
- <sup>(7)</sup> The transfer of cash during the period to the external partners of Glass America, associated with the taxable income being allocated to them.

## Distributions

The Fund and BGHI make monthly distributions, in accordance with their distribution policies, to unitholders of the Fund and dividends to Class A common shareholders of BGHI of record on the last day of each month, payable on or about the last business day of the following month. The amount of cash distributed by the Fund is equal to the pro rata share of interest or principal repayments received on the New Notes and distributions received on or in respect of the Class I common shares of the Company held by the Fund, after deducting expenses of the Fund and any cash redemptions of the Fund during the period. The amount of cash distributed by BGHI is equal to the pro rata share of dividends received on or in respect of the Class II common shares of the Company held by BGHI, after deducting expenses of BGHI. All dividends paid or allocated to unitholders of the Fund or Class A shareholders of BGHI are considered to be eligible dividends for Canadian income tax purposes.

During 2014, the Fund paid distributions totaling \$7.4 million (2013 - \$6.1 million) while BGHI paid dividends to Class A common shareholders during this same period of \$159 thousand (2013 - \$181 thousand).

Distributable cash is a non-GAAP measure that provides an indication of the Fund's ability to sustain distributions while maintaining productive capacity. In addition to comparing distributable cash to its nearest GAAP measure, cash flow provided by operating activities, a comparison can be made to earnings.

The Fund's distribution level is currently well below cash flow provided by operating activities and adjusted distributable cash. Excess funds have been retained to grow the business and strengthen the statement of financial position. A continuation of this trend would permit the Fund to continue to increase distributions over time while maintaining a strong statement of financial position and executing its growth strategy.

## RESULTS OF OPERATIONS

<b>Results of Operations</b> <i>(thousands of Canadian dollars, except per unit amounts)</i>	<b>For the years ended December 31,</b>		
	<b>2014</b>	<b>% change</b>	<b>2013</b>
Sales - Total	<b>844,104</b>	46.0	578,260
Same-store sales - Total (excluding foreign exchange)	<b>536,095</b>	7.2	500,168
Sales - Canada	<b>81,019</b>	1.5	79,793
Same-store sales - Canada	<b>76,425</b>	0.1	76,340
Sales - U.S.	<b>763,085</b>	53.1	498,467
Same-store sales - U.S. (excluding foreign exchange)	<b>459,670</b>	8.5	423,828
Gross margin %	<b>46.2</b>	0.4	46.0
Operating expense %	<b>38.0</b>	(2.1)	38.8
Adjusted EBITDA <sup>(1)</sup>	<b>68,972</b>	66.2	41,500
Acquisition, transaction and process improvement costs	<b>6,325</b>	171.3	2,331
Depreciation and amortization	<b>20,544</b>	51.8	13,534
Fair value adjustments	<b>37,360</b>	37.9	27,100
Finance costs	<b>8,317</b>	34.6	6,180
Income tax expense	<b>11,737</b>	191.0	4,034
Adjusted net earnings <sup>(1)</sup>	<b>29,990</b>	62.5	18,457
Adjusted net earnings per unit <sup>(1)</sup>	<b>1.956</b>	37.8	1.419
Net loss	<b>(15,311)</b>	32.0	(11,595)
Basic (loss) earnings per unit	<b>(0.999)</b>	12.1	(0.891)
Diluted (loss) earnings per unit	<b>(0.999)</b>	12.1	(0.891)
Standardized distributable cash <sup>(1)</sup>	<b>44,953</b>	110.0	21,405
Adjusted distributable cash <sup>(1)</sup>	<b>46,443</b>	107.9	22,337
Distributions and dividends paid	<b>7,525</b>	20.3	6,255

<sup>(1)</sup> As defined in the non-GAAP financial measures section of the MD&A.

### Sales

Sales totaled \$844.1 million for the year ended December 31, 2014, an increase of \$265.8 million or 46.0% when compared to 2013. The increase in sales was the result of the following:

- \$158.4 million of incremental sales were generated from 32 new single locations as well as 25 Hansen locations, 25 Collision Revision locations, 16 Collex locations and seven Champ's locations.
- The glass business, which generates its strongest sales during the spring and summer months, contributed incremental sales of \$42.5 million over the \$46.8 million contributed in the same period last year, primarily due to the acquisitions of Glass America and Netcost.
- Same-store sales excluding foreign exchange and the combined glass business increased \$35.9 million or 7.2%, and increased a further \$33.4 million due to the translation of same-store sales at a higher U.S. dollar exchange rate.
- Sales were affected by the closure of under-performing facilities which decreased sales by \$4.4 million.

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

<b>Sales by Geographic Region</b> <i>(thousands of Canadian dollars)</i>	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Canada	\$ 81,019	\$ 79,793
United States	763,085	498,467
	\$ 844,104	\$ 578,260
Canada	9.6%	13.8%
United States	90.4%	86.2%

Sales in Canada for 2014 totaled \$81.0 million, an increase of \$1.2 million or 1.5%. Increased sales resulted from a \$0.1 million or 0.1% same-store sales increase and \$2.1 million of sales from one new location. The closure of one under-performing glass facility decreased sales by \$1.0 million.

Sales in the U.S. totaled \$763.1 million for 2014, an increase from 2013 of \$264.6 million, or 53.1% when compared to \$498.5 million for the prior year. Sales increases in the U.S. were comprised of:

- \$34.2 million of incremental sales generated from 31 new locations.
- \$33.5 million of incremental sales generated by 25 Hansen locations, \$46.2 million of sales generated by 25 Collision Revision locations, \$30.1 million of sales generated by 16 Collex locations and \$12.3 million of sales generated by seven Champ's locations.
- The glass business, which generates its strongest sales during the spring and summer months, contributed incremental sales of \$42.5 million. The increase is primarily due to the acquisition of Glass America mid-year 2013 as well as the acquisition of Netcost in 2014.
- Same-store sales increased \$35.8 million or 8.5% excluding foreign exchange and the combined glass business, and increased \$33.4 million due to the translation of same-store sales at higher U.S. dollar exchange rates.
- Closures of under-performing repair facilities resulted in sales decreases of \$3.4 million.

## **Gross Profit**

*Gross Profit* was \$389.6 million or 46.2% of sales for the year ended December 31, 2014 compared to \$265.9 million or 46.0% of sales for the same period in 2013. Gross profit increased primarily as a result of higher sales compared to the prior period. The gross margin percentage increased when compared with the prior period due to higher back-end paint discounts offset by the impact of a higher mix of lower margin glass network sales.

## **Operating Expenses**

*Operating Expenses* for the year ended December 31, 2014 increased \$96.2 million to \$320.6 million from \$224.4 million for the same period of 2013, primarily due to the acquisition of new locations. Excluding the impact of foreign currency translation of approximately \$19.1 million, expenses increased \$66.4 million from 2013 as a result of new locations and the expanded glass business as well as a further \$12.5 million increase at same-store locations due primarily to same-store sales growth. Closed locations lowered operating expenses by a combined \$1.8 million.

Operating expenses as a percentage of sales were 38.0% for the year ended December 31, 2014, which compared to 38.8% for the same period in 2013. The decrease in operating expenses as a percentage of sales was primarily due to the impact of higher same-store sales levels leveraging the fixed component of operating expenses and by lower operating expense ratios in the glass network business.

## **Acquisition, Transaction and Process Improvement Costs**

*Acquisition, Transaction and Process Improvement Costs* for 2014 were \$6.3 million compared to \$2.3 million recorded for the same period of 2013. The costs in 2014 included approximately \$2.9 million of process improvement costs related to an investment in consulting fees to enhance operating performance. The balance of the costs relate to the acquisition of Collision Revision, Collex, Champ's, Netcost and other completed or potential acquisitions. The costs in 2013 included \$0.6 million of process improvement costs with the balance related to the acquisition costs of Glass America and Hansen and other completed or potential acquisitions.

## Adjusted EBITDA

*Earnings before interest, income taxes, depreciation and amortization, adjusted for the fair value adjustments related to the exchangeable share liability and unit option liability, convertible debenture conversion features and non-controlling interest put option, as well as acquisition, transaction and process improvement costs ("Adjusted EBITDA")*<sup>2</sup> for the year ended December 31, 2014 totaled \$69.0 million or 8.2% of sales compared to Adjusted EBITDA of \$41.5 million or 7.2% of sales in the prior year. The \$27.5 million increase was the result of improvements in same-store sales, which contributed \$10.0 million, combined with \$13.8 million of incremental EBITDA contribution from the acquisition of Glass America, Hansen, Collision Revision, Collex, Champ's, Netcost and other single location growth. Changes in U.S. dollar exchange rates in 2014 partially offset by the closure of underperforming stores increased Adjusted EBITDA by \$3.7 million.

## Depreciation and Amortization

*Depreciation* Expense related to property, plant and equipment totaled \$13.4 million or 1.6% of sales for the year ended December 31, 2014, an increase of \$4.0 million when compared to the \$9.4 million or 1.6% of sales recorded in the same period of the prior year. The increase was primarily due to the acquisitions of Glass America, Hansen, Collision Revision, Collex, Champ's, Netcost as well as new location growth.

*Amortization* of intangible assets for 2014 totaled \$7.1 million or 0.8% of sales, an increase of \$3.0 million when compared to the \$4.1 million or 0.7% of sales expensed for the same period in the prior year. The increase is primarily the result of recording additional intangible assets as a result of the acquisitions of Collision Revision, Collex, Champ's and Netcost in 2014 as well as Glass America and Hansen which were added in 2013.

## Fair Value Adjustments

*Fair Value Adjustment to Convertible Debenture Conversion Features* resulted in non-cash expense related to the associated liability of \$22.0 million for 2014, compared to \$12.8 million 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 over the conversion price.

*Fair Value Adjustment to Exchangeable Class A Common Shares* resulted in a non-cash expense related to the increase in the associated liability of \$4.5 million during 2014 compared to \$6.0 million in 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 financial liabilities 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 years is the result of increases in the value of the Fund's units.

*Fair Value Adjustment to Unit Based Payment Obligation* was a non-cash expense related to an increase in the associated liability of \$8.9 million for 2014 compared to \$7.7 million in the prior year. Similar to the exchangeable share liability, the unit option liability is impacted by changes in the 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 value of the Fund's units.

*Fair Value Adjustment to Non-controlling Interest Put Options* resulted in a non-cash expense of \$1.9 million for 2014 compared to a \$0.6 million charge to expense in the same period of the prior year. The expense relates to agreements the Fund entered into on May 31, 2013, in connection with the acquisition of Glass America, which provide the non-controlling interest partners with the right to require the Company to purchase their retained interest according to a valuation formula defined in the agreements. The value of the put options is determined by discounting the estimated future payment obligations at each statement of financial position date.

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<sup>2</sup> As defined in the non-GAAP financial measures section of the MD&A.

## Finance Costs

*Finance Costs* of \$8.3 million or 1.0% of sales for 2014 increased from \$6.2 million or 1.1% of sales for the prior year. The increase in finance costs primarily resulted from increases in long-term debt as a result of the acquisitions of Collision Revision, Collex, Champ's and Netcost in 2014 as well as the acquisition of Hansen near the end of 2013 and the issuance of the convertible debentures in 2014.

## Income Taxes

*Current and Deferred Income Tax Expense* of \$11.7 million in 2014 compares to an expense of \$4.0 million in 2013. Income tax expense is impacted by permanent differences such as mark-to-market adjustments which impacts the tax computed on accounting income. At the end of 2014, the Fund reported remaining loss carryforward amounts in Canada of \$8.6 million and in the U.S. of \$nil.

## Net Loss and Loss Per Unit

*Net Loss* for the year ended December 31, 2014 was \$15.3 million or 1.8% of sales compared to \$11.6 million or 2.0% of sales last year. The loss in 2014 primarily resulted from the fair value adjustments to financial instruments of \$37.4 million, acquisition, transaction and process improvement costs of \$6.3 million and accelerated amortization of acquired brands of \$1.6 million. Excluding the impact of these adjustments, net earnings would have increased to \$30.0 million or 3.6% of sales. This compares to adjusted earnings of \$18.5 million or 3.2% of sales for the same period in 2013 if the same items were adjusted. The increase in the adjusted net earnings for the year is the result of the contribution of new acquisitions and new location growth as well as increases in same-store sales.

*Basic and Diluted Loss Per Unit* was a loss of \$0.999 per unit for the year ended December 31, 2014 compared to \$0.891 per unit in the same period in 2013. The increase in the basic and diluted loss per unit amounts is primarily attributed to the larger impact of the fair value adjustments during 2014 compared to 2013.

<b>Summary of Quarterly Results</b>								
<i>(in thousands of Canadian dollars, except per unit amounts)</i>								
	<b>2014 Q4</b>	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Sales	<b>\$ 239,560</b>	\$ 218,087	\$ 202,815	\$ 183,642	\$ 161,128	\$ 149,615	\$ 136,878	\$ 130,639
Adjusted EBITDA <sup>(1)</sup>	<b>\$ 18,997</b>	\$ 16,868	\$ 18,065	\$ 15,042	\$ 13,533	\$ 10,622	\$ 9,170	\$ 8,175
Net (loss) earnings	<b>\$ (10,806)</b>	\$ 8,361	\$ (11,191)	\$ (1,675)	\$ (6,901)	\$ (2,157)	\$ (2,567)	\$ 30
Basic (loss) earnings per share	<b>\$ (0.661)</b>	\$ 0.555	\$ (0.749)	\$ (0.112)	\$ (0.480)	\$ (0.172)	\$ (0.205)	\$ 0.002
Diluted (loss) earnings per share	<b>\$ (0.661)</b>	\$ 0.220	\$ (0.749)	\$ (0.112)	\$ (0.480)	\$ (0.172)	\$ (0.205)	\$ 0.002
Adjusted net earnings <sup>(1)</sup>	<b>\$ 7,435</b>	\$ 6,833	\$ 8,466	\$ 7,256	\$ 6,422	\$ 4,590	\$ 3,783	\$ 3,662
Adjusted net earnings per unit <sup>(1)</sup>	<b>\$ 0.454</b>	\$ 0.453	\$ 0.567	\$ 0.486	\$ 0.446	\$ 0.365	\$ 0.302	\$ 0.292

<sup>(1)</sup> As defined in the non-GAAP financial measures section of the MD&A.

Sales and adjusted EBITDA have increased in recent quarters due to the acquisitions of Glass America, Hansen, Collision Revision, Collex, Champ's, Netcost and other new locations as well as same-store sales increases. The loss in certain quarters is primarily due to the fair value adjustments for exchangeable Class A common shares, unit options, convertible debenture conversion features and non-controlling interest put options, which reduced net earnings, as well as due to expensing acquisition, transaction and process improvement costs.

## STATUS AS A SPECIFIED INVESTMENT FLOW-THROUGH AND TAXATION

Under the previous taxation regime for income trusts, the Fund had been exempt from tax on its income to the extent that its income was distributed to unitholders. This exemption did not apply to the Company or its subsidiaries, which are corporations that are subject to income tax. Under the tax regime effective for 2010 and years thereafter for trusts, certain distributions from a “specified investment flow-through” trust or partnership (“SIFT”) are no longer deductible in computing a SIFT’s taxable income, and a SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Foreign investment income from non-portfolio investments is not subject to the SIFT tax.

In 2009, the Fund investigated and evaluated its structuring alternatives in connection with the SIFT rules with a view of preserving and maximizing unitholder value. Based upon its investigation, analysis and due diligence and given its size and circumstances, the Fund determined at that time, and continues to believe today, that a change to a share corporation structure would not be advantageous to the Fund or its unitholders. This determination is based on several reasons. First, the Fund does not believe it will achieve any net tax savings by converting. Second, the Fund believes that the cost of conversion is not a prudent use of cash and is not justified by any perceived benefits from conversion for a fund of Boyd’s size. Third, to the extent that the Fund pays SIFT tax, it believes that its taxable unitholders will benefit from the lower tax rate on distributions received, as it expects to be able to maintain distributions, despite any trust tax that the Fund will incur. Lastly, the Fund’s current distribution level to unitholders is being funded almost entirely by its U.S. operations and since distributions that are sourced from U.S. business earnings are not subject to the SIFT tax, the Fund benefits from a tax deduction at the U.S. corporate entity level for interest paid to the Fund which is distributed to unitholders.

The Fund is required to record income tax expense at its effective tax rate. The Fund’s effective tax rate varies due to the fixed level of interest that is deducted from the U.S. operations and paid to the trust unitholders as distributions. This amount of interest was approximately \$7.4 million for the year ended December 31, 2014 (2013 - \$6.2 million). The Fund estimates that its basic Canadian provincial and federal tax rate is approximately 26% and its U.S. federal and state tax rate is approximately 39%. In forecasting future tax obligations, the Fund deducts the interest amount above from the U.S. taxable income to estimate the U.S. tax expense. As a result of the fixed nature of the interest deduction and the potential for change in the U.S. – Canada mix of income, it is not possible to provide a reliable estimate of the future effective tax rate for the Fund.

The following illustration demonstrates the differences in the effective tax rate depending on the level of net income and a fixed interest deduction in the U.S.

Effective tax rate (illustration only)	Illustration 1	Illustration 2	Illustration 3
Pre-tax net income level <sup>(1)</sup>	\$ 20,000	\$ 35,000	\$ 50,000
U.S. interest deduction re: distribution	(5,000)	(5,000)	(5,000)
	\$ 15,000	\$ 30,000	\$ 45,000
Example blended tax rate (U.S. and Canada)	35.00%	35.00%	35.00%
	\$ 5,250	\$ 10,500	\$ 15,750
Effective tax rate - % of total	26.25%	30.00%	31.50%
<sup>(1)</sup> Pre-tax net income level is before tax and excludes other non-taxable adjustments such as fair value and put option adjustments.			

While the Fund intends on remaining in its current structure for the foreseeable future, it will continue to evaluate this decision in the context of changing circumstances.

## 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 December 31, 2014, the Fund had cash, net of outstanding deposits and cheques, held on deposit in bank accounts totaling \$57.5 million (December 31, 2013 - \$19.3 million). The net working capital ratio (current assets divided by current liabilities) was 1.28:1 at December 31, 2014 (December 31, 2013 – 1.05:1). The increase in the net working capital ratio is the result of the Fund replenishing its cash on hand with the convertible debenture and unit offering completed in September 2014.

At December 31, 2014, the Fund had total debt outstanding, net of cash, of \$89.5 million compared to \$87.1 million at September 30, 2014, \$109.9 million at June 30, 2014, \$44.8 million at March 31, 2014 and \$48.4 million at December 31, 2013. Debt, net of cash increased as a result of new convertible debentures issued during the year as well as additional seller notes and the use of cash related to the acquisition of Collision Revision, Collex, Champ's and Netcost. Offsetting these increases in debt, cash increased during the latter part of 2014 with the convertible debenture and unit offering completed in September 2014.

<b>Total debt, net of cash</b> <i>(thousands of Canadian dollars)</i>	<b>December 31, 2014</b>	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Bank debt	\$ -	\$ -	\$ 49,756	\$ 5,069	\$ -
Convertible debentures	<b>81,664</b>	81,317	31,269	31,116	30,971
Seller notes <sup>(1)</sup>	<b>56,598</b>	56,177	51,306	27,968	27,129
Obligations under finance leases	<b>8,775</b>	9,131	8,684	9,286	9,588
<b>Total debt</b>	<b>\$ 147,037</b>	\$ 146,625	\$ 141,015	\$ 73,439	\$ 67,688
Cash	<b>57,510</b>	59,515	31,122	28,680	19,304
<b>Total debt, net of cash</b>	<b>\$ 89,527</b>	\$ 87,110	\$ 109,893	\$ 44,759	\$ 48,384

<sup>(1)</sup> Seller notes are loans granted to the Company by the sellers of businesses related to the acquisition of those businesses.

The following table summarizes the contractual obligations at December 31, 2014 and required payments over the next five years:

<b>Contractual Obligations</b> <i>(thousands of Canadian dollars)</i>	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years
Bank indebtedness	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	96,691	96,691	-	-	-	-	-
Long-term debt	56,598	7,645	6,667	7,050	6,550	5,494	23,192
Obligations under finance leases	8,775	3,436	2,815	1,447	938	37	102
Convertible debenture <sup>(1)</sup>	91,631	-	-	34,131	-	-	57,500
Operating lease obligation	272,216	45,859	41,170	35,117	28,810	23,468	97,792
Purchase obligations <sup>(2)</sup>	-	unknown	unknown	unknown	unknown	unknown	unknown
	<b>\$525,911</b>	<b>\$153,631</b>	<b>\$ 50,652</b>	<b>\$ 77,745</b>	<b>\$ 36,298</b>	<b>\$ 28,999</b>	<b>\$178,586</b>

<sup>(1)</sup> The Fund has the right, at its option, to settle at maturity the convertible debenture obligations either by issuing additional trust units or by payment of cash.

<sup>(2)</sup> Subject to fulfilling certain conditions such as meeting contractual purchase obligations and no change in control the repayment amount would be nil.

## Operating Activities

Cash flow generated from operations, before considering working capital changes, was \$49.0 million for 2014 compared to \$29.9 million in 2013. The increase was due to increased adjusted EBITDA in 2014, resulting from same-store sales growth, as well as from the acquisitions of Glass America, Hansen, Collision Revision, Collex, Champ's and Netcost offset by higher acquisition, transaction and process improvement costs as well as higher financing costs and current income tax expense.

