



BOYD GROUP INCOME FUND

INTERIM REPORT TO UNITHOLDERS
Three Months Ended March 31, 2013

BOYD GROUP INCOME FUND
INTERIM REPORT TO UNITHOLDERS
First Quarter Ended March 31, 2013

To Our Unitholders,

We are pleased to report our financial results for the first quarter of 2013.

The first quarter demonstrated the continued execution and resulting success of our growth strategy. Our solid revenue and Adjusted EBITDA results in the quarter reflected the contributions of multi-location acquisitions and new single-location additions from the previous year. We continue to work on the ramping up of some of these acquisitions and are encouraged by the opportunities to further improve their profitability. We continued to add new single locations during the quarter and post quarter-end and expect to meet our 6%-10% single-location growth target for the year. Expanding our footprint across North America through our platform of growth was the main driver of strong results during the quarter. These results and our continued confidence in our business reinforce our belief in our ability to continue to grow our business and add unitholder value into the future.

For the quarter ended March 31, 2013, sales increased by 21.6% to \$130.6 million, from \$107.4 million in the prior year. The substantial increase resulted primarily from multi-shop acquisitions and 17 new single locations acquired since April 1, 2012 during the previous year. Additionally, \$2.2 million of the increase came from 2.1% growth in same-store sales and another \$0.6 million from favourable currency translation on sales generated by our U.S. operations. This was partially offset by \$1.3 million in lost sales from the closure of three underperforming locations. The ability to drive organic growth in our existing operations remains an important component of our overall growth strategy, therefore, we are pleased to report steady same-store growth in a mixed market environment (partly due to prolonged dry and mild weather in some of our markets). We believe the overall success in our revenue growth is a result of increasing market share, high quality of service offerings, strong reputation of our brands, and the continuing consolidation of the industry.

Earnings before interest, income taxes, depreciation and amortization, adjusted for the fair value adjustments related to the convertible debenture conversion feature, exchangeable share liability, unit option liability, non-controlling interest put option, and acquisition costs ("Adjusted EBITDA")¹ for the first quarter was \$8.2 million, or 6.3% of sales, compared with Adjusted EBITDA of \$7.0 million, or 6.5% of sales, in the prior year. The 17.1% increase in Adjusted EBITDA was primarily due to multi-location acquisitions, new single-location additions, along with EBITDA contribution from same-store sales increases. The reduction in Adjusted EBITDA as a percentage of sales is primarily due to lower margin on late 2012 acquisitions.

Net earnings for the quarter were \$30 thousand or \$0.002 per unit (fully diluted) compared to earnings of \$2.1 million or \$0.166 per unit (fully diluted) for the same period last year. Net earnings were impacted by fair value adjustments to financial instruments of \$3.0 million, acquisition costs of \$0.4 million and accelerated brand name amortization of \$0.2 million. Fair value adjustments resulted primarily from the 18% appreciation in our unit price from \$16.31 to \$19.25 during the quarter. Excluding the impact of these adjustments, net earnings would have increased to \$3.7 million or 2.8% of sales. This compares to adjusted earnings of \$3.3 million or 3.0% of sales for the same period in 2012 if the same items were adjusted. The increase in the adjusted net income for the year is the result of the contribution of new acquisitions and new location growth as well as increases in same-store sales. The reduction in adjusted net earnings as a percentage of sales is primarily due to reduced margins on acquisitions acquired late in 2012.

For the quarter ended March 31, 2013, the Fund generated adjusted distributable cash of \$2.4 million and declared distributions and dividends of \$1.5 million, resulting in a payout ratio based on adjusted distributable cash of 64.2% for the quarter. This compares with a payout ratio of 63.0% a year ago. The first quarter is often a quarter of higher working

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

capital which negatively impacts the payout ratio. On a trailing four-quarter basis at March 31, 2013, the Fund's payout ratio stands at 32.8%. As a growth company offering yield, our objective continues to be to maintain a conservative distribution policy that will provide us with the financial flexibility necessary to support our growth initiatives while gradually increasing distributions over time.

With respect to our balance sheet, the Fund now holds total debt, net of cash, of \$48.5 million, compared with \$47.0 million at December 31, 2012 and \$27.4 million at March 31, 2012. We now have a cash position of \$38.0 million, compared with \$39.0 million as at December 31, 2012. The change in debt and cash during the fourth quarter of 2012 was primarily the result of a \$34.2 million convertible debenture offering, cash used to acquire The Recovery Room and Autocrafters and new US senior bank debt and seller notes issued for the acquisition of Autocrafters. Increases in net debt in the first quarter of 2013 primarily relate to investments of cash in working capital, U.S. dollar translation differences and new capital leases.

We expect to continue to execute the growth strategy that we have proven successful over the past few years for the remainder of 2013. We will continue to target 6%-10% growth through single-location additions in existing and adjacent markets and we are on pace to achieve that target as we continue to see many low-cost opportunities in the market for these additions. The second component of our strategy is accelerated growth through opportunistic acquisitions of multi-location businesses. We continue to believe that there are many opportunities for this kind of growth; however, albeit in a slightly more competitive environment. We believe it is more important than ever to continue to be prudent in identifying and assessing potential acquisitions. The third component of our growth strategy is same-store sales growth. We were pleased with overall first quarter same-store sales growth of 2.1% despite continuing market headwinds and generally mild winter weather in many of our US markets. We expect to sustain growth on a same-store sales basis by continuing to leverage our brand, business model and geographic footprint.

We continue to be encouraged regarding long-term market conditions remaining favourable for the growth of our business and the trend of consolidation in the collision repair industry continuing. We have worked to ensure that the Boyd Group is favourably positioned to benefit through consolidation and economies of scale.

We believe we have all of the pieces in place, an exceptional management team, systems, experience, and strong balance sheet to continue to successfully grow our business and drive value for our unitholders going forward. Our commitment to being a growth company with an attractive payout remains strong, as demonstrated by the growth in our distributions over the last three years, while managing our financial position, which will support our stated growth strategy.

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

Sincerely,





(signed)

Brock Bulbuck
President & Chief Executive Officer

Management’s Discussion & Analysis

OVERVIEW

Boyd Group Income Fund (the “Fund”), through its operating company, The Boyd Group Inc. and its subsidiaries (“Boyd” or the “Company”), is believed to be the largest multi-site non-franchised operator of automotive collision repair service centres in North America, with 226 locations in the four western Canadian provinces and fourteen U.S. states. Boyd carries on business in Canada under the trade name “Boyd Autobody & Glass” and in the U.S., Boyd operates primarily under the trade name “Gerber Collision & Glass”. Pending rebranding to Gerber Collision & Glass, it also currently operates two recent acquisitions under “The Recovery Room” and “AutoCrafters Collision” trade names. The Company operates its autoglass repair and replacement network business with approximately 3,000 affiliated service providers throughout the United States under the “Gerber National Glass Services” name. The following is a geographic breakdown of the collision repair locations by trade name.

| | | | | | |
|--|-----------|---|------------|---|-----------|
|  | 39 |  | 163 |  | 14 |
| | centers | | centers | | centers |
| <ul style="list-style-type: none"> • Manitoba (14) • Alberta (12) • British Columbia (11) • Saskatchewan (2) | | <ul style="list-style-type: none"> • Illinois (36) • North Carolina (23) • Washington (15) • Florida (14) • Georgia (13) • Arizona (12) • Colorado (12) • Indiana (9) | | <ul style="list-style-type: none"> • Florida (14) | |
| | | | |  | 10 |
| | | | | | centers |
| | | | | <ul style="list-style-type: none"> • Florida (10) | |

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

The following review of the Fund’s operating and financial results for the three months ended March 31, 2013, including material transactions and events up to and including May 14, 2013, should be read in conjunction with the unaudited interim condensed consolidated financial statements, as well as the audited annual consolidated financial statements, management discussion and analysis and Annual Information Form of Boyd Group Income Fund for the year ended December 31, 2012 as filed on SEDAR at www.sedar.com. The Fund’s units trade on the Toronto Stock Exchange under the symbol TSX: BYD.UN.

