

# **BOYD GROUP INCOME FUND**

## **INTERIM REPORT TO UNITHOLDERS**

Third Quarter and Nine Months Ended September 30, 2007

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### To our Unitholders,

Our overall financial performance continued to improve in the third quarter of 2007, as same store sales growth in both Canada and the U.S. led to increases in revenue, net earnings and improved margins. Same store sales increased by 10.2%, for the three months ended September 30, 2007, representing the fourth consecutive quarter of same store sales increases.

Net earnings for the third quarter of 2007 were \$1.0 million, or \$0.10 per fully diluted unit, compared to a net loss of \$2.0 million or (\$0.20) per fully diluted unit for the same period in the prior year. The increase in net earnings reflects strong same store sales in Canada and the U.S., combined with reductions in operating costs as a percentage of sales, as well as lower depreciation, amortization and income tax expenses.

Sales in Canada in the third quarter of 2007 totalled \$17.2 million, an increase of 14.0%, compared to the third quarter a year ago. Sales increases in Canada are entirely due to same store sales growth, with increases reported in all four western provinces.

In the U.S., third quarter sales increased 2.5% to \$30.5 million from \$29.7 million in the third quarter a year ago. Excluding the impact of foreign currency translation, U.S. same store sales increased by \$2.5 million, or 8.3%, compared to the third quarter a year ago.

During the third quarter we continued to use our improved cash flow to reduce the Fund's debt, repaying US\$0.6 million in Canadian senior bank debt. Combined with repayments of US\$0.6 million in each of the first and second quarters of 2007, we have repaid US\$1.8 million in Canadian senior bank debt so far this year.

As a result of the ongoing improvement in our financial performance and strengthened balance sheet, the Trustees of the Fund have approved the reinstatement of monthly distributions of \$0.015 per unit, commencing in December 2007. This annualized distribution of \$0.18 represents a payout ratio estimated to be in the low to mid 30% range, being a conservative and sustainable level that allows for continued balance sheet improvement. With stable to improving financial performance, we expect that distributions will be gradually increased over time.

We are encouraged by our progress over the past four quarters and look forward to continuing to build on our strengths and optimizing the overall performance of our business in the fourth quarter of 2007 and the years to come.

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

Sincerely,



Terry Smith  
Chief Executive Officer

# Management's Discussion & Analysis

## OVERVIEW

Boyd Group Income Fund (the "Fund"), through its operating company, The Boyd Group Inc. ("Boyd" or the "Company") and its subsidiaries, is the largest operator of automotive collision repair service centres in Canada and is among the largest multi-site collision repair companies in North America, currently operating locations in the four western Canadian provinces and six U.S. states. Boyd carries on business in Canada under the trade names "Boyd Autobody & Glass" and "Service Collision Repair Centre". In the U.S., Boyd operates primarily under the "Gerber Collision & Glass" and "Gerber National Glass Services" names.

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 nine months ended September 30, 2007, including material transactions and events up to and including November 13, 2007 should be read in conjunction with the unaudited consolidated interim financial statements, as well as the annual audited consolidated financial statements, management discussion and analysis and Annual Information Form of Boyd Group Income Fund for the year ended December 31, 2006 as filed on SEDAR at [www.sedar.com](http://www.sedar.com). The Fund's units trade on the Toronto Stock Exchange under the symbol TSX: BYD.UN.

## FORWARD-LOOKING INFORMATION

This interim report contains forward-looking information, other than historical facts, which reflect the views of the Fund's management with respect to future events. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes or events. Such forward-looking information reflects the current views of the Fund's management on the basis of information currently available.

Although management believes that its expectations are reasonable, readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved. By its nature, the forward-looking information contained herein is subject to inherent risks and uncertainties, and assumptions relating to the operations, results of operations, financial position, business prospects and strategies of the Fund. The Fund can give no assurance that its expectations with respect to forward-looking information will prove to be correct.

The Fund assumes no obligation to update, publicly or otherwise, the forward-looking information contained herein or update the reasons why actual results could differ from those contemplated by the forward-looking information, whether as a result of new information, future events or otherwise.

## SIGNIFICANT EVENTS

Effective March 1, 2007, the Company commenced operations in its new start-up facility located in Glenview, Illinois.

On June 27, 2007, Boyd announced by press release that it has received indications from several new and existing insurance company clients, of their intention to provide Boyd with incremental collision, auto glass and network

glass sales volumes. The Company estimated that in the aggregate, these incremental sales volumes could reasonably be expected to contribute approximately \$7.5 million to \$20.0 million annually to Company revenues. All of these arrangements have not yet been finalized and while finalization is not certain, the Company expects them to be concluded and in place before the end of the year. These arrangements and associated revenues are not guaranteed and by their nature, may be terminated by either party upon short notice. Failure to meet and maintain certain performance requirements would be expected to lead to termination of the arrangements by the insurance companies.

On October 4, 2007, the Fund announced its intention to carry out a Normal Course Issuer Bid to purchase for cancellation, from time to time, as the Fund considers advisable, its issued and outstanding units up to a maximum of 2,047 units per day or 515,844 units in the aggregate. Purchases are made on the open market through the Toronto Stock Exchange. The program commenced on October 15, 2007 and will terminate on October 14, 2008 or earlier at the option of the Fund or if the program is completed.

Also, on October 4, 2007, the Fund announced it intended to exercise its right to pay the principal amount owing of approximately \$2.3 million under its 8.0% convertible debentures due December 2, 2007 by way of the issuance of units on December 2, 2007 at an issue price equal to the greater of the weighted average trading price of the units for the twenty trading days immediately preceding the fifth day prior to the date which the principal is to be paid, or \$5.52 per Unit. At an issue price of \$5.52, the Fund expects to issue approximately 420,000 units to satisfy its 2002 debenture obligations.

Concurrent with the issuance of units to retire the 2002 debentures, the Fund further announced that on December 2, 2007, it will compel the conversion into units, of its Series I 8.5% convertible debentures due January 4, 2008 in the amount of approximately \$0.1 million and redeem its 8.0% convertible debentures due September 30, 2008 in the amount of approximately \$1.6 million by issuance of units in payment of the principal owing under the 2003 debentures. The Fund expects to issue approximately 23,000 units at an issue price of \$4.70588 to settle the Series I convertible debentures and approximately 368,000 units at an issue price of \$4.41 to settle the 2003 debentures. The issue prices of the units are calculated pursuant to the terms of each of the series of debentures which provide for a minimum price at which units will be issued notwithstanding what the actual trading price of the units may be at the time of issuance.

In the aggregate, these transactions will reduce the Fund's liabilities by approximately \$4.0 million and are expected to increase the number of units outstanding by 811,000 to approximately 10.4 million units.

On November 13, 2007, the Fund declared a distribution to its unitholders and Boyd Group Holdings Inc. ("BGHI") declared a dividend to its Class A shareholders of \$0.015 per unit and/or Class A share. The distributions and dividends will be paid on December 21, 2007 to unitholders and shareholders of record on November 30, 2007. It is the intent of the Fund and BGHI to declare the same levels of distributions and dividends monthly such that unitholders and Class A shareholders will receive \$0.18 per unit and/or Class A share on an annualized basis.

## **BUSINESS ENVIRONMENT & STRATEGY**

As at September 30, 2007, the business environment of the Company and strategies adopted by management remain, in all material respects, unchanged from those described in the Fund's 2006 annual MD&A.

## **DISTRIBUTABLE CASH**

As the income trust sector continues to mature, there has been an increasing focus on the information that income trusts are expected to disclose to ensure transparency and consistency in the calculation of distributable cash. In response, the Canadian Institute of Chartered Accountants ("CICA") released, in November 2006, draft guidance on reporting distributable cash. In July 2007, this guidance was revised and was intended to compliment the Canadian Securities Administrators ("CSA") National Policy 41-201 which was also revised in July 2007. Although the CSA policy and CICA guidance is intended to improve comparability and standardization in reporting, there are differences between the two publications and uncertainty as to if, or how, these differences may be addressed.

Throughout this period of change the Fund has endeavoured to follow these guidelines. The disclosure presented below follows CSA National Policy 41-201.

### **Maintaining Productive Capacity**

Productive capacity is defined by Boyd as the maintenance of the Company's facilities, signage, courtesy cars, equipment, 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, 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. In recent years, the Company has been able to manage its capital expenditures to less than 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. Therefore, at times, it may be appropriate to set up quarterly reserves based upon estimated annual capital expenditures requirements. These reserves may be put in place or drawn upon during any given quarter. For 2007, capital expenditures are budgeted at approximately 0.8% of sales. As at September 30, 2007, the Company has spent approximately 0.4% of sales. In June of 2007 Boyd set up a reserve for additional spending of 0.4% of sales or \$450,000. Based on its revised estimates the Company expects that spending will be, in aggregate, less than 0.8% of sales for the year and as a result, has drawn down its reserve to \$300,000.

In addition, the Company's accounting and management information systems require regular upgrade and maintenance. In Canada, accounting and management information systems are owned and may require replacement in the future. Management believes the replacement of these systems in Canada will be managed through the annual budget process and that it has some ability to utilize the expandability of its U.S. systems. In the U.S., the accounting and management information systems and related upgrades are subscription products and services and are expensed as part of regular operating expenses.

In many circumstances, large equipment expenditures including automobiles, shop equipment and computers can be financed using either operating or capital leases. Maintenance capital expenditures as well as the repayment of operating and capital 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 and repayment of prepaid rebates that are not refinanced. Management is not currently aware of any environmental remediation requirements or prepaid rebate adjustments. It has therefore not established any reserve for non-recurring or other adjustments.

### **Debt Management**

In addition to capital lease obligations arranged to finance maintenance expenditures on property and equipment, the Company has 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 have, in part, been refinanced by replacement facilities or draws on the Company's operating line and therefore 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 distributable cash calculation for the three and nine month periods ending September 30, 2007 with comparative figures for 2006.

Distributable Cash <sup>(1)</sup>	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
Cash flow from operating activities before changes in non-cash working capital items <sup>(2)</sup>	\$ 2,095,187	\$ 2,220,347	\$ 5,982,455	\$ 6,363,324
Add Back (Deduct):				
Changes in non-cash working capital items	(100,994)	(1,486,940)	(835,729)	(4,043,176)
Current income tax expense	-	92,143	101,990	271,830
Income taxes paid	-	(118,361)	(211,797)	(309,029)
Sustaining expenditures on plant and equipment	(168,460)	(213,104)	(532,105)	(947,351)
Reserve for sustaining expenditures on plant and equipment <sup>(3)</sup>	150,000	-	(300,000)	-
Proceeds of sale of equipment	4,815	10,343	31,663	88,716
Principal repayments of capital leases	(64,856)	(38,787)	(187,333)	(129,484)
Collection of rebates	251,323	265,596	789,403	529,102
<b>Distributable cash</b>	<b>\$ 2,167,015</b>	<b>\$ 731,237</b>	<b>\$ 4,838,547</b>	<b>\$ 1,823,932</b>
Distributable cash per average unit and Class A common share				
Per average unit and Class A common share	\$ 0.206	\$ 0.071	\$ 0.460	\$ 0.177
Per diluted unit and Class A common share	\$ 0.190	\$ 0.071	\$ 0.424	\$ 0.177

- (1) Distributable cash is not a recognized measure and does not have a standardized meaning under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, distributable cash is a useful supplemental measure as it provides investors with an indication of cash available for distribution. Investors should be cautioned however, that distributable cash should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Fund's performance. Boyd's method of calculating distributable cash may differ from other companies and, accordingly, may not be comparable to similar measures used by other companies.
- (2) Year-to-date operating cash flows were positively impacted by \$0.7 million in foreign exchange gains (2006 - \$2.8 million), while the three months ended September 30, 2007 was positively impacted by \$0.3 million (2006 - \$1.1 million). Foreign exchange gains have been related to the settlement of previous trading partner arrangements and Canadian senior term debt repayments.
- (3) Funding of sustaining expenditures on plant and equipment may vary from quarter to quarter. For 2007, capital expenditures were budgeted to total approximately 0.8% of sales. As at June 30, 2007, the Fund had spent 0.4% of sales and therefore established a distributable cash reserve, in the amount of \$450,000 or an additional 0.4% of sales to fund potential additional expenditures up to budgeted amounts. This reserve could be drawn down in future quarters if the Fund determined the cash would be available for distribution. As at September 30, 2007, the Company has spent approximately 0.4% of sales. Based on its revised estimates the Company expects that spending will be, in aggregate, less than 0.8% of sales for the year and as a result, has drawn down its reserve to \$300,000.