In 2014, changes in working capital items provided net cash of \$2.2 million compared with requiring net cash of \$4.8 million in 2013. The higher cash flow from working capital this year was due primarily from collections in accounts receivable. 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 provided by financing activities totalled \$91.0 million for the year ended December 31, 2014 compared to cash used by financing activities of \$14.6 million for the prior year. During 2014, cash was provided by draws of long-term debt in the amount of \$6.0 million to fund the remaining purchase price associated with Hansen, \$13.2 million to fund part of the purchase price associated with Collision Revision, a further \$43.1 million to fund the majority of the purchase price of Collex and then \$23.1 million to fund the majority of the purchase price of Champ's. In September 2014, the Fund completed a bought deal equity and convertible debenture offering that also provided net proceeds of \$107.7 million. Cash also increased from \$2.2 million in proceeds from a sale-leaseback transaction of owned real estate for a facility located in Ontario, Canada. Cash was used to repay the revolving credit facility in the amount of \$85.9 million and long-term debt on seller notes in the amount of \$5.9 million, to repay finance leases in the amount of \$4.0 million and to pay distributions to unitholders and dividends to Class A common shareholders totaling \$7.5 million. During 2013, cash was provided from a bought deal equity offering in the amount of \$63.5 million net of issue costs, of \$3.8 million. However this cash inflow was more than offset by the repayment of U.S. senior debt and seller notes in the amount of \$36.0 million and unearned rebates of \$35.0 million related to the conversion to a higher back-end paint discount arrangement. Cash was also used for the repayment of obligations under finance leases totaling \$3.1 million, distributions paid to unitholders and dividends to Class A common shareholders totaling \$6.3 million.

## Debt Financing

During 2013 the Company maintained a Canadian operating line facility of \$16.0 million. The facility was collateralized by a General Security Agreement and subsidiary guarantees, with incentive priced interest rates and was subject to customary terms, conditions, covenants and other provisions for an income trust. On December 20, 2013 this operating line facility was cancelled and replaced with a new revolving credit facility.

On December 20, 2013, the Company entered into a new five year \$100.0 million U.S. revolving credit facility, with an accordion feature which can increase the facility to a maximum of \$135.0 million U.S. The facility is with a syndicate of Canadian and U.S. banks and is secured by the shares and assets of the Company as well as guarantees by the Fund and BGHI. The interest rate is based on a pricing grid of the Fund's ratio of total funded debt to EBITDA as determined by the credit agreement. The Company can draw the facility in either the U.S or in Canada, in either U.S or Canadian dollars and can be drawn in tranches as required. Tranches bear interest only and are not repayable until the maturity date but can be voluntarily repaid at any time. The Company has the ability to choose the base interest rate between Prime, Bankers Acceptances ("BAS") or London Inter Bank offer Rate ("LIBOR"). The total syndicated facility includes a swing line up to \$3 million in Canada and \$7 million in the U.S. During 2014, the Company drew \$85.4 million (\$78.0 million U.S.) to fund a portion of the purchase price of Hansen, Collision Revision, Collex and Champ's. The Company repaid all amounts outstanding, or \$85.9 million (\$78.0 million U.S.), after the Fund completed its bought deal public offering in the third quarter of 2014.

Under the new revolving facility Boyd is subject to certain financial covenants which must be maintained to avoid acceleration of the termination of the credit agreement. The financial covenants require the Fund to maintain a total debt to EBITDA ratio of less than 4.0, a senior debt to EBITDA ratio of less than 3.50 up to December 31, 2016 and not less than 3.25 thereafter; and a fixed charge coverage ratio of greater than 1.03. The debt calculations exclude the convertible debentures. As at December 31, 2014, the Fund was in compliance with all financial covenants.

On September 29, 2014, the Fund issued \$50.0 million aggregate principal amount of convertible unsecured subordinated debentures due October 31, 2021 with a conversion price of \$61.40. Concurrent with the closing, as allowed under provisions of the agreement to issue the Debentures, the Underwriters purchased an additional \$7.5 million aggregate

principal amount of Debentures increasing the aggregate gross proceeds of the debenture offering to \$57.5 million. The Debentures bear interest at an annual rate of 5.25% payable semi-annually, and are convertible at the option of the holder, into units of the Fund at any time prior to the maturity date and may be redeemed by the Fund on or after October 31, 2017 provided that certain thresholds are met for the weighted average market price of the units at that time. On redemption or maturity, the Debentures may, at the option of the Fund, be repaid in cash or subject to regulatory approval, units of the Fund.

Upon issuance, the Debentures were bifurcated with \$5.1 million related to the conversion feature treated as a financial liability measured at fair value, due to the units of the Fund being redeemable for cash. Transaction costs of \$2.8 million were incurred in relation to issuance of the Debentures, which included the underwriter's fee and other expenses of the offering.

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 five to 15 years. This source of financing is another means of supporting the Fund's growth, at a relatively low cost. During 2014, the Company drew \$19.2 million in new seller note debt in association with the acquisition of Collision Revision, \$2.2 million related to Netcost, \$4.9 million in association with Collex and \$4.0 million related to the acquisition of Champ's. A further \$1.2 million of seller notes were issued throughout the year related to single-store acquisitions. The Company repaid seller loans in 2014 totaling approximately \$5.9 million (2013 - \$3.6 million).

The Fund has traditionally used capital leases to finance a portion of both its maintenance and expansion capital expenditures. The Fund expects to continue to use this source of financing where available at competitive interest rates and terms, although this financing also impacts the total leverage capacity covenants under its debt facility. During 2014, \$2.6 million (2013 - \$3.9 million) of new equipment, technology infrastructure and courtesy cars was financed through capital leases.

#### **Unitholders' Capital**

On August 29, 2014, the Fund issued 4,297 units (\$0.2 million U.S.) out of treasury related to the acquisition of a single location in Atlanta, Georgia.

On September 29, 2014, the Fund completed a bought deal public offering where it sold to an underwriting syndicate 1,181,000 trust units issued out of treasury at \$42.35 per unit for proceeds of \$50.0 million before issue costs. Concurrent with the closing, the Underwriters exercised an over-allotment option and purchased an additional 125,000 trust units at the offering price for total gross proceeds of \$55.3 million. A portion of the proceeds from this offering and the convertible debenture offering were used to refresh the syndicated debt facility that been drawn to complete the acquisitions during the year.

On October 22, 2013, the Fund completed a bought deal public offering where it sold to an underwriting syndicate 2,300,000 trust units issued out of treasury for proceeds of \$63.5 million before costs. The net proceeds combined with the remaining proceeds from the 2012 convertible debenture offering were partly used by the Company to repay its U.S. senior debt and unearned rebates related to the conversion to a higher back-end paint discount arrangement.

On September 3, 2013, the Fund issued 83,721 units (\$2.0 million U.S.) out of treasury related to the acquisition of Hansen.

A unitholder is entitled to request the redemption of units at any time, and the Fund is obligated to redeem those units, subject to a cash redemption maximum of \$25,000 for any one month. The redemption price is determined as the lower of 90% of the market price during the 10 trading day period commencing immediately after the date of the redemption or 100% of the closing market price on the date of redemption. No amounts were redeemed in either 2014 or 2013.

A Class A common shareholder of BGHI can exchange Class A common shares for units of the Fund upon request. The retraction of Class A common shares is achieved by BGHI issuing Class B common shares to the Fund in exchange for units of the Fund, and the units so received being delivered to the Class A shareholder requesting the retraction. For the year ended December 31, 2014, BGHI received requests and retracted 112,164 (2013 - 11,463) Class A common shares, issued 112,164 (2013 - 11,463) Class B common shares to the Fund and received 112,164 (2013 - 11,463) units of the Fund as consideration, which were delivered to the Class A shareholders in respect of the retraction.

The Fund sells the Class B shares to the Company in exchange for Notes and Class I shares to fund future distributions on the Trust units. The exchange value is equivalent to the unit value provided to the Class A common shareholder.

Subsequent to December 31, 2014, BGHI has received requests to retract a total of 526 Class A common shares, has issued a total of 526 Class B common shares to the Fund, and has received a total of 526 units of the Fund as consideration, which have been or will be delivered to the Class A shareholders in respect of the retraction. The Fund anticipates that it will continue to sell any Class B shares of BGHI that it receives as a result of these retractions, to the Company.

The holders of the Class A common shares receive cash dividends on a monthly basis at a rate equivalent to the monthly cash distribution paid to unitholders of the Fund.

The following chart discloses outstanding unit data of the Fund, including information on all outstanding securities of the Fund and its subsidiaries that are convertible or exchangeable for units of the Fund as of March 26, 2015.

<b>Convertible or exchangeable units of the Fund</b>			
As of March 26, 2015	# or \$ amount of securities outstanding	# of units to be issued in conversion or exchange by holder	Maximum # of units to be issued
Units outstanding	16,359,633	16,359,633	16,359,633
Class A common shares of BGHI <sup>(1)</sup>	264,816	264,816	264,816
Unit options:			
Date Granted - January 11, 2006 <sup>(2)</sup>	200,000	200,000	200,000
Date Granted - November 8, 2007 <sup>(3)</sup>	450,000	450,000	450,000
2012 Convertible debentures <sup>(4)</sup>	\$ 34,131,000	1,458,592	Unknown
2014 Convertible debentures <sup>(5)</sup>	\$ 57,500,000	936,482	Unknown
		19,669,523	17,274,449

<sup>(1)</sup> The Fund is obligated to issue units to BGHI, in exchange for Class B shares of BGHI, upon a request for retraction by the holders of the Class A shares of BGHI on a 1:1 basis.

<sup>(2)</sup> On January 11, 2006, the Fund granted options to certain key employees allowing them to exercise the right to purchase, in the aggregate, up to 200,000 units of the Fund at any time after the expiration of 9 years and 255 days after the date the options were granted up to and including the expiration of 9 years and 345 days after the date the options were granted. The units shall be purchased, to the extent validly exercised, on the 10<sup>th</sup> anniversary of the grant date subject to the condition that the option is not exercisable if the grantee is not an officer or employee of the Fund, the Company or a subsidiary on September 23, 2015. The granting of the options was approved at the unitholders' Annual Meeting in 2006. The options permit the purchase of units at a price equal to the weighted average trading price on the Toronto Stock Exchange for the first 15 trading days in the month of January 2006, being \$1.91 per unit. The cost of the options is being recognized over the term between the date when unitholder approval is obtained and the date the options become exercisable.

<sup>(3)</sup> On November 8, 2007, the Fund granted options to certain key employees allowing them to exercise the right to purchase, in the aggregate, up to 450,000 units of the Fund, such options to purchase up to 150,000 units issued on each of January 2, 2008, 2009 and 2010. The options may be exercised at any time after 9 years and 255 days after the dates on which the options were granted up to and including 9 years and 345 days after such dates. The units shall be purchased, to the extent validly exercised on the 10<sup>th</sup> anniversary of the respective issue dates. The purchase price per unit under the options issued on each issue date is the greater of the closing price for units on the Toronto Stock Exchange on the option grant date (being \$2.70 per unit) and the weighted average trading price of the units on the Toronto Stock Exchange for the first 15 trading days in the month of January of the year in which each issue date falls, being \$2.70, \$3.14 and \$5.41, respectively. The cost of the options is being recognized over the term between the date when unitholder approval is obtained and the date the options become exercisable.

<sup>(4)</sup> The 2012 convertible debentures are convertible, at the option of the holder, to units of the Fund at any time, at a fixed conversion price of \$23.40 per unit. On and after December 31, 2015, the Fund, through the Company, has the right to settle the principal amount of the debentures at maturity through the issue of units, at then market prices provided that certain thresholds are met surrounding the weighted average market price of the units at that time.

<sup>(5)</sup> The 2014 convertible debentures are convertible, at the option of the holder, to units of the Fund at any time, at a fixed conversion price of \$61.40 per unit. On and after October 31, 2017, the Fund, through the Company, has the right to settle the principal amount of the debentures at maturity through the issue of units, at then market prices provided that certain thresholds are met surrounding the weighted average market price of the units at that time.

### **Trading Partner Funding – Prepaid Rebates and Loans**

On October 7, 2013 the Company signed an amendment of its agreement with its paint supplier changing its paint supply arrangement away from a pre-purchase rebate system to a higher value post-purchase discount system. Unearned rebates of \$35.0 million were repaid at the end of 2013 in relation to the amendment. Subsequently on March 31, 2014, the Fund finalized and executed a new definitive agreement with its existing paint supplier. Under the new agreement, Boyd continues to benefit from the back-end purchase discount structure that was originally put in place as part of the amendment and restructuring of its paint supply agreement in October 2013.

## **Investing Activities**

Cash used in investing activities totaled \$107.0 million for the year ended December 31, 2014, compared to \$32.0 million used in the prior year. The large investing activity in both years relate primarily to the acquisitions and new location growth that occurred during these periods.

### **Acquisitions**

On April 14, 2014, the Company signed a definitive agreement and concurrently completed the acquisition of Dora Holdings, Inc. and Collision Revision 13081 Inc., which collectively owns and operates 25 collision repair centers in Illinois, Indiana and Florida under the trade name "Collision Revision". Total consideration for the transaction of approximately \$26.3 million was funded with a combination of cash and a seller take-back note.

On May 30, 2014, the Company signed a definitive agreement and concurrently completed the acquisition of Netcost 866netglass LLC, operating as Netcost Claims Services. Netcost is a third party administrator that offers first notice of loss, glass and related services. Total consideration for the transaction of approximately \$3.3 million was funded with a combination of cash and a seller take-back note.

On June 6, 2014, the Company signed a definitive agreement and concurrently completed, effective June 2, 2014, the acquisition of Collex Collision Experts Inc. and Collex Collision Experts of Florida Inc. ("Collex"), which own and operate 16 collision repair centers in Michigan and Florida. Total consideration for the transaction of approximately \$49.5 million was funded with a combination of cash and a seller take-back note.

On September 12, 2014, the Company signed a definitive agreement and concurrently completed the acquisition of Champ's Holding Company, LLC ("Champ's"), which owns and operates seven collision repair centers in Louisiana. Total consideration for the transaction of approximately \$38.5 million was funded with a combination of cash and a seller take-back note.

The Fund also completed the acquisition or start-up of 16 other locations during 2014 using a combination of cash and seller notes related to its stated objective of growing by 6 to 10% through acquisition or development of single locations.

On May 31, 2013, the Company acquired a controlling interest in the retail auto glass business of Glass America, Inc. ("Glass America"), which operated across 23 U.S. states under the trade names of Glass America and Auto Glass Services. Total consideration for the transaction of approximately \$9.7 million was funded with a combination of cash and a 30% non-controlling interest in the Company's existing glass business.

On September 3, 2013, the Company completed the acquisition of HC Capital Group, Inc., which owned and operated 25 collision repair centers in western Michigan and north-eastern Indiana under the trade name "Hansen Collision and Glass". Total consideration for the transaction of approximately \$24.7 million U.S. was funded with a combination of cash, units and a seller take-back note.

The Fund also completed the acquisition or start-up of 17 other locations during 2013 using a combination of cash and seller notes related to its stated objective of growing by 6 to 10% through acquisition or development of single locations.

### **Start-ups**

In 2014, the Company commenced operations in 5 new start-up collision repair facilities. The total combined investment in leaseholds and equipment for these facilities was approximately \$2.4 million, financed through a combination of cash and finance leases. There were no brownfield start-ups completed in 2013. The Company anticipates it will use similar start-up strategies to continue growth in the future.

### **Capital Expenditures**

Although most of Boyd's repair facilities are leased, funds are required to ensure facilities are properly repaired and maintained to ensure the Company's physical appearance communicates Boyd's standard of professional service and quality. The Company's need to maintain its facilities and upgrade or replace equipment, signage, computers, software 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. Excluding expenditures related to acquisition and development, the Company spent

approximately \$6.3 million or 0.7% of sales on sustaining capital expenditures during 2014, compared to \$3.6 million or 0.6% of sales during 2013.

During 2014, the Fund disposed of equipment and courtesy vehicles, for net proceeds totaling \$0.2 million, comparable with total proceeds from equipment, vehicle disposals and software of \$0.8 million in 2013. The Fund anticipates that it will continue to generate proceeds on disposal of equipment, particularly courtesy vehicles, as these vehicles are purchased by the Company as their leases expire, and are ultimately sold. Where courtesy vehicles have been replaced, these replacements have, in certain circumstances, been obtained using either capital or operating leases.

## LEGAL PROCEEDINGS

Following the completion of the Collision Revision acquisition, an issue arose with respect to the seller's arrangements with a third party supplier to the acquired business. Although it is Boyd's position that any liabilities associated with those arrangements are for the account of the seller of the business, the seller has taken an opposing view. Boyd has commenced legal proceedings to resolve such matters. Boyd believes that it has a strong basis for the resolution of those matters in its favour, but there can be no guarantee that such a resolution will occur. Even if the matter is not determined in Boyd's favour, Boyd is of the view that such matter will not have a material adverse effect on its business.

## RELATED PARTY TRANSACTIONS

To broaden and deepen management ownership in the Fund, the Company established the Senior Managers Unit Loan Program ("Unit Loan Program") in December 2012, which facilitated the one-time purchase of 121,607 of trust units held by Brock Bulbuck, President and Chief Executive Officer, and Tim O'Day, President and Chief Operating Officer US Operations, by existing Boyd trustees and senior managers. An additional 70,293 units were sold by Mr. Bulbuck and Mr. O'Day on the open markets. Only senior managers were eligible to receive loan support, and only up to 75% of each senior manager's purchase. The loans bear interest at a fixed rate of 3% per annum with interest payable monthly. Each year, 2% of the original loan amount will be forgiven and applied as a reduction of the loan principal for the first five years of the loan. This forgiveness is conditional on the employee being employed by the Company and the employee not being in default of the loan. Participants are required to make monthly payments equal to .25% of the original principal amount. Beginning March 31, 2013 participants are required to make additional minimum repayments of principal equal to the lesser of 12.5% of their annual pre-tax bonus or 12.5% of the original loan amount. Participants are required to repay the loan in full on the earlier of termination of employment, the sale of the units, or ten years from the date of loan issuance. The loan can be repaid at any time without penalty; however, the 2% future annual forgiveness would be forfeited. Units purchased are held by the Company as security for repayment of the loan. Pursuant to the conditions of the senior manager unit loan program, loan repayments by senior managers amounted to \$0.2 million for 2014 (2013 - \$0.1 million). At December 31, 2014, the carrying value of loans made under the Unit Loan Program included in Note receivable was \$0.7 million (2013 - \$0.9 million).

On May 31, 2013, 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.

In certain circumstances the Company has entered into property lease arrangements where an employee of the Company is the landlord. The property leases for these locations do not contain any significant non-standard terms and conditions that would not normally exist in an arm's length relationship, and the Fund has determined that the terms and conditions of the leases are representative of fair market rent values.

The following are the lease expense amounts for facilities currently under lease with related parties:

Landlord	Affiliated Person(s)	Location	Lease Expires	December 31, 2014	December 31, 2013
3577997 Manitoba Inc.	Brock Bulbuck	Selkirk, MB	2017	\$ 0.1 million	\$ 0.1 million
Gerber Building No. 1 Ptnrp	Eddie Cheskis & Tim O'Day	South Elgin, IL	2018	\$ 0.1 million	\$ 0.1 million

The Fund's subsidiary, The Boyd Group Inc., has declared dividends totaling \$76 thousand (2013 - \$97 thousand), through BGHI to 4612094 Manitoba Inc., an entity controlled by a senior officer of the Fund. At December 31, 2014, 4612094 Manitoba Inc. owned 107,329 Class A common shares and 30,000,000 voting common shares of BGHI, representing approximately 30% of the total voting shares of BGHI. During 2014, 4612094 Manitoba Inc. retracted 100,000 Class A exchangeable shares of BGHI and received 100,000 units of the Fund.

## **FOURTH QUARTER**

*Sales* for the three months ended December 31, 2014 totaled \$239.6 million, an increase of \$78.4 million or 48.7% compared to the same period in 2013. Overall same-store sales excluding foreign exchange increased \$11.7 million, or 7.5% in the fourth quarter of 2014 when compared to the fourth quarter of 2013 and increased \$12.1 million due to the translation of same-store sales at a higher U.S. dollar exchange rate. Sales growth of \$56.0 million was attributable to the acquisitions of Collision Revision, Collex, Netcost and Champ's as well as 21 new single collision repair centers. The closure of under-performing facilities accounted for a decrease in sales of \$1.4 million.

Sales in Canada for the fourth quarter of 2014 were \$20.7 million which was consistent with the same period of the prior year. The closure of an under-performing facility accounted for a decrease in sales of \$0.1 million.

In the U.S., sales totaled \$218.9 million for the three months ended December 31, 2014, an increase of \$78.5 million when compared to \$140.4 million for the prior year. In addition to \$47.8 million in sales from Collision Revision, Collex, Netcost and Champ's, sales in the U.S. included \$8.2 million from 21 new collision repair facilities. Overall same-store sales increased \$11.7 million, or 8.6% in the fourth quarter of 2014 when compared to the fourth quarter of 2013, excluding the impact of foreign currency. Foreign currency translation increased sales by \$12.1 million. The closure of under-performing facilities during the quarter accounted for a decrease in sales of \$1.3 million.