SIGNIFICANT EVENTS

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

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

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

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

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

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

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

OUTLOOK

Boyd has continued to successfully implement its growth strategy by adding four new single locations in the first quarter of 2013 along with three more subsequent to the end of the quarter. In 2013, and for the foreseeable future, the goal for the addition of new single repair locations is 6-10% annually, which will translate into 13-22 new single locations for 2013. Boyd will also continue to remain alert for opportunities to acquire accretive multi-location collision repair businesses and continue its disciplined and selective approach to identifying and assessing these potential acquisitions.

The positive impact of the late 2012 acquisition of The Recovery Room is taking time as it continues to ramp up, but Boyd is still very encouraged by the potential of this acquisition. Another late 2012 acquisition, Autocrafters is on target with internal forecasts in terms of sales and integration. Positive indicators of growth have been varied in the markets that Boyd operates, with some markets experiencing favourable conditions and some challenges in others. Boyd continues to be encouraged with the strength in its business model as the Company continues to increase market share and expand throughout the U.S. with key strategic acquisitions and unit growth. The focus for 2013 and beyond continues to be to grow revenues, both organically and through new locations and acquisitions, while working to enhance margins by increasing efficiency throughout operations. The collision repair industry in both the U.S. and Canada remains highly fragmented and offers attractive opportunities for industry leaders to build value through focused consolidation and economies of scale. Management believes the Company has the management team, systems, experience and the market opportunity, along with the balance sheet and financing options, to continue to successfully grow its business. Boyd continues to remain positive on the long-term dynamics of its industry and the merits of its business model. In this respect, a long-term objective remains to increase distributions over time, while maintaining the financial flexibility to support a growth strategy that will build unitholder value.

BUSINESS ENVIRONMENT & STRATEGY

As at May 14, 2013, the business environment of the Company and strategies adopted by management remain unchanged from those described in the Fund's 2012 annual MD&A.

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

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

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

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

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

| | | |
|--|--|--|
| | accretive to overall Company results | Increased competition which prevents achievement of acquisition and revenue goals |
| The Fund will continue to work to maintain same store sales growth and improve gross margins and EBITDA margins | <p>Continued improvement in economic conditions and employment rates</p> <p>Pricing in the industry remains stable</p> <p>The Company's customer and supplier relationships provide it with competitive advantages to increase sales over time</p> <p>Market share growth will more than offset systemic changes in the industry and environment</p> <p>Able to maintain/reduce costs as a percentage of sales</p> | <p>Poor economic conditions</p> <p>Loss of one or more key customers</p> <p>Significant declines in the number of insurance claims</p> <p>Inability of the Company to pass cost increases to customers over time</p> <p>Increased competition which may prevent achievement of revenue goals</p> <p>Changes in market conditions and operating environment</p> <p>Changes in energy costs</p> <p>Changes in weather conditions</p> <p>Inability to effectively manage costs over time</p> <p>EBITDA margins are negatively impacted by low EBITDA margin growth.</p> |
| Stated objective to gradually increase distributions over time | <p>Growing profitability of the Company and its subsidiaries</p> <p>The continued and increasing ability of the Company to generate cash available for distribution</p> <p>Balance sheet strength & flexibility is maintained and the distribution level is manageable taking into consideration bank covenants, growth requirements and maintaining a distribution level that is supportable over time</p> <p>No change in the Fund's structure</p> | <p>The Fund is dependent upon the operating results of the Company and its ability to pay interest and dividends to the Fund</p> <p>Economic conditions deteriorate</p> <p>Changes in weather conditions</p> <p>Decline in the number of insurance claims</p> <p>Loss of one or more key customers</p> <p>Changes in government regulation</p> |
| Positive impact of recent acquisitions is expected to be tempered in early 2013 by both gradual ramp up in sales as well as by planned integration and systems conversions | <p>Growing profitability of recently acquired subsidiaries</p> <p>Successful integration of recently acquired subsidiaries</p> <p>Successful conversion of management information systems</p> | <p>Integration activities are unsuccessful or delayed</p> <p>Loss of one or more key customers</p> <p>Economic conditions deteriorate</p> <p>Employee relations deteriorate</p> |

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

NON-GAAP FINANCIAL MEASURES

EBITDA AND ADJUSTED EBITDA

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

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

| | Three months ended March 31, | |
|--|------------------------------|-----------------|
| | <u>2013</u> | <u>2012</u> |
| Adjusted EBITDA Reconciliation to Net Earnings (000's) | | |
| Net earnings | \$ 30 | \$ 2,078 |
| Add: | | |
| Finance costs (net of income) | 1,382 | 618 |
| Income tax expense | 402 | 695 |
| Depreciation | 1,921 | 1,768 |
| Amortization of other intangible assets | 1,054 | 1,008 |
| Standardized EBITDA | \$ 4,789 | \$ 6,167 |
| Add: | | |
| Fair value adjustments to financial instruments | 3,024 | 632 |
| Acquisition and transaction costs | 362 | 183 |
| Adjusted EBITDA | \$ 8,175 | \$ 6,982 |

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:

| | Three months ended March 31, | |
|--|------------------------------|-----------------|
| | <u>2013</u> | <u>2012</u> |
| Adjusted Net Earnings Reconciliation to Net Earnings (000's) | | |
| Net earnings | \$ 30 | \$ 2,078 |
| Add: | | |
| Fair value adjustments to financial instruments | 3,024 | 632 |
| Acquisition and transaction costs | 362 | 183 |
| Accelerated amortization of acquired brands | 246 | 382 |
| Adjusted net earnings | \$ 3,662 | \$ 3,275 |
| <i>Weighted average number of units outstanding</i> | 12,539,032 | 12,530,758 |
| <i>Adjusted net earnings per unit</i> | \$ 0.292 | \$ 0.261 |
| <i>Units and class A shares outstanding</i> | 12,927,485 | 12,927,485 |
| <i>Adjusted net earnings per unit and class A share</i> | \$0.283 | \$0.253 |

Distributable Cash

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

| <u>Record date</u> | <u>Payment date</u> | <u>Distribution per unit/share</u> | <u>Distribution amount</u> | <u>Dividend amount</u> |
|--------------------|---------------------|--|--------------------------------|----------------------------|
| January 31, 2013 | February 26, 2013 | \$ 0.039 | \$ 489,002 | \$ 15,170 |
| February 28, 2013 | March 27, 2013 | 0.039 | 489,002 | 15,171 |
| March 31, 2013 | April 26, 2013 | 0.039 | 489,061 | 15,111 |
| | | <u>\$ 0.117</u> | <u>\$ 1,467,065</u> | <u>\$ 45,452</u> |

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 budgets and manages its cash maintenance capital expenditures up to approximately 0.8% of sales.

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

In addition to normal maintenance capital expenditures, beginning in 2011, the Company developed programs to rebrand its multi-shop acquisitions and single store new locations as well as enhance its company-wide technology infrastructure. This technology infrastructure included computer and telephone hardware, software, U.S. management information systems and the methods by which information will be captured, stored and communicated. The Company expected that expenditures in these areas would utilize \$2.0 - \$3.0 million of cash resources in excess of normal budget levels over a period of one to two years. To date the Company has spent \$1.8 million on rebranding and \$1.1 million on technology infrastructure. While modest levels of spending for these programs will continue as new multi-shop and single store locations are acquired and technology infrastructure expands, any further expenditures are anticipated to be within budgeted acquisition and operating levels.

