THE BOYD GROUP INC.

INTERIM REPORT TO SHAREHOLDERS

NINE MONTHS ENDED SEPTEMBER 30, 2002

We are pleased to provide shareholders of The Boyd Group Inc. ("Boyd") with this interim report, which summarizes the activities of the Company during the most recent quarter and provides financial results for the quarter and nine months ended September 30, 2002.

During the quarter, the Company sold a non-core business unit in Alberta and recorded the impact as discontinued operations. Subsequent to September 30, 2002, the Company closed a single collision repair facility in Arizona, pending expropriation of the property, and recorded an extraordinary loss on the closure during the current period. The Company believes these actions will positively impact future earnings.

During the quarter, the Company concluded goodwill impairment testing on the above two reporting units, and estimated goodwill impairment on its U.S. Midwest reporting unit and recorded a $5.1 million cumulative change to opening retained earnings.

Sales for the third quarter, from continuing operations and after extraordinary items, increased approximately 10% to $35.1 million in 2002 from $31.9 million in the same quarter last year. Sales for the nine months ended September 30, 2002, increased to $105.7 million compared to $98.0 million during the same period last year, an increase of approximately 7.9%.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the third quarter, before giving effect to discontinued operations and the extraordinary loss, totalled $2.4 million, compared to $2.9 million in the third quarter of 2001. EBITDA for the nine months ended September 30 was $8.5 million compared to $9.4 million reported during the same period last year. Net earnings, from continuing operations and before the extraordinary loss, were $0.3 million for the third quarter, compared to $0.7 million in the same period last year. Net earnings on the same basis for the nine months ended September 30 were $2.2 million compared to $2.5 million in the same period of 2001. Earnings per share, from continuing operations and before the extraordinary loss, for the third quarter of 2002 were $0.014 compared to $0.044 in the same period last year. Earnings per share on the same basis for the nine months ended September 30 were $0.128 compared to $0.159 reported for the same period last year. Net earnings (loss) for the third quarter, after giving effect to discontinued operations and the extraordinary loss, was $(164) thousand compared to $708 thousand for the same period last year. Net earnings for the nine months ended September 30, 2002, was $1.6 million compared to $2.5 million for the same period in 2001. Earnings (loss) per share, after giving effect to discontinued

operations and the extraordinary loss, for the quarter was $(0.020) compared to $0.044 for this period in 2001. Earnings per share on this same basis for the nine months ended September 30, 2002, was $0.087 compared to $0.159 for the same period last year.

The Company anticipates that for the balance of 2002, its results will continue to be impacted by a challenging economic environment, however, financial performance has and will continue to be addressed with an appropriate sense of urgency and it is expected that actions taken to achieve improvement in these areas will result in a return to improving performance for 2003. On the acquisition front, the Company continues to negotiate for the purchase of additional collision repair facilities in both new and existing markets in Canada and the United States and currently has a number of attractive acquisition opportunities that are at advanced stages.

We thank you for your support and confidence in our Company.

Terry Smith
President & Chief Executive Officer
November 22, 2002

The following review of the Company's operating and financial results for quarter and nine months ended September 30, 2002, as well as management's expectations for the year ahead should be read in conjunction with the Company's 2001 Annual Report and the unaudited financial statements, included on pages 16 to 29 of this report.

RESULTS OF OPERATIONS

HIGHLIGHTS

Highlights of events and corporate initiatives during the first nine months of 2002 which had, and which will continue to have a significant impact on the Company's financial results and financial position include:

- Identifying and implementing further integration and cost improvement initiatives in select markets;
- Continuing enhancement of insurance company relationships with major insurers, including roll out of State Farm "Select Service" DRP[1] program in the Atlanta market in February 2002 and extending other existing relationships to new locations;
- Commencing Phase I development of the Big Box production model in the AWC Collision Center prototype location;
- Achieving company-wide ISO multi-site registration in March 2002;
- Closing the Rush's Collision & Safety Center facility in Flagstaff, Arizona pending expropriation of this location by the City of Flagstaff;
- Initiating an offering for up to $7,500,000 of 2002, 8% Subordinate Convertible Debentures;
- Subsequent to September 30, entering into an agreement with senior lenders to amend the Company's senior credit facility;
- Subsequent to September 30, initiating a offer to extend the existing Series I Convertible Debentures for a further term of 5 years;
- Subsequent to September 30, announcing the engagement of Canaccord Capital Corporation and Wellington West Capital Inc. as financial advisors, to investigate potential strategies for enhancing shareholder value, including an assessment of the merits of a conversion to an income trust structure.