On November 13, 2007, the Fund declared a distribution to its unitholders and Boyd Group Holdings Inc. ("BGHI") declared a dividend to its Class A shareholders of \$0.015 per unit and/or Class A share. The distributions and dividends will be paid on December 21, 2007 to unitholders and shareholders of record on November 30, 2007. It is the intent of the Fund and BGHI to declare the same levels of distributions and dividends monthly such that unitholders and Class A shareholders would receive \$0.18 per unit and/or Class A share on an annualized basis.

## RESULTS OF OPERATIONS

### 3<sup>rd</sup> Quarter Comparison – Three months ended September 30, 2007 vs. 2006

#### Sales

*Sales* increased \$2.9 million or 6.4% to \$47.7 million for the three months ended September 30, 2007 when compared to the same period in 2006, after adjusting for the effect of discontinued operations. This increase resulted from same store sales growth, both in Canada and the U.S., as well as new sales generated from start-ups in the U.S.

Excluding the effect of foreign currency translation, which resulted in a \$2.2 million decrease in sales, same store sales, during the quarter increased \$4.6 million or 10.2%.

The following chart provides comparative sales by geographic region:

<b>Sales by Geographic Region (000's)</b> <i>Three Months Ended September 30,</i>	2007	2006
Canada	\$ 17,170	\$ 15,060
United States	30,489	29,735
<b>Total</b>	<b>\$ 47,659</b>	<b>\$ 44,795</b>
Canada - % of total	36.0%	33.6%
United States - % of total	64.0%	66.4%

Sales in Canada for the three months ended September 30, 2007 totalled \$17.2 million, an increase of \$2.1 million or 14.0%. Sales increases in Canada were entirely due to same store sales growth. Increases continued to be reported in all four western provinces.

Sales in the U.S. totalled \$30.5 million for the three months ended September 30, 2007, an increase from 2006 of \$0.8 million or 2.5%. Sales increases in the U.S. included new sales of \$0.5 million from one 2007 start-up located in Glenview, Illinois. Excluding the impact of foreign currency translation, U.S. same store sales increased by \$2.5 million or 8.3% over 2006.

#### Gross Margin

*Gross Margin* was \$20.7 million or 43.5% of sales for the three months ended September 30, 2007, an increase in terms of dollars of \$0.6 million, but a decrease as a percentage of sales from 44.9% of sales for the same period in 2006. The 2006 gross margin included a gain on the conversion of store inventories associated with the change in trading partner arrangements of approximately 0.4% of sales. Gross margin declines for the third quarter of 2007, were primarily due to reduced gross margins in the Company's glass markets resulting from competitive pricing pressures. As well, gross margin declines resulted from increased costs associated with outsourced call center and administrative activities at Gerber National Glass Services ("GNGS").

#### Operating Expenses

*Operating Expenses* for the three months ended September 30, 2007 increased \$0.2 million to \$18.0 million from \$17.8 million for the same period of 2006. The increase in operating expenses primarily relate to increases in sales volume associated with strong same store sales growth and new start-up locations. Higher costs were incurred in occupancy costs such as rent and property taxes as well as in salaries, wages and the related benefit costs. Operating

expenses as a percentage of sales in the third quarter decreased to 37.7% of sales from 39.7% last year. Reductions, as a percentage of sales, were partially due to ongoing efforts to control spending as well as the impact of fixed costs during a period of increasing sales. Reductions, as a percentage of sales, occurred in many areas with the more significant improvements occurring in auto rental, insurance, travel and telephone expenses. Although salaries, wages and benefits cost were up in terms of dollars for the quarter, they declined by approximately 0.8% as a percentage of sales.

## **Foreign Exchange Gains**

*Foreign Exchange Gains* for the three months ended September 30, 2007 of \$0.3 million decreased from \$1.1 million for the same period of 2006. The current quarter gains resulted primarily from the repayment of \$0.6 million of U.S. dollar denominated Canadian senior bank term debt. In July of 2006, the Company repaid \$3.1 million of U.S. dollar denominated Canadian senior bank term debt which resulted in the larger exchange gain.

## **EBITDA**

*Earnings before interest, income taxes, depreciation and amortization (“EBITDA”)*<sup>1</sup> for the third quarter of 2007 totalled \$3.1 million or 6.5% of sales compared to \$3.4 million or 7.7% of sales in the same period of the prior year. The decrease was primarily due to lower foreign exchange gains in 2007. EBITDA, adjusted to exclude these foreign exchange gains, was \$2.8 million, an increase of \$0.5 million when compared to \$2.3 million for 2006. The increase in adjusted EBITDA was primarily due to higher sales and lower operating expenses as a percentage of sales.

## **Depreciation and Amortization**

*Depreciation and Amortization Expense* related to plant and equipment totalled \$0.8 million or 1.7% of sales for the three months ended September 30, 2007 and decreased from \$1.0 million or 2.2% of sales in the same period of the prior year. The decrease was the result of the Fund’s declining balance depreciation policies. The Fund continues to conservatively manage the replacement of plant and equipment, ensuring that productive capacity is maintained. As a result, the carrying value of tangible capital assets and related depreciation expense has been declining.

Amortization of deferred costs and other intangible assets for the third quarter of 2007 decreased to \$0.3 million or 0.7% of sales from \$0.5 million or 1.1% of sales expensed for the same period in the prior year. Amortization of intangible assets in 2007 was lower due to the completion of the amortization period of original non-compete agreements associated with the 2004 acquisition of The Gerber Group, Inc.

## **Interest Expense**

*Interest Expense* of \$0.7 million or 1.6% of sales for the third quarter of 2007 decreased from \$0.8 million or 1.8% of sales in the same period of the prior year. Interest cost decreases were associated with repayments of the Fund’s Canadian senior debt facility. Interest expense for the third quarter of 2007 also included the amortization of discounts of \$69 thousand associated with the application of amortized cost of long-term and convertible debt balances related to the adoption of CICA Handbook Section 3855 – Financial Instruments – Recognition and Measurement.

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<sup>1</sup> EBITDA is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides investors with an indication of operational performance. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Fund’s performance.

## **Write Down of Goodwill**

The Fund follows the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3062 – Goodwill and Intangible Assets. In accordance with the requirements, the Company tests its goodwill and other intangible and tangible assets for impairment on an annual basis or more frequently if it is believed circumstances would warrant. During 2006, due to the continued weakness in U.S. operating performance, a preliminary evaluation of the Company's goodwill was performed during the third quarter of 2006 and management determined that additional goodwill balances in the U.S. were in fact impaired. As a result, the Company wrote down goodwill in the amount of \$2.3 million relating to its Georgia and Washington based operations. Management did not believe circumstances warranted preliminary goodwill impairment testing during the third quarter of 2007.

## **Income Taxes**

*Current Income Tax Expense and Future Tax Expense* decreased to \$0.1 million for the third quarter of 2007, from \$0.7 million for the same period in 2006. The decrease in income tax expense related to the recording of previously unrecognized tax losses in Canada to the extent they have been utilized. Provisions and recoveries of income tax have been associated with the Fund's Canadian operations only. Income tax provisions and recoveries in the U.S. have not been recorded due to the existence of unrecognized tax losses and other tax assets in the U.S.

## **Net Earnings (Loss) from Continuing Operations**

*Net Earnings (Loss) from Continuing Operations* for the three months ended September 30, 2007 were \$1.1 million or 2.2% of sales compared to a loss of \$1.9 million or 4.3% of sales last year. The increase reflected sales growth for the third quarter of 2007, in both Canada and the U.S., coupled with reductions in operating costs as a percentage of sales, lower interest costs as well as lower depreciation, amortization and income tax expenses. The loss generated for the third quarter of 2006 resulted primarily from lower operating margins in the U.S. and the preliminary write down of goodwill related to Georgia and Washington operations.

## **Loss from Discontinued Operations**

*Loss from Discontinued Operations* for the third quarter of 2007 of \$62 thousand reflected the losses associated with the closure of a small towing operation located in Illinois during September of 2007. Loss from discontinued operations for the third quarter of 2006 of \$106 thousand primarily resulted from the closure of the AWC collision repair facility located in Fife, Washington.

## **Net Earnings (Loss) and Earnings (Loss) Per Unit and Class A Common Share**

*Net Earnings (Loss)*, after discontinued operations, for the three months ended September 30, 2007 was \$1.0 million or 2.1% of sales compared to a loss of \$2.0 million or 4.5% of sales for the same period in the prior year. The increase reflected same store sales growth for the third quarter of 2007, in both Canada and the U.S., combined with reductions in operating costs as a percentage of sales, lower interest costs as well as lower depreciation, amortization and income tax expenses. The loss generated for the third quarter of 2006 resulted primarily from lower operating margins in the U.S. and the preliminary write down of goodwill related to Georgia and Washington operations.

*Basic Earnings (Loss) Per Unit and Class A Common Share* was \$0.10 per unit and Class A common share for the three months ended September 30, 2007, an increase when compared to a basic loss of \$0.20 per unit and Class A common share in the same period in 2006. *Diluted Earnings Per Unit and Class A Common Share* was also \$0.10 per unit and Class A common share for the third quarter of 2007 compared to a diluted loss of \$0.20 per unit and Class A common share for the same period in the prior year.

## Year-to-date Comparison – Nine months ended September 30, 2007 vs. 2006

### Sales

*Year-to-date sales* increased \$13.4 million or 9.9% to \$149.8 million for the nine months ended September 30, 2007 when compared to the same period in 2006, after adjusting for the effect of discontinued operations. This increase resulted from same store sales growth, both in Canada and the U.S., as well as new sales generated from start-ups in the U.S.

Same store sales increased \$7.5 million or 5.6% for nine months ended September 30, 2007. Excluding the effect of foreign currency translation, which resulted in a \$2.2 million decrease in sales, same store sales increased \$9.7 million or 7.2%.

The following chart provides comparative sales by geographic region:

<b>Sales by Geographic Region (000's)</b>		
<i>Nine Months Ended September 30,</i>	2007	2006
Canada	\$ 53,738	\$ 48,699
United States	96,070	87,662
<b>Total</b>	<b>\$ 149,808</b>	<b>\$ 136,361</b>
Canada - % of total	35.9%	35.7%
United States - % of total	64.1%	64.3%

Sales in Canada for the nine months ended September 30, 2007 totalled \$53.7 million, an increase of \$5.0 million or 10.3%. Sales increases in Canada were entirely due to same store sales growth. Increases were reported in all four western provinces.

Sales in the U.S. totalled \$96.1 million for the nine months ended September 30, 2007, an increase from 2006 of \$8.4 million or 9.6%. Sales increases in the U.S. included new sales of \$5.9 million from three 2006 start-ups in Tacoma and Renton, Washington and Scottsdale, Arizona and from one new 2007 start-up located in Glenview, Illinois. Excluding the impact of foreign currency translation, U.S. same store sales increased by \$4.7 million or 5.4% over 2006.