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

Non-recurring and Other Adjustments

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

Debt Management

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

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

Standardized and Adjusted Distributable Cash ⁽¹⁾

| | Three Months Ended March 31 | |
|--|-----------------------------|---------------------|
| | 2013 | 2012 |
| Cash flow from operating activities before changes in non-cash working capital items | \$ 5,324,502 | \$ 4,633,619 |
| Changes in non-cash working capital items | (2,320,937) | (1,608,600) |
| Cash flows from operating activities | 3,003,565 | 3,025,019 |
| Less adjustment for: | | |
| Sustaining expenditures on plant, software and equipment ⁽²⁾ | (938,414) | (844,350) |
| Standardized distributable cash | \$ 2,065,151 | \$ 2,180,669 |
| Standardized distributable cash per average unit and Class A common share | | |
| Per average unit and Class A common share | \$ 0.160 | \$ 0.169 |
| Per diluted unit and Class A common share | \$ 0.160 | \$ 0.169 |
| Standardized distributable cash from above | \$ 2,065,151 | \$ 2,180,669 |
| Add (deduct) adjustments for: | | |
| Collection of rebates ⁽³⁾ | 407,287 | 522,332 |
| Acquisition searches and transaction costs ⁽⁴⁾ | 361,607 | 182,749 |
| Proceeds of sale of equipment | 157,174 | 12,805 |
| Principal repayments of capital leases ⁽⁵⁾ | (636,577) | (588,478) |
| Adjusted distributable cash | \$ 2,354,642 | \$ 2,310,077 |
| Adjusted distributable cash per average unit and Class A common share | | |
| Per average unit and Class A common share | \$ 0.182 | \$ 0.179 |
| Per diluted unit and Class A common share | \$ 0.182 | \$ 0.179 |
| Distributions paid | | |
| Unitholders | \$ 1,467,006 | \$ 1,409,577 |
| Class A common shareholders | 45,511 | 44,763 |
| Total distributions paid | \$ 1,512,517 | \$ 1,454,340 |
| Distributions paid | | |
| Per Unit | \$ 0.117 | \$ 0.113 |
| Per Class A common share | \$ 0.117 | \$ 0.113 |
| Payout ratio based on standardized distributable cash | 73.2% | 66.7% |
| Payout ratio based on adjusted distributable cash | 64.2% | 63.0% |

(1) Standardized and adjusted distributable cash are not recognized measures and do not have a standardized meaning under International Financial Reporting Standards (IFRS). Management believes that in addition to net earnings, standardized and adjusted distributable cash are useful supplemental measures as they provide investors with an indication of cash available for distribution. Investors should be cautioned however, that standardized and adjusted distributable cash should not be construed as an alternative to net earnings and cash flows determined in accordance with IFRS as an indicator of the Fund's performance. Boyd's method of calculating adjusted distributable cash may differ from other companies and income trusts and, accordingly, may not be comparable to similar measures used by other companies.

(2) Includes sustaining expenditures on plant and equipment, information technology hardware and computer software but excludes capital expenditures associated with acquisition and development activities including rebranding of acquired locations. In addition to the maintenance

capital expenditures paid with cash, during 2013 the Company acquired a further \$479,125 (2012 - \$648,000) in capital assets which were financed through finance leases and did not affect cash flows in the current period.

- (3) The Company receives prepaid rebates, under its trading partner arrangements, in quarterly installments for a period of six years subsequent to the date of initial receipt.
- (4) The Company has added back to distributable cash the costs expensed to perform acquisition searches and to complete transactions.
- (5) Repayments of these leases represent additional cash requirements to support the productive capacity of the Company and therefore have been deducted when calculating adjusted distributed cash.

RESULTS OF OPERATIONS

| (\$000's, except per unit figures) | March 31, 2013 | % change | March 31, 2012 |
|---|-------------------|-------------|-------------------|
| Total Sales | 130,639 | 21.6% | 107,404 |
| Same Store Sales <i>(excluding foreign exchange)</i> | 108,191 | 2.1% | 105,983 |
| Sales - Canada | 19,359 | (0.9%) | 19,532 |
| Same Store Sales - Canada | 19,359 | (0.9%) | 19,532 |
| Sales - U.S. | 111,280 | 26.6% | 87,873 |
| Same Store Sales - U.S. <i>(excluding foreign exchange)</i> | 88,832 | 2.8% | 86,451 |
| Gross Margin % | 45.0% | (0.7%) | 45.3% |
| Operating Expense % | 38.8% | 0.0% | 38.8% |
| Adjusted EBITDA | 8,175 | 17.1% | 6,982 |
| Depreciation and Amortization | 2,975 | 7.2% | 2,776 |
| Finance Costs | 1,382 | 123.6% | 618 |
| Fair Value Adjustments to Financial Instruments | 3,024 | 378.5% | 632 |
| Income Tax Expense | 402 | (42.2%) | 695 |
| Net earnings | 30 | (98.6%) | 2,078 |
| Basic earnings per unit | 0.002 | (98.6%) | 0.166 |
| Diluted earnings per unit | 0.002 | (98.6%) | 0.166 |
| Standardized Distributable Cash | 2,065 | (5.3%) | 2,181 |
| Adjusted Distributable Cash | 2,355 | 1.9% | 2,310 |
| Distributions and Dividends Paid | 1,513 | 4.1% | 1,454 |

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

1st Quarter Comparison – Three months ended March 31, 2013 vs. 2012

Sales

Sales totalled \$130.6 million for the three months ended March 31, 2013, an increase of \$23.2 million or 21.6% compared to the same period last year. The increase in sales was the result of the following:

- \$21.7 million of incremental sales were generated from 17 new single locations as well as six Pearl Autobody ("Pearl") locations, 11 The Recovery Room ("TRR") locations and 14 Autocrafters ("Autocrafters") locations acquired in 2012 and the first quarter of 2013.
- Same-store sales excluding foreign exchange increased \$2.2 million or 2.1%, and increased a further \$0.6 million due to the translation of same-store sales at a higher U.S. dollar exchange rate.
- Sales were affected by the closure of three under-performing facilities which decreased sales by \$1.3 million.

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

Sales by Geographic Region (000's)

| <i>Three Months Ended March 31,</i> | 2013 | 2012 |
|-------------------------------------|-------------------|-------------------|
| Canada | \$ 19,359 | \$ 19,532 |
| United States | 111,280 | 87,873 |
| Total | \$ 130,639 | \$ 107,405 |
| Canada - % of total | 14.8% | 18.2% |
| United States - % of total | 85.2% | 81.8% |

Sales in Canada for the three months ended March 31, 2013 totalled \$19.4 million, which was \$0.2 million below sales for the same period last year, representing a 0.9% same-store sales decline. The decline was in part the result of fewer production days in the current quarter combined with unfavorable market and weather conditions in some markets.

Sales in the U.S. for the three months ended March 31, 2013 totalled \$111.3 million, an increase from 2012 of \$23.4 million or 26.6% when compared to \$87.9 million for same period last year. Increased sales in the U.S. resulted from the following:

- \$5.9 million of sales were generated from 17 new locations acquired or started over the last five quarters.
- \$3.1 million of incremental sales were generated by six Pearl locations, \$4.6 million of sales were generated by 11 TRR locations and \$8.1 million of sales were generated by 14 Autocrafters locations.
- Same-store sales increased \$2.4 million or 2.8% excluding foreign exchange, and increased \$0.6 million due to the translation of same-store sales at higher U.S. dollar exchange rates.
- Sales were affected by the closure in 2012 of three under-performing facilities, which decreased sales by \$1.3 million.