ACQUISITIONS

Although no new acquisition transactions were completed during the first nine months of the year, the Company continues to identify and assess a significant number of potential acquisition opportunities. The Company expects to continue to expand operations through further acquisitions.

1. *Referral programs (DRP's) are established between insurance companies and collision repair shops to better manage automobile repair claims and increase levels of customer satisfaction. The insurance companies select collision repair operators to participate in their programs based on integrity, convenience and physical appearance of the facility, quality of work and customer service.*

3rd QUARTER COMPARISON –

Three Months Ended September 30 – 2002 versus 2001

SALES

Sales increased to $35.1 million for the three months ended September 30, 2002, an increase of $3.2 million or 10% over the same period in 2001.

Same store sales in markets that the Company operated within, in the third quarter of 2002 and 2001, increased 3.9% compared to the same period last year, after excluding the impact of closure of one Arizona facility (-1.1%). Sales from acquisitions completed after September 30, 2001, accounted for 7.4% of the sales increase in the third quarter of 2002.

Same store sales growth in Canada of 4.4% in the third quarter of 2002 reflects a return to positive sales growth in the Manitoba market (3.5%) following a decline in replacement glass sales earlier in the year resulting from a change in deductible policy implemented by the primary insurer in this market. In the U.S., same store sales growth of 3.6% resulted from stronger sales performance in the U.S. Midwest and Southwest regions in this quarter, after experiencing weak same store sales earlier this year.

GROSS MARGIN AND OPERATING EXPENSES

Gross Margin in the third quarter of $15.4 million or 44.0% of sales, compared to $14.8 million or 46.4% of sales in the same period of 2001 reflects increased gross margin dollars resulting from increased sales. Consolidated gross margin percentage decreased due to revised estimates of material purchase rebates recorded in this quarter related to more recently acquired U.S. locations, and the positive impact on the 2001 comparative figures of a non-recurring adjustment to record the accelerated amortization of purchase rebates resulting from a September 15, 2001 amendment to the Company's agreement with its trading partners. The Company expects to be able to continue to improve lower margin newly acquired operations over time through wider application of gross profit improvement initiatives.

Operating Expenses in the third quarter of $13.1 million, or 37.3% of sales, increased from $11.9 million or 37.2% of sales in same period in 2001. Consolidated operating expenses as a percentage of sales increased in part due to higher facilities rent in the AWC Collision operations and higher insurance costs.

Salaries, wages and benefits as a percentage of sales decreased to 20.8% of sales in the third quarter of 2002 when compared 21.1% of sales in the same period last year. Increases in benefit costs in the U.S., including rising health care costs, were offset by reductions in administrative overhead and bonus compensation.

EBITDA

Earnings before interest, income taxes, depreciation and amortization ("EBITDA") for the quarter was $2.4 million or 6.7% of sales compared to $2.9 million or 9.1% of sales in the same period of the prior year, due primarily to lower gross margins as noted above. Consolidated EBITDA margin is expected to continue to be impacted by lower EBITDA margins on new businesses acquired in late 2001 and 2002.

DEPRECIATION AND AMORTIZATION

Depreciation and Amortization expense decreased to $1.0 million or 2.9% of sales during the third quarter compared to $1.2 million or 3.6% of sales in the same period of the prior year.