### Gross Margin

*Gross Margin* was \$65.9 million or 44.0% of sales for the nine months ended September 30, 2007, an increase from \$58.8 million or 43.1% of sales for the same period in 2006. The 2006 gross margin was impacted by a one-time, non cash charge to cost of sales in the amount of \$2.1 million resulting from the settlement of pre-existing trading partner arrangements. Excluding this one-time charge, the gross margin for 2006 would have been 44.6%. The 2006 gross margin also included a gain on the conversion of store inventories associated with the change in trading partner arrangements of approximately \$450 thousand or 0.3% of sales. Gross margin declines for the nine months ended 2007, were primarily due to reduced gross margins in the Company's glass markets resulting from competitive pricing pressures. As well, gross margin declines resulted from increased costs associated with outsourced call center and administrative activities at Gerber National Glass Services ("GNGS").

## Operating Expenses

*Operating Expenses* for the nine months ended September 30, 2007 increased \$3.5 million to \$57.2 million from \$53.7 million for the same period of 2006. The increase in operating expenses primarily relate to increases in sales volume associated with strong same store sales growth and new start-up locations. Higher costs were incurred in shop supplies, advertising, occupancy costs such as premises rent and property taxes and automobile rental costs with salaries, wages and the related benefit costs representing the largest portion of the increase. Operating expenses as a percentage of sales in the nine months ended September 30, 2007 decreased to 38.2% of sales from 39.4% last year. Reductions, as a percentage of sales, were partially due to ongoing efforts to control spending as well as the impact of fixed costs during a period of increasing sales. Reductions, as a percentage of sales, occurred in many areas with the more significant improvements occurring in licensing costs for estimating systems, utility, insurance, travel and telephone expenses.

## Foreign Exchange Gains

*Foreign Exchange Gains* for the nine months ended September 30, 2007 of \$0.7 million decreased from \$2.8 million for the same period of 2006. The current year gains resulted primarily from the repayment of \$1.8 million of U.S. dollar denominated Canadian senior bank term debt. The larger foreign exchange gains in 2006 were driven by the repayment of \$5.5 million of U.S. dollar denominated Canadian senior bank term debt as well as the repayment of U.S dollar denominated trading partner rebates located in Canada.

## EBITDA

*Earnings before interest, income taxes, depreciation and amortization ("EBITDA")*<sup>1</sup> for the first nine months of 2007 totalled \$9.3 million or 6.2% of sales compared to \$7.9 million or 5.8% of sales for the same period of the prior year. The increase in EBITDA was primarily the result of higher sales and lower operating expenses as a percentage of sales. The first nine months of 2006 were impacted by the one-time, non cash charge to cost of sales in the amount of \$2.1 million resulting from the settlement of pre-existing trading partner arrangements offset by the \$2.8 million of foreign exchange gains on the repayment of U.S. denominated debt and trading partner rebates.

## Depreciation and Amortization

*Depreciation and Amortization Expense* related to plant and equipment totalled \$2.4 million or 1.6% of sales for the nine months ended September 30, 2007 and decreased from \$2.8 million or 2.1% of sales in the same period of the prior year. The decrease was the result of the Fund's declining balance depreciation policies. The Fund has managed the replacement of plant and equipment, ensuring that productive capacity is maintained, on a more conservative basis over the last few years. As a result, the carrying value of tangible capital assets and related depreciation expense has been declining.

Amortization of deferred costs and other intangible assets for the first nine months of 2007 decreased to \$1.1 million or 0.7% of sales from \$1.9 million or 1.4% of sales for the same period in the prior year. Amortization of intangible assets in 2007 was lower due to the completion of the amortization period of original non-compete agreements associated with the 2004 acquisition of The Gerber Group, Inc. In addition, amortization expense for 2006 was higher due to the accelerated amortization of deferred cost balances associated with the trading partner debt settled on February 14, 2006, including the remaining guarantee fees paid to 4612094 Manitoba Inc.

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<sup>1</sup> EBITDA is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides investors with an indication of operational performance. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Fund's performance.

## **Interest Expense**

*Interest Expense*, of \$2.5 million or 1.7% of sales for the first nine months of 2007 increased from \$2.3 million or 1.7% of sales in the same period of the prior year. Interest expense for 2007 included the amortization of discounts of \$0.2 million associated with the application of amortized cost of long-term and convertible debt balances related to the adoption of CICA Handbook Section 3855 – Financial Instruments – Recognition and Measurement.

## **Write Down of Goodwill**

The Fund follows the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3062 – Goodwill and Intangible Assets. In accordance with the requirements, the Company tests its goodwill and other intangible and tangible assets for impairment on an annual basis or more frequently if it is believed circumstances would warrant. During 2006, due to the continued weakness in U.S. operating performance, management questioned whether U.S. goodwill could be impaired. Accordingly, a preliminary evaluation of the Company's goodwill was performed during the third quarter of 2006. Management determined that additional goodwill balances in the U.S. were in fact impaired. As a result, the Company wrote down goodwill in the amount of \$2.3 million relating to its Georgia and Washington based operations. Management did not believe circumstances warranted preliminary goodwill impairment testing during the third quarter of 2007.

## **Income Taxes**

*Current Income Tax Expense and Future Tax Expense* decreased to \$0.6 million for the first nine months of 2007, from \$1.4 million for the same period in 2006. The decrease in income tax expense related to the recording of previously unrecognized tax losses in Canada to the extent they have been utilized. Provisions and recoveries of income tax have been associated with the Fund's Canadian operations only. Income tax provisions and recoveries in the U.S. have not been recorded due to the existence of unrecognized tax losses and other tax assets in the U.S.

## **Net Earnings (Loss) from Continuing Operations**

*Net Earnings (Loss) from Continuing Operations* for the nine months ended September 30, 2007 was \$2.7 million or 1.8% of sales compared to a loss of \$2.9 million or 2.2% of sales last year. The increase reflected sales growth for the first nine months of 2007, in both Canada and the U.S., combined with reductions in operating costs as a percentage of sales as well as lower depreciation, amortization and income tax expenses. The loss generated for the first nine months of 2006 resulted primarily from the impacts associated with the replacement trading partner arrangements partially offset by higher foreign exchange gains, lower operating margins in the U.S. and the preliminary write down of goodwill related to Georgia and Washington operations.

## **Loss from Discontinued Operations**

*Loss from Discontinued Operations* for the nine months ended September 30, 2007 of \$0.1 million reflected the losses associated with the closure of a small towing operation located in Illinois during September of 2007. Loss from discontinued operations for the first nine months of 2006 of \$1.5 million primarily resulted from the closure of the AWC collision repair facility located in Fife, Washington.

## **Net Earnings (Loss) and Earnings (Loss) Per Unit and Class A Common Share**

*Net Earnings (Loss)*, after discontinued operations, for the nine months ended September 30, 2007 was \$2.6 million or 1.8% of sales compared to a loss of \$4.4 million or 3.3% of sales for the same period in the prior year. The increase reflected sales growth for the first nine months of 2007, in both Canada and the U.S., combined with reductions in operating costs as a percentage of sales as well as lower depreciation, amortization and income tax expenses. The loss generated for the first nine months of 2006 resulted primarily from the impacts associated with the replacement trading partner arrangements partially offset by higher foreign exchange gains, lower operating margins in the U.S., discontinued operations and the preliminary write down of goodwill related to Georgia and Washington operations.

*Basic Earnings (Loss) Per Unit and Class A Common Share* was \$0.25 per unit and Class A common share for the nine months ended September 30, 2007, an increase when compared to a basic loss of \$0.43 per unit and Class A common share in the same period in 2006. *Diluted Earnings Per Unit and Class A Common Share* was also \$0.25 per unit and Class A common share for 2007 compared to a diluted loss of \$0.43 per unit and Class A common share for the same period in the prior year.

## Summary of Quarterly Results

### SUMMARY OF QUARTERLY RESULTS

(\$000's, except per unit and Class A common share data)	2007				2006			2005
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	47,659	49,547	52,602	47,100	44,795	44,717	46,849	44,394
Earnings (loss) from continuing operations	1,076	863	785	(17,461)	(1,904)	(633)	(396)	(892)
Basic earnings (loss) per unit and Class A common share from continuing operations	0.102	0.082	0.075	(1.691)	(0.185)	(0.062)	(0.034)	(0.114)
Diluted earnings (loss) per unit and Class A common share from continuing operations	0.100	0.080	0.075	(1.691)	(0.185)	(0.062)	(0.034)	(0.112)
Net earnings (loss)	1,014	852	758	(17,464)	(2,011)	(654)	(1,780)	(1,045)
Basic earnings (loss) per unit and Class A common share	0.096	0.082	0.072	(1.685)	(0.196)	(0.064)	(0.173)	(0.125)
Diluted earnings (loss) per unit and Class A common share	0.095	0.080	0.072	(1.685)	(0.196)	(0.064)	(0.173)	(0.125)

During the first three quarters of 2007 and the fourth quarter of 2006, continued same store sales growth in Canada and the return to same store sales growth in the U.S. as well as new sales from start-ups have positively impacted the Fund and contributed to a return to profitability when compared to losses experienced in previous quarters. Increased revenues for the last four quarters resulting from same store sales growth, new start-ups and glass initiatives in the U.S. have been partially offset by a continued weakening of the U.S. dollar.

The reported losses for each quarter of 2006 and the last quarter of 2005 resulted primarily from the impacts associated with the write-down of U.S. goodwill, replacement trading partner arrangements, discontinued operations and U.S. losses for which no tax benefits were recorded. The net loss recorded in the latter part of 2005 was also impacted by higher interest costs, the amortization of intangible assets recorded as a result of 2004 and 2005 acquisitions, no longer allocating losses to BGHI as non-controlling interest and no longer recognizing the benefits associated with income tax loss carry forward amounts.

## LIQUIDITY AND CAPITAL RESOURCES

The Fund had net bank indebtedness of \$5.1 million at September 30, 2007 compared to net bank indebtedness of \$6.5 million at December 31, 2006. At September 30, 2007, the Fund had \$9.4 million (\$10.2 million – December 31, 2006) outstanding under its operating line of credit. Cash held on deposit in U.S. bank accounts was \$4.4 million (\$4.1 million – December 31, 2006). Other balances represent outstanding deposits and cheques.

The net working capital ratio (current assets divided by current liabilities) was 0.95:1 at September 30, 2007 (0.88:1 at December 31, 2006).

At September 30, 2007, the Fund had total debt outstanding of \$33.0 million compared to \$36.1 million at June 30, 2007, \$40.3 million at March 31, 2007, \$41.0 million at December 31, 2006 and \$39.4 million at September 30,

2006. Positive cash flow for the year was used to repay \$1.8 million U.S. of the Canadian Senior bank debt, \$0.6 million U.S. per quarter, and reduce the net bank indebtedness position. The translation of U.S. debt at a weaker U.S. dollar also helped to reduce total debt outstanding. Total debt consisted of the following:

	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
Net bank indebtedness	\$ 5.1	\$ 5.8	\$ 7.1	\$ 6.5	\$ 6.0
Canadian senior bank debt	1.8	2.6	3.4	4.2	4.3
U.S. senior bank debt	12.8	13.8	14.9	15.1	14.5
Supplier debt	0.2	0.3	0.3	0.4	0.4
Vendor loans	0.5	0.6	0.6	0.7	0.7
Obligations under capital lease	1.3	1.3	1.4	1.4	1.2
Convertible debt	11.3	11.7	12.6	12.7	12.3
	<u>\$ 33.0</u>	<u>\$ 36.1</u>	<u>\$ 40.3</u>	<u>\$ 41.0</u>	<u>\$ 39.4</u>

## Operating Activities

Year-to-date cash flow generated from operations, before considering working capital changes, was \$6.0 million for the first nine months of 2007, down \$0.4 million from the \$6.4 million reported last year. Operating cash flows in 2006 were positively impacted by \$2.8 million in foreign exchange gains realized on the settlement of previous trading partner arrangements and Canadian senior term debt repayments. Excluding foreign exchange gains, cash flow generated from operations for 2007 increased by \$2.4 million, from \$3.6 million in 2006, reflecting improved overall financial performance.