Gross Margin

Gross Margin was \$58.8 million or 45.0% of sales for the three months ended March 31, 2013 compared to \$48.7 million or 45.3% of sales for the same period in 2012. Gross margin dollars increased as a result of higher sales compared to the prior period. The gross margin percentage reduced slightly when compared with the prior period due to lower gross margins from operations acquired late in 2012.

The previously reported gross margin for the first quarter of 2012 included vehicle detailing labour costs and general shop supplies for certain recent acquisitions which had been charged to cost of sales and was inconsistent with presentation for the balance of the company. These 2012 costs representing \$0.7 million or 0.7% of sales have been reclassified as operating expenses to be consistent with presentation in the current period.

Operating Expenses

Operating Expenses for the three months ended March 31, 2013 increased \$9.0 million to \$50.7 million from \$41.7 million for the same period of 2012, primarily due to the acquisition of new locations. Excluding the impact of foreign currency translation of approximately \$0.5 million, expenses increased \$8.0 million from 2012 as a result of new locations including Pearl, TRR and Autocrafters as well as a further \$1.0 million at same-store locations due primarily to same-store sales growth. Closed locations lowered operating expenses by a combined \$0.5 million.

Operating expenses as a percentage of sales was 38.8% for the three months ended March 31, 2013 compared to 38.8% for the same period in 2012. As noted under the "Gross Margin" section above, previously reported operating expenses in the first quarter of 2012 did not include vehicle detailing labour costs and general shop supplies for certain recent acquisitions, which had been charged to cost of sales. These 2012 costs representing \$0.7 million or 0.7% of sales have been reclassified as operating expenses to be consistent with presentation in the current period.

Adjusted EBITDA

*Earnings before interest, income taxes, depreciation and amortization, adjusted for the fair value adjustments related to the exchangeable share liability, unit option liability, convertible debenture conversion feature, non-controlling interest put option, as well as acquisition and transaction costs ("Adjusted EBITDA")*² for the three months ended March 31, 2013 totalled \$8.2 million or 6.3% of sales compared to Adjusted EBITDA of \$7.0 million or 6.5% of sales in the same period of the prior year. The increase of \$1.2 million was the result of improvements in same store sales which contributed \$0.4 million, combined with \$0.7 million of incremental EBITDA contribution from the acquisition of Pearl, TRR and Autocrafters. In addition, other new stores contributed another \$0.2 million. Changes in U.S. dollar exchange rates in 2013 combined with the closure of under-performing stores reduced Adjusted EBITDA by \$0.1 million.

Depreciation and Amortization

Depreciation Expense related to plant and equipment totalled \$1.9 million or 1.4% of sales for the three months ended March 31, 2013, an increase of \$0.1 million when compared to the \$1.8 million or 1.7% of sales recorded in the same period of the prior year. The increase was primarily due to the acquisitions of Pearl, TRR and Autocrafters as well as new location growth.

Amortization of intangible assets for the three months ended March 31, 2013 totalled \$1.1 million or 0.8% of sales, an increase of \$0.1 million when compared to the \$1.0 million or 0.9% 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 Pearl, TRR and Autocrafters offset by reduced amortization of the Cars and Master brands, which were fully amortized in 2012.

Fair Value Adjustments to Financial Instruments

Fair Value Adjustment to the Convertible Debenture Conversion Feature resulted in non-cash expense related to the associated liability of \$0.9 million, compared to \$nil in the same period last year. The fair value for the convertible debenture conversion feature is estimated using a Black-Scholes valuation model. The increase in the liability and the related expense is primarily the result of an increase in the market value of the Fund's units.

Fair Value Adjustment to Exchangeable Shares resulted in a non-cash expense related to the increase in the associated liability of \$1.1 million for the first quarter of 2013 compared to \$0.3 million in the same period of the prior year. The Class A exchangeable shares of BGHI are exchangeable into units of the Fund. This exchangeable feature results in the shares being presented as a financial liability of the Fund. The liability represents the value of the Fund attributable to these shareholders. Exchangeable Class A shares are measured at the market price of the units of the Fund as of the statement of financial position date. The increase in the liability and the related expense for both periods is the result of increases in the market value of the Fund's units.

Fair Value Adjustment to Unit Options was a non-cash expense related to an increase in the associated liability of \$1.1 million for the first quarter of 2013 compared to \$0.3 million in the same period of the prior year. Similar to the exchangeable share liability, the unit option liability is impacted by changes in the market value of the Fund's units. The cost of cash-settled unit-based transactions is measured at fair value using a Black-Scholes model and expensed over the vesting period with the recognition of a corresponding liability. The increase in the liability and the related expense is primarily the result of an increase in the market value of the Fund's units.

Fair Value Adjustment to Non-controlling interest put option was a non-cash expense of \$ nil in the first quarter of 2013 (2012 - \$ nil). It relates to an agreement the Fund entered into in 2011, 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 is a put option held by the non-controlling shareholder that allows the shareholder to put the business back to the Fund according to a valuation formula defined in the agreement. The put option is restricted during the first three years of the agreement but then may be exercised at any time by the non-controlling shareholder. The value of the put option is determined by discounting the estimated future payment obligation at each statement of financial position date.

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

Finance Costs

Finance Costs of \$1.4 million or 1.1% of sales for 2013, increased from \$0.6 million or 0.6% of sales for the prior year. The increase in interest expense primarily resulted from increases in long-term debt as a result of the acquisitions of Pearl, TRR and Autocrafters as well as the issuance of the convertible debentures in the fourth quarter of 2012. These increases were partially offset by reductions and repayments on other long-term debt.

Income Taxes

Current and Deferred Income Tax Expense of \$0.4 million in 2013 compares to an expense of \$0.7 million in 2012. Income tax expense is impacted by permanent differences such as mark to market adjustments which impacts the tax computed on accounting income. During the quarter the Fund's earnings were sheltered by loss carryforward amounts resulting in no current tax expense for the period.

Net Earnings and Earnings Per Unit

Net Earnings for the three months ended March 31, 2013 was \$30 thousand compared to earnings of \$2.1 million or 1.9% of sales last year. The earnings in 2013 were impacted by fair value adjustments to financial instruments of \$3.0 million, acquisition costs of \$0.4 million and accelerated brand name amortization of \$0.2 million. Excluding the impact of these adjustments, net earnings would have increased to \$3.7 million or 2.8% of sales. This compares to adjusted earnings of \$3.3 million or 3.0% of sales for the same period in 2012 if the same items were adjusted. The increase in the adjusted net income for the year is the result of the contribution of new acquisitions and new location growth as well as increases in same-store sales. The reduction in adjusted net earnings as a percentage of sales is primarily due to reduced margins on late 2012 acquisitions.

Basic and Diluted Earnings Per Unit was \$0.002 per unit for the three months ended March 31, 2013 compared to \$0.166 per unit in the same period in 2012. The decrease to the basic and diluted earnings per unit amounts is primarily due to the impact of the fair value adjustments to financial instruments. Excluding the impact of the fair value adjustments, acquisition costs and accelerated brand name amortization, basic and diluted earnings per unit would have increased to \$0.292 for the three months ended March 31, 2013 compared to \$0.261 for the same period in the prior year.