*Gross Margin* for the fourth quarter decreased to 45.7% from 46.7% last year. The gross margin percentage decreased when compared with the prior period due mainly to the impact of a higher mix of lower margin glass network sales in relation to collision and retail glass sales.

*Adjusted EBITDA* for the fourth quarter of 2014 totaled \$19.0 million or 7.9% of sales compared to Adjusted EBITDA of \$13.5 million or 8.4% of sales in the same period of the prior year. Adjusted EBITDA for 2014 benefited from same-store sales increases as well as the addition of new locations and the translation of U.S. results to Canadian dollars. The reduction in the margin is the result of a higher mix of lower margin glass network sales in relation to collision and retail glass sales.

*Current and Deferred Income Tax Expense* of \$3.0 million in 2014 compared to an expense of \$1.3 million in 2013.

*Net Loss* for the fourth quarter, was a loss of \$10.8 million or \$0.66 per fully diluted unit compared to a loss of \$6.9 million or \$0.48 per fully diluted unit for the same period in the prior year. The losses for both 2014 and 2013 were primarily the result of recording fair value adjustments for exchangeable shares, unit options, convertible debenture conversion features, non-controlling interest put option adjustment as well as the recording of acquisition, transaction and process improvement costs and the amortization of acquired brand names. Excluding these impacts, adjusted net earnings for the fourth quarter was \$7.4 million or \$0.45 per unit compared to adjusted net earnings of \$6.4 million or \$0.45 per unit for the same period in the prior year. The increase in adjusted net earnings of \$1.0 million is the result of higher Adjusted EBITDA partly offset by higher depreciation, amortization, finance costs and income taxes.

*Standardized Distributable Cash* for the fourth quarter decreased to \$7.1 million from \$10.2 million for the same period in 2013. Adjusted distributable cash for the fourth quarter decreased to \$6.6 million from \$10.3 million for the same period a year ago, representing a payout ratio of 30.3% for 2014 compared to 16.6% for the same period last year. The decrease in distributable cash is primarily the result of cash used by working capital items, distributions to non-controlling interests, higher financing costs and higher maintenance capital expenditures in the fourth quarter of 2014 when compared to the fourth quarter of 2013.

## **FINANCIAL INSTRUMENTS**

In order to limit the variability of earnings due to the foreign exchange translation exposure on the income and expenses of the U.S. operations, the Company will at times enter into foreign exchange contracts. These contracts are marked-to-market monthly with unrealized gains and losses included in earnings. The Company did not have any such contract in place during 2014 or 2013.

Transactional foreign currency risk also exists in limited circumstances where U.S. denominated cash is received in Canada. The Company monitors U.S. denominated cash flows to be received in Canada and evaluates whether to use forward foreign exchange contracts. No such foreign exchange contracts were used during 2014 or 2013.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements that present fairly the financial position, financial condition and results of operations 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 following is a summary of critical accounting estimates and assumptions that the Fund believes could materially impact its financial position, financial condition or results of operations:

### **Impairment of Non-Financial Assets**

When testing goodwill and intangibles for impairment, the Fund uses the recorded historical cash flows of the CGU for the most recent two years, and an estimate or forecast of cash flows for the next year to establish an estimate of the Fund's future cash flows. An estimate of the recoverable amount is then calculated as the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The methods used to value intangible assets and goodwill require critical estimates to be made regarding the future cash flows and useful lives of the intangible assets. Goodwill and intangible asset write downs, when recognized, are recorded as a separate charge to earnings (loss), and could materially impact the operating results of the Fund for any particular accounting period.

### **Impairment of Other Long-lived Assets**

The Fund periodically assesses the recoverability of values assigned to long-lived assets, other than goodwill and intangibles, after considering the potential impairment indicated by such factors as business and market trends, the Fund's ability to transfer the assets, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates the future cash flows expected to result from the use of the assets and their potential disposition. If the discounted sum of the expected future cash flows is less than the carrying value of the assets generating those cash flows, an impairment loss would be recognized based on the excess of the carrying amounts of the assets over their estimated recoverable value. The underlying estimates for cash flows include estimates for future sales, gross margin rates and operating expenses. Changes which may impact these estimates include, but are not limited to, business risks and uncertainties and economic conditions. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a material impact on the Fund's consolidated financial statements.

### **Fair Value of Financial Instruments**

The Fund has applied discounted cash flow methods to establish the fair value and carrying values of certain financial liabilities and equity instruments recorded on the statement of financial position, as well as disclosed in the notes to the financial statements.

The Fund also obtains mark-to-market valuations of forward foreign exchange contracts or other derivative instruments, which are assumed to represent the current fair value of these instruments. These valuations rely on assumptions regarding future interest and exchange rates as well as other economic indicators, which at the time of establishing the fair value for disclosure, have a high degree of uncertainty. Unrealized gains or losses on these derivative financial instruments may not be realized as markets change.

### **Income Taxes**

The Fund is subject to income tax in several jurisdictions and significant estimates are used to determine the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Fund's belief that its tax return positions are supportable, the Fund believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. To the extent that the final tax outcome

of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

## **FUTURE ACCOUNTING STANDARDS**

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

IFRS 15, *Revenue from Contracts with Customers*, was issued by the International Accounting Standards Board (“IASB”) on May 28, 2014 and will replace current guidance found in IAS 11, *Construction Contracts* and IAS 18, *Revenue*. IFRS 15 outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and is effective for reporting periods beginning on or after January 1, 2017 with early application permitted. A choice of retrospective application or a modified transition approach is provided. The Fund is currently evaluating the impact of adopting IFRS 15 on its financial statements.

IFRS 9, *Financial Instruments*, was issued by the IASB on July 24, 2014 and will replace current guidance found in IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 includes a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. The new standard will come into effect on January 1, 2018 with early application permitted. The Fund is currently evaluating the impact of adopting IFRS 9 on its financial statements.

Amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures (2011)* were issued by the IASB on September 11, 2014 to acknowledge inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments will be effective for annual periods commencing on or after January 1, 2016. The Fund is currently evaluating the impact of the amendments on its financial statements.

## **CERTIFICATION OF DISCLOSURE CONTROLS**

Management’s responsibility for financial information contained in this Annual Report is described on page 47. In addition, the Fund’s Audit Committee of the Board of Trustees has reviewed this Annual Report, and the Board of Trustees has reviewed and approved this Annual Report prior to its release. The Fund is committed to providing timely, accurate and balanced disclosure of all material information about the Fund and to providing fair and equal access to such information. As of December 31, 2014, the Fund’s management evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined under the rules adopted by the Canadian securities regulatory authorities. Disclosure controls are procedures designed to ensure that information required to be disclosed in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to the Fund’s management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure.

The Fund’s management, including the CEO and the CFO, does not expect that the Fund’s disclosure controls will prevent or detect all misstatements due to error or fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Fund have been detected. The Fund is continually evolving and enhancing its systems of controls and procedures. Based on the evaluation of disclosure controls, the CEO and the CFO have concluded that, subject to the inherent limitations noted above, the Fund’s disclosure controls are effective in ensuring that material information relating to the Fund is made known to management on a timely basis, and is fairly presented in all material respects in this Annual Report.

## **CERTIFICATION ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for the design and effectiveness of internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles which incorporates International Financial Reporting Standards for publicly accountable enterprises. The Fund’s management, including the CEO and the CFO, does not expect that the Fund’s internal control over financial reporting will prevent or detect all misstatements due to error or fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Fund have been detected. The Fund is continually evolving and enhancing its systems of internal controls over financial reporting. The CEO and CFO of the Fund have evaluated the design and effectiveness of the Fund’s internal control over financial reporting as at the end of

the period covered by the annual filings and have concluded that, subject to the inherent limitations noted above, the controls are sufficient to provide reasonable assurance.

In addition, during the fourth quarter of 2014, 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.

## **BUSINESS RISKS AND UNCERTAINTIES**

The following information is a summary of certain risk factors relating to the business of the Fund and Boyd, and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Report and the documents incorporated by reference herein.

The Fund and the Company are subject to certain risks inherent in the operation of the business. The Fund manages risk and risk exposures through a combination of management oversight, insurance, its system of internal controls and disclosures and sound operating policies and practices.

The Board of Trustees has the responsibility to identify the principal risks of the Fund's business and ensure that appropriate systems are in place to manage these risks. The Audit Committee has the responsibility to discuss with management the Fund's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Fund's risk assessment and risk management policies. In order to support these responsibilities, management has a risk management committee which meets on an ongoing basis to evaluate and assess the Fund's risks.

The process being followed by the management risk committee is a systematic one which includes identifying risks; analyzing the likelihood and consequence of risks; and then evaluating risks as to our risk tolerance and control effectiveness. This approach stratifies risks into four risk categories as follows:

- |                 |  |
|-----------------|--|
| Extreme Risks:  | Immediate/ongoing action is required – involvement of senior management is required. Avoidance of the item may be necessary if risk reduction techniques are insufficient to address the risk. |
| High Risks:     | Risk item is significant and management responsibility should be specified and appropriate action taken.   |
| Moderate Risks: | Managed by specific monitoring or response procedures. Additional risk mitigation techniques could be considered if benefits exceed the cost.  |
| Low Risks:      | Managed by routine procedures. No further action is required at this time.   |

Risks can be reduced by limiting the likelihood or the consequence of a particular risk. This can be achieved by adjusting the company's activities, implementing additional control/monitoring processes, or insuring/ hedging against certain outcomes. Residual risk remains after mitigation and control techniques are applied to an identified risk. Awareness of the residual risk that the Fund ultimately accepts is a key benefit of the risk management process.

The following describes the risks that are most material to the Fund's business. This is not, however, a complete list of the potential risks the Fund faces. There may be other risks that the Fund is not aware of, or risks that are not material today that could become material in the future.

### **Dependence upon The Boyd Group Inc. and its Subsidiaries**

The Fund is an unincorporated open-ended, limited purpose mutual fund trust which will be entirely dependent upon the operations and assets of the Company through the Fund's ownership of the Notes and New Notes, Class I and Class IV shares of the Company. Accordingly, the Fund's ability to make cash distributions to the unitholders will be dependent upon the ability of the Company and its subsidiaries to pay its interest and principle obligations under the Notes and New Notes and to declare dividends, return capital, or other distributions.

### **Cash Distributions Not Guaranteed**

The Fund and BGHI receive cash in the form of interest payments on the Notes and New Notes and dividends from the Company. The Fund and BGHI distribute the cash they receive, net of expenses and amounts reserved, to Class A common shareholders and unitholders. The actual amount of cash received and ultimately distributed by the Fund and BGHI in the future will depend upon numerous factors, including profitability, fluctuations in working capital, sustainability of margins, required capital expenditures, the need to maintain productive capacity, required funding of long-term contractual obligations, repurchases of units, restrictions on distributions arising from compliance with financial debt covenants, taxation on income or on distributions and debt repayments expected to be funded by cash flows generated from operations. There can be no assurance regarding the amount of distributable cash generated by the Company, and therefore no assurance as to the amount of cash which may be distributed by the Fund or BGHI in the future.

### **Inability to Successfully Integrate Acquisitions**

A key element of the Company's strategy is to successfully integrate acquired businesses in order to sustain and enhance profitability. There can be no assurance that the Company will be able to profitably integrate and manage additional repair facilities. Successful integration can depend upon a number of factors, including the ability to maintain and grow DRP relationships, the ability to retain and motivate certain key management and staff, retaining and leveraging customer and supplier relationships and implementing standardized procedures and best practices. In the event that any significant acquisition cannot be successfully integrated into Boyd's operations or performs below expectations, the business could be materially and adversely affected.

### **Economic Downturn**

Historically the auto collision repair industry has proven to be somewhat resistant to economic downturns along with the accompanying unemployment, and while the Company works to mitigate the effect of economic downturn on its operations, economic conditions, which are beyond the Company's control, could lead to a decrease in repair claims volumes due to fewer miles driven or due to vehicle owners being less inclined to have their vehicles repaired. It is difficult to predict the severity and the duration of any decrease in claims volumes resulting from an economic downturn and the accompanying unemployment and what affect it may have on the auto collision repair industry, in general, and the financial performance of the Company in particular. There can be no assurance that an economic downturn would not negatively affect the financial performance of the Company.

### **Operational Performance**

In order to compete in the market place, the Company must consistently meet the operational performance metrics expected by its customers. Failing to deliver on metrics such as cycle time, quality of repair, customer satisfaction and cost of repair can, over time, result in reductions to either pricing, repair volumes, or both. The Company has implemented extensive measuring and monitoring systems to assist it in delivering on these key metrics. However, there can be no assurance that the Company will be able to continue to deliver on these metrics or that the metrics themselves won't change in the future.

### **Rapid Growth**

The Company has grown rapidly since 2009, through multi-location acquisitions as well as single location growth opportunities. Rapid growth can put a strain on managerial, operational, financial, human and other resources. Risks related to rapid growth include administrative and operational challenges such as the management of an expanded number of locations, the assimilation of financial reporting systems, technology and other systems of acquired companies, increased pressure on senior management and increased demand on systems and internal controls. The ability of the Company to manage its operations and expansion effectively depends on the continued development and implementation of plans, systems and controls that meet its operational, financial and management needs. If Boyd is unable to develop or implement these plans, systems or controls or otherwise manage its operations and growth effectively, the Company will be unable to maintain or increase margins or achieve sustained profitability, and the business could be harmed.

### **Loss of Key Customers**

A high percentage of the Company's revenues are derived from insurance companies in both government owned and private insurance markets. Over the past two decades many private insurance companies have implemented DRP's with collision repair operators who have been recognized as consistent high quality, performance based repairers in the industry. The Company's ability to continue to grow its business in these markets, as well as maintain existing business volume and pricing, is largely reliant on its ability to maintain these DRP relationships. The Company continues to develop and monitor

these relationships through ongoing measurement of the success factors considered critical by the insurance customer. The loss of any existing material DRP relationships could have a materially adverse effect on Boyd's operations and business prospects. Of the top five non-government owned insurance companies that the Company deals with, which in aggregate account for approximately 47% (2013 – 48%) of total sales, one insurance company represents approximately 16% (2013 – 17%) of the Company's total sales, while a second insurance company represents approximately 15% (2013 – 14%).

DRP relationships are governed by agreements that are usually cancellable upon short notice. These relationships can change quickly, both in terms of pricing and volumes, depending upon collision repair shop performance, cycle time, cost of repair, customer satisfaction, competition, insurance company management and program changes and general economic activity. To mitigate this risk, management fosters close working relationships with its customers and the Company continually seeks to diversify and grow its customer base both in Canada and the U.S. There can be no assurance given that relationships with DRP customers will not change in the future which could impair Boyd's revenues and result in a material adverse effect on the Company's business.

### **Brand Management and Reputation**

The Company's success is impacted by its ability to protect, maintain and enhance the value of its brands and reputation. Brand value and reputation can be damaged by isolated incidents, particularly if the incident receives considerable publicity or if it draws litigation. Incidents may occur from events beyond the Company's control or may be isolated to actions that occur in one particular location. Demand for the Company's services could diminish significantly if an incident or other matter damages its brand or erodes the confidence of its public or private insurance company customers or directly with the vehicle owners themselves. With the advent of the Internet and the evolution of social media there is an increased ability for individuals to adversely affect the brand and reputation of the Company. There can be no assurance that future incidents will not negatively affect the Company's brand or reputation.

### **Insurance Risk**

The Fund insures its property, plant and equipment, including vehicles through insurance policies with insurance carriers located in Canada and the U.S. Included within these policies is insurance protection against property loss and general liability. The Fund also insures its directors and officers against liabilities arising from errors, omissions and wrongful acts. Management uses its knowledge, as well as the knowledge of experienced brokers, to ensure that insurable risks are insured appropriately under terms and conditions that would protect the Fund and its subsidiaries from losses. There can be no assurance that all perils would be fully covered or that a material loss would be recoverable under such insurance policies.

### **Quality of Corporate Governance**

Securities law imposes statutory civil liability for misrepresentations in continuous disclosure documents including failure to make timely disclosure. Investors have a right of action if they are harmed by a misrepresentation in an issuer's disclosure document or in a public oral statement relating to an issuer, or the failure of an issuer to make timely disclosure of a material change. Potentially liable parties include the issuer, each officer or Trustee of the issuer who authorizes, permits or acquiesces in the release of the document containing a misrepresentation, the making of the public statement containing a misrepresentation or in the failure to make a timely disclosure.

Under the Ontario Securities Act, section 138.4(6), a due diligence defense is available. The due diligence defense requires the following items to be addressed:

- the issuer must have a system designed to ensure the issuer is meeting its disclosure obligations;
- the defendant must have conducted a reasonable investigation to support reliance on the system; and
- defendants must have no reasonable grounds to believe that the document or a public oral statement contained a misrepresentation or that the failure to make the required disclosure would occur.

The Fund is keenly aware of the significance of these laws and the interrelationships between civil liability, disclosure controls and good governance. The Fund has adopted policies, practices and processes to reduce the risk of a governance or control breakdown. A statement of the Fund's governance practices is included in the Fund's most recent information circular which can be found at [www.sedar.com](http://www.sedar.com). Although the Fund believes it follows good corporate governance practices, there can be no assurance that these practices will eliminate or mitigate the impact of a material lawsuit in this area.

## **Tax Position Risk**

The Fund and its subsidiary account for its income tax positions in accordance with accounting standards for income taxes, which require that the Company recognize in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on examination by taxation authorities, based on the technical merits of the position.

Inherent risks and uncertainties can arise over tax positions taken, or expected to be taken, with respect to matters including but not limited to acquisitions, transfer pricing, inter-company charges and allocations, financing charges, fees, related party transactions, tax credits, tax based incentives and stock based transactions. Management uses tax experts to assist the Fund in correctly applying the tax rules, however there can be no assurance that a position taken won't be challenged by the taxation authorities that could result in an unexpected material financial obligation.

## **Risk of Litigation**

The Fund and its subsidiaries could become involved in various legal actions in the ordinary course of business. Litigation loss accruals may be established if it becomes probable that the Fund will incur an expense and the amount can be reasonably estimated. The Fund's management and internal and external experts are involved in assessing the probability and in estimating any amounts involved. Changes in these assessments may lead to changes in recorded loss accruals. Claims are reviewed on a case by case basis, taking into consideration all information available to the Fund.

The actual costs of resolving claims could be substantially higher or lower than the amounts accrued. In certain cases, legal claims may be covered under the Fund's various insurance policies.

## **Acquisition Risk**

The Company plans to continue to increase revenues and earnings through the acquisition of additional collision repair facilities and other businesses. The Company follows a detailed process of due diligence and approvals to limit the possibility of acquiring a non-performing location. However, there can be no assurance that the locations acquired will achieve sales and profitability levels to justify the Company's investment.

## **Credit & Refinancing Risks**

The Company and its subsidiaries use financial leverage through the use of debt, which have debt service obligations. The Company's ability to refinance or to make scheduled payments of interest or principal on its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rates, and financial, competitive, business and other factors many of which are beyond its control.

The Company's revolving credit facilities contain restrictive covenants that limit the discretion of the Company's management and the ability of the Company to incur additional indebtedness, to make acquisitions of collision repair businesses, to create liens or other encumbrances, to pay dividends and fund distributions, to redeem any equity or debt, or to make investments, capital expenditures, loans or guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the revolving credit facilities contain a number of financial covenants that require the Fund and its subsidiaries to meet certain financial ratios and financial condition tests. A failure to comply with the obligations under these credit facilities could result in an event of default, which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness were to be accelerated, there can be no assurance that the assets of the Company and its subsidiaries would be sufficient to repay the indebtedness in full. There can also be no assurance that the Company will be able to refinance the credit facilities as and when they mature. The revolving credit facility is secured by the assets of the Company.

## **Dependence on Key Personnel**

The success of the Company is dependent on the services of a number of members of management. The experience and talent of these individuals is a significant factor in Boyd's continued success and growth. The loss of one or more of these individuals could have a material adverse effect on the Company's business operations and prospects. The Company has entered into management agreements with key members of management in order to mitigate this risk.

## **Employee Relations and Staffing**

Boyd currently employs approximately 5,419 people, of which 527 are in Canada and 4,892 are in the U.S. The current work force is not unionized, except for approximately 45 employees located in the U.S. who are subject to collective

bargaining agreements. In addition, the automobile collision repair industry typically experiences high employee turnover rates. Although the Company believes that it is on good terms with its employees, there are no assurances that a disruption in service would not occur as a result of employee unrest or employee turnover. There is no guarantee that a significant work disruption or the inability to maintain, replace or grow staff levels would not have a material effect on the Fund.

### **Decline in Number of Insurance Claims**

The automobile collision repair industry is dependent on the number of accidents which occur and, for the most part, become repairable insurance claims. The volume of accidents and related insurance claims can be significantly impacted by changes in technology such as collision avoidance systems, driverless vehicles and other safety improvements made to vehicles. Other changes which have and can continue to affect insurance claim volumes include, but are not limited to, general economic conditions, unemployment rates, changing demographics, vehicle miles driven, new vehicle production, insurance policy deductibles, auto insurance premiums, photo radar and graduated licensing. In addition, repairable claims volumes have been and can continue to be impacted by an increased number of non-repairable claims or “write-offs”. There can be no assurance that a significant decline in insurance claims will not occur, which could impair Boyd’s revenues and result in a material adverse affect on the Company’s business.