For the three months ended September 30, 2007, cash flow generated from operations, before considering working capital changes, was \$2.1 million compared to \$2.2 million reported last year. Operating cash flows were positively impacted by \$0.3 million (2006 - \$1.1 million) in foreign exchange gains realized on the repayment of Canadian senior term debt repayments. Excluding foreign exchange gains, cash flow generated from operations for 2007 increased by \$0.7 million, from \$1.1 million in 2006, reflecting improved overall financial performance.

For the first nine months of 2007, there was an investment in working capital representing a use of cash of \$0.8 million compared to a use of cash of \$4.0 million for the same period in 2006, excluding the effect of working capital changes related to discontinued operations. During the second quarter of 2007 additional cash was used to fund health benefit claims in the U.S. During 2006, excess operating cash generated was used to reduce trade accounts payable positions.

For the third quarter of 2007, an investment in working capital used cash of \$0.1 million compared to a use of cash of \$1.5 million for the same period last year. During 2006, the Fund continued to reduce trade accounts payable positions.

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 as well as changes in the foreign exchange translation of U.S. working capital items.

## Financing Activities

Cash used in financing activities totalled \$2.5 million for the nine months ended September 30, 2007, compared to cash generated in 2006 of \$4.8 million. Cash generated by operations and received from rebates for 2007 was used to make scheduled Canadian senior debt repayments, totalling of \$1.8 million U.S., pay down the Company's operating line and fund capital lease repayments. Cash was received in 2007 from trading partners for the quarterly instalment of rebates and for new funding related to start-up locations. The higher level of cash provided by

financing activities in 2006 related primarily to the prepayment of senior term debt and capital leases offset by net cash increases resulting from the first quarter replacement of trading partner arrangements and refinancing of trading partner debt.

For the third quarter of 2007, cash used in financing activities totalled \$1.6 million compared to cash of \$1.3 million generated in the prior year. Cash for 2007 was used to repay \$1.1 million of the Company's operating line of credit, drawn during the first quarter of the year, as well as finance a scheduled Canadian senior debt repayment of \$600,000 U.S. and repay capital lease amounts. Cash was received in 2007 from trading partners for the quarterly instalment of rebates and for new funding related to start-up locations. Cash provided by financing activities for the three months ended September 30, 2006 was primarily the result of cash drawn on the Company's operating line of credit and trading partner rebates received offset by a scheduled Canadian senior bank debt repayment of \$0.3 million U.S. and a Canadian senior bank debt prepayment of \$2.8 million U.S.

## **Equity**

During the first nine months of 2007 and 2006, the Fund issued no units under acquisition price guarantees. During the second quarter of 2006, the Fund elected to pay cash, in the amount of \$244,180, to satisfy an acquisition price guarantee, rather than issue units.

On January 11, 2006, as approved by the unitholders at the annual meeting held on May 17, 2006, the Fund granted options to certain key employees allowing them to exercise the right to purchase 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 may 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 on September 23, 2015, unless the grantees' employment is terminated "without cause" at any time after the sixth anniversary of the option grant, in which case the grantee may exercise the options at anytime within 30 days of the date of termination of such employment. The options would 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 will be recognized as compensation expense over the term between the grant date and the date the options become exercisable.

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

During the first nine months of 2007, the Company received three regularly scheduled rebates from its new trading partners, totalling \$712,500 U.S. These rebates are receivable in equal quarterly instalments of \$237,500 U.S. until February 28, 2012. On June 6, 2007, the Company received an additional rebate, in the amount of \$175,500 U.S., related to a start-up located in Tempe, Arizona, which opened during the fourth quarter of 2007. A further rebate, in the amount of \$54,000 U.S., was received on August 8, 2007 related to an expansion of a repair facility located in Renton, Washington. On May 9, 2006, the Company received rebates totalling \$202,500 U.S. related to start-up facilities located in Orland Park, Illinois, Renton, Washington and Scottsdale, Arizona.

On February 14, 2006, the Company settled all amounts outstanding with its previous trading partners using proceeds from the new supplier arrangements. As a result of this negotiation and settlement the Company recorded a non-cash charge, in the amount of \$2.1 million, to cost of sales. At the same time Boyd also repaid its trading partner loan facility with the proceeds received from a new \$13 million U.S. senior credit facility with a U.S. bank. As part of the conversion to the new supplier arrangements, the Company estimated it may incur approximately \$1.0 million U.S., over a period of approximately two years, for costs associated with learning to effectively apply the new paint and related products. An accrual was established, which reduced the unearned rebate balance, to provide for these expected costs. Costs as incurred have been charged against this accrual with any unused balance remaining after two years to be reclassified to unearned rebates. As at September 30, 2007, the full amount (September 30, 2006 - \$0.6 million) of the accrual had been used. Any additional learning curve costs incurred will be charged directly to cost of sales.

## Debt Financing

During 2007, the Company repaid \$1.8 million U.S. of its Canadian senior debt facility, leaving \$1.8 million U.S. to be repaid in three additional quarterly repayments of \$0.6 million U.S. up to and including April 15, 2008.

On February 14, 2006, in conjunction with the closing of the new trading partner arrangements and U.S. bank refinancing, the Company prepaid \$1.8 million U.S. of its Canadian senior term facility. Concurrent with this prepayment, the Company's Canadian senior lender increased the Company's operating line. The security position held by the Canadian senior lender in the shares and assets of The Gerber Group, Inc., excluding receivables, was released by the Canadian senior lender to be provided as security for the new U.S. senior bank financing.

On February 14, 2006, the Company obtained, and fully drew, a new senior term debt facility with a U.S. bank for \$13.0 million U.S. The facility is supported by an initial five year promissory note due January 31, 2011 with six quarterly principal repayments, in the amount of \$375,000 U.S., beginning October 31, 2009 and continuing thereafter on the last day of January, April, July and October 2010 as well as January 31, 2011. The sixth quarterly instalment shall also include the remaining principal amount of the term loan unless the facility is extended. Subject to certain conditions, the Company has the option to renew the facility, on terms not less favourable, for an additional ten years providing quarterly principal repayments continue in annual U.S. amounts as follows:

Year 6 -	\$ 1,500,000
Year 7 -	\$ 1,500,000
Year 8 -	\$ 1,500,000
Year 9 -	\$ 1,200,000
Year 10 -	\$ 1,100,000
Year 11 -	\$ 900,000
Year 12 -	\$ 800,000
Year 13 -	\$ 800,000
Year 14 -	\$ 800,000
Year 15 -	\$ 650,000

Interest rates are based on LIBOR plus 2.5% for LIBOR loans or U.S. prime rate less 0.25% for floating rate loans or the U.S. Bank's cost of funds plus 2.5% for fixed rate loans. The facility is secured by a pledge of the shares and assets, excluding receivables, of The Gerber Group, Inc. as well as a third party guarantee. The terms and conditions of the loan are similar to those contained in the Company's Canadian senior debt facility.

The Fund has traditionally used capital leases to finance a portion of its maintenance capital expenditures. At September 30, 2007, the Fund owed \$1.3 million (\$1.4 million at December 31, 2006) in capital lease obligations. On February 14, 2006, in conjunction with the closing of the new trading partner arrangements and U.S. bank refinancing, the Company repaid \$1.0 million U.S. in capital lease obligations associated with The Gerber Group, Inc.

## Investing Activities

Cash used in investing activities totalled \$1.1 million for the nine months ended September 30, 2007, compared to \$2.3 million used in the prior year. For the third quarter of 2007 cash used in investing activities totalled \$0.4 million compared to \$0.1 million used in the same period last year. The use of cash for both the three and nine month periods ended September 30, 2007 related to expenditures made for maintaining or replacing existing equipment, maintaining or upgrading existing facilities as well as the development of two new collision repair facilities located in Glenview, Illinois and Tempe, Arizona and an expansion of an existing facility located in Renton, Washington. In 2006, the higher use of funds related to higher capital expenditures and the continued development of three facilities located in the Washington and Arizona markets.

## Acquisitions and Start-Ups

Effective March 1, 2007, the Fund commenced operations in one new start-up collision repair facility located in Glenview, Illinois. A collision repair facility, located in Tempe, Arizona, opened in the fourth quarter of 2007. As

at September 30, 2007, the Company had spent approximately \$0.5 million in the development and commencement of these facilities.

During the second quarter of 2006, the Company commenced operations at three collision repair facilities located in Renton and Tacoma, Washington and Scottsdale, Arizona. As at September 30, 2006, the Company had spent approximately \$1.2 million in the development and commencement of these facilities.

On October 30, 2007 a final amount payable of \$0.7 million was determined as part of the 2004 acquisition of 1<sup>st</sup> Choice Mobile Auto Glass Dealers Inc., in Vancouver, British Columbia. The amount will be satisfied with monthly instalments over a 14 month period and will be reflected in the fourth quarter as an addition to goodwill.

No new acquisitions were completed during the first nine months of 2007.

### **Capital Expenditures**

The Company spent approximately \$0.5 million or 0.4% of sales on the acquisition of equipment and facility upgrades during the first nine months of 2007, compared to \$0.9 million or 0.7% of sales during the same period in 2006. For the third quarter of 2007, the Company spent approximately \$0.2 million or 0.4% of sales on maintenance capital expenditures compared to \$0.2 million or 0.5% of sales for the third quarter of 2006.

## **RELATED PARTY TRANSACTIONS**

The Fund has not entered into any new related party transactions since December 31, 2006.

## **CHANGES IN ACCOUNTING POLICIES**

Effective January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3865, *Hedges*; Section 1530, *Comprehensive Income* and Section 3861, *Financial Instruments – Disclosure and Presentation*. The adoption of these new standards resulted in changes to the accounting for financial instruments and hedges as well as the recognition of certain transition adjustments that have been recorded as adjustments to the opening deficit or the opening accumulated other comprehensive loss. Further changes include the recognition of other comprehensive earnings (loss) in a new financial statement and the inclusion of accumulated other comprehensive loss as a component of unitholders’ equity. To the extent economic hedges do not qualify, or are not documented as hedges in accordance with the new standards, gains and losses will be charged to current period earnings. The most significant impact of these changes related to the recognition of derivatives which previously had only been disclosed in the notes to the financial statements. In accordance with the transition provisions, the comparative Interim Consolidated Financial Statements for 2006 have not been restated.

## **FUTURE ACCOUNTING STANDARDS**

The CICA has issued new accounting standards which apply to fiscal years beginning on or after October 1, 2007.

### **Financial Instruments - Disclosures**

Section 3862 describes the required disclosures related to the significance of financial instruments on the Company’s financial position and performance. The standard also requires disclosure of the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. This section complements existing handbook section 3855, *Financial Instruments – Recognition and Measurement*, section 3863, *Financial Instruments – Presentation* and section 3865, *Hedges*.

### **Financial Instruments - Presentation**

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. This section complements section 3855, Financial Instruments – Recognition and Measurement, section 3862, Financial Instruments – Disclosures and section 3865, Hedges.