On January 1, 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3062 – Goodwill and Intangible Assets. In accordance with the requirements of this new standard, as at January 1, 2002, the Company ceased amortizing goodwill, commenced the process of allocating goodwill to reporting units and began the related transitional impairment testing of the allocated goodwill to each reporting unit.

As a result of implementing CICA 3062, the Company expects that its amortization charges will be a significantly lower percent of sales into the future, as it continues with its acquisition strategy. This accounting change, had it been implemented in 2001, would have had the effect of increasing net income by approximately $206 thousand for the third quarter of 2001.

During 2002, and in accordance with the new standard, the Company will complete the development of the necessary methodology to fully implement CICA 3062 with respect to testing the impairment of goodwill on an annual basis, including the identification of reporting units, assigning of assets and liabilities to these reporting units, allocating goodwill to reporting units, assessing the fair value of each reporting unit and determining if there has been any impairment in the carrying value of goodwill. Any impairment in goodwill resulting from the transitional testing of reporting units in 2002 will be recorded as a cumulative effect of change in accounting policy and charged to opening retained earnings.

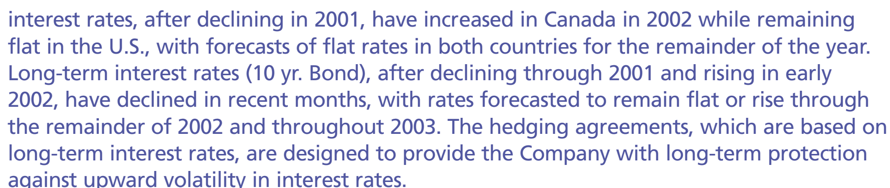
The Company completed the first stage of the impairment test for all reporting units and determined that there was a potential impairment of goodwill. In August 2002, the Company concluded the testing of goodwill impairment for two reporting units; the Big Rig reporting unit in Alberta, and a reporting unit in Arizona that is pending expropriation. The goodwill impairment, as at January 1, 2002, for these reporting units of $1.3 million, was recorded as a charge to opening retained earnings. In September 2002, the Company recorded an estimated impairment of goodwill, as at January 1, 2002, related to the U.S. Midwest reporting unit, of approximately $3.8 million, as a further charge to opening retained earnings. The Company expects to complete the second stage of the impairment testing for other reporting units, and to measure and record the amount of goodwill impairment prior to December 31, 2002.

The Company anticipates that future depreciation charges on fixed assets will continue at or near the same level as a percent of sales.

INTEREST EXPENSE

Interest Expense for the three months ended September 30, 2002, increased to $963 thousand or 2.7% of sales, from $939 thousand or 2.9% of sales in the same period of 2001. Interest expense as a percentage of sales decreased as a result of the growth in sales over the prior year, while debt and interest rates remained level.

The Company entered into interest rate swap agreements on a significant portion of its bank debt in April 2001 in efforts to hedge its variable interest rate exposure. Short-term



interest rates, after declining in 2001, have increased in Canada in 2002 while remaining flat in the U.S., with forecasts of flat rates in both countries for the remainder of the year. Long-term interest rates (10 yr. Bond), after declining through 2001 and rising in early 2002, have declined in recent months, with rates forecasted to remain flat or rise through the remainder of 2002 and throughout 2003. The hedging agreements, which are based on long-term interest rates, are designed to provide the Company with long-term protection against upward volatility in interest rates.

INCOME TAXES

Income Tax expense for the third quarter decreased to $50 thousand or 0.1% of sales compared to $110 thousand or 0.3% of sales in 2001. The decrease in income tax expense is primarily due to lower total income from operations, a higher proportion of income from U.S. operations subject to lower income tax rates and the positive effect of income tax deductions available to the Company as a result of effective tax planning of U.S. acquisitions.

NET EARNINGS AND EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Net Earnings from continuing operations for the third quarter decreased to $322 thousand or 0.9% of sales compared $719 thousand or 2.2% of sales for the same period of the prior year. Higher sales volumes were offset by a lower EBITDA margins resulting from lower gross margins. Lower depreciation and amortization costs and lower income tax expense in relation to sales partly offset lower EBITDA margins.