SUMMARY OF QUARTERLY RESULTS

| (\$000's, except per unit data) | 2013 | | 2012 | | | | 2011 | |
|---|---------|---------|---------|---------|---------|---------|--------|---------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Sales | 130,639 | 115,000 | 109,080 | 102,940 | 107,404 | 100,493 | 97,333 | 77,567 |
| Net earnings | 30 | 2,356 | 1,504 | 1,123 | 2,078 | (2,070) | 6,519 | (2,387) |
| Basic earnings per unit | 0.002 | 0.188 | 0.120 | 0.090 | 0.166 | (0.192) | 0.593 | (0.221) |
| Diluted earnings per unit | 0.002 | 0.188 | 0.120 | 0.090 | 0.166 | 0.181 | 0.220 | (0.221) |
| Adjusted net earnings ⁽¹⁾ | 3,662 | 4,995 | 3,269 | 3,164 | 3,275 | 4,475 | 2,709 | 2,662 |
| Adjusted net earnings per unit ⁽¹⁾ | 0.292 | 0.398 | 0.261 | 0.252 | 0.261 | 0.357 | 0.247 | 0.247 |
| Adjusted net earnings per unit and class A share ⁽¹⁾ | 0.283 | 0.386 | 0.253 | 0.245 | 0.253 | 0.346 | 0.210 | 0.229 |
| Adjusted EBITDA ⁽¹⁾ | 8,175 | 8,601 | 7,471 | 6,780 | 6,982 | 7,642 | 6,380 | 4,866 |

⁽¹⁾ Non-GAAP financial measures

Sales have increased in recent quarters due to the acquisition of Master, Pearl, TRR, Autocrafters and other new locations as well as same store sales increases. The decrease in earnings in the first quarter of 2013 and the second and fourth quarters of 2011 is primarily due to the fair value adjustments for exchangeable Class A shares and unit options which reduced net

earnings as well as expensing acquisition and transaction costs. The fourth quarter of 2011 was also negatively impacted by settlement costs associated with the retirement of the Executive Chairman.

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 March 31, 2013, the Fund had cash, net of outstanding deposits and cheques, held on deposit in U.S. bank accounts totaling \$38.0 million (December 31, 2012 - \$39.0 million). The net working capital ratio (current assets divided by current liabilities) was 1.43:1 at March 31, 2013 (December 31, 2012 – 1.41:1).

At March 31, 2013, the Fund had total debt outstanding, net of cash, of \$48.5 million compared to \$47.0 million at December 31, 2012, \$32.9 million at September 30, 2012, \$30.6 million at June 30, 2012 and \$27.4 million at March 31, 2012. The change in debt and cash during the fourth quarter of 2012 was primarily the result of a \$34.2 million convertible debenture offering, cash used to acquire TRR and Autocrafters and new US senior bank debt and seller notes issued for the acquisition of Autocrafters. Increases in net debt in 2013 primarily relate to investments of cash in working capital, U.S. dollar translation differences and new capital leases.

Total Debt

| Total Debt, Net of Cash (\$ Millions) | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 | March 31, 2012 |
|---------------------------------------|-------------------|----------------------|-----------------------|------------------|-------------------|
| Bank indebtedness | \$ - | \$ - | \$ 3.7 | \$ 3.0 | \$ - |
| U.S. senior bank debt | 30.5 | 30.2 | 21.5 | 22.7 | 22.6 |
| Convertible debentures | 30.5 | 30.3 | - | - | - |
| Seller loans (1) | 19.0 | 19.3 | 15.2 | 13.3 | 13.0 |
| Obligations under capital lease | 6.5 | 6.2 | 6.4 | 7.1 | 6.4 |
| | 86.5 | 86.0 | 46.8 | 46.1 | 42.0 |
| Cash | 38.0 | 39.0 | 13.9 | 15.5 | 14.6 |
| Total Debt, Net of Cash | \$ 48.5 | \$ 47.0 | \$ 32.9 | \$ 30.6 | \$ 27.4 |

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

Operating Activities

Cash flow generated from operations, before considering working capital changes, was \$5.3 million for 2013 compared to \$4.6 million in 2012. The increase was primarily due to increased adjusted EBITDA in the first quarter of 2013 resulting from the acquisitions of Pearl, TRR, Autocrafters and other new single locations offset by higher finance costs.

In 2013, changes in working capital items required net cash of \$2.3 million compared with \$1.6 million in 2012. Increases and decreases in accounts receivable, inventory, prepaid expenses, income taxes, accounts payable and accrued liabilities are significantly influenced by timing of collections and expenditures. In addition, working capital in the first quarter of 2013 was negatively impacted by \$0.7 million, due to a timing difference between receipt of funds from employees under the senior managers unit loan program and outflow of these funds in the current quarter.

Financing Activities

Cash used in financing activities totalled \$1.6 million for the three months ended March 31, 2013 compared to cash provided by financing activities of \$0.1 million in the prior year. During 2013, uses of cash included repayment of long-term debt totaling \$1.2 million, the repayment of finance leases in the amount of \$0.6 million and distributions paid to unitholders and dividends to Class A common shareholders totaling \$1.5 million, partially offset by rebates received of \$0.4 million and \$1.4 million proceeds from a sale-leaseback transaction of owned real estate for a facility located in Garner, North Carolina. The Garner property was acquired in the last quarter of 2012 with the intention to enter into a lease with a third party, which did not occur until the first quarter of 2013. There was no gain or loss recognized as a result of this transaction. Cash provided by financing activities for the same period in 2012 included repayment of long-term debt totaling \$0.7 million, repayment of finance leases in the amount of \$0.6 million and distributions paid to unitholders and dividends to Class A common shareholders totaling \$1.5 million partially offset by rebates received totaling \$2.7 million and proceeds received from the leasing of assets of \$0.2 million.

Trading Partner Funding – Prepaid Rebates and Loans

During the first quarter of 2013, the Company received regularly scheduled rebates from its trading partners, in the amount of \$0.4 million U.S. (2012 - \$0.5 million U.S.). Additional prepaid rebates are available for new acquisitions and start-ups and regular testing of the criteria used to determine additional rebates will apply, with any under-funded (or over-funded) amounts being collected (or repaid) by the Company at that time.

Debt Financing

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

During the first quarter of 2013, the Fund obtained debt from sellers in the amount of \$0.1 million with respect to transactions during the period to finance the acquisition and development businesses.

The Fund has traditionally used capital leases to finance a portion of both its maintenance and expansion capital expenditures. During the first quarter of 2013, the Fund entered into capital leases for vehicles and equipment in the amount of \$0.9 million (2012 - \$0.6 million). At March 31, 2013, the Fund owed \$6.5 million in finance obligations compared to \$6.2 million at December 31, 2012.

Investing Activities

Cash used in investing activities totalled \$2.9 million for the three months ended March 31, 2013, compared to \$6.8 million used in the prior year. The large activity in both periods relates primarily to the acquisitions and new location growth that occurred during these periods, with 2012 reflecting the additional costs associated with the acquisition of Master Collision Repair, Inc. in January last year. The first quarter of 2013 was also impacted by \$0.9 million related to the financing of a portion of the one-time purchase of units by employees under the senior managers unit loan program.

Sustaining Capital Expenditures

The Fund spent approximately \$0.9 million or 0.7 % of sales on the acquisition of software, equipment and facility upgrades during the first three months of 2013, compared to \$0.8 million or 0.8% of sales during the same period in 2012.

RELATED PARTY TRANSACTIONS

The \$1.8 million liability associated with the senior managers unit loan program, which is described in the Fund's 2012 annual MD&A, was settled in the first quarter of 2013. Except for the settlement of senior manager's unit loan program liability, the Fund has not entered into any other new related party transactions beyond the items disclosed in the 2012 annual MD&A.