### **Capital Disclosures**

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

### **Inventories**

Section 3031 establishes new standards on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories include the cost to purchase and other costs incurred in bringing the inventories to their present location. The new standard also requires additional disclosures regarding the accounting policies used in measuring the inventories, the carrying value of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of write-downs recognized in the period.

### **Convergence with International Financial Reporting Standards**

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian generally accepted accounting principles, as used by public companies, being converged with International Financial Reporting Standards over a transitional period currently expected to be complete by 2011. The precise timing of convergence will depend on an Accounting Standards Board "progress review" to be undertaken and released by March 31, 2008.

The Fund is currently evaluating the impact of the adoption of these new sections on the consolidated financial statements.

## **FINANCIAL INSTRUMENTS AND HEDGES**

For the three months ended September 30, 2007, the Fund has not entered into any new financial instruments or hedges. On October 31, 2007 the Company completed an internal transaction that eliminates the expectation of the anticipated hedged cash flow. Further, the Company has determined the forward foreign exchange contracts identified as the hedging item are no longer effective as a hedge. As a result, future gains or losses related to these forward foreign exchange contracts will be recognized in income. The unrealized portion of gains previously recorded within Accumulated Other Comprehensive Income will be realized as the contracts expire.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements that present fairly the financial condition, results of operations and cash flows 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 2006 annual MD&A.

## **TAXATION OF INCOME TRUSTS**

On June 22, 2007, legislation (the “SIFT Rules”) relating to the taxation of publicly traded income trusts and certain other publicly traded flow-through entities was given Royal assent. Under the new SIFT Rules certain distributions from a “specified investment flow-through” trust or partnership (“SIFT”) will no longer be deductible in computing a SIFT’s taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, the SIFT Rules provide that distributions paid by a SIFT as return of capital will not be subject to tax.

The SIFT Rules provide that a SIFT that was publicly listed prior to November 1, 2006 will become subject to the tax on distributions commencing with the 2011 taxation year. However, a SIFT may become subject to this tax prior to the 2011 taxation year if equity capital increases beyond certain limits measured against its market capitalization at October 31, 2006.

The Fund is a SIFT as defined by the SIFT Rules and is currently not taxable on its income to the extent that its income is distributed to unitholders. This exemption does not apply to the Company or its subsidiaries, which are corporations that are subject to income tax. Commencing in 2011, the Fund will become subject to tax on its distributions paid to unitholders. Consistent with the prior year, the Fund accounts for future income tax assets and liabilities in respect of accounting and tax basis differences and uses a valuation allowance to offset the benefit of income tax assets in excess of its estimate of tax on future taxable income.

## **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 Canadian GAAP. During the third quarter of 2007, 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 2006 annual MD&A.

## **OUTLOOK**

Management’s outlook is positive and it is expected that continued improvement in financial performance can and will be realized.

Since the suspension of distributions and dividends in 2005, the Fund has been focused on improving its financial performance and strengthening its balance sheet. The Company completed negotiations with new trading partners and entered into a long term supply agreement in February 2006. As a result, the Company’s balance sheet and financial flexibility was improved by using replacement unearned rebates to settle \$2.6 million (U.S.) in obligations owing in March of 2006 to the previous trading partners. Supplier loans of approximately \$12.0 million, the majority of which was to be due in January of 2009, was replaced with a US senior bank term facility that amortizes over a 15 year term. Financial flexibility has improved as Canadian senior debt has been repaid over 2006 and 2007 from \$9.4 million U.S., as at December 31, 2005, to its current level, as at November 13, 2007, of approximately \$1.2 million U.S. (due to be completely repaid by the second quarter of 2008). Financial flexibility also improved as the Fund’s operating line of credit was expanded from \$10 million to \$15 million in 2006.

From an operations perspective, financial performance has improved as a combination of increasing sales and lower operating costs as a percentage of sales has contributed to a trend of improving EBITDA and distributable cash.

As a result, the Fund has reinstated monthly distributions to unitholders and dividends to shareholders of BGHI for holders of record on November 30, 2007, with monthly payments beginning in December 2007. Reinstating monthly distributions/dividends at \$0.015 per unit/share, or \$0.18 per annum, represents a payout ratio estimated to be in the low to mid 30% range, being a conservative and sustainable level that allows for continued balance sheet improvement. With stable to improving financial performance, it is expected that distributions and dividends will be gradually increased over time.

The Fund will continue to work on improving same store sales growth, gross margins and EBITDA margins of all operations and will continue to develop its systems and its infrastructure to enhance securityholder value.

## **ADDITIONAL INFORMATION**

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

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These unaudited 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 & Touche LLP, to satisfy itself that management's responsibilities are properly discharged and to review and report to the Board on the interim consolidated financial statements. These interim consolidated financial statements and related notes and other interim filings have not been reviewed by the Fund's auditors.



Terry Smith  
*Chief Executive Officer*  
November 13, 2007



Dan Dott, C.A.  
*Vice President & Chief Financial Officer*  
November 13, 2007

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FORM 52-109F2 - CERTIFICATION OF INTERIM FILINGS

I, **Terry Smith, Chief Executive Officer of the Boyd Group Income Fund**, certify that:

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

Date: November 13, 2007



Terry Smith  
*Chief Executive Officer*

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FORM 52-109F2 - CERTIFICATION OF INTERIM FILINGS

I, **Dan Dott, Vice President and Chief Financial Officer of the Boyd Group Income Fund**, certify that:

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

Date: November 13, 2007



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

# **BOYD GROUP INCOME FUND**

Interim Consolidated Financial Statements

Third Quarter and Nine Months Ended September 30, 2007

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

**INTERIM CONSOLIDATED BALANCE SHEETS (Unaudited)**

September 30, 2007 and December 31, 2006

	September 30, 2007	December 31, 2006
<b>Assets (Note 5)</b>		
Current assets:		
Cash	\$ 4,255,824	\$ 4,090,443
Accounts receivable	20,017,573	19,086,709
Rebates receivable	78,874	431,703
Income taxes recoverable	66,536	-
Inventory	4,066,586	4,428,595
Prepaid expenses	1,169,184	1,468,077
	<b>29,654,577</b>	<b>29,505,527</b>
Note receivable	327,370	382,901
Property, plant and equipment	14,502,102	17,616,705
Future income tax asset	1,683,509	2,452,111
Deferred costs (Note 4)	875,401	1,292,866
Derivative contracts (Note 14)	289,800	-
Goodwill	15,592,632	16,586,721
Intangible assets	13,759,839	16,816,030
	<b>\$ 76,685,230</b>	<b>\$ 84,652,861</b>
<b>Liabilities and Equity</b>		
Current liabilities:		
Bank indebtedness	\$ 9,432,956	\$ 10,575,931
Accounts payable and accrued liabilities	19,546,629	19,709,568
Income taxes payable	-	34,064
Current portion of long-term debt (Note 5)	1,929,315	3,029,977
Current portion of obligations under capital leases	282,891	279,985
	<b>31,191,791</b>	<b>33,629,525</b>
Long-term debt (Note 5)	13,324,422	17,362,426
Obligations under capital leases	979,900	1,107,168
Convertible debt (Note 6)	11,287,749	12,695,065
Unearned rebates	11,989,793	13,417,316
Non-controlling interest	414,881	493,125
	<b>69,188,536</b>	<b>78,704,625</b>
<b>Equity</b>		
Unitholders' capital (Note 7)	53,057,070	53,059,819
Shareholders' capital (Note 7)	55,162	58,362
Equity component of convertible debt (Note 6)	1,102,745	-
Contributed surplus (Note 8)	541,761	107,067
Warrants (Note 8)	-	421,500
Deficit	(35,643,570)	(37,509,258)
Accumulated other comprehensive loss (Note 9)	(11,616,474)	(10,189,254)
	<b>7,496,694</b>	<b>5,948,236</b>
	<b>\$ 76,685,230</b>	<b>\$ 84,652,861</b>

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

**INTERIM CONSOLIDATED STATEMENTS OF DEFICIT (Unaudited)***Nine Months Ended September 30,*

	<b>2007</b>	2006
Deficit, beginning of period	<b>\$ (37,509,258)</b>	\$ (15,599,879)
Transition adjustment on adoption of Financial Instruments ( <i>Note 2</i> )	<b>(758,761)</b>	-
Net earnings (loss) for period	<b>2,624,449</b>	(4,444,782)
Deficit, end of period	<b>\$ (35,643,570)</b>	\$ (20,044,661)

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

**INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) (Unaudited)***Nine Months Ended September 30,*

	2007	2006
Sales	\$ 149,807,963	\$ 136,361,319
Cost of sales	83,932,946	77,599,575
Gross margin	65,875,017	58,761,744
Operating expenses	57,248,867	53,726,337
Foreign exchange gains	(687,796)	(2,820,491)
Depreciation and amortization	2,402,076	2,822,510
Amortization of deferred costs, financing fees and other intangible assets	1,073,361	1,861,442
Interest expense	2,493,168	2,319,872
Write down of goodwill	-	2,302,637
	<b>62,529,676</b>	<b>60,212,307</b>
Earnings (loss) before income taxes and non-controlling interest	<b>3,345,341</b>	<b>(1,450,563)</b>
Income tax expense		
Current	101,990	271,830
Future	528,041	1,171,713
	<b>630,031</b>	<b>1,443,543</b>
Net earnings (loss) before non-controlling interest	<b>2,715,310</b>	<b>(2,894,106)</b>
Non-controlling interest	8,307	(38,613)
Net earnings (loss) from continuing operations	<b>2,723,617</b>	<b>(2,932,719)</b>
Loss from discontinued operations <i>(Note 3)</i>	<b>(99,168)</b>	<b>(1,512,063)</b>
Net earnings (loss)	<b>\$ 2,624,449</b>	<b>\$ (4,444,782)</b>
Weighted average number of units and Class A common shares outstanding	<b>10,527,216</b>	<b>10,286,625</b>
Basic earnings (loss) per unit and Class A common share from continuing operations <i>(Note 13)</i>	<b>\$ 0.259</b>	<b>\$ (0.285)</b>
Loss per unit and Class A common share from discontinued operations	<b>(0.009)</b>	<b>(0.147)</b>
Basic earnings (loss) per unit and Class A common share	<b>\$ 0.250</b>	<b>\$ (0.432)</b>
Diluted earnings (loss) per unit and Class A common share from continuing operations <i>(Note 13)</i>	<b>\$ 0.255</b>	<b>\$ (0.285)</b>
Loss per unit and Class A common share from discontinued operations	<b>(0.009)</b>	<b>(0.147)</b>
Diluted earnings (loss) per unit and Class A common share	<b>\$ 0.246</b>	<b>\$ (0.432)</b>

*The accompanying notes are an integral part of these interim consolidated financial statements***INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS) (Unaudited)***Nine Months Ended September 30,*

	2007	2006
Net earnings (loss)	\$ 2,624,449	\$ (4,444,782)
Other comprehensive loss, net of income taxes		
Change in unrealized gains on translating financial statements of self-sustaining foreign operations	(1,445,092)	(2,577,979)
Change in derivative instruments designated as cash flow hedges	171,104	-
Reclassification to earnings of realized amounts on cash flow hedges	(97,476)	-
Other comprehensive loss, net of income taxes	<b>(1,371,464)</b>	<b>(2,577,979)</b>
Comprehensive earnings (loss)	<b>\$ 1,252,985</b>	<b>\$ (7,022,761)</b>