Earnings Per Share from continuing operations for the third quarter was $0.014 per share compared to $0.044 per share in the same period of 2001. Diluted Earnings Per Share from continuing operations, which is calculated under the assumption that all convertible securities had been converted and stock options had been exercised at the date of issue (where such conversion and exercise would have the effect of reducing earnings per share), was $0.014 per share for the three months ended September 30, 2002, compared to $0.039 per share in the same period of the prior year. The decline in earnings per share and diluted earnings per share resulted from lower net earnings combined with some growth in the average number of shares issued and outstanding during the period.

DISCONTINUED OPERATIONS

Net Loss from Discontinued Operations recorded during the third quarter of $109 thousand ($11 thousand for 2001) resulted from a decision by the Company on August 9, 2002, to sell the assets and business of it’s "Big Rig" location (C.A.C. Coatings) in Red Deer, Alberta. The decision to sell this business was based upon the Company’s conclusion that the operating characteristics of the business (i.e. inconsistent financial performance, high levels of accounts receivable, a shortage of trained and experienced work force, etc.) made the business much less desirable than the Company’s core business of insurance company paid automotive collision repair services. This facility, which was originally acquired in 1998 as part of a three store group of collision repair centres operated in central Alberta, was primarily involved in the repair and refurbishment of "Big Rig" trucks and heavy equipment used in the oil industry.

EXTRAORDINARY ITEM

Extraordinary loss, net of tax, of $376 thousand was recorded during the third quarter in connection with the closure of Rush's Collision & Safety Center, a single collision repair facility located in Flagstaff, Arizona. The closure of this facility was precipitated by a plan, initiated by the City of Flagstaff in late 2001, to expropriate the property at this location for use in developing a new rail line. The Company was formally notified of the expropriation during the third quarter and, after assessing the likelihood of successfully operating this business and the economic viability of relocating post-expropriation, proceeded to close the facility in October 2002.

NET EARNINGS (LOSS) AND EARNINGS (LOSS) PER SHARE

Net Earnings (Loss) for the third quarter, after giving effect to discontinued operations and the extraordinary loss, was $(164) thousand compared to net earnings of $707 thousand for the same period of the prior year. Higher sales volumes were offset by lower EBITDA margins resulting from lower gross margins. Lower depreciation and amortization costs and lower income tax expense in relation to sales partly offset weaker EBITDA margins.

Earnings (Loss) Per Share for the third quarter, after giving effect to discontinued operations and the extraordinary loss, was $(0.020) per share compared to earnings per share of $0.044 in the same period of 2001. Diluted Earnings (Loss) Per Share after giving effect to discontinued operations and the extraordinary loss, which is calculated under the assumption that all convertible securities had been converted and stock options had been exercised at the date of issue (where such conversion and exercise would have the effect of reducing earnings per share), was $(0.016) per share for the three months ended September 30, 2002, compared to earnings per share of $0.039 in the same period of the prior year. The decline in earnings per share and fully diluted earnings per share resulted from lower net earnings combined with some growth in the average number of shares issued and outstanding during the period.

YEAR-TO-DATE COMPARISON –

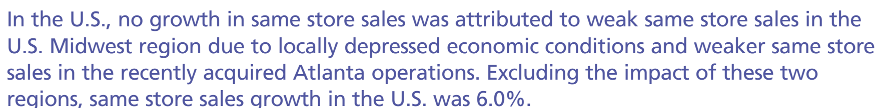
Nine Months Ended September 30 – 2002 versus 2001

SALES

Sales increased to $105.7 million for the nine months ended September 30, 2002, an increase of $7.7 million or 7.9% over the same period in 2001.

Sales in markets that the Company operated within in the first nine months of 2002 and 2001 increased 2.3% compared to the same period last year. This increase resulted from the full period impact in 2002 of acquisitions completed during the first nine months of 2001 (0.8% including the impact of the Rush's closure) and an increase of 1.5% in same store sales of these exit operations. Sales from acquisitions that occurred after September 30, 2001, accounted for 5.6% of the sales increase in the first nine months of 2002.