### **Market Environment Change**

The collision repair industry is subject to continual change in terms of regulations, technology, repair processes and changes in the strategic direction of customers, suppliers and competitors. The Company endeavors to stay abreast of developments in the industry and make strategic decisions to manage through these changes. In certain situations, the Company is involved in leading change by anticipating or developing new methods to address changing market needs. The Company however, may not be able to correctly anticipate the need for change or may not effectively implement changes to maintain or improve its relative position with competitors. There can be no assurance that market environment changes will not occur that could negatively affect the financial performance of the Company.

### **Reliance on Technology**

As is the case with most businesses in today’s environment, there is a risk associated with Boyd’s reliance on computerized operational and reporting systems. Boyd makes reasonable efforts to ensure that back-up systems and redundancies are in place and functioning appropriately. Boyd has longer-term disaster recovery programs to protect against significant system failures. Although a computer system failure would not be expected to critically damage the Company in the long term, there can be no assurance that a computer system crash or like event would not have a material impact on its financial results. Reliance on technology in order to gain or maintain competitive advantage is becoming more significant and therefore the Company is faced with determining the appropriate level of investment in new technology in order to be competitive. There can be no assurance that the Company will correctly identify or successfully implement the appropriate technologies for its operations.

### **Weather Conditions**

The effect of weather conditions on collision repair volume represents an element of risk to the Company’s ability to maintain sales. Historically, extremely mild winters and dry weather conditions have had a negative impact on collision repair sales volumes. Even with market share gains, this type of weather related decline in market size can result in sales declines which could result in a material effect on the Company’s business.

### **Expansion**

Boyd views the United States and Canada as having significant potential for further expansion of its business. There can be no assurance that any market for the Company’s services and products will develop either at the local, regional or national level. Economic instability, laws and regulations, increasing acquisition valuations and the presence of competition in all or certain jurisdictions may limit the Company’s capability to successfully expand operations.

### **Fluctuations in Operating Results and Seasonality**

The Company’s operating results have been and are expected to continue to be subject to quarterly fluctuations due to a variety of factors including changes in customer purchasing patterns, pricing policies, general operating effectiveness, general and regional economic downturns, unemployment rates and weather conditions. These factors can affect Boyd’s ability to fund ongoing operations and finance future activities.

## **Increased Government Regulation and Tax Risk**

The Fund, the Company and its subsidiaries are subject to various federal, provincial, state and local laws, regulations and taxation authorities. Various federal, provincial, state and local agencies as well as other governmental departments administer such laws, regulations and their related rules and policies. New laws governing the Fund or its business could be enacted or changes or amendments to existing laws and regulations could be enacted which could have a significant impact on Boyd. The Fund utilizes the services of professional advisors in the areas of taxation, environmental, health and safety, labor and general business law to mitigate the risk of non-compliance. Failure by the Fund to comply with the applicable laws, regulations or tax changes may subject it to civil or regulatory proceedings and no assurance can be given that this may not have a material impact on the Fund or its financial results.

Environment Canada has regulations to limit emissions pollutants used in a number of consumer and commercial products including automotive paint and coatings. As a result, the automobile collision repair industry in Canada has adapted its refinish processes and equipment to waterborne basecoat technology. The Company also converts all new U.S. operations to waterborne basecoat technology and has converted all new locations since August 2009. Although to date, there have been no negative consequences to this conversion there can be no assurance that conversion to this new technology or compliance with the proposed new legislation will not have a material adverse affect on the Fund's business or financial results.

The Fund has investigated and evaluated its structuring alternatives in connection with the Specified Investment Flow-through ("SIFT") rules with a view of preserving and maximizing unitholder value. Based upon its investigation, analysis and due diligence to date, and given its current size and circumstances, the Fund has determined that a change to a share corporation structure would not be advantageous to the Fund or its unitholders. This determination has been made based on several reasons. First, the Fund does not believe it will achieve any net tax savings by converting. Second, the Fund believes that the cost of conversion, which it estimates to be between \$500,000 and \$1 million, is not a prudent use of cash and is not justified by any perceived benefits from conversion for a fund of our size. Third, to the extent that the Fund pays SIFT tax it believes that its taxable unitholders will benefit from the lower tax rate on distributions received, as it expects to be able to maintain distributions, despite any trust tax that the Fund would incur.

On December 15, 2010 the Trustees of the Fund approved an internal capital restructuring plan that better reflects its significant U.S. base of business and its expected source of future growth. A consequence of this restructuring is that distributions to unitholders are funded almost entirely by its U.S. operations. Fund distributions that are sourced from U.S. business earnings are not subject to the SIFT tax.

There can be no assurance that additional changes to the taxation of income trusts or corporations or changes to other government laws, rules and regulations, either in Canada or the U.S., will not be undertaken which could have a material adverse effect on the Fund's unit price and business. There can be no assurance the Fund will benefit from these rules, that the rules will not change in the future or that the Fund will avail itself of them.

## **Canadian Tax Related Risks**

Expenses incurred by the Fund are only deductible to the extent they are reasonable. There can be no assurance that the taxation authorities will not challenge the reasonableness of certain expenses. If such a challenge were successful against the Fund, it may materially and adversely affect the distributable cash flow of the Fund. Management of the Fund believes the expenses inherent in the structure of the Fund are supportable and reasonable in the circumstances.

The Units will cease to be qualified investments for a Registered Plan under the Tax Act unless the Units are listed on a "designated stock exchange" (as defined in the Tax Act) or the Company qualifies as a "mutual fund trust" (as defined in the Tax Act).

Securities received from the Company as a result of a redemption of Units may not be qualified investments for a Registered Plan, which may result in adverse tax consequences for the Registered Plan and the annuitant under, or the holder of, the Registered Plan.

There can be no assurance that additional changes to the taxation of income trust or corporations or changes to other government laws, rules and regulations, either in Canada or the U.S., will not be undertaken which could have a material adverse effect on the Fund's unit price and business. There can be no assurance the Fund will benefit from these rules, that the rules will not change in the future or that the Fund will avail itself of them.

## **Execution on New Strategies**

New initiatives are introduced from time to time in order to grow Boyd's business. Initiatives such as entering new markets or introducing and improving related products and services have the potential to be accretive to the Company's business when the opportunity is accurately identified and executed. There can be no assurance that the Company identifies new strategies that are accretive to the business or that it is successful in implementing such initiatives.

## **Operating Hazards**

The Company's revenues are dependent upon the continued operation of its facilities, which can experience a failure or substandard performance of equipment, natural disasters, suspension of operations, the effect of new regulatory requirements regarding the operations of such facilities and claims of injury by employees or members of the public among other risks. There can be no assurances that the Company will be able to continue to operate its facilities free of impact from these risks.

## **Energy Costs**

The Company is exposed to fluctuations in the price of energy, particularly petroleum based products. These costs not only impact the costs associated with occupying and operating collision repair facilities but may also affect costs of parts and materials used in the repair process as well as miles driven by automobile owners. There can be no assurance that escalating costs which cannot be offset by energy conservation practices, price increases to customers or productivity gains, would not result in materially lower operating margins. As well, there can be no assurance that escalating energy costs will not materially reduce automobile miles driven and in turn reduce the number of collisions.

## **U.S. Health Care Costs and Workers Compensation Claims**

The Fund accrues for the estimated amount of U.S. health care claims and workers compensation claims that may have occurred but were not reported at the end of the year under its health care and workers compensation plans. The accruals are based upon the Company's knowledge of current claims as well as third party estimates derived from past experience. A significant claim occurrence which remains unreported for a number of months could materially impact this accrual. In addition, as U.S. health care costs increase, there can be no assurance given that the Company can continue to offer health care insurance to its employees at a reasonable cost.

## **Low Capture Rates**

Sales growth can be enhanced if the Company is effective at booking repair orders for all sales opportunities that are identified. The Company is exposed to missed jobs to the extent employees are ineffective at capturing all sales opportunities. Measurement of capture rates, management support and training are methods that are employed to enhance capture rates. However, it is possible that the Company may not be able to capture sales effectively enough to maximize sales.

## **Capital Expenditures**

The business of the Company requires ongoing capital maintenance. Moreover, opportunities may arise for capital upgrades providing cost savings that may not be realized in the immediate future but, rather, over several years. To the extent that capital expenditures are in excess of amounts budgeted, the amounts of cash available for distribution may decrease.

## **Competition**

The collision repair industry in North America, estimated at approximately \$30 to \$40 billion U.S. is very competitive. The main competitive factors are price, service, quality, customer satisfaction and adherence to various insurance company performance indicators. There can be no assurance that Boyd's competitors will not achieve greater market acceptance due to pricing or other factors.

Although competition exists mainly on a regional basis, Boyd competes with a small number of other multi-location collision repair operators, in multiple markets in which it operates. Insurers are recognizing the benefits associated with utilizing the larger collision repair consolidators in multiple markets and as such, more and more DRP relationships are becoming national in scope. The Company estimates that, as a group, large multi-location operators with sales in excess of \$20 million U.S. annually have approximately a 16% market share. The Company anticipates facing increasing competition in the markets in which it operates.

Given these industry characteristics, existing or new competitors may become significantly larger and have greater financial and marketing resources than Boyd. These competitors may compete with Boyd in rendering services in the markets in which Boyd currently operates and also in seeking existing facilities to acquire or new locations to open in markets in which Boyd desires to expand. There can be no assurance that the Company will be able to maintain or achieve its desired market share.

### **Potential Undisclosed Liabilities Associated with Acquisitions**

To the extent that the prior owners of businesses acquired by Boyd failed to comply with or otherwise violated applicable laws, the Company, as the successor owner, may be financially responsible for these violations and any associated undisclosed liability. The Company seeks, through systematic investigation and due diligence, and through indemnification by former owners, to minimize the risk of material undisclosed liabilities associated with acquisitions. The discovery of any material liabilities, including but not limited to tax, legal and environmental liabilities, could have a material adverse effect on the Company's business, financial condition and future prospects.

### **Foreign Currency Risk**

In the past, the Company has financed acquisitions of U.S. businesses in part by making U.S. denominated loans available under its credit facilities that could then be serviced and repaid from anticipated future U.S. earnings streams. Although this natural hedging strategy is partially effective in mitigating future foreign currency risks, a substantial portion of Boyd's revenue and cash flow are now, and are expected to continue to be, generated in U.S. dollars. Fluctuations in exchange rates between the Canadian dollar and the U.S. currency may have a material adverse effect on the Company's reported earnings and cash flows and its ability to make future Canadian dollar cash distributions.

There can be no assurance that fluctuations in the U.S. dollar relative to the Canadian dollar can be hedged effectively for long periods of time and there can be no assurances given that any currency hedges or partial hedges in place would remain effective in the future.

### **Margin Pressure**

The Company's costs to repair vehicles, including the cost of parts, materials and labour are market driven and can fluctuate either suddenly or over time. The Company is not always able to pass these cost increases on to end users in the form of higher selling prices to its public and private insurance company customers. As a result, there can be no assurance that increases in the costs to repair vehicles will ultimately be recoverable from its customers. While negotiations with insurance companies and other influencing factors over time can result in selling price increases, the timing and extent of such increases is not determinable. As a result, there can be no assurance that increases in the costs to repair vehicles will ultimately be recoverable from the Company's customers.

### **Acquisition and Start-Up Growth and Ongoing Access to Capital**

The Company grows, in part, through future acquisitions or start-up of collision and glass repair and replacement businesses. There can be no assurance that Boyd will have sufficient capital resources available to implement its growth strategy. Inability to raise new capital, in the form of debt or equity, could limit Boyd's future growth by acquisition or start-up.

The Company will endeavour, through a variety of strategies, to ensure in advance that it has sufficient capital for growth. Potential sources of capital that the Company has been successful at accessing in the past include public and private equity and debt placements, using equity securities to directly pay for a portion of acquisitions, capital available through strategic alliances with trading partners, vendor financing, lease financing and both senior and subordinate debt facilities. There can be no assurance that the Company will be successful in accessing these or other sources of capital in the future.

### **Environmental, Health and Safety Risk**

The nature of the collision repair business means that hazardous substances must be used, which could cause damage to the environment or individuals if not handled properly. The Company's environmental protection policy requires environmental site assessments to be performed on all business locations prior to acquisition, start-up or relocation so that any existing or potential environmental situations can be remedied or otherwise appropriately addressed. It is also Boyd's practice to secure environmental indemnification from landlords and former owners of acquired collision repair businesses, where such

indemnification is available. Boyd also engages a private environmental consulting firm to perform regular compliance reviews to ensure that the Company's environmental and health and safety policies are followed.

To date, the Company has not encountered any environmental protection requirements or issues which would be expected to have a material financial or operational effect on its current business and it is not aware of any material environmental issues that could have a material impact on future results or prospects. No assurance can be given, however, that the prior activities of Boyd, or its predecessors, or the activities of a prior owner or lessee, have not created a material environmental problem or that future uses will not result in the imposition of material environmental, health or safety liability upon Boyd.

### **Interest Rates**

The Company occasionally fixes the interest rate on its debt using interest rate swap contracts or other provisions available in its debt facilities. There can be no guarantee that interest rate swaps or other contract terms that effectively turn variable rate debt into fixed rates will be an effective hedge against long term interest rate fluctuations.

The Company has not fixed interest rates within its revolving credit facility. There can be no assurance that interest rates either in Canada or the U.S. will not increase in the future, which could result in a material adverse effect on the Company's business.

### **Unitholder Limited Liability is Subject to Contractual and Statutory Assurances That May Have Some Enforcement Risks**

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its obligations and affairs and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Fund's assets.

However, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Declaration of Trust, for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund.

**FORM 52-109F1**  
**CERTIFICATION OF ANNUAL FILINGS**  
**FULL CERTIFICATE**

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

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of **Boyd Group Income Fund** (the “issuer”) for the financial year ended **December 31, 2014**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual 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 financial year end
  - (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 annual 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 Internal Control – Integrated Framework (COSO 2013 Framework), published by The Committee of Sponsoring Organizations of the Treadway Commission.
- 5.2 **ICFR – material weakness relating to design:** N/A
- 5.3 **Limitation on scope of design:** N/A
6. **Evaluation:** The issuer’s other certifying officer(s) and I have
  - (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer’s DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
  - (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer’s ICFR at the financial year end and the issuer has disclosed in its annual MD&A
    - (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
    - (ii) N/A

7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2014 and ended on December 31, 2014 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.
8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: March 27, 2015

*(signed)*

Brock Bulbuck  
*President & Chief Executive Officer*

**FORM 52-109F1**  
**CERTIFICATION OF ANNUAL FILINGS**  
**FULL CERTIFICATE**

I, **Narendra Pathipati, Chief Financial Officer, Boyd Group Income Fund**, certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of **Boyd Group Income Fund** (the “issuer”) for the financial year ended **December 31, 2014**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual 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 financial year end
  - (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 annual 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 Internal Control – Integrated Framework (COSO 2013 Framework), published by The Committee of Sponsoring Organizations of the Treadway Commission.
- 5.2 **ICFR – material weakness relating to design:** N/A
- 5.3 **Limitation on scope of design:** N/A
6. **Evaluation:** The issuer’s other certifying officer(s) and I have
  - (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer’s DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
  - (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer’s ICFR at the financial year end and the issuer has disclosed in its annual MD&A
    - (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
    - (ii) N/A

7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2014 and ended on December 31, 2014 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.
8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: March 27, 2015

*(signed)*

Narendra Pathipati  
*Executive Vice President & Chief Financial Officer*



**BOYD GROUP INCOME FUND**  
**CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2014

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. 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 consolidated financial statements.

In accordance with Canadian generally accepted auditing standards, the independent auditors conduct an examination each year in order to express a professional opinion on the consolidated financial statements.

*(signed)*

Brock Bulbuck  
*President & Chief Executive Officer*

Winnipeg, Manitoba  
March 26, 2015

*(signed)*

Narendra Pathipati  
*Executive Vice President & Chief Financial Officer*

## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Boyd Group Income Fund

We have audited the accompanying consolidated financial statements of Boyd Group Income Fund, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of loss, consolidated statements of comprehensive earnings (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Boyd Group Income Fund as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Accountants

March 26, 2015  
Winnipeg, Manitoba

**BOYD GROUP INCOME FUND**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at December 31,  
(thousands of Canadian dollars)

	Note	2014	2013
<b>Assets</b>			
Current assets:			
Cash		\$ 57,510	\$ 19,304
Accounts receivable		55,462	42,168
Income taxes recoverable		884	1,541
Inventory	6	15,809	11,431
Prepaid expenses		9,579	5,259
		<b>139,244</b>	<b>79,703</b>
Note receivable	27	893	924
Property, plant and equipment	7	89,264	63,925
Deferred income tax asset	8	2,755	2,389
Deferred financing costs	12	849	1,010
Intangible assets	9	112,053	60,756
Goodwill	10	142,755	73,561
		<b>\$ 487,813</b>	<b>\$ 282,268</b>
<b>Liabilities and Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 96,691	\$ 66,229
Distributions payable	11	671	597
Dividends payable	17	11	15
Current portion of long-term debt	12	7,645	4,448
Current portion of obligations under finance leases	14	3,436	3,636
Current portion of settlement accrual	15	-	820
		<b>108,454</b>	<b>75,745</b>
Long-term debt	12	48,953	22,681
Obligations under finance leases	14	5,339	5,952
Convertible debentures	13	81,664	30,971
Convertible debenture conversion features	13	41,875	14,786
Deferred income tax liability	8	10,702	4,874
Exchangeable Class A common shares	17	11,420	11,689
Unit based payment obligation	18	20,193	11,256
Non-controlling interest put options	17	23,230	20,340
		<b>351,830</b>	<b>198,294</b>
<b>Equity</b>			
Accumulated other comprehensive earnings	22	21,977	5,685
Deficit		(86,402)	(63,652)
Unitholders' capital	23	196,406	137,939
Contributed surplus	24	4,002	4,002
		<b>135,983</b>	<b>83,974</b>
		<b>\$ 487,813</b>	<b>\$ 282,268</b>

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

Approved by the Board:

BROCK BULBUCK  
Trustee

ALLAN DAVIS  
Trustee

**BOYD GROUP INCOME FUND**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(thousands of Canadian dollars, except unit amounts)

	Note	Unitholders' Capital		Contributed Surplus	Accumulated Other Comprehensive (Loss) Earnings	Deficit	Total Equity
		Units	Amount				
Balances - January 1, 2013		12,538,516	\$ 74,865	\$ 4,002	\$ (1,265)	\$ (35,998)	\$ 41,604
Issue costs (net of tax of \$992)	23	-	(2,809)				(2,809)
Units issued from treasury							
Units issued through public offering	23	2,300,000	63,480				63,480
Units issued in connection with acquisitions	5	83,721	2,110				2,110
Retractions	17	11,463	283				283
Conversion of convertible debenture	13	427	10				10
Other comprehensive earnings	22				6,950		6,950
Net loss						(11,595)	(11,595)
Comprehensive earnings (loss)					6,950	(11,595)	(4,645)
Equity contributed by non-controlling interest	17					8,365	8,365
Recognition of non-controlling interest put option liabilities	17					(18,242)	(18,242)
Distributions to unitholders	11					(6,182)	(6,182)
<b>Balances - December 31, 2013</b>		<b>14,934,127</b>	<b>\$ 137,939</b>	<b>\$ 4,002</b>	<b>\$ 5,685</b>	<b>\$ (63,652)</b>	<b>\$ 83,974</b>
Issue costs							
Units issued through public offering (net of tax of \$661)	23		(1,850)				(1,850)
Other (net of tax of \$nil)			(27)				(27)
Units issued from treasury							
Units issued through public offering	23	1,306,000	55,309				55,309
Units issued in connection with acquisitions	5	4,297	190				190
Retractions	17	112,164	4,786				4,786
Conversion of convertible debenture	13	2,519	59				59
Other comprehensive earnings	22				16,292		16,292
Net loss						(15,311)	(15,311)
Comprehensive earnings (loss)					16,292	(15,311)	981
Distributions to unitholders	11					(7,439)	(7,439)
<b>Balances - December 31, 2014</b>		<b>16,359,107</b>	<b>\$ 196,406</b>	<b>\$ 4,002</b>	<b>\$ 21,977</b>	<b>\$ (86,402)</b>	<b>\$ 135,983</b>

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

**BOYD GROUP INCOME FUND**  
**CONSOLIDATED STATEMENTS OF LOSS**

For the years ended December 31,  
(thousands of Canadian dollars, except unit and per unit amounts)

		2014	2013
	<i>Note</i>		
Sales	28	\$ 844,104	\$ 578,260
Cost of sales		454,550	312,339
<b>Gross profit</b>		<b>389,554</b>	<b>265,921</b>
Operating expenses		320,582	224,421
Gain on sale of software		-	(336)
Acquisition, transaction and process improvement costs	5	6,325	2,331
Depreciation of property, plant and equipment	7	13,405	9,392
Amortization of intangible assets	9	7,139	4,142
Fair value adjustments	16	37,360	27,100
Finance costs		8,317	6,180
Write down of goodwill	10	-	252
		<b>393,128</b>	<b>273,482</b>
<b>Loss before income taxes</b>		<b>(3,574)</b>	<b>(7,561)</b>
Income tax expense			
Current	8	5,744	149
Deferred	8	5,993	3,885
		<b>11,737</b>	<b>4,034</b>
<b>Net loss</b>		<b>\$ (15,311)</b>	<b>\$ (11,595)</b>