CRITICAL ACCOUNTING ESTIMATES

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

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

FUTURE ACCOUNTING STANDARDS

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

The IASB intends to replace IAS 39 "Financial Instruments: Recognition and Measurement" in its entirety with IFRS 9 "Financial Instruments" in three main phases. IFRS 9 will be the new standard for the financial reporting of financial

instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. The Fund is currently evaluating the impact the final standard is expected to have on its financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

BUSINESS RISKS AND UNCERTAINTIES

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

ADDITIONAL INFORMATION

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of the **Boyd Group Income Fund**, (the “issuer”) for the interim period ended **March 31, 2013**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Committee of Sponsor Organizations of the Treadway Commission (“COSO”) framework in Internal Control – Integrated Framework.
- 5.2 **ICFR – material weakness relating to design:** N/A
- 5.3 **Limitation on scope of design:** N/A
6. **Reporting Changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on January 1, 2013 and ended on March 31, 2013 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: May 15, 2013

(signed)

Brock Bulbuck
Chief Executive Officer

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

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

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of the **Boyd Group Income Fund**, (the “issuer”) for the interim period ended **March 31, 2013**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim report do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Committee of Sponsor Organizations of the Treadway Commission (“COSO”) framework in Internal Control – Integrated Framework.
- 5.2 **ICFR – material weakness relating to design:** N/A
- 5.3 **Limitation on scope of design:** N/A
6. **Reporting Changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on January 1, 2013 and ended on March 31, 2013 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: May 15, 2013

(signed)

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



BOYD GROUP INCOME FUND

Interim Condensed Consolidated Financial Statements

Three Months Ended March 31, 2013

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

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

| | March 31, 2013 | December 31, 2012 |
|--|-----------------------|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 38,000,231 | \$ 38,976,398 |
| Accounts receivable | 31,987,330 | 28,944,908 |
| Income taxes recoverable | 1,600,181 | 1,364,530 |
| Inventory | 8,177,024 | 8,665,638 |
| Prepaid expenses | 3,972,195 | 4,311,623 |
| | 83,736,961 | 82,263,097 |
| Notes receivable | 931,059 | 1,048,834 |
| Property, plant and equipment | 46,382,097 | 45,897,362 |
| Deferred income tax asset | 4,041,998 | 4,386,844 |
| Intangible assets <i>(Note 4)</i> | 40,116,109 | 41,271,177 |
| Goodwill <i>(Note 5)</i> | 51,562,912 | 49,691,918 |
| | \$ 226,771,136 | \$ 224,559,232 |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 49,285,206 | \$ 50,231,017 |
| Distributions payable <i>(Note 6)</i> | 489,061 | 489,002 |
| Dividends payable <i>(Note 11)</i> | 15,111 | 15,170 |
| Current portion of long-term debt <i>(Note 7)</i> | 5,014,343 | 4,756,972 |
| Current portion of obligations under finance leases | 2,094,998 | 2,006,469 |
| Current portion of settlement accrual | 1,639,503 | 1,101,464 |
| | 58,538,222 | 58,600,094 |
| Long-term debt <i>(Note 7)</i> | 44,497,874 | 44,775,928 |
| Obligations under finance leases | 4,420,702 | 4,182,570 |
| Convertible debenture | 30,480,744 | 30,327,395 |
| Convertible debenture conversion feature | 2,885,154 | 2,008,699 |
| Unearned rebates | 31,305,641 | 31,598,860 |
| Settlement accrual | - | 892,717 |
| Exchangeable class A shares <i>(Note 11)</i> | 6,969,289 | 5,929,304 |
| Unit based payment obligation <i>(Note 12)</i> | 4,649,836 | 3,567,136 |
| Non-controlling interest put option <i>(Note 11)</i> | 1,093,903 | 1,072,391 |
| | 184,841,365 | 182,955,094 |
| Equity | | |
| Accumulated other comprehensive income (loss) | 499,657 | (1,264,776) |
| Deficit | (37,435,635) | (35,998,484) |
| Unitholders' capital | 74,863,678 | 74,865,327 |
| Contributed surplus | 4,002,071 | 4,002,071 |
| | 41,929,771 | 41,604,138 |
| | \$ 226,771,136 | \$ 224,559,232 |

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

BOYD GROUP INCOME FUND

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

(Canadian dollars)

| | Unitholders' Capital | | Contributed Surplus | Accumulated Other Comprehensive (Loss) Earnings | Deficit | Total Equity |
|---------------------------------------|----------------------|---------------|---------------------|---|-----------------|---------------|
| | Units | Amount | | | | |
| Balances - January 1, 2012 | 12,528,136 | \$ 74,830,675 | \$ 4,002,071 | \$ (192,026) | \$ (37,381,319) | \$ 41,259,401 |
| Issue costs | - | (92,496) | | | | (92,496) |
| Retractions | 10,380 | 127,148 | | | | 127,148 |
| Other comprehensive loss | | | | (1,072,750) | | (1,072,750) |
| Net earnings | | | | | 7,061,171 | 7,061,171 |
| Comprehensive earnings | | | | (1,072,750) | 7,061,171 | 5,988,421 |
| Distributions to unitholders | | | | | (5,678,336) | (5,678,336) |
| Balances - December 31, 2012 | 12,538,516 | \$ 74,865,327 | \$ 4,002,071 | \$ (1,264,776) | \$ (35,998,484) | \$ 41,604,138 |
| Issue costs | - | (26,065) | | | | (26,065) |
| Retractions | 1,497 | 24,416 | | | | 24,416 |
| Other comprehensive earnings | | | | 1,764,433 | | 1,764,433 |
| Net earnings | | | | | 29,914 | 29,914 |
| Comprehensive earnings | | | | 1,764,433 | 29,914 | 1,794,347 |
| Distributions to unitholders (Note 6) | | | | | (1,467,065) | (1,467,065) |
| Balances - March 31, 2013 | 12,540,013 | \$ 74,863,678 | \$ 4,002,071 | \$ 500,469 | \$ (37,435,635) | \$ 41,929,771 |

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

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

Three Months Ended March 31,
(Canadian dollars)

| | 2013 | 2012 |
|---|----------------|----------------|
| Sales | \$ 130,639,165 | \$ 107,404,469 |
| Cost of sales | 71,810,226 | 58,727,121 |
| Gross margin | 58,828,939 | 48,677,348 |
| Operating expenses | 50,746,177 | 41,674,395 |
| Foreign exchange (gains) losses | (91,335) | 20,906 |
| Acquisition and transaction costs | 361,607 | 182,749 |
| Depreciation | 1,921,332 | 1,768,076 |
| Amortization of intangible assets | 1,053,700 | 1,008,298 |
| Fair value adjustments to financial instruments (Note 11) | 3,023,556 | 632,402 |
| Finance costs | 1,382,207 | 618,019 |
| | 58,397,244 | 45,904,845 |
| Earnings before income taxes | 431,695 | 2,772,503 |
| Income tax expense | | |
| Current | - | 632,246 |
| Deferred | 401,781 | 62,688 |
| | 401,781 | 694,934 |
| Net earnings | \$ 29,914 | \$ 2,077,569 |
| <i>The accompanying notes are an integral part of these interim condensed consolidated financial statements</i> | | |
| Basic earnings per unit (Note 10) | \$ 0.002 | \$ 0.166 |
| Diluted earnings per unit (Note 10) | \$ 0.002 | \$ 0.166 |

Weighted average number of units outstanding 12,539,032 12,530,758

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

Three Months Ended March 31,

| | 2013 | 2012 |
|--|--------------|--------------|
| Net earnings | \$ 29,914 | \$ 2,077,569 |
| Other comprehensive earnings (loss) | | |
| Items that may be reclassified subsequently to Consolidated Statement of Earnings | | |
| Change in unrealized earnings (loss) on translating financial statements of foreign operations | 1,764,433 | (920,367) |
| Other comprehensive earnings (loss) | 1,764,433 | (920,367) |
| Comprehensive earnings | \$ 1,794,347 | \$ 1,157,202 |