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

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

*Nine Months Ended September 30,*

	2007	2006
<b>CONTINUING OPERATIONS</b>		
<b>Cash flows from operating activities</b>		
Net earnings (loss) from continuing operations	\$ 2,723,617	\$ (2,932,719)
Items not affecting cash		
Non-controlling interest	(8,307)	38,613
Write down of goodwill	-	2,302,637
Future income taxes	528,041	1,171,713
Amortization of discount on convertible debt	180,231	-
Amortization of discount on long-term debt	30,430	-
Amortization of deferred costs, financing fees and other intangible assets	1,073,361	1,861,442
Depreciation and amortization	2,402,076	2,822,510
Amortization of unearned rebates, net of settlement amounts	(959,872)	985,193
Unit option compensation expense	13,194	13,195
(Gain) loss on disposal of equipment	(316)	100,740
	<b>5,982,455</b>	<b>6,363,324</b>
Changes in non-cash working capital items	<b>(835,729)</b>	<b>(4,043,176)</b>
	<b>5,146,726</b>	<b>2,320,148</b>
<b>Cash flows (used in) provided by financing activities</b>		
Redemption of fund units	-	(3,114)
Increase in obligations under long-term debt	-	14,935,700
Repayment of long-term debt	(2,189,112)	(17,849,352)
(Decrease) increase in bank indebtedness	(1,142,975)	7,647,952
Repayment of obligations under capital leases	(211,461)	(1,399,382)
Unit price guarantee	-	(244,180)
Increase in unearned rebates	244,085	13,193,944
Repayment of unearned rebates	-	(11,801,274)
Increase in financing costs	(26,191)	(233,922)
Collection of rebates receivable	789,403	529,102
	<b>(2,536,251)</b>	<b>4,775,474</b>
<b>Cash flows used in investing activities</b>		
Proceeds on sale of equipment	31,663	88,716
Equipment purchases and facility improvements	(532,105)	(947,351)
Acquisition and development of businesses	(186,326)	(1,150,563)
Deferred costs	(382,813)	(263,088)
Acquisition of other assets	(60,174)	(6,000)
	<b>(1,129,755)</b>	<b>(2,278,286)</b>
Foreign exchange	<b>(1,304,193)</b>	<b>(1,700,953)</b>
Net increase in cash position provided by continuing operations	<b>176,527</b>	<b>3,116,383</b>
<b>DISCONTINUED OPERATIONS</b>		
Operating activities	(11,146)	(289,872)
Financing activities	-	(1,680)
Investing activities	-	93,003
Net decrease in cash position used in discontinued operations	<b>(11,146)</b>	<b>(198,549)</b>
Net increase in cash position	<b>165,381</b>	<b>2,917,834</b>
Cash, beginning of period	<b>4,090,443</b>	<b>1,076,588</b>
Cash, end of period	<b>\$ 4,255,824</b>	<b>\$ 3,994,422</b>
Income taxes paid	<b>\$ 211,797</b>	<b>\$ 309,029</b>
Interest paid	<b>\$ 2,593,799</b>	<b>\$ 3,028,386</b>

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

**INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) (Unaudited)***Three Months Ended September 30,*

	2007	2006
Sales	\$ 47,658,940	\$ 44,795,485
Cost of sales	26,909,527	24,661,799
Gross margin	20,749,413	20,133,686
Operating expenses	17,958,948	17,762,796
Foreign exchange gains	(283,410)	(1,059,555)
Depreciation and amortization	805,577	990,176
Amortization of deferred costs, financing fees and other intangible assets	313,435	498,785
Interest expense	742,164	814,863
Write down of goodwill	-	2,302,637
	<b>19,536,714</b>	<b>21,309,702</b>
Earnings (loss) before income taxes and non-controlling interest	<b>1,212,699</b>	<b>(1,176,016)</b>
Income tax expense		
Current	-	92,143
Future	131,234	628,327
	<b>131,234</b>	<b>720,470</b>
Net earnings (loss) before non-controlling interest	<b>1,081,465</b>	<b>(1,896,486)</b>
Non-controlling interest	<b>(5,240)</b>	<b>(7,705)</b>
Net earnings (loss) from continuing operations	<b>1,076,225</b>	<b>(1,904,191)</b>
Loss from discontinued operations (Note 3)	<b>(62,103)</b>	<b>(106,483)</b>
Net earnings (loss)	<b>\$ 1,014,122</b>	<b>\$ (2,010,674)</b>
Weighted average number of units and Class A common shares outstanding	<b>10,527,216</b>	<b>10,289,449</b>
Basic earnings (loss) per unit and Class A common share from continuing operations (Note 13)	<b>\$ 0.102</b>	<b>\$ (0.185)</b>
Loss per unit from discontinued operations	<b>(0.006)</b>	<b>(0.011)</b>
Basic earnings (loss) per unit and Class A common share	<b>\$ 0.096</b>	<b>\$ (0.196)</b>
Diluted earnings (loss) per unit and Class A common share from continuing operations (Note 13)	<b>\$ 0.100</b>	<b>\$ (0.185)</b>
Loss per unit from discontinued operations	<b>(0.005)</b>	<b>(0.011)</b>
Diluted earnings (loss) per unit and Class A common share	<b>\$ 0.095</b>	<b>\$ (0.196)</b>

*The accompanying notes are an integral part of these interim consolidated financial statements***INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS) (Unaudited)***Three Months Ended September 30,*

	2007	2006
Net earnings (loss)	\$ 1,014,122	\$ (2,010,674)
Other comprehensive loss, net of income taxes		
Change in unrealized gains on translating financial statements of self-sustaining foreign operations	(604,854)	(1,058,978)
Change in derivative instruments designated as cash flow hedges	65,591	-
Reclassification to earnings of realized amounts on cash flow hedges	(43,165)	-
Other comprehensive loss, net of income taxes	<b>(582,428)</b>	<b>(1,058,978)</b>
Comprehensive earnings (loss)	<b>\$ 431,694</b>	<b>\$ (3,069,652)</b>

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

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

*Three Months Ended September 30,*

	2007	2006
<b>CONTINUING OPERATIONS</b>		
<b>Cash flows from operating activities</b>		
Net earnings (loss) from continuing operations	\$ 1,076,225	\$ (1,904,191)
Items not affecting cash		
Non-controlling interest	5,240	7,705
Write down of goodwill	-	2,302,637
Future income taxes	131,234	628,327
Amortization of discount on convertible debt	60,077	-
Amortization of discount on long-term debt	8,483	-
Amortization of deferred costs, financing fees and other intangible assets	313,435	498,785
Depreciation and amortization	805,577	990,176
Amortization of unearned rebates, net of settlement amounts	(311,908)	(305,108)
Unit option compensation expense	4,397	4,399
Loss (gain) on disposal of equipment	2,427	(2,383)
	<b>2,095,187</b>	<b>2,220,347</b>
Changes in non-cash working capital items	<b>(100,994)</b>	<b>(1,486,940)</b>
	<b>1,994,193</b>	<b>733,407</b>
<b>Cash flows (used in) provided by financing activities</b>		
Redemption of fund units	-	(3,114)
Repayment of long-term debt	(731,785)	(3,606,543)
(Decrease) increase in bank indebtedness	(1,075,240)	4,717,892
Repayment of obligations under capital leases	(63,795)	(62,129)
Increase in unearned rebates	57,142	-
Increase in financing costs	(26,191)	(48,000)
Collection of rebates receivable	251,323	265,596
	<b>(1,588,546)</b>	<b>1,263,702</b>
<b>Cash flows used in investing activities</b>		
Proceeds on sale of equipment	4,815	10,343
Equipment purchases and facility improvements	(168,460)	(213,104)
Acquisition and development of businesses	(39,178)	36,979
Deferred costs	(162,658)	91,266
	<b>(365,481)</b>	<b>(74,516)</b>
Foreign exchange	(551,118)	(1,018,388)
Net (decrease) increase in cash position provided by continuing operations	<b>(510,952)</b>	<b>904,205</b>
<b>DISCONTINUED OPERATIONS</b>		
Operating activities	15,423	(239,040)
Investing activities	-	(4,198)
Net increase (decrease) in cash position from discontinued operations	<b>15,423</b>	<b>(243,238)</b>
Net (decrease) increase in cash position	<b>(495,529)</b>	<b>660,967</b>
Cash, beginning of period	<b>4,751,353</b>	<b>3,333,455</b>
Cash, end of period	<b>\$ 4,255,824</b>	<b>\$ 3,994,422</b>
Income taxes paid	<b>\$ -</b>	<b>\$ 118,361</b>
Interest paid	<b>\$ 822,283</b>	<b>\$ 909,151</b>

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

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### 1. BASIS OF PRESENTATION

These interim consolidated financial statements of the Boyd Group Income Fund (the “Fund”), Boyd Group Holdings Inc. (“BGHI”) and subsidiaries have been prepared in accordance with Canadian generally accepted accounting principles and contain the consolidated financial position, results of operations and cash flows of the Fund, BGHI, The Boyd Group Inc. (the “Company”) and the Company’s direct subsidiary companies as at September 30, 2007. These financial statements are consistent with the policies and methods of computation as disclosed in the audited consolidated financial statements and related notes of the Fund for the year ended December 31, 2006, except as noted in Note 2. Readers should be aware that these interim consolidated financial statements and related notes are unaudited and do not include all the information required for complete financial statements, and should be read in conjunction with the audited consolidated financial statements and related notes of the Fund for the year ended December 31, 2006.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 from these estimates.

### 2. SIGNIFICANT ACCOUNTING POLICIES

Effective January 1, 2007, the Fund adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1530, Comprehensive Income, introduces a new financial statement which shows the change in equity of an enterprise from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Section 3855, Financial Instruments - Recognition and Measurement, establishes standards for recognizing and measuring financial instruments, namely financial assets, financial liabilities and derivatives.

The new standard outlines how financial instruments are to be recognized depending on their classification. A financial instrument’s classification determines how changes to subsequent measurements are recognized in net income or comprehensive income.

The Fund has implemented the following classifications:

Cash is classified as “Financial Assets Held for Trading”. This financial asset is marked-to-market through net income at each period end.

Accounts receivable, rebates receivable and note receivable are classified as “Loans and Receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Fund, the measured amount generally corresponds to cost.

Bank indebtedness, accounts payable and accrued liabilities, long-term debt and convertible debt are classified as “Other Financial 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 rate method. For the Fund, the measured amount generally corresponds to cost.

The standard requires derivatives embedded in financial and non-financial contracts be separated from the host contract and accounted for separately. In accordance with the transitional requirements of the standard, the Fund performed a search for embedded derivatives in contracts existing as of January 1, 2007 that were entered into after February 1, 2004. The search did not identify any embedded derivatives requiring separate accounting.

Section 3865, Hedges, for which the application is optional, establishes how hedge accounting may be applied. The Fund, in keeping with its risk management strategy, has applied hedge accounting to its interest rate swaps and forward foreign exchange contracts and treats them as cash flow hedges.

The unrealized portion of these derivatives are marked-to-market each period end with the resulting gains/losses recognized in comprehensive income to the extent the hedging relationship is effective.

EIC-164, Convertible and Other Debt Instruments with Embedded Derivatives, which is to be applied to financial instruments accounted for in Section 3855 provides guidance on how to account for various conversion features of convertible debt. In accordance with the guidance the Fund changed its policy effective January 1, 2007 and has retrospectively bifurcated its convertible debt into its debt and equity components. The transition adjustment was applied on January 1, 2007 recognizing the remaining equity component on the balance sheet with an adjustment to the deficit to reflect the discount to convertible debt that would have been amortized since inception.