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

<b>Basic and diluted loss per unit</b>	32	\$ (0,999)	\$ (0,891)
<b>Weighted and diluted weighted average number of units outstanding</b>	32	<b>15,331,353</b>	<b>13,011,370</b>

**BOYD GROUP INCOME FUND**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)**

For the years ended December 31,  
(thousands of Canadian dollars)

		2014	2013
<b>Net loss</b>		<b>\$ (15,311)</b>	<b>\$ (11,595)</b>
<b>Other comprehensive earnings</b>			
Items that may be reclassified subsequently to Consolidated Statements of Loss			
Change in unrealized earnings on translating financial statements of foreign operations	22	16,292	6,950
<b>Other comprehensive earnings</b>		<b>16,292</b>	<b>6,950</b>
<b>Comprehensive earnings (loss)</b>		<b>\$ 981</b>	<b>\$ (4,645)</b>

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

# BOYD GROUP INCOME FUND

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,

(thousands of Canadian dollars)

	2014	2013
	<i>Note</i>	
<b>Cash flows from operating activities</b>		
Net loss	\$ (15,311)	\$ (11,595)
Items not affecting cash		
Fair value adjustments	37,360	27,100
Write down of goodwill	-	252
Deferred income taxes	5,993	3,885
Amortization of discount on convertible debt	907	653
Amortization of deferred finance costs	212	217
Amortization of intangible assets	7,139	4,142
Depreciation of property, plant and equipment	13,405	9,392
Amortization of unearned rebates	-	(2,755)
Gain on disposal of equipment and software	(62)	(431)
Interest accrued on Exchangeable Class A common shares	154	181
Payment of accrued settlement obligation	(820)	(1,175)
	<b>48,977</b>	29,866
Changes in non-cash working capital items	33	2,242
	<b>51,219</b>	25,025
<b>Cash flows provided by (used in) financing activities</b>		
Fund units issued from treasury	55,309	63,480
Issue costs	(2,538)	(3,801)
Increase in obligations under long-term debt	85,395	-
Repayment of long-term debt	(91,748)	(36,044)
Repayment of obligations under finance leases	(3,971)	(3,077)
Proceeds on sale-leaseback agreement	2,235	1,603
Net proceeds on issue of convertible debentures	54,969	-
Dividends paid on Exchangeable Class A common shares	(159)	(181)
Distributions paid to unitholders	(7,366)	(6,074)
Increase in unearned rebates	-	4,294
Repayment of unearned rebates	-	(35,037)
Payment to non-controlling interests	(1,066)	-
Collection of notes receivable	22	-
Increase in deferred financing costs	(52)	(1,010)
Collection of rebates receivable	-	1,238
	<b>91,030</b>	(14,609)
<b>Cash flows used in investing activities</b>		
Proceeds on sale of equipment and software	202	776
Equipment purchases and facility improvements	(5,941)	(3,185)
Acquisition and development of businesses (net of cash acquired)	(101,175)	(28,259)
Software purchases and licensing	(325)	(435)
Senior managers unit loan program	196	(924)
	<b>(107,043)</b>	(32,027)
Effect of foreign exchange rate changes on cash	3,000	1,939
Net increase (decrease) in cash position	38,206	(19,672)
Cash, beginning of year	19,304	38,976
Cash, end of year	\$ 57,510	\$ 19,304
Income taxes paid	\$ 5,044	\$ 691
Interest paid	\$ 8,080	\$ 5,924

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

# **BOYD GROUP INCOME FUND**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2013

*(thousands of Canadian dollars, except unit, share and per unit/share amounts)*

### **1. GENERAL INFORMATION**

Boyd Group Income Fund (the “Fund” or “BGIF”) 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 and related services. At the reporting date, the Company operated locations in five Canadian provinces under the trade name Boyd Autobody & Glass, as well as in 17 U.S. states under the trade names Gerber Collision & Glass, Collision Revision and Champ’s Collision Centers. The Company is a major retail auto glass operator in the U.S. with locations across 29 U.S. states under the trade names Gerber Collision & Glass, Glass America, Auto Glass Services and Auto Glass Authority. The Company also operates Gerber National Claims Services (“GNCS”), an auto glass repair and replacement referral business with approximately 5,500 glass provider locations and 4,600 Emergency Roadside Services provider locations throughout the U.S.

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 consolidated financial statements for the year ended December 31, 2014 (including comparatives) were approved and authorized for issue by the Board of Trustees on March 26, 2015.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### *a) Basis of presentation*

The consolidated financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements are presented in thousands of Canadian dollars, except unit, share and per unit/share amounts.

#### *b) Revenue recognition*

The Fund recognizes revenue to the extent that it is probable that the economic benefits will flow to the Fund, the sales price is fixed or determinable and collectability is reasonably assured. Revenue is measured at the fair value of the consideration received. Revenue is recognized when the profitability of the repair or service can be measured reliably. As the majority of repairs and services are of short duration, revenue is recognized when the repair or service is complete or substantially complete.

#### *c) Inventory*

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

#### *d) Property, plant and equipment*

Property, plant and equipment assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

## **BOYD GROUP INCOME FUND**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2013

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

Depreciation is calculated using the declining balance and straight line rates as disclosed in the property, plant and equipment note. Leasehold improvements are amortized on the straight-line basis over the period of estimated benefit.

An item of property, plant and equipment is reclassified as held for sale or derecognized upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of earnings (loss).

The Fund conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property, plant and equipment and any changes arising from the assessment are applied by the Fund prospectively.

#### *e) Consolidation*

The financial statements of the Fund consolidate the accounts of the Fund and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities which the Fund controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date that control ceases.

#### *f) Business combinations, goodwill and other intangible assets*

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. The cost of the acquisition is measured at the aggregate of the fair values (at the acquisition date) of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Fund in exchange for control of the acquired company. Acquisition costs are expensed as incurred. The acquired company's identifiable assets (including previously unrecognized intangible assets), liabilities and contingent liabilities are recognized at their fair values at the acquisition date.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Fund's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses.

Intangible assets are recognized only when it is probable that the expected future economic benefits attributable to the assets will accrue to the Fund and the cost can be reliably measured. Intangible assets acquired in a business combination are recorded at fair value. Intangible assets that do not have indefinite lives are amortized over their useful lives using an amortization method which reflects the economic benefit of the intangible asset. Customer relationships are amortized on a straight-line basis over the expected period of benefit of 20 years. Contractual rights are amortized on a straight-line basis over the term of the contract. Computer software is amortized on a straight-line basis over periods of three and five years. Brand names which the Company continues to use in the conduct of its business are considered indefinite life because their value is not expected to degrade over time. To the extent the Company decides to discontinue the use of a certain brand, an estimate of the remaining useful life is made and the intangible asset is amortized over the remaining period.

#### *g) Impairment of non-financial assets*

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating unit or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

## **BOYD GROUP INCOME FUND**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2013

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

Goodwill and indefinite lived intangibles are reviewed for impairment annually or at any time if an indicator of impairment exists. As well, newly acquired goodwill is reviewed for impairment at the end of the year in which it was acquired.

Goodwill acquired through a business combination is allocated to each CGU, or group of CGUs, that are expected to benefit from the related business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Impairment losses on goodwill are not reversed.

The Fund evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

#### *h) Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

#### *i) Income taxes*

Income tax comprises current and deferred tax. Income tax is recognized in the statement of earnings (loss) except to the extent that it relates to items recognized directly in equity, in which case the income tax is recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Fund and it is probable that the temporary difference will not reverse in the foreseeable future.

#### *j) Unitholders' capital*

Under IAS 32, a financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset (a 'puttable instrument') is a financial liability, except for those instruments that meet the exceptions to be classified as equity instruments. The trust units of the Fund meet the puttable equity exceptions and therefore are classified as equity.

The Fund's declaration of trust allows a unitholder to tender their units for cash redemption. This cash redemption right is restricted, at the Fund's option, to an aggregate cash amount of \$25,000. Historically, the Fund has not been asked to redeem units for cash. As a result, the Fund does not have policies or processes for managing the potential redemption of units for cash.

#### *k) Unit-Based Compensation*

The Fund issues unit-based awards to certain employees in the form of unit options. The unit options are financial liabilities since the units are ultimately puttable back to the Fund in exchange for cash. The cost of cash-settled unit-based transactions are measured at fair value using a black-scholes model and expensed over the vesting period with the recognition of a corresponding liability. The liability is re-measured at each reporting date with changes in fair value recognized in earnings (loss).

## **BOYD GROUP INCOME FUND**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2013

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

#### *l) Earnings per unit*

Basic earnings (loss) per unit (EPU) is calculated by dividing the net earnings (loss) for the period attributable to equity owners of the Fund by the weighted average number of units outstanding during the period.

Diluted EPU is calculated by adjusting the weighted average number of units outstanding and corresponding earnings impact for dilutive instruments. The Fund's dilutive instruments comprise unit options, exchangeable shares, convertible debentures and non-controlling interest put options. The number of shares included with respect to unit options is computed using the treasury stock method. The exchangeable Class A shares are evaluated as to whether or not they are dilutive based on the effect on earnings per unit of eliminating the liability adjustment for the period and increasing the weighted average number of units outstanding for the units that would be exchanged for the Class A shares. The dilutive impact of the convertible debentures and non-controlling interest put options is calculated using the "if converted" method.

#### *m) Foreign currency translation*

Items included in the financial statements of each subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Fund's functional currency. The financial statements of entities that have a functional currency different from that of the Fund are translated into Canadian dollars. Assets and liabilities are translated into Canadian dollars at the noon rate of exchange prevailing at the statement of financial position dates and income and expense items are translated at the average exchange rate during the period (as this is considered a reasonable approximation to actual rates). The adjustment arising from the translation of these accounts is recognized in other comprehensive earnings (loss) as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive earnings (loss) related to the foreign operation are recognized in earnings (loss). If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive earnings (loss) related to the subsidiary are reallocated between controlling and non-controlling interests.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in earnings (loss).

#### *n) Financial instruments*

Financial assets and liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Fund classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Cash is classified as "Financial Assets at Fair Value Through Profit or Loss" (FVTPL). This financial asset is marked-to-market through net earnings (loss) at each period end.

## **BOYD GROUP INCOME FUND**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2013

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

Derivative contracts including convertible debenture conversion options and non-controlling interest put options are classified as “Financial Assets or Financial Liabilities at Fair Value Through Profit or Loss” with marked-to-market adjustments being recorded to net earnings (loss) at each period end.

Accounts receivable are classified as “Loans and Receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest method, as reduced by appropriate allowances for estimated unrecoverable amounts.

Accounts payable and accrued liabilities, dividends payable, distributions payable, the non-derivative component of convertible debentures, and long-term debt are classified as “Other Liabilities” and are net of any related financing fees or issue costs. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

As a result of the Fund’s units being redeemable for cash, the exchangeable Class A shares of the Fund’s subsidiary BGHI, are presented as financial liabilities and classified as “Financial Assets or Financial Liabilities at Fair Value Through Profit or Loss”. Exchangeable Class A shares are measured at the market price of the units of Fund as of the statement of financial position date.

For those financial instruments where fair value is recognized in the Statement of Financial Position the methods and assumptions used to develop fair value measurements have been classified into one of the three levels of the fair value hierarchy for financial instruments:

- Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 includes inputs that are observable other than quoted prices included in Level 1
- Level 3 includes inputs that are not based on observable market data

For net investment hedging relationships, foreign exchange gains and losses are recognized in other comprehensive earnings (loss). Amounts recorded in accumulated other comprehensive earnings (loss) are recognized in net earnings (loss) when there is a disposition of the foreign subsidiary.

#### *o) Non-controlling interests*

The Company accounts for transactions where a non-controlling position exists, and where a put option has been granted to third parties under IFRS 10 whereby a non-controlling interest is initially recognized at fair value and then immediately derecognized upon the issuance and recognition of the put option. Differences between the put option liability recognized at fair value and the amount of any non-controlling interest derecognized is recognized directly in equity.

When there is no allocation of profit and loss to non-controlling partners, no non-controlling interest is recognized. Distributions to non-controlling partners are recognized as an expense when paid or payable based on the distribution formula of the agreement.

#### *p) Pensions and other post-retirement benefits*

The Company contributes to defined contribution pension plans of employees. Contributions are recognized within operating expenses at an amount equal to contributions payable for the period. Any outstanding contributions are recognized as liabilities within accruals.

#### *q) Provisions*

Provisions are recognized when the Fund has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is significant. The increase in the provision

## **BOYD GROUP INCOME FUND**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2013

*(thousands of Canadian dollars, except unit, share and per unit/share amounts)*

due to the passage of time is recognized as interest expense.

#### *r) Segment reporting*

The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the chief executive officer of the Fund.

The Fund's primary line of business is automotive collision and glass repair and related services, with the majority of revenues relating to this group of similar services. This line of business operates in Canada and the U.S. and both regions exhibit similar long-term economic characteristics. In this circumstance, IFRS requires the Company to provide specific geographical disclosure. For the years reported, the Company's revenues were derived within Canada or the U.S. and all property, plant and equipment, goodwill and intangible assets are located within these two geographic areas.

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Critical accounting estimates and assumptions**

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### **Impairment of Non-Financial Assets**

When testing goodwill and intangibles for impairment, the Fund uses the recorded historical cash flows of the CGU for the most recent two years, and an estimate or forecast of cash flows for the next year to establish an estimate of the Fund's future cash flows. An estimate of the recoverable amount is then calculated as the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The methods used to value intangible assets and goodwill require critical estimates to be made regarding the future cash flows and useful lives of the intangible assets. Goodwill and intangible asset write downs, when recognized, are recorded as a separate charge to earnings (loss), and could materially impact the operating results of the Fund for any particular accounting period.

#### **Impairment of Other Long-lived Assets**

The Fund periodically assesses the recoverability of values assigned to long-lived assets, other than goodwill and intangibles, after considering the potential impairment indicated by such factors as business and market trends, the Fund's ability to transfer the assets, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates the future cash flows expected to result from the use of the assets and their potential disposition. If the discounted sum of the expected future cash flows is less than the carrying value of the assets generating those cash flows, an impairment loss would be recognized based on the excess of the carrying amounts of the assets over their estimated recoverable value. The underlying estimates for cash flows include estimates for future sales, gross margin rates and operating expenses. Changes which may impact these estimates include, but are not limited to, business risks and uncertainties and economic conditions. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a material impact on the Fund's consolidated financial statements.

## **BOYD GROUP INCOME FUND**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2013

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

#### Fair Value of Financial Instruments

The Fund has applied discounted cash flow methods to establish the fair value and carrying values of certain financial liabilities recorded on the statement of financial position, as well as disclosed in the notes to the financial statements. The Fund also establishes mark-to-market valuations for derivative instruments, which are assumed to represent the current fair value of these instruments. These valuations rely on assumptions regarding interest and exchange rates as well as other economic indicators, which at the time of establishing the fair value for disclosure, have a high degree of uncertainty. Unrealized gains or losses on these derivative financial instruments may not be realized as markets change.

#### Income Taxes

The Fund is subject to income tax in several jurisdictions and significant estimates are used to determine the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Fund recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Fund's belief that its tax return positions are supportable, the Fund believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Fund believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

#### **Critical judgments in applying the entity's accounting policies**

##### Deferred Tax Assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Fund's latest forecasts which are adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Fund operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. The judgments inherent in these assessments are subject to significant uncertainty and if changed could materially affect the Fund's assessment of its ability to realize the benefit of these tax assets.

##### Leases

In applying the classification of leases in IAS 17, management considers its premise leases as well as certain equipment and vehicle leases as operating lease arrangements. In some cases, the lease transaction is not conclusive, and management uses judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership or an operating lease where substantially all the risks and rewards incidental to ownership are not transferred.

#### **4. NEW ACCOUNTING STANDARDS ADOPTED AND FUTURE STANDARDS NOT YET EFFECTIVE**

The following are new accounting standards adopted during the current year:

Effective January 1, 2014, the Fund adopted Levies ["IFRIC 21"] and amendments to Financial Instruments: Recognition and Measurement ["IAS 39"] as required under IFRS.

IFRIC 21, *Levies*, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The interpretation is effective for annual periods beginning on or after January 1, 2014 with earlier application permitted. This standard had no impact on the Fund's reporting.

## **BOYD GROUP INCOME FUND**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2013

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IAS 39, *Financial Instruments: Recognition and Measurement*, was amended to clarify that hedge accounting should be continued when a derivative financial instrument designated as a hedging instrument is replaced from one counterparty to a central counterparty or an entity acting in that capacity and certain conditions are met. The amendment is effective for annual periods beginning on or after January 1, 2014 with early application permitted. This change had no impact on the Fund's reporting.

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

IFRS 15, *Revenue from Contracts with Customers*, was issued by the International Accounting Standards Board ("IASB") on May 28, 2014 and will replace current guidance found in IAS 11, *Construction Contracts* and IAS 18, *Revenue*. IFRS 15 outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and is effective for reporting periods beginning on or after January 1, 2017 with early application permitted. A choice of retrospective application or a modified transition approach is provided. The Fund is currently evaluating the impact of adopting IFRS 15 on its financial statements.

IFRS 9, *Financial Instruments*, was issued by the IASB on July 24, 2014 and will replace current guidance found in IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The new standard will come into effect on January 1, 2018 with early application permitted. The Fund is currently evaluating the impact of adopting IFRS 9 on its financial statements.

Amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures (2011)* were issued by the IASB on September 11, 2014 to acknowledge inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments will be effective for annual periods commencing on or after January 1, 2016. The Fund is currently evaluating the impact of the amendments on its financial statements.

#### **5. ACQUISITIONS**

On April 14, 2014, the Company completed a transaction acquiring Dora Holdings, Inc., which owns and operates 24 collision repair centers in Illinois and Indiana, and Collision Revision 13081 Inc., which owns and operates one collision repair center in Florida, both operating under the trade name "Collision Revision". Funding for the transaction was a combination of seller financing and use of the revolving credit facility.

On May 30, 2014, the Company completed a transaction acquiring Netcost 866netglass LLC, operating as Netcost Claims Services ("Netcost"). Netcost expanded the Company's existing third party administration business, Gerber National Glass Services, that offered first notice of loss, auto glass and related services through its network of auto glass providers across the U.S. Netcost also offered roadside assistance services and owned and operated its own call center. Funding for the transaction was a combination of cash and seller financing plus additional consideration if performance over the ensuing 3 years exceeds certain thresholds. The fair value of the contingent consideration has been evaluated based on a formula defined in the purchase and sale agreement. The formula is based on earnings in years one, two and three of operations in excess of the threshold. At December 31, 2014, it is estimated that no further contingent purchase price is payable.

Effective June 2, 2014, the Company completed a transaction acquiring Collex Collision Experts Inc. and Collex Collision Experts of Florida Inc. ("Collex"), which own and operate 16 collision repair centers in Michigan and Florida. Funding for the transaction was a combination of seller financing and use of the revolving credit facility.

On September 12, 2014, the Company completed a transaction acquiring Champ's Holding Company LLC, which owns and operates seven collision repair centers in Louisiana under the trade name Champ's Collision Centers ("Champ's"). Funding for the transaction was a combination of seller financing and use of the revolving credit facility.

**BOYD GROUP INCOME FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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The Fund also completed 10 other acquisitions that added 11 locations during 2014 as follows:

Acquisition Date	Location
January 31, 2014	Phoenix, Arizona (2 locations)
May 1, 2014	Mundelein, Illinois
June 30, 2014	Chicago, Illinois
August 12, 2014	Commerce Township, Michigan
August 29, 2014	Atlanta, Georgia
October 15, 2014	Brunswick, Georgia
October 31, 2014	Coeur d'Alene, Idaho
October 31, 2014	Jacksonville, Florida
November 7, 2014	Seattle, Washington
November 24, 2014	Woodstock, Georgia

Funding for the Atlanta transaction was a combination of cash and a \$190 issuance of 4,297 units to the sellers at a unit price of \$44.22.

On May 31, 2013, the Company acquired a controlling interest in the retail auto glass business of Glass America, Inc. ("Glass America"), which operated 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 million 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.

On September 3, 2013, the Company completed a transaction acquiring HC Capital Group, Inc., which owned and operated 25 collision repair centers in western Michigan and northeastern Indiana under the trade name "Hansen Collision and Glass". Funding for the transaction was a combination of cash, third-party financing, seller financing and a \$2,110 issuance of 83,721 units to the sellers at a fifteen-day weighted average price of \$24.83 per unit.