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

BOYD GROUP INCOME FUND
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
Three Months Ended March 31,
(Canadian dollars)

| | 2013 | 2012 |
|---|----------------------|----------------------|
| Cash flows from operating activities | | |
| Net earnings | \$ 29,914 | \$ 2,077,569 |
| Items not affecting cash | | |
| Deferred income taxes | 401,781 | 62,688 |
| Amortization of discount on convertible debt | 153,349 | - |
| Amortization of intangible assets | 1,053,700 | 1,008,298 |
| Depreciation | 1,921,332 | 1,768,076 |
| Amortization of unearned rebates | (890,317) | (703,879) |
| Gain on disposal of equipment | (59,587) | (2,975) |
| Adjustment in liability for exchangeable class A shares | 1,064,401 | 292,582 |
| Interest accrued on class A exchangeable shares | 45,452 | 44,630 |
| Unit option compensation expense | 1,082,700 | 339,820 |
| Adjustment in liability for convertible debt conversion feature | 876,455 | - |
| Unrealized foreign exchange gain on internal loans | - | (89,500) |
| Unrealized loss on derivative contracts | - | 107,600 |
| Payment of accrued settlement obligation | (354,678) | (271,290) |
| | 5,324,502 | 4,633,619 |
| Changes in non-cash working capital items | (2,320,937) | (1,608,600) |
| | 3,003,565 | 3,025,019 |
| Cash flows (used in) provided by financing activities | | |
| Issue costs | (26,065) | (19,713) |
| Repayment of long-term debt | (1,186,286) | (725,945) |
| Repayment of obligations under finance leases | (636,577) | (588,478) |
| Proceeds on sale-leaseback agreement | 1,370,985 | 202,500 |
| Dividends paid on Class A common shares | (45,511) | (44,763) |
| Distributions paid to unitholders | (1,467,006) | (1,409,577) |
| Increase in unearned rebates | - | 2,151,267 |
| Collection of rebates receivable | 407,287 | 522,332 |
| | (1,583,173) | 87,623 |
| Cash flows used in investing activities | | |
| Proceeds on sale of equipment | 157,174 | 12,805 |
| Equipment purchases and facility improvements | (876,988) | (665,515) |
| Acquisition and development of businesses | (1,183,754) | (6,004,824) |
| Software purchases and licensing | (61,426) | (178,835) |
| Senior managers unit loan program | (931,059) | - |
| | (2,896,053) | (6,836,369) |
| Foreign exchange | 499,494 | (156,095) |
| Net decrease in cash position | (976,167) | (3,879,822) |
| Cash, beginning of period | 38,976,398 | 18,443,269 |
| Cash, end of period | \$ 38,000,231 | \$ 14,563,447 |
| Income taxes paid | \$ 209,580 | \$ 710,302 |
| Interest paid | \$ 1,252,242 | \$ 728,848 |

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

BOYD GROUP INCOME FUND

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012 and March 31, 2013

(in Canadian dollars)

1. GENERAL INFORMATION

Boyd Group Income Fund (the “Fund”) is an unincorporated, open-ended mutual fund trust established under the laws of the Province of Manitoba, Canada on December 16, 2002. It was established for the purposes of acquiring and holding a majority interest in The Boyd Group Inc. (the “Company”). The Company is partially owned by Boyd Group Holdings Inc. (“BGHI”), which is controlled by the Fund. These financial statements reflect the activities of the Fund, the Company and all its subsidiaries including BGHI. The Company’s business consists of the ownership and operation of autobody/autoglass repair facilities acquired either through the acquisition of existing businesses, or through site development resulting in new locations. At the reporting date, the Company operated locations in the four Western Canadian provinces under the trade name Boyd Autobody & Glass, as well as in 14 U.S. states under the trade names Gerber Collision & Glass, The Recovery Room and Autocrafters Collision. The units of the Fund are listed on the Toronto Stock Exchange and trade under the symbol “BYD.UN”. The head office and principal address of the Fund are located at 3570 Portage Avenue, Winnipeg, Manitoba, Canada, R3K 0Z8.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of May 14, 2013, the date the Board of Trustees approved the statements. Any subsequent changes to IFRS that are given effect in the Fund’s annual consolidated financial statements for the year ending December 31, 2013 could result in restatement of these interim condensed consolidated financial statements.

2. BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

These interim condensed consolidated financial statements for the three months ended March 31, 2013 have been prepared in accordance with IAS 34, ‘Interim financial reporting’ using the same accounting policies and methods of computation followed in the consolidated financial statements for the year ended December 31, 2012. During the three months ended March 31, 2013, the Fund did not adopt any changes in accounting policy that resulted in a material impact to the financial statements of the Fund. The Fund has included in Note 11 new financial instrument fair value disclosures required by IAS 34. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS.

3. ACQUISITIONS

The Company completed four acquisitions during the quarter. On January 16, 2013, the Company acquired the business and assets of Wilmington Paint & Body Works, a single location repair business located in Wilmington, North Carolina. On February 9, 2013, the Company acquired the assets of Twin City Collision, a single location repair business located in Stanwood, Washington. On February 25, 2013 the Company acquired the assets of a former auto collision repair business located in Lakeland Florida. On March 28, 2013, the Company acquired the assets of CBS Quality Cars, a single location repair business located in Durham, North Carolina.

Acquisition-related costs of \$361,607 have been charged as an expense in the consolidated statement of earnings for the three months ended March 31, 2013 (2012 - \$182,749).

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.

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

For the three months ended March 31, 2012 and March 31, 2013

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

| | |
|---|---------------|
| Balance at January 1, 2013 | \$ 41,271,177 |
| Amortization | (1,053,700) |
| Purchase price allocation adjustments within the measurement period | (1,024,700) |
| Foreign exchange | 923,332 |

| | |
|---------------------------|----------------------|
| Balance at March 31, 2013 | <u>\$ 40,116,109</u> |
|---------------------------|----------------------|

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

5. GOODWILL

| | |
|---|---------------|
| Balance at January 1, 2013 | \$ 49,691,918 |
| Purchase price allocation adjustments within the measurement period | 1,024,700 |
| Foreign exchange | 846,294 |

| | |
|---------------------------|----------------------|
| Balance at March 31, 2013 | <u>\$ 51,562,912</u> |
|---------------------------|----------------------|

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

6. DISTRIBUTIONS

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

Distributions to unitholders were declared and paid as follows:

| <u>Record Date</u> | <u>Payment Date</u> | <u>Distribution per Unit</u> | <u>Distribution Amount</u> |
|--------------------|---------------------|----------------------------------|--------------------------------|
| January 31, 2013 | February 26, 2013 | \$ 0.039 | \$ 489,002 |
| February 28, 2013 | March 27, 2013 | 0.039 | 489,002 |
| March 31, 2013 | April 26, 2013 | 0.039 | 489,061 |
| | | <u>\$ 0.117</u> | <u>\$ 1,467,065</u> |

7. LONG-TERM DEBT

During the period, as part of a single location acquisition, the Company entered into a new 5.0% seller note in the amount of \$118,800 U.S. repayable in monthly payments of principal and interest over five years. Repayments of other long-term debt in the first quarter amounting to \$1,186,286 (2012 - \$724,945) were made in line with previously disclosed repayment terms.

8. 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.