According to the transition requirements, these new standards are applied without restatement of prior period amounts. Upon initial application, all adjustments to the carrying amount of financial assets and liabilities were recognized as an adjustment to the opening balance of the deficit or accumulated other comprehensive loss, depending on the classification of existing assets or liabilities. The following transitional adjustments to the balance sheet were made to adopt the new requirements:

	<u>December 31, 2006</u>	<u>Transition Adjustments</u>	<u>January 1, 2007</u>
<b>Assets</b>			
Future income tax asset	\$ 2,452,111	\$ (236,556)	\$ 2,215,555
Deferred costs	1,292,866	(488,519)	804,347
Derivative contracts	-	180,800	180,800
All other assets	80,907,884	-	80,907,884
	<b>\$ 84,652,861</b>	<b>\$ (544,275)</b>	<b>\$ 84,108,586</b>
<b>Liabilities</b>			
Current portion of long-term debt	\$ 3,029,977	\$ (7,170)	3,022,807
Long-term debt	17,362,426	(268,520)	17,093,906
Convertible debt	12,695,065	(477,776)	12,217,289
Unearned rebates	13,417,316	(79,037)	13,338,279
All other liabilities	32,199,841	-	32,199,841
	<b>78,704,625</b>	<b>(832,503)</b>	<b>77,872,122</b>
<b>Equity</b>			
Equity component of convertible debt	-	1,102,745	1,102,745
Deficit	(37,509,258)	(758,761)	(38,268,019)
Accumulated other comprehensive loss	-	(10,245,010)	(10,245,010)
Cumulative translation adjustment	(10,189,254)	10,189,254	-
All other equity	53,646,748	-	53,646,748
	<b>5,948,236</b>	<b>288,228</b>	<b>6,236,464</b>
<b>Total</b>	<b>\$ 84,652,861</b>	<b>\$ (544,275)</b>	<b>\$ 84,108,586</b>

Amendments to Section 1540, Cash Flow Statements, require entities to disclose total cash distributions on financial instruments classified as equity in accordance with a contractual agreement, as well as the terms and conditions that apply in determining such a cash distribution and the extent to which distribution are non-discretionary.

Amendments to Section 1506, Accounting Changes, revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively (unless doing so is impracticable), changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements.

### 3. DISCONTINUED OPERATIONS

In September 2007, the Company ceased operations of its towing business located in Illinois.

On September 1, 2006, the Company ceased operations of two satellite facilities located in Silverdale, Washington and Seattle, Washington.

The Company ceased operations of a small wheel alignment shop located in Seattle, Washington on April 1, 2006.

The Company ceased operations of the AWC collision repair facility located in Fife, Washington and a satellite facility located in Roselle, Illinois on March 31, 2006.

On February 1, 2006 the Fund sold the business assets of a small glass business located in Calgary, Alberta.

The consolidated balance sheets include the following assets and liabilities which relate to these discontinued operations:

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Current assets	\$ 8,773	\$ 25,707
Equipment	-	54,840
	<u>8,773</u>	<u>80,547</u>
Current liabilities	<u>56,550</u>	10,146
Net liabilities	\$ (47,777)	\$ 70,401

The results of discontinued operations are summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Sales	\$ 134,513	\$ 159,719	\$ 501,236	\$ 2,043,497
Loss for the period	(62,103)	(106,483)	(99,168)	(613,592)
Loss on disposition of assets	-	-	-	(898,471)
Net loss from discontinued operations	\$ (62,103)	\$ (106,483)	\$ (99,168)	\$ (1,512,063)

### 4. DEFERRED COSTS

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Pre-operating period costs	\$ 1,572,363	\$ 1,422,024
Convertible debenture issue costs	-	946,844
Financing costs	-	1,203,880
	<u>1,572,363</u>	<u>3,572,748</u>
Less accumulated amortization	<u>(696,962)</u>	<u>(2,279,882)</u>
	<u>\$ 875,401</u>	<u>\$ 1,292,866</u>

As a result of implementing the new standards on financial instruments, issue costs and financing costs are netted against the related liability.

## 5. LONG-TERM DEBT

Long-term debt is comprised of the following:

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Canadian senior term facility, secured by a General Security Agreement and subsidiary guarantees, incentive priced interest rates ranging from prime/U.S. base rate plus 0.5% to 1.75% on prime based or U.S. base rate loans, or Bankers' Acceptances/LIBOR stamp fee plus 2.0% to 3.25% on Banker's Acceptances or LIBOR loans, repayable in quarterly instalments of \$600,000 U.S. from October 15, 2007, to April 15, 2008, with the full amount of the facility repayable in U.S. funds. Interest rate fixed on \$1,793,340 Cdn. of the loans using interest rate swaps at 4% plus incentive pricing spread until April 2008. The September 30, 2007 balance is net of financing fees of \$48,855.	\$ 1,744,485	\$ 4,195,080
U.S. senior term facility, with a U.S. bank for \$13 million U.S. secured by the shares and assets, excluding receivables, of The Gerber Group, Inc. as well as a third party guarantee. The facility is supported by an initial five year promissory note due January 31, 2011 with six quarterly principal repayments, in the amount of \$375,000 U.S., beginning October 31, 2009 and continuing thereafter on the last day of January, April, July and October 2010 as well as January 31, 2011. The sixth quarterly installment shall also include the remaining principal amount of the term loan unless the facility is extended. Subject to certain conditions, the Company has the option to renew the facility, on terms not less favourable, for an additional ten years. Interest rates are based on LIBOR plus 2.5% for LIBOR loans or U.S. prime rate less 0.25% for floating rate loans or the U.S. Bank's cost of funds plus 2.5% for fixed rate loans. The September 30, 2007 balance is net of financing fees of \$131,538.	<b>12,820,362</b>	15,148,900
Subordinated supplier debt at prime plus 2% (interest forgivable at the discretion of the supplier) with quarterly principal payments of \$25,000 U.S. The September 30, 2007 balance is reduced by \$22,359 for the discount on applying amortized cost for debt with below market interest rates. Repayable quarterly instalments remaining from October 20, 2007 to January 20, 2010 in U.S. funds.	<b>226,716</b>	378,723
Vendor notes payable of \$485,558 U.S. on the financing of certain acquisitions, unsecured, at interest rates ranging from 4.0% to 6.5%. The September 30, 2007 balance is reduced by \$23,384 for the discount on applying amortized cost on notes with below market interest rates. The remaining notes are repayable from October 2007 to June 2010 in U.S. funds.	<b>462,174</b>	669,700
	<b>15,253,737</b>	20,392,403
Current portion	<b>1,929,315</b>	3,029,977
	<b>\$ 13,324,422</b>	<b>\$ 17,362,426</b>

## 6. CONVERTIBLE DEBT

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Debt component		
Series I Convertible Debentures	\$ 109,000	\$ 109,000
2002 Convertible Debentures	2,317,000	2,317,000
2003 Convertible Debentures	1,585,000	1,585,000
2004 Vendor exchange notes	7,005,185	8,193,457
2005 Vendor exchange note	498,150	582,650
	<hr/> 11,514,335	12,787,107
Issue costs	(79,475)	(25,142)
Discount	(147,111)	(66,900)
	<hr/> \$ 11,287,749	\$ 12,695,065

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Equity component		
2002 Convertible Debentures	112,500	-
2003 Convertible Debentures	54,464	-
2004 Vendor exchange notes	935,781	-
	<hr/> \$ 1,102,745	\$ -

As a result of implementing the new standards on financial instruments, issue costs are netted against the related convertible debt item. At September 30, 2007 the unamortized issue costs for the Series I Convertible Debentures were \$25,142, the unamortized issue costs for the 2002 Convertible Debentures were \$27,190 and the unamortized issue costs for the 2003 Convertible Debentures were \$27,143.

As a result of applying the CICA's EIC-164: Convertible and Other Debt Instruments with Embedded Derivatives, in conjunction with the new standards on financial instruments, the Fund has bifurcated the convertible debt into its debt and equity components. The remaining discount to convertible debt forms a portion of its amortized cost. At September 30, 2007 the unamortized discount for the Series I Convertible Debentures was \$66,900, the unamortized discount for the 2002 Convertible Debentures was \$1,515, the unamortized discount for the 2003 Convertible Debentures was \$7,312 and the unamortized discount for the 2004 Vendor Exchange notes was \$71,384.

## 7. CAPITAL

### Unitholder's Capital

#### Authorized:

Unlimited number of Trust Units

#### Issued:

The ownership percentages of the Company between the Fund and BGHI continue to change as new units are issued and Class A common shares of BGHI are retracted. At September 30, 2007, the ownership percentage held by the Fund was 82.37% and BGHI was 17.63%.

The following provides a continuity of unitholders' capital:

	<u>September 30, 2007</u>		<u>December 31, 2006</u>	
	<u>Units</u>	<u>Amount</u>	<u>Units</u>	<u>Amount</u>
Unitholders' capital, beginning of year	9,615,117	\$ 53,059,819	9,357,008	\$ 53,130,354
Issue costs	-	(5,949)	-	(12,844)
Unit price guarantee payments	-	-	-	(244,180)
Units issued under guaranteed price contracts	-	-	90,566	-
Units issued to settle retraction of Class A common shares of BGHI	23,087	3,200	22,435	7,636
Units issued on acquisitions	-	-	147,632	193,088
Units redeemed	-	-	(2,524)	(3,114)
Discount on units redeemed	-	-	-	(11,121)
<b>Unitholders' capital, end of year</b>	<b>9,638,204</b>	<b>\$ 53,057,070</b>	<b>9,615,117</b>	<b>\$ 53,059,819</b>

### Shareholders' Capital

#### Authorized:

2,062,863 Class A common, retractable, voting shares

#### Issued:

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Class A common shares		
Number of shares outstanding	863,581	886,668
Carrying Value of shares outstanding	\$ 55,162	\$ 58,362

## 8. CONTRIBUTED SURPLUS

The Fund records as contributed surplus the value of unexercised warrants upon expiry. In addition, the Fund recognizes estimated compensation expense related to unit options over the vesting period of the options granted, with the related credit being allocated to contributed surplus. Units redeemed for a value below their original cost represent a contribution to the benefit of the remaining shareholders and is also credited to contributed surplus.

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Contributed surplus, beginning of period	\$ 107,067	\$ 78,352
Expired 2004 warrants	421,500	-
Compensation expense related to unit-based compensation	13,194	17,594
Discount on units redeemed	-	11,121
<b>Contributed surplus, end of period</b>	<b>\$ 541,761</b>	<b>\$ 107,067</b>

On February 2, 2007, 872,497 warrants issued as part of the 2004 private placement unit offering expired and were reclassified to contributed surplus.

## 9. ACCUMULATED OTHER COMPREHENSIVE LOSS

### Three months ended September 30, 2007

	Unrealized loss on translating financial statements of self-sustaining <u>foreign operations</u>	Gain on derivative instruments designated as <u>cash flow hedges</u>	<u>Total</u>
Balance, as at July 1, 2007	\$ (11,204,305)	\$ 170,259	\$ (11,034,046)
Changes incurred during the quarter	(604,854)	22,426	(582,428)
Total	\$ (11,809,159)	\$ 192,685	\$ (11,616,474)

### Nine months ended September 30, 2007

	Unrealized loss on translating financial statements of self-sustaining <u>foreign operations</u>	Gain on derivative instruments designated as <u>cash flow hedges</u>	<u>Total</u>
Balance, as at January 1, 2007	\$ (10,189,254)	\$ -	\$ (10,189,254)
Adjustment to opening balance	(174,813)	119,057	(55,756)
Changes incurred during the nine month period	(1,445,092)	73,628	(1,371,464)
Total	\$ (11,809,159)	\$ 192,685	\$ (11,616,474)

## 10. DISTRIBUTIONS AND DIVIDENDS

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.