The Fund also completed 14 other acquisitions that added 17 locations during 2013 as follows:

Acquisition Date	Location
January 16, 2013	Wilmington, North Carolina
February 9, 2013	Stanwood, Washington
February 25, 2013	Lakeland, Florida
March 28, 2013	Durham, North Carolina
April 1, 2013	Wilmington, North Carolina
April 30, 2013	Spokane, Washington
May 9, 2013	Gastonia, North Carolina
May 31, 2013	Kitchener, Ontario
June 14, 2013	Loveland, Colorado
June 28, 2013	Newnan, Georgia
October 1, 2013	Douglasville, Georgia
October 31, 2013	Ellicott City and Catonsville, Maryland
November 12, 2013	Gilbert, Scottsdale and Tempe, Arizona
November 15, 2013	Jacksonville, North Carolina

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

<b>Acquisitions in 2014</b>	Collision Revision	Netcost	Collex	Champ's	Other acquisitions	Total
<b>Identifiable net assets acquired at fair value:</b>						
Cash	\$ 1,237	\$ 740	\$ 649	\$ 2,557	\$ -	\$ 5,183
Other current assets	4,187	2,159	2,762	1,605	28	10,741
Property, plant and equipment	4,050	237	4,010	3,303	6,630	18,230
Identified intangible assets						
Customer relationships	9,544	2,608	18,303	16,171	-	46,626
Brand name	658	435	545	443	-	2,081
Non-compete agreements	878	217	545	775	-	2,415
Liabilities assumed	(7,849)	(4,404)	(3,598)	(4,398)	-	(20,249)
Deferred income tax liability	(4,321)	-	-	-	-	(4,321)
Identifiable net assets acquired	\$ 8,384	\$ 1,992	\$ 23,216	\$ 20,456	\$ 6,658	\$ 60,706
Goodwill	17,916	1,268	26,236	18,086	-	63,506
<b>Total purchase consideration</b>	<b>\$ 26,300</b>	<b>\$ 3,260</b>	<b>\$ 49,452</b>	<b>\$ 38,542</b>	<b>\$ 6,658</b>	<b>\$ 124,212</b>
<b>Consideration provided</b>						
Cash paid or payable	\$ 7,102	\$ 1,087	\$ 44,549	\$ 34,555	\$ 5,283	\$ 92,576
Units issued					190	190
Sellers notes	19,198	2,173	4,903	3,987	1,185	31,446
<b>Total consideration provided</b>	<b>\$ 26,300</b>	<b>\$ 3,260</b>	<b>\$ 49,452</b>	<b>\$ 38,542</b>	<b>\$ 6,658</b>	<b>\$ 124,212</b>

The Fund acquired additional items of property, plant and equipment totalling \$367 from the previous owners of Collex.

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The following table summarizes the preliminary purchase consideration and preliminary purchase price allocation as reported in the Fund's 2013 year-end financial statements:

**Acquisitions in 2013**

	Glass America	Hansen Collision and Glass	Other acquisitions	Total
<b>Identifiable net assets acquired at fair value:</b>				
Cash	\$ 1,279	\$ 1,214	\$ 232	\$ 2,725
Other current assets	3,787	2,749	438	6,974
Property, plant and equipment	1,179	2,930	8,670	12,779
Identified intangible assets				
Customer relationships	7,237	8,860	-	16,097
Brand name	4,136	422	-	4,558
Non-compete agreements	-	422	-	422
Liabilities assumed	(7,759)	(3,361)	(367)	(11,487)
Deferred income tax liability	(4,435)	-	-	(4,435)
Non-controlling interest	(2,645)	-	-	(2,645)
Identifiable net assets acquired	\$ 2,779	\$ 13,236	\$ 8,973	\$ 24,988
Goodwill	6,971	12,828	-	19,799
<b>Total purchase consideration</b>	<b>\$ 9,750</b>	<b>\$ 26,064</b>	<b>\$ 8,973</b>	<b>\$ 44,787</b>
<b>Consideration provided</b>				
Cash paid or payable	\$ 5,516	\$ 15,554	\$ 7,296	\$ 28,366
Sellers notes	-	8,400	1,677	10,077
Units	-	2,110	-	2,110
Equity interest in glass business	4,234	-	-	4,234
<b>Total consideration provided</b>	<b>\$ 9,750</b>	<b>\$ 26,064</b>	<b>\$ 8,973</b>	<b>\$ 44,787</b>

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The following table summarizes the final purchase consideration and final purchase price allocation for the Glass America and Hansen Collision and Glass acquisitions. No adjustments were made to Other acquisitions presented above.

<b>Purchase price allocation</b>	Glass America - preliminary	Glass America - adjustments	<b>Glass America - final</b>	Hansen Collision and Glass - preliminary	Hansen Collision and Glass - adjustments	<b>Hansen Collision and Glass - final</b>
<b>Identifiable net assets acquired at fair value:</b>						
Cash	\$ 1,279	-	\$ 1,279	\$ 1,214	\$ -	\$ 1,214
Other current assets	3,787	-	3,787	2,749	(25)	2,724
Property, plant and equipment	1,179	25	1,204	2,930	(25)	2,905
Identified intangible assets						
Customer relationships	7,237	(620)	6,617	8,860	-	8,860
Brand name	4,136	(414)	3,722	422	-	422
Non-compete agreements	-	-	-	422	-	422
Liabilities assumed	(7,759)	(358)	(8,117)	(3,361)	406	(2,955)
Deferred income tax liability	(4,435)	4,495	60	-	-	-
Non-controlling interest	(2,645)	-	(2,645)	-	-	-
Identifiable net assets acquired	\$ 2,779	\$ 3,128	\$ 5,907	\$ 13,236	\$ 356	\$ 13,592
Goodwill	6,971	(3,128)	3,843	12,828	(356)	12,472
<b>Total purchase consideration</b>	<b>\$ 9,750</b>	<b>-</b>	<b>\$ 9,750</b>	<b>\$ 26,064</b>	<b>-</b>	<b>\$ 26,064</b>

The purchase price allocation adjustments represent balance sheet reclassifications between property, plant and equipment, customer relationships, brand name, goodwill and deferred income taxes within the acquisition measurement period for the Glass America and Hansen Collision and Glass acquisitions.

The preliminary purchase prices for the 2014 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.

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.

A significant part of the goodwill added in 2013 and 2014 can be attributed to the assembled workforce and the operating know-how of key personnel. However, no intangible asset qualified for separate recognition in this respect.

Goodwill recognized during the year on Netcost, Collex and Champ's acquisitions is expected to be deductible for tax purposes. The portion of goodwill related to the acquisition of Collision Revision 13081 Inc. of \$4,388 is expected to be deductible for tax purposes.

Costs associated with acquisition and development activities are expensed as incurred. Included in acquisition, transaction and process improvement costs of \$6,325 (2013 - \$2,331) are process improvement costs of \$2,875 (2013 - \$570).

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The results of operations reflect the revenues and expenses of acquired operations from the date of acquisition. Revenue contributed by Collision Revision, Collex and Champ's since the acquisition were \$46,213, \$30,540, and \$12,031, respectively. Net earnings contributed by Collision Revision, Collex and Champ's since the acquisition were \$769, \$752, and \$939, respectively. Revenue and net earnings contributed by Netcost since the acquisition has not been disclosed as it is impracticable to do so due to the results of its operations being fully integrated into the results of the combined GNCS business.

If Collision Revision, Netcost, Collex and Champ's had been acquired on January 1, 2014, the Fund's loss for the year ended December 31, 2014 would have been \$12,409 (unaudited).

**6. INVENTORY**

As at	<b>December 31, 2014</b>	December 31, 2013
Materials	\$ 7,460	\$ 5,515
Work in process	<b>8,349</b>	5,916
	<b>\$ 15,809</b>	\$ 11,431

Included in cost of sales for the year ended December 31, 2014 are parts and material costs of \$260,024 (2013 – \$183,055) and labour costs of \$140,043 (2013 – \$96,643) with the balance of cost of sales primarily made up of sublet charges.

**BOYD GROUP INCOME FUND**  
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**7. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Shop Equipment	Office Equipment	Computer Hardware	Signage	Vehicles	Leasehold Improvements	Total
Rates		5%	15%	20%	30%	15%	30%	10 to 25 years straight line	
As at January 1, 2013									
Cost	\$ 130	\$ 2,284	\$ 38,981	\$ 3,075	\$ 4,562	\$ 3,148	\$ 7,056	\$ 23,715	\$ 82,951
Accumulated depreciation	-	(176)	(18,357)	(1,675)	(2,760)	(1,040)	(3,986)	(9,059)	(37,053)
Net book value	\$ 130	\$ 2,108	\$ 20,624	\$ 1,400	\$ 1,802	\$ 2,108	\$ 3,070	\$ 14,656	\$ 45,898
For the year ended December 31, 2013									
Additions	1,409	885	10,881	1,487	1,597	1,150	3,375	5,411	26,195
Proceeds on disposal	-	(1,426)	(25)	-	(334)	-	(362)	(1)	(2,148)
Gain (loss) on disposal	-	-	(5)	(4)	331	-	112	(3)	431
Depreciation	-	(40)	(3,773)	(306)	(722)	(389)	(1,829)	(2,333)	(9,392)
Foreign exchange	6	85	1,434	101	113	150	98	954	2,941
Net book value	\$ 1,545	\$ 1,612	\$ 29,136	\$ 2,678	\$ 2,787	\$ 3,019	\$ 4,464	\$ 18,684	\$ 63,925
As at December 31, 2013									
Cost	\$ 1,545	\$ 1,831	\$ 51,817	\$ 4,724	\$ 6,393	\$ 4,488	\$ 9,792	\$ 30,582	\$ 111,172
Accumulated depreciation	-	(219)	(22,681)	(2,046)	(3,606)	(1,469)	(5,328)	(11,898)	(47,247)
Net book value	\$ 1,545	\$ 1,612	\$ 29,136	\$ 2,678	\$ 2,787	\$ 3,019	\$ 4,464	\$ 18,684	\$ 63,925
For the year ended December 31, 2014									
Additions	-	1,208	15,152	1,235	1,064	1,063	2,021	13,341	35,084
Proceeds on disposal	(1,410)	(825)	(10)	-	-	-	(192)	-	(2,437)
Gain (loss) on disposal	2	-	(13)	-	-	-	73	-	62
Depreciation	-	(96)	(5,597)	(673)	(963)	(539)	(2,094)	(3,443)	(13,405)
Foreign exchange	9	116	2,947	207	213	285	232	2,026	6,035
Net book value	\$ 146	\$ 2,015	\$ 41,615	\$ 3,447	\$ 3,101	\$ 3,828	\$ 4,504	\$ 30,608	\$ 89,264
As at December 31, 2014									
Cost	\$ 146	\$ 2,330	\$ 69,893	\$ 6,166	\$ 7,670	\$ 5,836	\$ 11,926	\$ 45,949	\$ 149,916
Accumulated depreciation	-	(315)	(28,278)	(2,719)	(4,569)	(2,008)	(7,422)	(15,341)	(60,652)
Net book value	\$ 146	\$ 2,015	\$ 41,615	\$ 3,447	\$ 3,101	\$ 3,828	\$ 4,504	\$ 30,608	\$ 89,264

**BOYD GROUP INCOME FUND**  
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**8. INCOME TAXES**

The Fund is a “specified investment flow-through” (“SIFT”) and until December 31, 2010 was exempt from tax on its income to the extent that its income was distributed to unitholders. This exemption did not apply to the Company or its subsidiaries, which are corporations that are subject to income tax. On December 15, 2010 the Trustees of the Fund approved an internal capital restructuring plan that better reflects its significant U.S. base of business and its expected source of future growth. A consequence of this restructuring is that its current distribution level to unitholders will be funded almost entirely by its U.S. operations. Fund distributions that are sourced from U.S. business earnings are not subject to the SIFT tax.

The Fund accounts for deferred income tax assets and liabilities in respect of accounting and tax basis differences. Deferred income tax assets and liabilities which relate to the same jurisdiction are netted on the statement of financial position.

- a) The reconciliation between income tax expense and the accounting earnings (loss) multiplied by the combined basic Canadian and U.S. federal, provincial and state tax rates is as follows:

	<b>For the years ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Loss before income taxes	\$ (3,574)	\$ (7,561)
Earnings subject to tax in the hands of unitholders not the Fund	(7,439)	(6,182)
Loss subject to income taxes	\$ (11,013)	\$ (13,743)
Combined basic Canadian and U.S. federal, provincial and state tax rates	<b>31.74%</b>	30.43%
Income tax expense at combined statutory tax rates	\$ (3,496)	\$ (4,182)
Adjustments for the tax effect of:		
Non-deductible depreciation	408	260
Other non-deductible expenses	308	204
Amortization of permanent goodwill deductions	(82)	(78)
Allocation to non-controlling interest	(914)	(321)
Changes in deferred tax assets and liabilities resulting from changes in substantively enacted tax rates	-	(17)
Dividends treated as interest	476	334
Non-deductible fair value adjustments	9,902	7,123
Effective rate adjustment	5,088	845
Items affecting equity - issue costs	131	102
Non-taxable gains	-	(64)
Other	(84)	(172)
Income tax expense	\$ 11,737	\$ 4,034

The structure of the Fund is such that a portion of the Fund’s earnings continue to be subject to tax in the hands of the unitholders, not the Fund. This permits the Company to reduce its tax obligation. As a result during the year the company benefitted from an interest deduction in the amount of \$8,920 (2013 - \$7,251). This amount was received by the Fund who then is permitted to reduce its income for the distributions declared in the year.

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b) Deferred income taxes consist of the following:

As at	<b>December 31, 2014</b>	December 31, 2013
Intangible assets	\$ (286)	\$ (263)
Non-capital losses carried forward	2,249	2,019
Property, plant and equipment	(212)	(221)
Issue costs	1,225	992
Other	(221)	(138)
Deferred income tax asset	\$ 2,755	\$ 2,389

As at	<b>December 31, 2014</b>	December 31, 2013
Intangible assets	\$ (11,635)	\$ (8,729)
Accrued liabilities	5,682	2,838
Non-capital losses carried forward	-	2,384
Property, plant and equipment	(7,004)	(3,228)
U.S. alternative minimum tax paid	-	424
Acquisition costs	2,255	1,437
Deferred income tax liability	\$ (10,702)	\$ (4,874)

c) The movement in deferred income tax assets and liabilities during the year is as follows:

As at	<b>December 31, 2014</b>	December 31, 2013
Balance, beginning of year	\$ 2,389	\$ 1,875
Issue costs	661	992
Deferred income tax expense	(295)	(478)
Balance, end of year	\$ 2,755	\$ 2,389

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As at	<b>December 31, 2014</b>	December 31, 2013
Balance, beginning of year	\$ (4,874)	\$ 2,512
Acquired through business combination	(4,209)	-
Recognition of deferred tax on set up of intangible assets	4,809	(4,564)
Deferred income tax expense	(5,698)	(3,407)
Alternative minimum tax	-	424
Foreign exchange	(730)	161
<b>Balance, end of year</b>	<b>\$ (10,702)</b>	<b>\$ (4,874)</b>

- d) Deferred income tax assets are recognized to the extent it is probable that sufficient future taxable income will be available to allow a deferred income tax asset to be realized. At December 31, 2014, the Fund has recognized all of its deferred income tax assets with the exception of \$7,512 in capital losses available in Canada. At December 31, 2014, the Fund has non-capital losses in Canada of \$8,636 (2013 - \$7,599) and net operating losses in the U.S. of \$nil (2013 - \$6,097).

The losses expire as follows:

Year of expiry	Canada	United States
2026	1,642	-
2030	1,226	-
2033	4,618	-
2034	1,150	-

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**9. INTANGIBLE ASSETS**

	Customer Relationships	Brand Name	Computer Software	Non-competes Agreements	Zoned Property Rights	Total
As at January 1, 2013						
Cost	\$ 42,866	\$ 5,057	\$ 1,709	\$ 2,728	\$ 50	\$ 52,410
Accumulated amortization	(7,222)	(1,335)	(1,226)	(1,310)	(47)	(11,140)
Net book value	\$ 35,644	\$ 3,722	\$ 483	\$ 1,418	\$ 3	\$ 41,270
For the year ended December 31, 2013						
Additions	15,104	4,615	471	419	-	20,609
Amortization	(2,584)	(705)	(332)	(518)	(3)	(4,142)
Foreign exchange	2,598	301	31	89	-	3,019
Net book value	\$ 50,762	\$ 7,933	\$ 653	\$ 1,408	\$ -	\$ 60,756
As at December 31, 2013						
Cost	\$ 61,142	\$ 10,382	\$ 2,350	\$ 3,342	\$ 53,921	\$ 131,137
Accumulated amortization	(10,380)	(2,449)	(1,697)	(1,934)	(53,921)	(70,381)
Net book value	\$ 50,762	\$ 7,933	\$ 653	\$ 1,408	\$ -	\$ 60,756
For the year ended December 31, 2014						
Acquired through business combinations	46,626	2,081	-	2,415	-	\$ 51,122
Purchase price allocation adjustments	(620)	(414)	-	-	-	(1,034)
Additions	-	-	325	-	-	325
Amortization	(4,351)	(1,616)	(318)	(854)	-	(7,139)
Foreign exchange	7,015	722	59	227	-	8,023
Net book value	\$ 99,432	\$ 8,706	\$ 719	\$ 3,196	\$ -	\$ 112,053
As at December 31, 2014						
Cost	\$ 115,298	\$ 13,064	\$ 2,734	\$ 6,197	\$ 53,921	\$ 191,214
Accumulated amortization	(15,866)	(4,358)	(2,015)	(3,001)	(53,921)	(79,161)
Net book value	\$ 99,432	\$ 8,706	\$ 719	\$ 3,196	\$ -	\$ 112,053

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**10. GOODWILL**

As at	December 31, 2014	December 31, 2013
Balance, beginning of year	\$ 73,561	\$ 49,692
Acquired through business combination	63,506	19,799
Recognition of deferred tax asset on purchase price allocation adjustment	(4,495)	-
Purchase price allocation adjustments within the measurement period	1,011	1,025
Write down of goodwill	-	(252)
Foreign exchange	9,172	3,297
<b>Balance, end of year</b>	<b>\$ 142,755</b>	<b>\$ 73,561</b>

The Fund has used the value in use method to evaluate the carrying amount of goodwill. The key assumptions used in the assessment include an estimate of current cash flow, taxes, and a growth rate of 2% and capital maintenance expenditures. These assumptions are based on past experience. A discount rate of 11.5% has been applied to the expected cash flow, after adjusting the cash flow for an estimate of the taxes and capital maintenance expenditures. The amount of carrying value of goodwill that is related to the auto collision repair group of cash generating units and which has been evaluated using this method was \$136,140 (2013 - \$65,517).

The purchase price allocation adjustments represent balance sheet reclassifications between property, plant and equipment, customer relationship, brand name, goodwill and deferred income taxes within the acquisition measurement period for the Glass America and Hansen Collision and Glass acquisitions. The December 31, 2013 purchase price allocation adjustment represents a reclassification between customer relationships and goodwill within the acquisition measurement period for The Recovery Room acquisition.

**11. 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:

Record date	Payment date	Dividend per Unit	Dividend amount
January 31, 2014	February 26, 2014	\$ 0.0400	\$ 597
February 28, 2014	March 27, 2014	0.0400	597
March 31, 2014	April 28, 2014	0.0400	598
April 30, 2014	May 28, 2014	0.0400	597
May 31, 2014	June 26, 2014	0.0400	598
June 30, 2014	July 29, 2014	0.0400	598
July 31, 2014	August 27, 2014	0.0400	602
August 31, 2014	September 26, 2014	0.0400	602
September 30, 2014	October 29, 2014	0.0400	654
October 31, 2014	November 26, 2014	0.0400	654
November 30, 2014	December 22, 2014	0.0410	671
December 31, 2014	January 28, 2015	0.0410	671
		<b>\$ 0.4820</b>	<b>\$ 7,439</b>

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<b>Record date</b>	<b>Payment date</b>	<b>Dividend per Unit</b>	<b>Dividend amount</b>
January 31, 2013	February 26, 2013	\$ 0.0390	\$ 489
February 28, 2013	March 27, 2013	0.0390	489
March 31, 2013	April 26, 2013	0.0390	489
April 30, 2013	May 29, 2013	0.0390	489
May 31, 2013	June 26, 2013	0.0390	489
June 30, 2013	July 29, 2013	0.0390	489
July 31, 2013	August 28, 2013	0.0390	489
August 31, 2013	September 26, 2013	0.0390	489
September 30, 2013	October 29, 2013	0.0390	493
October 31, 2013	November 28, 2013	0.0390	583
November 30, 2013	December 20, 2013	0.0400	597
December 31, 2013	January 29, 2014	0.0400	597
		\$ 0.4700	\$ 6,182

Further distributions were declared for the months of January, February and March 2015 in the monthly amounts of \$0.041 per unit. The total amount of distributions declared after the reporting date was \$2,012.

**12. LONG-TERM DEBT**

During 2012 and up to December 20, 2013 the Company maintained a Canadian operating line facility of \$16,000. The agreement was collateralized by a General Security Agreement and subsidiary guarantees, with incentive priced interest rates and subject to customary terms, conditions, covenants and other provisions for an income trust. On December 20, 2013 this operating line facility was cancelled and replaced with a new revolving credit facility. For the year-ended December 31, 2013, amortization of \$217 was recorded to finance cost with respect to this operating line facility.

On December 20, 2013, the Company entered into a new five year \$100 million U.S. revolving credit facility, with an accordion feature which can increase the facility to a maximum of \$135 million U.S. The new facility is with a syndicate of Canadian and U.S. banks and is secured by the shares and assets of the Company as well as guarantees by BGIF and BGHI. The interest rate is based on a pricing grid of the Fund's ratio of total funded debt to EBITDA as determined under the credit agreement. The Company can draw the facility in either the U.S or in Canada, in either U.S or Canadian dollars and can be drawn in tranches as required. Tranches bear interest only and are not repayable until the maturity date but can be voluntarily repaid at any time. The Company has the ability to choose the base interest rate between Prime, Bankers Acceptances ("BA") or London Inter Bank Offer Rate ("LIBOR"). The total syndicated facility includes a swing line up to a maximum of \$3 million in Canada and \$7 million in the U.S.