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

For the three months ended March 31, 2012 and March 31, 2013

*(in Canadian dollars)***9. SEGMENTED REPORTING**

The Company has one reportable line of business, being automotive collision repair and related services, with all revenues relating to a group of similar services. In this circumstance, IFRS requires the Company to provide geographical disclosure. For the periods reported, all of the Company'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.

| | <u>Revenues</u> | | <u>Reportable Assets</u> | |
|---------------|---------------------------------|---------------------------------|---------------------------------|------------------------------------|
| | <u>March 31,</u> <u>2013</u> | <u>March 31,</u> <u>2012</u> | <u>March 31,</u> <u>2013</u> | <u>December 31,</u> <u>2012</u> |
| Canada | \$ 19,359,560 | \$ 19,531,582 | \$ 16,243,583 | \$ 16,292,125 |
| United States | 111,279,605 | 87,872,887 | 120,731,244 | 82,362,714 |
| Total | \$ 130,639,165 | \$ 107,404,469 | \$ 136,974,827 | \$ 98,654,839 |

10. EARNINGS PER UNIT

| | <u>2013</u> | <u>2012</u> |
|--------------------------------------|-------------|--------------|
| a) Earnings: | | |
| Net earnings | \$ 29,914 | \$ 2,077,569 |
| b) Number of units: | | |
| Average number of units outstanding | 12,539,032 | 12,530,758 |
| Earnings per unit (a) divided by (b) | | |
| Basic | \$ 0.002 | \$ 0.166 |
| Diluted | \$ 0.002 | \$ 0.166 |

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

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

| | For the three months ended: | |
|---|-----------------------------|-------------------|
| | March 31, 2013 | March 31, 2012 |
| Fair value adjustment to convertible debenture conversion feature | \$ 876,455 | \$ - |
| Fair value adjustment to exchangeable shares | 1,064,401 | 292,582 |
| Fair value adjustment to unit options | 1,082,700 | 339,820 |
| Fair value adjustments to financial instruments | \$ 3,023,556 | \$ 632,402 |

Fair Value Measurement

The Fund's financial instruments measured at fair value are limited to cash, the exchangeable Class A shares, the non-controlling interest put option, and the convertible debenture conversion feature. The valuation techniques used to measure these financial instruments are described in the subsequent corresponding sections of this Note and Note 12.

BOYD GROUP INCOME FUND
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2012 and March 31, 2013
(in Canadian dollars)

The following presents the Fund's assets and liabilities measured at fair value on a recurring basis and categorized by hierarchy level at March 31, 2013:

| Asset (liability) (\$000's) | (Quoted prices in an active markets for identical assets) <u>Level 1</u> | (Significant other observable inputs) <u>Level 2</u> | (Significant other observable inputs) <u>Level 3</u> |
|--|--|---|---|
| Cash | 38,000 | - | - |
| Convertible debenture conversion feature | - | (2,885) | - |
| Exchangeable class A shares | (6,969) | - | - |
| Non-controlling interest put option | - | (1,094) | - |

The Fund's financial instruments not measured at fair value include accounts receivable, accounts payable and accrued liabilities, long-term debt and the non-derivative component of convertible debentures. The carrying value of accounts receivable, accounts payable and long-term debt approximates their fair value. The non-derivative component of the convertible debentures had a carrying value of \$30,480,744 and a fair value of \$32,255,346 at March 31, 2013.

Convertible Debenture Conversion Feature

The fair value for the convertible debenture conversion feature is estimated using a Black-Scholes valuation model with the following assumptions used: stock price \$19.25, dividend yield 5.08%, expected volatility 29.35%, risk free interest rate of 1.40%, terms of five years. The fair value of the debenture conversion feature will change based on movement in bond rates and the market price of units of the fund.

Exchangeable Class A Shares

The Class A common shares of BGHI are exchangeable into units of the Fund. To facilitate the exchange, BGHI issues one Class B common share to the Fund for each Class A common share that has been retracted. The Fund in turn issues a trust unit to the Class A common shareholder. Exchangeable Class A shares are measured at the market price of the units of the Fund as of the statement of financial position date. The market price is based on a ten day trading average for the units at such date. Exchanges are recorded at carrying value. At March 31, 2013 there were 362,041 (2012 – 370,357) shares outstanding with a carrying value of \$6,969,289 (December 31, 2012 – \$5,929,305).

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

| <u>Record Date</u> | <u>Payment Date</u> | <u>Dividend per Share</u> | <u>Dividend Amount</u> |
|--------------------|---------------------|-------------------------------|----------------------------|
| January 31, 2013 | February 26, 2013 | \$ 0.039 | \$ 15,170 |
| February 28, 2013 | March 27, 2013 | 0.039 | 15,171 |
| March 31, 2013 | April 26, 2013 | 0.039 | 15,111 |
| | | \$ 0.117 | \$ 45,452 |

Non-controlling Interest Put Option

Effective January 1, 2011, the Fund entered into an agreement that provides a member of its U.S. management team the opportunity to participate in the future growth of the Fund's U.S. glass business. Within the agreement is a put option held by the non-controlling shareholder that allows the shareholder to put the business back to the Fund according to a valuation formula defined in the agreement. The value of the put at the statement of financial position date was a liability of \$1,093,903 (2012 -\$1,072,391). The put option is restricted during the first three years of the agreement but then may be exercisable at any time by the non-controlling shareholder. The fair value of the put option is determined by discounting the estimated future payment obligation at each statement of financial position date.

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

For the three months ended March 31, 2012 and March 31, 2013

*(in Canadian dollars)***12. UNIT BASED PAYMENT OBLIGATION**

Pursuant to the Fund's Option Agreement and Confirmation, the Fund has granted options to purchase units of the Fund to certain key executives. The following options are outstanding at December 31, 2012:

| Date Granted | Issue Date | Number of Units | Exercise Price | Expiry Date | Fair Value |
|---------------------|-------------------|------------------------|-----------------------|--------------------|---------------------|
| January 11, 2006 | January 11, 2006 | 200,000 | \$1.91 | January 11, 2016 | \$ 2,147,961 |
| November 8, 2007 | January 2, 2008 | 150,000 | \$2.70 | January 2, 2018 | \$ 1,029,615 |
| November 8, 2007 | January 2, 2009 | 150,000 | \$3.14 | January 2, 2019 | \$ 855,418 |
| November 8, 2007 | January 2, 2010 | <u>150,000</u> | \$5.41 | January 2, 2020 | <u>\$ 616,843</u> |
| | | <u>650,000</u> | | | <u>\$ 4,649,836</u> |

The fair value of each option granted January 11, 2006 is estimated using a Black-Scholes valuation model with the following assumptions used for the options granted: stock price \$19.25 dividend yield 5.08%, expected volatility 29.35% (determined as a weighted standard deviation of the unit price over the past four years), risk free interest rate 1.24%, initial term 10 years, remaining term 3 years.

The fair value of each option granted November 8, 2007 is estimated using a Black-Scholes valuation model with the following assumptions used for the options granted: stock price \$19.25, dividend yield 5.08%, expected volatility 29.35%, risk free interest rates of 1.49%, 1.58% and 1.68% respectively, initial terms of 10, 11 and 12 years respectively, remaining terms of 5, 6 and 7 years respectively.

During the three months ended March 31, 2013, an expense representing the change in fair value over the prior year of \$1,082,700 (2012 - \$339,820) was recorded to earnings related to these unit options.

13. RELATED PARTY TRANSACTIONS

The \$1.8 million liability associated with the senior managers unit loan program, which is described in the Fund's 2012 annual financial statements, was settled in the first quarter of 2013. Except for the settlement of the senior manager's unit loan program liability, the Fund has not entered into any other new related party transactions beyond the items disclosed in the 2012 annual financial statements.

14. COMPARATIVE FIGURES

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