The Fund, the Company and BGHI temporarily suspended cash distributions to unitholders and Class A common shareholders on December 15, 2005. The Fund determined that the suspension of distributions was in the best interests of unitholders and shareholders as it would allow the Company to strengthen its balance sheet and improve its cash position and financial flexibility. On November 13, 2007 at a meeting of the Board of Trustees a decision was made to reinstate distributions. [Note 16]

## 11. INCOME TAXES

On June 22, 2007, legislation (the "SIFT Rules") relating to the taxation of publicly traded income trusts and certain other publicly traded flow-through entities was given Royal assent. Under the new SIFT Rules certain distributions from a "specified investment flow-through" trust or partnership ("SIFT") will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, the SIFT Rules provide that distributions paid by a SIFT as return of capital will not be subject to tax.

The SIFT Rules provide that a SIFT that was publicly listed prior to November 1, 2006 will become subject to the tax on distributions commencing with the 2011 taxation year. However, a SIFT may become subject to this tax prior to the 2011 taxation year if equity capital increases beyond certain limits measured against its market capitalization at October 31, 2006.

The Fund is a SIFT as defined by the SIFT Rules and is currently not taxable on its income to the extent that its income is distributed to unitholders. This exemption does not apply to the Company or its subsidiaries, which are corporations that are subject to income tax. Commencing in 2011, the Fund will become subject to tax on its distributions paid to unitholders. Consistent with the prior year, the Fund accounts for future income tax assets and liabilities in respect of accounting and tax basis differences and uses a valuation allowance to offset the benefit of income tax assets in excess of its estimate of tax on future taxable income.

## 12. 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, Canadian generally accepted accounting principles requires the Company to provide geographical disclosure of segments. For the periods reported, all of the Company's revenues were derived within Canada or the United States of America. All property, plant and equipment, goodwill and intangible assets are located within these two geographic areas.

	<u>Revenues</u>		<u>Property, Plant, Equipment Intangible Assets and Goodwill</u>	
	<u>September 30, 2007</u>	September 30, <u>2006</u>	<u>September 30, 2007</u>	December 31, <u>2006</u>
Canada	\$ 53,738,274	\$ 48,698,860	\$ 15,077,837	\$ 15,717,718
United States	96,069,689	87,662,459	28,776,736	35,301,738
<b>Total</b>	<b>\$ 149,807,963</b>	<b>\$ 136,361,319</b>	<b>\$ 43,854,573</b>	<b>\$ 51,019,456</b>

## 13. EARNINGS PER UNIT AND CLASS A COMMON SHARE FROM CONTINUING OPERATIONS

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>a) Earnings (Loss):</b>				
Net earnings (loss) from continuing operations	\$ 1,076,225	\$ (1,904,191)	\$ 2,723,617	\$ (2,932,719)
Add:				
Net after tax interest on Series I convertible debentures	1,538	-	4,564	-
Net after tax interest on 2004 Vendor exchange notes	58,880	-	174,721	-
Net after tax interest on 2005 Vendor exchange note	1,277	-	3,788	-
Net earnings (loss) from continuing operations – diluted basis	<b>\$ 1,137,920</b>	<b>\$ (1,904,191)</b>	<b>\$ 2,906,690</b>	<b>\$ (2,932,719)</b>
<b>b) Number of units and Class A common shares:</b>				
Average number of units and Class A common shares outstanding	10,527,216	10,289,449	10,527,216	10,286,625
Add:				
Potential conversion of Series I convertible debentures	23,163	-	23,163	-
Potential conversion of 2004 Vendor exchange notes	816,435	-	816,435	-
Potential conversion of 2005 Vendor exchange note	18,519	-	18,519	-
Calculated unit option conversion	50,045	-	14,298	-
Average number of units and Class A common shares outstanding – diluted basis	<b>11,435,378</b>	10,289,449	<b>11,399,631</b>	10,286,625
Earnings (loss) per unit and Class A common share from continuing operations (a) divided by (b)				
Basic	\$ 0.102	\$ (0.185)	\$ 0.259	\$ (0.285)
Diluted	\$ 0.100	\$ (0.185)	\$ 0.255	\$ (0.285)

The potential conversion of the 2002 Convertible Debentures and the 2003 Convertible Debentures have been excluded from the calculation of diluted earnings (loss) per unit and Class A common share because their effects were determined to be anti-dilutive.

## 14. FINANCIAL INSTRUMENTS

### Fair value

For the Fund's current financial assets and liabilities, which are subject to normal trade terms, the historical cost carrying values approximate the fair values.

As there is no ready secondary market for the Fund's long-term debt or its obligations under capital leases, the fair value of these items has been estimated using the discounted cash flow method. The fair value of these items using the discounted cash flow method is approximately equal to their carrying value.

### Credit risk

The Fund is subject to risk of non-payment of accounts receivable, however the Fund's revenues are largely received from the insurers of its customers. Accordingly, the Fund's accounts receivable are comprised mostly of amounts due from national and international insurance companies or provincial crown corporations.

Derivative contracts are over-the-counter traded and are with a counter party that is a highly rated financial institution.

### Interest rate risk

The Fund's operating line, Canadian senior term facility and U.S. senior term facility are exposed to interest rate fluctuations as described in Note 5. Swap agreements are entered into for the portion of these floating rate obligations associated with the Canadian senior term facility. These swap agreements are designated as a hedge of a specifically identified debt instrument, with payments and receipts being recognized as adjustments to interest expense. The Fund is obligated to pay the swap counter party a fixed interest rate of 4% plus incentive pricing spread based on the outstanding notional amount of the swap contract and the swap counter party is obligated to pay the Fund an amount equal to LIBOR.

### Foreign currency risk

The Fund operates a significant portion of its business in the United States and is therefore subject to foreign currency risk due to volatility between the Canadian and U.S. dollar. The Fund utilizes forward foreign exchange contracts for a portion of its intercompany U.S. dollar cash flow paid to Canada. The forward contracts are considered a hedge of a specifically identifiable cash flow from interest on intercompany U.S. Dollar receivables, with payments and receipts of the contracts recognized as adjustments to foreign currency gains or losses. During the second and third quarter of 2007, interest payments to Canada were not made but gains previously recognized in other comprehensive loss as a result of applying hedge accounting continue to be carried forward. These gains will be recognized in net income as the contracts unwind.

The following table provides the use, notional amount and estimated fair market value adjustment of the Fund's derivative portfolio at September 30, 2007:

Contracts held for cash flow management:

	<u>Notional Amount</u>	<u>Contract Expires</u>	<u>Fixed Rates</u>	<u>September 30, 2007 Unrealized (Gain)/Loss</u>	<u>December 31, 2006 Unrealized (Gain)/Loss</u>
The Fund selling U.S. Dollars - Forward foreign exchange contracts	\$ 1,250,000	December 2008	\$1.2230 - \$1.2255	\$ (279,000)	\$ (134,500)
LIBOR interest rate contracts - U.S. dollar swaps	\$ 2,400,000	April 2008	4.00%	\$ (10,800)	\$ (46,300)
				<b>\$ (289,800)</b>	<b>\$ (180,800)</b>

No contracts are held for other purposes.

## 15. FUTURE ACCOUNTING STANDARDS

The CICA has issued new accounting standards which apply to fiscal years beginning on or after October 1, 2007.

### **Financial Instruments - Disclosures**

Section 3862 describes the required disclosures related to the significance of financial instruments on the Company's financial position and performance. The standard also requires disclosure of the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. This section complements existing handbook section 3855, Financial Instruments – Recognition and Measurement, section 3863, Financial Instruments – Presentation and section 3865, Hedges.

### **Financial Instruments - Presentation**

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. This section complements section 3855, Financial Instruments – Recognition and Measurement, section 3862, Financial Instruments – Disclosures and section 3865, Hedges.

### **Capital Disclosures**

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

### **Inventories**

Section 3031 establishes new standards on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories include the cost to purchase and other costs incurred in bringing the inventories to their present location. The new standard also requires additional disclosures regarding the accounting policies used in measuring the inventories, the carrying value of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of write-downs recognized in the period.

### **Convergence with International Financial Reporting Standards**

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian generally accepted accounting principles, as used by public companies, being converged with International Financial Reporting Standards over a transitional period currently expected to be complete by 2011. The precise timing of convergence will depend on an Accounting Standards Board "progress review" to be undertaken and released by March 31, 2008.

The Fund is currently evaluating the impact of the adoption of these new sections on the consolidated financial statements.

## 16. SUBSEQUENT EVENTS

On October 4, 2007, the Fund announced that the Toronto Stock Exchange approved its Notice of Intention to carry out a Normal Course Issuer Bid ("the Bid") to purchase for cancellation, from time to time, as the Fund considers advisable, its issued and outstanding Trust Units. The Bid will commence on October 15, 2007 and will terminate on October 14, 2008 or such earlier time as the Bid is completed or terminated at the option of the Fund.

On October 4, 2007, the Fund announced its intention to exercise its right to pay the principal amount owing of approximately \$2.3 million under its 8% convertible debentures due December 2, 2007 by way of the issuance of Fund Trust Units on December 2, 2007 at an issue price equal to the greater of the weighted average trading price of the units for the twenty trading days immediately preceding the fifth day prior to the date which the principal is to be paid, or \$5.52 per unit. At an issue price of \$5.52, the Fund would expect to issue approximately 420,000 units to satisfy its 2002 Debenture obligations. Concurrent with the issuance of units to retire the 2002 Debentures, the Fund will also compel the conversion into units, of its Series I 8.5% convertible debentures due January 4, 2008 in the amount of approximately \$0.1 million and redeem its 8% convertible debentures due September 30, 2008 in the amount of approximately \$1.6 million by issuance of units in payment of the principal owing under the 2003 Debentures. The Fund expects to issue approximately 23,000 units at an issue price of \$4.70588 to settle the Series I Debentures and approximately 368,000 units at an issue price of \$4.41 to settle the 2003 Debentures. The issue prices of the units are calculated pursuant to the terms of each of the series of debentures which provide for a minimum price at which units will be issued notwithstanding what the actual trading price of the units may be at the time of issuance.

Certain acquisitions include provisions for contingent purchase price amounts to be paid if certain financial performance is achieved. On October 30, 2007 a final amount payable of \$666,907 was determined as part of the acquisition of 1<sup>st</sup> Choice Mobile Auto Glass Dealers Inc., in Vancouver, British Columbia. The amount will be satisfied with monthly instalments over a 14 month period and will be reflected in the fourth quarter as an addition to goodwill.

On November 8, 2007, subject to ratification by the Board of Trustees and approval by the unitholders at the next annual meeting, the Fund granted options to certain key employees allowing them to purchase up to 450,000 units of the Fund, such options to be issued to purchase up to 150,000 units on each of January 2, 2008, 2009 and 2010 exercisable on, but not before, the 10<sup>th</sup> anniversary of the respective issue date. The purchase price per Fund unit under the options issued on each issue date shall be the greater of the closing price for Fund units on the Toronto Stock Exchange on the option grant date (being \$2.70 per unit) and the weighted average trading price of the Fund units on the Toronto Stock Exchange for the first 15 trading days in the month of January in which each issue date falls. Such options shall not be exercisable if, for any reason, other than dismissal “without cause”, the grantee is not an officer or employee of the Fund, or any of its subsidiaries nine years, 255 days after each of the option issue dates in question. However, the the grantee has the right to exercise the option to purchase the Fund units if there is a “takeover bid” for Fund units.

On November 13, 2007, the Fund announced a cash distribution for the month of November 2007 of \$0.015 per trust unit and Boyd Group Holdings Inc. declared a dividend on its Class A and Class B common shares of \$0.015 per share. Both are payable on December 21, 2007 to unitholders and shareholders of record on November 30, 2007.

## **17. COMPARATIVE FIGURES**

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