Deferred financing costs of \$1,062 (2013 - \$1,010) were incurred to complete this new facility and had been recorded as a deferred cost until the debt was first drawn on during the first quarter of 2014. As at December 31, 2014, debt in the amount of \$85,395 had been fully repaid without penalty using proceeds from the bought deal public offering on September 29, 2014; therefore, the unamortized deferred fees have been classified again as a deferred cost. These deferred fees, in the amount of \$849, will be netted against the debt, when drawn. The fees are amortized to finance costs on a straight line basis over the five year term of the debt facility. At December 31, 2014, amortization of \$212 (2013 - \$nil) had been recorded to finance cost with respect to this new facility.

Under the new revolving facility Boyd is subject to certain financial covenants which must be maintained to avoid acceleration of the termination of the credit agreement. The financial covenants require the Fund to maintain a total debt to EBITDA ratio of less than 4.0, a senior debt to EBITDA ratio of less than 3.50 up to December 31, 2016 and not less than 3.25 thereafter; and a fixed charge coverage ratio of greater than 1.03. The debt calculations exclude the convertible debentures. As at December 31, 2014 and December 31, 2013, the Fund did not have any draws outstanding against this facility and was in compliance with all financial covenants.

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As at	<b>December 31, 2014</b>	December 31, 2013
Seller notes	\$ 56,598	\$ 27,129
Current portion	7,645	4,448
	<b>\$ 48,953</b>	<b>\$ 22,681</b>

Seller notes payable of \$48,787 U.S. on the financing of certain acquisitions are unsecured, at interest rates ranging from 4.0% to 8.0%. The notes are repayable from January 2015 to January 2027 in the same currency as the related note.

The following is the continuity of long-term debt for the year ended December 31, 2014:

	December 31, 2013	Consideration on acquisition	Net draw	Repayment	Foreign Exchange	<b>December 31, 2014</b>
Seller notes	\$ 27,129	31,446	-	(5,854)	3,877	<b>\$ 56,598</b>
Revolving credit facility (net of financing costs)	-	-	85,395	(85,894)	499	-
	<b>\$ 27,129</b>	<b>31,446</b>	<b>85,395</b>	<b>(91,748)</b>	<b>4,376</b>	<b>\$ 56,598</b>

Included in finance costs is interest on long-term debt of \$3,426 (2013 - \$2,504).

The following table summarizes the repayment schedule of the long-term debt:

<b>Principal Payments</b>			
Less than 1 year	\$	7,645	\$ 4,448
1 to 5 years		25,761	14,173
Greater than 5 years		23,192	8,508
	<b>\$</b>	<b>56,598</b>	<b>\$ 27,129</b>

**13. CONVERTIBLE DEBENTURES**

On September 29, 2014, the Fund issued \$50,000 aggregate principal amount of convertible unsecured subordinated debentures due October 31, 2021 (the "2014 Debentures") with a conversion price of \$61.40. On September 29, 2014, as allowed under the provisions of the agreement to issue the 2014 Debentures, the underwriters purchased an additional \$7,500 aggregate principal amount of 2014 Debentures increasing the aggregate proceeds of the 2014 Debenture offering to \$57,500.

The Debentures bear interest at an annual rate of 5.25% payable semi-annually, and are convertible at the option of the holder into units of the Fund at any time prior to the maturity date and may be redeemed by the Fund on or after October 31, 2017 provided that certain thresholds are met surrounding the weighted average market price of the Trust Units at that time. On redemption or maturity, the 2014 Debentures may, at the option of the Fund, be repaid in cash or, subject to regulatory approval, units of the Fund.

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Upon issuance, the 2014 Debentures were bifurcated with \$5,124 related to the conversion feature treated as a financial liability measured at fair value due to the units of the Fund being redeemable for cash. Transaction costs of \$2,774 were incurred in relation to issuance of the 2014 Debentures, which included the underwriter's fee and other expenses of the offering. Details of the 2014 Debentures carrying value are as follows:

As at	<b>December 31, 2014</b>
Balance, beginning of year	\$ -
Proceeds of offering	<b>57,500</b>
Adjusted for:	
Transaction costs	<b>(2,774)</b>
Expensed transaction costs attributable to conversion feature	<b>243</b>
Net proceeds on offering	<b>\$ 54,969</b>
Adjusted for:	
Fair value of conversion feature	<b>(5,124)</b>
Accretion charges	<b>202</b>
<b>Balance, end of period</b>	<b>\$ 50,047</b>

On December 19, 2012, the Fund issued \$30,000 aggregate principal amount of convertible unsecured subordinated debentures due December 31, 2017 (the "Debentures") with a conversion price of \$23.40. On December 24, 2012, as allowed under the provisions of the agreement to issue the Debentures, the underwriters purchased an additional \$4,200 aggregate principal amount of Debentures increasing the aggregate proceeds of the Debenture Offering to \$34,200.

The Debentures bear interest at an annual rate of 5.75% payable semi-annually, and are convertible at the option of the holder, into units of the Fund at any time prior to the maturity date and may be redeemed by the Fund on or after December 31, 2015 provided that certain thresholds are met surrounding the weighted average market price of the Trust Units at that time. On redemption or maturity, the Debentures may at the option of the Fund be repaid in cash or subject to regulatory approval, units of the Fund.

Upon issuance, the Debentures were bi-furcated with \$2,009 related to the conversion feature treated as a financial liability measured at fair value due to the units of the Fund being redeemable for cash. Transactions costs of \$2,003 were incurred in relation to issuance of the Debentures, which included the underwriter's fee and other expenses of the offering. Details of the Debentures carrying value are as follows:

As at	<b>December 31, 2014</b>	December 31, 2013
Balance, beginning of year	\$ 30,971	\$ 30,328
Adjusted for:		
Accretion charges	<b>705</b>	653
Conversion to Fund units	<b>(59)</b>	(10)
<b>Balance, end of period</b>	<b>\$ 31,617</b>	<b>\$ 30,971</b>

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**14. OBLIGATIONS UNDER FINANCE LEASES**

As at	<b>December 31, 2014</b>	December 31, 2013
Equipment leases, at interest rates ranging from 3.58% to 14.66%, due January 2015 to March 2019 (2013 - January 2014 to June 2017), secured by equipment with a net book value of \$4,122 (2013 - \$6,412)	<b>\$ 4,975</b>	\$ 6,287
Vehicle leases, at interest rates ranging from 5.96% to 9.82%, due January 2015 to July 2018 (2013 - January 2014 to November 2016), secured by vehicles with a net book value of \$3,112 (2013 - \$2,772)	<b>4,850</b>	4,563
	<b>\$ 9,825</b>	\$ 10,850
Amounts representing interest	<b>1,050</b>	1,262
	<b>\$ 8,775</b>	\$ 9,588
Current portion	<b>3,436</b>	3,636
	<b>\$ 5,339</b>	\$ 5,952

Included in finance costs is interest related to finance leases of \$895 (2013 - \$656).

Minimum lease payments required as at December 31, 2014 are as follows:

	Principal and Interest Payments	Amounts Representing Interest	Principal Payments
Less than 1 year	\$ 4,222	\$ (786)	\$ 3,436
1 to 5 years	5,603	(366)	5,237
Greater than 5 years	103	(1)	102
	<b>\$ 9,928</b>	<b>\$ (1,153)</b>	<b>\$ 8,775</b>

**15. SETTLEMENT ACCRUAL**

On October 15, 2011, the Fund announced the retirement of the Executive Chairman of the Fund who was also a member of the Fund's Board of Trustees. The Company was obligated to continue with the payment of his compensation until January 31, 2014, being the date upon which his employment agreement would have ended. The right to payment under his retirement compensation agreement continued with a final payment occurring in January 2014. The unpaid balance of the obligation at December 31, 2013 was \$820, which was paid in January 2014. The former Executive Chairman is subject to a non-compete agreement in effect until January 31, 2016, under which he will not compete with Boyd and its subsidiaries in the auto glass and vehicle collision repair businesses anywhere in North America.

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**16. FAIR VALUE ADJUSTMENTS**

	For the years ended December 31,	
	2014	2013
Convertible debenture conversion features	\$ 21,966	\$ 12,778
Exchangeable Class A common shares	4,516	6,042
Unit based payment obligation	8,938	7,689
Non-controlling interest put options	1,940	591
<b>Total fair value adjustments</b>	<b>\$ 37,360</b>	<b>\$ 27,100</b>

**17. FINANCIAL INSTRUMENTS**

**Carrying value and estimated fair value of financial instruments**

			December 31, 2014		December 31, 2013	
	Classification	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>						
Cash	FVTPL <sup>(1)</sup>	1	57,510	57,510	19,304	19,304
Accounts receivable	Loans and receivables	n/a	55,462	55,462	42,168	42,168
Note receivable	Loans and receivables	n/a	893	893	924	924
<b>Financial liabilities</b>						
Accounts payable and accrued liabilities	Other financial liabilities	n/a	96,691	96,691	66,229	66,229
Long-term debt	Other financial liabilities	n/a	56,598	56,598	27,129	27,129
2012 convertible debenture	Other financial liabilities	2	31,617	69,969	30,971	49,445
2012 convertible debenture conversion feature	FVTPL <sup>(1)</sup>	2	33,920	33,920	14,786	14,786
2014 convertible debenture	Other financial liabilities	2	50,047	50,047	-	-
2014 convertible debenture conversion feature	FVTPL <sup>(1)</sup>	2	7,955	7,955	-	-
Exchangeable Class A common shares	FVTPL <sup>(1)</sup>	1	11,420	11,420	11,689	11,689
Non-controlling interest put options	FVTPL <sup>(1)</sup>	3	23,230	23,230	20,340	20,340

(1) Fair Value Through Profit or Loss

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For the Fund's current financial assets and liabilities, which are short term in nature and subject to normal trade terms, the carrying values approximate their fair value. As there is no ready secondary market for the Fund's long-term debt, the fair value has been estimated using the discounted cash flow method. The fair value using the discounted cash flow method is approximately equal to carrying value. The fair value for the non-controlling interest put option is based on the estimated cash payment or receipt necessary to settle the contract at the balance sheet date. Cash payments or receipts are based on discounted cash flows using current market rates and prices and adjusted for credit risk. The fair value of the exchangeable Class A shares is estimated using the market price of the units of Fund as of the statement of financial position date. The fair values for the convertible debenture conversion features are estimated using Black-Scholes valuation models with the following assumptions used: stock price \$47.60, dividend yield 1.66%, expected volatility 27.55%, risk free interest rate of 1.66%, terms of three and seven years. The fair value for the Fund's debentures will change based on the movement in bond rates and changes in the Fund's credit rating.

**Collateral**

The Company's syndicated loan facility is collateralized by a General Security Agreement. The carrying amount of the financial assets pledged as collateral for this facility at December 31, 2014 was approximately \$113,800 (2013 - \$61,500).

**Interest rate risk**

The Company's operating line and syndicated loan facility are exposed to interest rate fluctuations and the Company does not hold any financial instruments to mitigate this risk. Convertible debentures and seller notes are at fixed interest rates.

**Foreign currency risk**

The Company's operations in the U.S. are more closely tied to its domestic currency. Accordingly, the U.S. operations are measured in U.S. dollars and the Company's foreign exchange translation exposure relates to these operations. When the U.S. operation's net asset values are converted to Canadian dollars, currency fluctuations result in period to period changes in those net asset values. The Fund's equity position reflects these changes in net asset values as recorded in accumulated other comprehensive earnings (loss). The income and expenses of the U.S. operations are translated into Canadian dollars at the average rate for the period in order to include their financial results in the consolidated financial statements. Period to period changes in the average exchange rates cause translation effects that have an impact on net earnings (loss). Unlike the effect of exchange rate fluctuations on transaction exposure, the exchange rate translation risk does not affect local currency cash flows.

Transactional foreign currency risk also exists in circumstances where U.S. denominated cash is received in Canada. The Company monitors U.S. denominated cash flows to be received in Canada and evaluates whether to use forward foreign exchange contracts. No forward foreign exchange contracts were used during 2014 or 2013.

The Fund earns interest on promissory notes issued to The Boyd Group (U.S.) Inc., the parent of the Fund's U.S. operations. As at December 31, 2014, promissory notes denominated in Canadian dollars are as follows:

<b>Promissory notes</b>	<b>December 31,</b>	<b>December 31,</b>
As at	<b>2014</b>	<b>2013</b>
Promissory note at 3.3% due September 29, 2017	\$ 108,000	\$ -
Promissory note at 6.5% due January 1, 2020	41,800	41,800
Promissory note at 8.58% due January 1 2024	6,800	6,800
Promissory note at 8.58% due January 1, 2024	25,000	25,000
Promissory note at 8.58% due January 1, 2024	30,000	30,000
	<b>\$ 211,600</b>	<b>\$ 103,600</b>

Currently the Fund's U.S. operations purchase Canadian dollars at market rates to fund the monthly interest payments.

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**Credit risk**

The carrying amount of financial assets represents the maximum credit exposure. Cash is in the form of deposits on demand with major financial institutions that have strong long-term credit ratings. The Fund is subject to risk of non-payment of accounts receivable; however, the Fund's receivables are largely collected from the insurers of its customers. Accordingly, the Fund's accounts receivable comprises mostly amounts due from national and international insurance companies or provincial crown corporations.

<b>Aging of accounts receivable</b>	<b>December 31,</b>	December 31,
As at	<b>2014</b>	2013
Neither impaired nor past due	\$ 53,372	\$ 39,754
Past due:		
Over 90 days	2,997	3,160
	\$ 56,369	\$ 42,914
Allowance for doubtful accounts	(907)	(746)
<b>Accounts receivable</b>	<b>\$ 55,462</b>	<b>\$ 42,168</b>

The Fund uses an allowance account to record an estimate of potential impairment for accounts receivables based on aging and other factors. The Fund has not identified specific accounts it believes to be impaired.

<b>Allowance for doubtful accounts</b>	<b>December 31,</b>	December 31,
As at	<b>2014</b>	2013
Balance, beginning of year	\$ 746	\$ 207
Increase in allowance (net of recoveries and amounts written off)	161	539
<b>Balance, end of year</b>	<b>\$ 907</b>	<b>\$ 746</b>

**Liquidity risk**

The following table details the Fund's remaining contractual maturities for its financial liabilities.

	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 96,691	\$ 96,691	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt	56,598	7,645	6,667	7,050	6,550	5,494	23,192
Obligations under finance leases	8,775	3,436	2,815	1,447	938	37	102
Convertible debentures	91,631	-	-	34,131	-	-	57,500
Operating lease obligation	272,216	45,859	41,170	35,117	28,810	23,468	97,792
	\$525,911	\$153,631	\$ 50,652	\$ 77,745	\$ 36,298	\$ 28,999	\$178,586

Up until December 20, 2013 the Fund was provided an operating line under the credit agreement from its senior lender, collateralized by a General Security Agreement and subsidiary guarantees. The Fund had the ability to draw on the facility to a maximum of \$16,000, subject to accounts receivable margin limitations. This operating line was cancelled on December 20, 2013 and replaced with a swing line up to \$10,000 as part of a new revolving credit facility (Note 12). Obligations of the Fund are generally satisfied through future operating cash flows and the collection of accounts receivable.

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**Market Risk and Sensitivity Analysis**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Components of market risk to which the Fund is exposed are interest rate risk and foreign exchange rate risk as discussed above.

The Fund has used a sensitivity analysis technique that measures the estimated change to net earnings (loss) and equity of a 1% (100 basis points) difference in market interest rates. The sensitivity analysis assumes that changes in market interest rates only affect interest income or expense of variable financial instruments not covered by hedging instruments. For the year ended December 31, 2014 it is estimated that the impact of a 1% change to market rates would result in a \$263 change (2013 – \$304) to net earnings (loss) as well as comprehensive earnings (loss).

The currency risk sensitivity analysis is based on a 5% strengthening or weakening of the Canadian Dollar against the U.S. Dollar and assumes that all other variables remain constant. Under this assumption, net earnings (loss) for the year ended December 31, 2014 as well as comprehensive earnings (loss) would have changed by \$nil due to no foreign exchange contracts being in place at the end of 2014 and 2013.

**Exchangeable Class A Common 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. The exchangeable feature results in the Class A common shares of BGHI being presented as financial liabilities of the Fund. Exchangeable Class A shares are measured at the market price of the units of the Fund as at the statement of financial position date. Exchanges are recorded at carrying value. At December 31, 2014 there were 239,911 (2013 – 352,075) shares outstanding with a carrying value of \$11,420 (2013 – \$11,689). Total retractions for the year were 112,164 (2013 – 11,463) for \$4,786 (2013 – \$283). During the third quarter of 2014, Brock Bulbuck, President & Chief Executive Officer, retracted 100,000 Class A common shares. The retraction was recorded at a carrying value of \$4,324.

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

<b>Record date</b>	<b>Payment date</b>	<b>Dividend per Share</b>	<b>Dividend amount</b>
January 31, 2014	February 26, 2014	\$ 0.0400	\$ 15
February 28, 2014	March 27, 2014	0.0400	15
March 31, 2014	April 28, 2014	0.0400	15
April 30, 2014	May 28, 2014	0.0400	15
May 31, 2014	June 26, 2014	0.0400	15
June 30, 2014	July 29, 2014	0.0400	15
July 31, 2014	August 27, 2014	0.0400	10
August 31, 2014	September 26, 2014	0.0400	11
September 30, 2014	October 29, 2014	0.0400	11
October 31, 2014	November 26, 2014	0.0400	10
November 30, 2014	December 22, 2014	0.0410	11
December 31, 2014	January 28, 2015	0.0410	11
		\$ 0.4820	\$ 154

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<b>Record date</b>	<b>Payment date</b>	<b>Dividend per Share</b>	<b>Dividend amount</b>
January 31, 2013	February 26, 2013	\$ 0.0390	\$ 16
February 28, 2013	March 27, 2013	0.0390	15
March 31, 2013	April 26, 2013	0.0390	15
April 30, 2013	May 29, 2013	0.0390	15
May 31, 2013	June 26, 2013	0.0390	15
June 30, 2013	July 29, 2013	0.0390	15
July 31, 2013	August 28, 2013	0.0390	15
August 31, 2013	September 26, 2013	0.0390	15
September 30, 2013	October 29, 2013	0.0390	15
October 31, 2013	November 27, 2013	0.0390	15
November 30, 2013	December 18, 2013	0.0400	15
December 31, 2013	January 29, 2014	0.0400	15
		\$ 0.4700	\$ 181

During 2014, an expense in the amount of \$4,516 (2013 - \$6,042) was recorded to earnings (loss) related to these exchangeable shares.

Further dividends were declared for the months of January, February and March 2015 in the monthly amounts of \$0.041 per share. The total amount of dividends declared after the reporting date was \$33.

**Non-controlling interest put option**

On May 31, 2013, the Fund 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 a new combined Glass America entity. The agreement contains a put option, which provides the non-controlling interest with the right to require the Fund to purchase their retained interest according to a valuation formula defined in the agreement. All changes in the estimated liability are recorded in earnings (loss). The put option is restricted until June 1, 2015 and is exercisable anytime thereafter.

On May 31, 2013, in connection with the acquisition of Glass America, 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. The 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. All fair value changes in the estimated liability are recorded in earnings (loss).

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 significant unobservable inputs include the put being exercised between one and three years at a probability weighted estimated EBITDA level of approximately \$8.3 million using a discount rate of 9.6%. An increase in the EBITDA level or a reduction in the discount rate would increase the put liability.

During the third and fourth quarters of 2014, the Fund made \$1,066 in payments to the Glass America non-controlling interest.

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The equity impact of the May 31, 2013 transactions with non-controlling interests is summarized as follows:

Glass-business operating partner equity contribution	\$	1,125
Glass America equity contribution		7,240
<hr/>		
Equity contributed by non-controlling interests	\$	8,365
<hr/>		
Termination of glass-business operating partner put option	\$	1,132
Recognition of new glass-business operating partner put option		(4,949)
Recognition of Glass America put option		(14,425)
<hr/>		
Recognition of non-controlling interest put option liabilities	\$	(18,242)

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

	December 31, 2014	December 31, 2013
Glass-business operating partner non-controlling interest put option	\$ 6,510	\$ 4,999
Glass America non-controlling interest put option	16,720	15,341
<hr/>		
	\$ 23,230	\$ 20,340

The change in the non-controlling interest put option liabilities is summarized as follows:

	Glass-business operating partner	Glass America non-controlling interest
Balance, beginning of year	\$ 4,999	\$ 15,341
Year-to-date statement of loss fair value adjustments	1,004	936
Payment to non-controlling interests	-	(1,066)
Foreign exchange	507	1,509
<hr/>		
Balance, end of year	\$ 6,510	\$ 16,720

**18. 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:

Date Granted	Issue Date	Number of Units	Exercise Price	Expiry Date	December 31, 2014	
						Fair Value
January 11, 2006	January 11, 2006	200,000	\$ 1.91	January 11, 2016	\$	8,061
November 8, 2007	January 2, 2008	150,000	\$ 2.70	January 2, 2018		4,590
November 8, 2007	January 2, 2009	150,000	\$ 3.14	January 2, 2019		4,064
November 8, 2007	January 2, 2010	150,000	\$ 5.41	January 2, 2020		3,478
<hr/>						
						20,193



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During 2013, no amount was required to be repaid as an over-funded amount related to rebates previously received. Termination of the arrangement by the Company, the occurrence of an event of default or a change in control, as defined by the agreement, required the Company to repay all un-amortized balances and all other amounts as outlined within the agreement.

**20. LEASE COMMITMENTS**

The Fund has various operating lease commitments, primarily in respect of leased premises. The aggregate amount of future minimum lease payments associated with these leases is \$272,216 (2013 - \$134,664). The minimum amounts payable over the next five years are as follows:

Less than 1 year	\$	45,859
1 to 5 years		128,565
Greater than 5 years		97,792
	\$	272,216

Included in operating expenses for the year ended December 31, 2014 are operating lease expenses, primarily in respect of leased premises of \$47,055 (2013 – \$33,139).

**21. CONTINGENCIES**

The Fund has a Canadian denominated letter of credit for \$25,000 (2013 –\$25,000). In addition, the Fund has two U.S. denominated letters of credit for \$225,000 U.S. (2013 –\$225,000 U.S.).

**22. ACCUMULATED OTHER COMPREHENSIVE EARNINGS**

	<b>December 31, 2014</b>	December 31, 2013
Balance, beginning of year	\$ 5,685	\$ (1,265)
Unrealized gain (loss) on translating financial statements of foreign operations	16,292	6,950
Balance, end of year	\$ 21,977	\$ 5,685

There is no tax impact of translating the financial statements of the foreign operation.

**23. CAPITAL**

**Unitholders' Capital**

**Authorized:**

Unlimited number of trust units

An unlimited number of Units are authorized and may be issued pursuant to the Declaration of Trust. All Units are of the same class with equal rights and privileges. Each Unit is redeemable and transferable. A Unit entitles the holder thereof to participate equally in distributions, including the distributions of net earnings and net realized capital gains of the Fund and distributions on termination or winding-up of the Fund, is fully paid and non-assessable and entitles the holder thereof to one vote at all meetings of Unitholders for each Unit held.

## **BOYD GROUP INCOME FUND**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2013

*(thousands of Canadian dollars, except unit, share and per unit/share amounts)*

On September 29, 2014 the Fund completed a bought deal public offering where it sold to an underwriting syndicate 1,306,000 trust units issued out of treasury at a gross price of \$42.35 per unit for net proceeds to the Fund of \$53,459. Issue costs of \$2,511, net of tax of \$661 were netted against the gross proceeds of \$55,309. Concurrent with this offering and in a separate transaction, Eddie Cheskis, the Chief Executive Officer of Glass America sold 200,000 units that he held directly or indirectly at the same price per unit as under the offering. These units were reoffered by the underwriters to purchasers during the course of the offering.

In the fourth quarter of 2013, the Fund completed a bought deal public offering where it sold to an underwriting syndicate 2,300,000 trust units issued out of treasury at a gross price of \$27.60 per unit for net proceeds to the Fund of \$60,671. Issue costs of \$3,801, net of tax of \$992 were netted against the gross proceeds of \$63,480.

#### **24. CONTRIBUTED SURPLUS**

Units purchased under the Fund's Normal Course Issuer Bid for a value below their carrying amount represent a contribution to the benefit of the remaining unitholders and the difference is credited to contributed surplus. The Fund purchased units for cancellation under Normal Course Issuer Bids in 2009, 2008, and 2007.

#### **25. CAPITAL STRUCTURE**

The Fund's and Company's objective when managing capital is to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk. The Fund includes in its definition of capital: equity (excluding accumulated other comprehensive earnings), long-term debt, convertible debentures, convertible debenture conversion features, obligations under finance lease and cash.

The Fund and Company manage the capital structure and make adjustments to it by taking into account changing economic conditions, operating performance and growth opportunities. In order to maintain or adjust the capital structure, the Fund or Company may adjust the amount of distributions and dividends it pays, purchase units for cancellation pursuant to a normal course issuer bid, issue new units, issue new debt or replace existing debt with different characteristics, issue convertible debentures, expand the operating line, increase or decrease its obligations under finance lease, or settle certain acquisition obligations using a greater amount of cash or units.

The Company monitors capital on a number of bases, including a fixed charge coverage ratio, total debt to Adjusted EBITDA ratios, a debt to capital ratio, a current ratio, its adjusted distributable cash payout ratio, diluted earnings (loss) per unit and distributions per unit. The fixed charge coverage ratio is the ratio of Adjusted EBITDA, adding back rental expense, less unfunded capital expenditures, less income tax expense, less dividends and distributions to debt, rental expense and capital lease payments. Total debt to Adjusted EBITDA is calculated as the Company's total debt and capital leases but excluding convertible debentures divided by Adjusted EBITDA. Adjusted EBITDA is a non-GAAP measure, whose nearest GAAP measure is Cash Flow from Operations. The distributable cash payout ratio is calculated by dividing the distributions paid during the period by adjusted distributable cash. Adjusted distributable cash is a non-GAAP measure, whose nearest GAAP measure is Cash Flow from Operations.

The Fund's strategy has been to monitor and adjust its distributions in order to maintain a strong statement of financial position and improve its cash position and financial flexibility. In addition, the Fund believes that, from time to time, the market price of the units may not fully reflect the underlying value of the units and that at such times the purchase of units would be in the best interest of the Fund. Such purchases increase the proportionate ownership interest of all remaining unitholders.

The Company grows, in part, through future acquisitions or start-up of collision and glass repair and replacement businesses, or other businesses. Sources of capital that the Company has been successful at accessing in the past include public and private equity placements, convertible debt offerings, the use of equity securities to directly pay for a portion of acquisitions, capital available through strategic alliances with trading partners, capital lease financing, seller financing and both senior and subordinate debt facilities.

Total capitalization increased when compared to the prior year primarily due to additional seller notes on acquisitions, as well as the issuance of convertible debentures and treasury units, which slightly increased debt leverage ratios.

**BOYD GROUP INCOME FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2013

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

Higher EBITDA, partially offset by financing costs, debt repayments and income taxes modestly improved the Company's fixed charge coverage ratio during 2014.

The adjusted distributable cash payout ratio for the year ended December 31, 2014 was 16.2% (2013 – 28.0%). A modest increase in the rate of distributions during the year, as well as the need to service new units issued during 2014 was more than offset with increases in distributable cash resulting in the ratio decreasing between the two periods. Diluted earnings (loss) per unit and distributions paid per unit were \$(0.999) and \$0.481 respectively, for the year ended December 31, 2014 (2013 – \$(0.891) and \$0.469). The current annualized distribution level of \$0.492 represents an annual payout ratio, which the Trustees of the fund consider to be a conservative and sustainable level that allows for continued balance sheet improvement to support growth of the business.

**26. 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.

**27. RELATED PARTY TRANSACTIONS**

To broaden and deepen management ownership in the Fund, the Company established the Senior Managers Unit Loan Program ("Unit Loan Program") in December 2012, which facilitated the one-time purchase of 121,607 of trust units held by Brock Bulbuck, President and Chief Executive Officer, and Tim O'Day, President and Chief Operating Officer US Operations, to existing Boyd trustees and senior managers. An additional 70,293 units were sold by Mr. Bulbuck and Mr. O'Day on the open markets. Only senior managers were eligible to receive loan support, and only up to 75% of each senior manager's purchase. The loans bear interest at a fixed rate of 3% per annum with interest payable monthly. Each year, 2% of the original loan amount will be forgiven and applied as a reduction of the loan principal for the first five years of the loan. This forgiveness is conditional on the employee being employed by the Company and the employee not being in default of the loan. Participants are required to make monthly payments equal to .25% of the original principal amount. Beginning March 31, 2013 participants are required to make additional minimum repayments of principal equal to the lesser of 12.5% of their annual pre-tax bonus or 12.5% of the original loan amount. Participants are required to repay the loan in full on the earlier of termination of employment, the sale of the units, or ten years from the date of loan issuance. The loan can be repaid at any time without penalty; however, the 2% future annual forgiveness would be forfeited. Units purchased are held by the Company as security for repayment of the loan. Pursuant to the conditions of the senior manager unit loan program, loan repayments by senior managers amounted to \$196 for 2014 (2013 - \$124). At December 31, 2014, the carrying value of loans made under the Unit Loan Program included in Note receivable was \$728 (2013 - \$924).

On May 31, 2013, 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 17.

In certain circumstances the Company has entered into property lease arrangements where an employee of the Company is the landlord. The property leases for these locations do not contain any significant non-standard terms and conditions that would not normally exist in an arm's length relationship, and the Fund has determined that the terms and conditions of the leases are representative of fair market rent values.

The following are the lease expense amounts for facilities currently under lease with related parties:

Landlord	Affiliated Person(s)	Location	Lease Expires	December 31, 2014	December 31, 2013
3577997 Manitoba Inc.	Brock Bulbuck	Selkirk, MB	2017	\$ 61	\$ 61
Gerber Building No. 1 Ptnrp	Eddie Cheskis & Tim O'Day	South Elgin, IL	2018	\$ 96	\$ 106

**BOYD GROUP INCOME FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2013

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

The Fund's subsidiary, The Boyd Group Inc., has declared dividends totaling \$76 (2013 - \$97), through BGHI to 4612094 Manitoba Inc., an entity controlled by a senior officer of the Fund. At December 31, 2014, 4612094 Manitoba Inc. owned 107,329 Class A common shares and 30,000,000 voting common shares of BGHI, representing approximately 30% of the total voting shares of BGHI.

**28. SEGMENTED REPORTING**

The Fund 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 Fund to provide geographical disclosure. For the years reported, all of the Fund's revenues were derived within Canada or the United States of America. Reportable assets include property, plant and equipment, goodwill and intangible assets which are all located within these two geographic areas.

<b>Revenues</b>	<b>For the years ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Canada	\$ 81,019	\$ 79,793
United States	763,085	498,467
	<b>\$ 844,104</b>	<b>\$ 578,260</b>

<b>Reportable Assets</b> As at	<b>December 31,</b>	<b>December 31,</b>
	<b>2014</b>	<b>2013</b>
Canada	\$ 15,993	\$ 18,784
United States	327,869	179,458
	<b>\$ 343,862</b>	<b>\$ 198,242</b>

The Fund's revenues are largely derived from the insurers of its customers, who are generally automobile owners. In three Canadian provinces where the Fund operates, government-owned insurance companies have, by legislation, either exclusive or semi-exclusive rights to provide insurance to the Fund's customers. Sales generated in these three markets represent approximately 5% (2013 – 8%) of the Fund's total sales. Although the Fund's services in these markets are predominately paid for by these government-owned insurance companies, the Fund's customers (automobile owners) have freedom of choice of repair provider. In markets where non-government owned insurance companies are predominant, formal relationships with insurance companies such as Direct Repair Programs ("DRPs") play an important role in generating sales volumes for the Fund. Although automobile owners still have the freedom of choice of repair provider, that choice can be influenced by the insurance companies with DRPs. Of the top five non-government owned insurance companies that the Fund deals with, which in aggregate account for approximately 47% (2013 – 48%) of total sales, one insurance company represents approximately 16% (2013 – 17%) of the Fund's total sales, while a second insurance company represents approximately 15% (2013 – 14%).

**BOYD GROUP INCOME FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2013

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

**29. COMPENSATION OF KEY MANAGEMENT**

Compensation awarded to key management included:

	<b>For the years ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Salaries and short-term employee benefits	\$ 4,312	\$ 3,434
Post-employment benefits	79	76
Unit options	8,938	7,689
	<b>\$ 13,329</b>	<b>\$ 11,199</b>

Key management includes the Fund's Trustees as well the most senior officers of the Fund and Subsidiary Companies.

**30. EMPLOYEE EXPENSES**

	<b>For the years ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Salaries and short-term employee benefits	\$ 320,655	\$ 221,583
Post-employment benefits	79	76
Unit options	8,938	7,689
	<b>\$ 329,672</b>	<b>\$ 229,348</b>

**31. DEFINED CONTRIBUTION PENSION PLANS**

The Fund has defined contribution pension plans for certain employees. The Fund matches U.S. employee contributions at rates up to 6.0% of the employees' salary. The expense and payments for the year were \$677 (2013 - \$566). The Fund has established Retirement Defined Contribution Arrangement Trust Agreements for the CEO and previous Executive Chairman which qualify as retirement compensation arrangements as defined in the Income Tax Act (Canada), RSC 1985, c.1 (5<sup>th</sup> Supplement), as amended. The agreements specify that quarterly contributions are to be made until the end of 2024. In the case of the previous Executive Chairman, payments were made until January, 2014, at which time the balance was paid to settle the remaining obligation. During 2014, \$818 (2013 - \$239) was paid related to these arrangements.

**32. LOSS PER UNIT**

	<b>For the years ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Net loss	\$ (15,311)	\$ (11,595)
Basic and diluted weighted average number of units	15,331,353	13,011,370
Basic and diluted loss per unit	<b>\$ (0.999)</b>	<b>\$ (0.891)</b>

Exchangeable class A shares, unit options, convertible debentures and the non-controlling interest put options are instruments that could potentially dilute basic earnings (loss) per share in the future, but were not included in the calculation of diluted earnings (loss) per share because they are anti-dilutive for the periods presented.

**BOYD GROUP INCOME FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2013

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

**33. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS**

	<b>For the years ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Accounts receivable	\$ 4,992	\$ (8,311)
Inventory	(1,395)	(1,837)
Prepaid expenses	(2,445)	(254)
Accounts payable	336	5,680
Income taxes, net	754	(119)
	<b>\$ 2,242</b>	<b>\$ (4,841)</b>

**34. COMPARATIVE FIGURES**

Certain of the comparative figures have been reclassified to conform with the presentation of the current year. The previously reported foreign exchange gains of \$99 have been reclassified as operating expenses.

**35. SUBSEQUENT EVENTS**

Effective January 2, 2015, the Company completed a transaction acquiring the assets of Craftmaster Auto Body Group, Inc. ("Craftmaster"), which consists of six new locations in the Melbourne area in Florida. Total purchase price consideration, subject to post closing adjustments, is approximately US\$7,400, consisting of US\$6,000 in cash and a US\$1,400 sellers note. As at the date of issue of these financial statements, the preliminary purchase price allocation for the Craftmaster acquisition has not been completed due to ongoing valuations work with respect to property, plant and equipment and intangibles.

## BOARD OF TRUSTEES

The Boyd Group Income Fund Board of Trustees consists of seven members – two that are officers of the Fund and five that are independent Trustees. The Chairman of the Board is Allan Davis. The Boyd Group Income Fund Board of Trustees has established three standing committees: The Corporate Governance and Nomination Committee, The Audit Committee, and the Executive Compensation Committee.

The Corporate Governance and Nomination Committee is chaired by Walter Comrie and includes all of the independent Trustees. The Audit Committee is chaired by Allan Davis and includes Walter Comrie and Gene Dunn. The Executive Compensation Committee is chaired by Gene Dunn and includes David Brown and Walter Comrie.

**David Brown** is currently President and CEO of Richardson Capital and Managing Director of RBM Capital Limited. Previously, he was Corporate Secretary of James Richardson & Sons, Limited, and a partner in the independent law and accounting firm of Gray & Brown. In addition to serving on the Board of Trustees of the Fund, he also serves as a Director of GMP Capital, Inc., Plastic Moulders Limited, Trillium Health Care Products, and Richardson Financial Group. He graduated from the University of Manitoba law school, and is a Chartered Accountant and member of the Manitoba Bar Association.

**Brock Bulbuck** is Boyd's President and Chief Executive Officer. Since joining the Company in 1993, he has played a leading role in the development and growth of the business. He is a Chartered Accountant and is responsible for the affairs of the Fund and the Company including their strategy, operations and performance. In addition to serving on the Board of Trustees of the Fund, he is also Chair of the Winnipeg Football Club Board of Directors, a member of the CFL Board of Governors and a Director of the Pan Am Clinic Foundation.

**Walter Comrie** is the former General Sales Manager for CTV Television Winnipeg. Mr. Comrie continues to be actively engaged in management & marketing consulting for a variety of clients. Under the Fund's predecessor limited partnership structure, Mr. Comrie served as Chairman of the Advisory Committee. In addition to serving on the Board of Trustees of the Fund, he is a Past President of the Broadcasters Association of Manitoba and a past member of the Board of Directors of Habitat for Humanity.

**Allan Davis** serves as Independent Chairman of the Fund's Board of Trustees. He is also President and Director of AFD Investments Inc., a Winnipeg based management consulting firm. In addition to serving on the Boyd Group Income Fund Board of Trustees, he is also a member of the Exchange Income Corporation Board of Directors.

**Gene Dunn** is the Chairman of Monarch Industries Ltd. of Winnipeg, a leading Canadian manufacturing company, where he previously served as President and CEO. In addition to serving on the Board of Trustees of the Fund, he is also a member of the Board of Cubresa Corporation, a medical imaging company. He is past Chairman of the Board of Governors for Balmoral Hall School for Girls and past Chairman of the Winnipeg Blue Bombers Football Club. Mr. Dunn is also the past Chairman of the Board of Governors of the Canadian Football League (CFL).

**Robert Gross** is the Executive Chairman of Monro Muffler Brake Inc., the largest chain of company-operated automotive undercar repair and tire service facilities in the United States. He served as Chief Executive Officer of Monro from 1999 until October 2012. Prior to his time at Monro, he served as Chairman and Chief Executive Officer at Tops Appliance City, Inc. and before that as President and Chief Operating Officer at Eye Care Centers of America, Inc., a Sears, Roebuck & Co. company.

**Tim O'Day** is Boyd's President and Chief Operating Officer, U.S. Operations. Mr. O'Day joined Gerber Collision & Glass in February 1998. With Boyd Group's acquisition of Gerber in 2004, he was appointed Chief Operating Officer for Boyd's U.S. Operations. In 2008, he was appointed President and Chief Operating Officer for U.S. Operations. Earlier in his career, he was with Midas International, where he was elevated to Vice President–Western Division, responsible for a territory that encompassed 500 Midas locations. Mr. O'Day also serves on the I-Car Board and the Board of the Collision Repair Education Foundation.

## CORPORATE DIRECTORY

### COMPANY OFFICERS & PRIMARY SUBSIDIARY COMPANY OFFICERS

**Brock Bulbuck**  
President &  
Chief Executive Officer

**Narendra (Pat) Pathipati**  
Executive Vice President,  
Chief Financial Officer &  
Secretary-Treasurer

**Tim O'Day \***  
President & Chief Operating  
Officer  
US Operations

**Eric Danberg**  
President  
Canadian Operations

**Kevin Comrie**  
Chief Marketing Officer

**Dan Dott**  
Senior Vice President,  
Finance

**Gary Bunce \***  
Senior Vice President,  
Marketing & Sales  
US Operations

**Kevin Burnett \***  
Vice President Operations,  
Illinois, Oklahoma & Kansas

**Tom Csekme \***  
Vice President Operations,  
Arizona, Nevada & Georgia

**Rex Dunn \***  
President,  
True2Form Collision Repair Centers

**Vince Claudio \***  
Vice President Operations,  
Washington, Colorado

**Jeff Murray**  
Vice President,  
Finance

**Larry Jaskowiak \***  
Vice President Operations,  
Indiana, Florida

**Paul J. Ruiter \***  
Chief HR Officer  
Assistant Secretary,  
True2Form Collision Repair Centers

**Frank Alessia \***  
Assistant Secretary,  
Nevada

**Stephen Boyd**  
Vice President,  
Corporate Development

**Jeremy Overweg \***  
Vice President Operations,  
Michigan

**Danny Kingston \***  
Vice President Operations,  
Louisiana

**Eddie Cheskis \***  
Chief Executive Officer,  
Glass America

**Mark Flash \***  
Vice President,  
Gerber National Claim Services

**Rob Robbins \***  
Vice President, Sales and  
Marketing  
Glass America

**Rob Vaca \***  
Senior Vice President,  
Glass America

**Mike Kellman \***  
Vice President  
Glass America

*\* Officers of subsidiary companies only*

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### CORPORATE OFFICE

3570 Portage Avenue  
Winnipeg, Manitoba, Canada  
R3K 0Z8

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Fax: (204) 895-1283  
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*For location information, please visit us at [www.boydgroup.com](http://www.boydgroup.com)*

## UNITHOLDER INFORMATION

### BOYD GROUP INCOME FUND UNITS AND EXCHANGE LISTING

Units of the Fund are listed on the Toronto Stock Exchange under the symbol BYD.UN

The Fund's convertible debentures are listed on the Toronto Stock Exchange under the symbol BYD.DB

#### **Registrar, Transfer Agents and Distribution Agents**

Valiant Trust Company  
310 – 606 – 4<sup>th</sup> Street S.W.  
Calgary, Alberta  
T2P 1T1

#### **Bank Syndicate Lead Member**

Toronto-Dominion Bank  
TD North Tower  
77 King Street West, 25<sup>th</sup> Floor  
Toronto, Ontario  
M5K 1A2

#### **Legal Counsel**

Thompson Dorfman Sweatman  
2200 – 201 Portage Avenue  
Winnipeg, Manitoba  
R3B 3L3

#### **Additional Bank Syndicate Members**

Bank of America N.A., Canada Branch  
The Bank of Nova Scotia  
National Bank of Canada

#### **Auditors**

Deloitte LLP  
2200 – 360 Main Street  
Winnipeg, Manitoba  
R3C 3Z3

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#### **Annual General Meeting**

Monday, May 26, 2014  
Victoria Inn Hotel and Convention Centre  
1808 Wellington Avenue  
Winnipeg, Manitoba  
R3H 0G3  
5:00 p.m. (CDT)