Same store sales growth in Canada of 3.8% in the first nine months of 2002 was negatively impacted by a decline in replacement glass sales resulting from a change in deductible policy implemented by the primary insurer in the Manitoba market. Excluding the impact of the sales decline in the Manitoba market, same store sales growth in Canada was 9.0%.



In the U.S., no growth in same store sales was attributed to weak same store sales in the U.S. Midwest region due to locally depressed economic conditions and weaker same store sales in the recently acquired Atlanta operations. Excluding the impact of these two regions, same store sales growth in the U.S. was 6.0%.

GROSS MARGIN AND OPERATING EXPENSES

Gross Margin in the first nine months of 2002 of $47.6 million or 45.0% of sales, compared to $44.3 million or 45.2% of sales in the same period of 2001 reflects increased gross margin dollars resulting from increased sales. Consolidated gross margin percentage in 2001 was positively impacted by a non-recurring adjustment to record the accelerated amortization of purchase rebates resulting from a September 15, 2001 amendment to the Company's agreement with its trading partners. Excluding the impact of this adjustment, gross margin as a percentage of sales improved from 44.7% to 45.0% year over year. The Company expects to be able to continue to improve lower margin newly acquired operations over time through wider application of gross profit improvement initiatives.

Operating Expenses in the first nine months of 2002 of $39.0 million, or 36.9% of sales, increased from $34.9 million or 35.6% of sales in same period in 2001. Consolidated operating expenses as a percentage of sales increased partly due to growth in these expenses at a rate higher than same store sales growth in Exit Operations. Higher salaries, wages and benefit costs, as well as higher facilities rent in the AWC Collision operations, insurance, communications and utilities costs all contributed to the higher operating costs as a percentage of sales.

Salaries, wages and benefits as a percentage of sales increased to 20.7% of sales for the first nine months of 2002 compared to 20.3% in the same period last year. Higher salaries, wages and benefit costs in newly acquired U.S. operations, coupled with rising health care costs in nearly all U.S. operations contributed to the increase.

EBITDA

Earnings before interest, income taxes, depreciation and amortization ("EBITDA") decreased for the first nine months of 2002 to $8.5 million or 8.1% of sales from $9.4 million or 9.6% of sales in the same period of the prior year. Lower gross margins and higher operating costs as a percentage of sales as noted above contributed to the decline. The consolidated EBITDA margin is expected to continue to be impacted by lower EBITDA margins on new businesses acquired in late 2001 and 2002.

DEPRECIATION AND AMORTIZATION

Depreciation and Amortization expense decreased to $2.9 million or 2.7% of sales during the first nine months of 2002 compared to $3.3 million or 3.3% of sales in the same period of the prior year.

On January 1, 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3062 – Goodwill and Intangible Assets. In accordance with the requirements of this new standard, as at January 1, 2002, the Company ceased amortizing goodwill, commenced the process of allocating goodwill to reporting units and began the related transitional impairment testing of the allocated goodwill to each reporting unit.

As a result of implementing CICA 3062, the Company expects that its amortization charges will be a significantly lower percent of sales into the future, as it continues with its acquisition strategy. This accounting change, had it been implemented in 2001, would have had the effect of increasing net income by approximately $600 thousand for the first nine months of 2001.

The Company completed the first stage of the impairment test for all reporting units and determined that there was a potential impairment of goodwill. In August 2002, the Company concluded the testing of goodwill impairment for two reporting units; the Big Rig reporting unit in Alberta, and a reporting unit in Arizona that is pending expropriation. The goodwill impairment, as at January 1, 2002, for these reporting units of $1.3 million, was recorded as a charge to opening retained earnings. In September 2002, the Company recorded an estimated impairment of goodwill, as at January 1, 2002, related to the U.S. Midwest reporting unit, of approximately $3.8 million, as a further charge to opening retained earnings. The Company expects to complete the second stage of the impairment testing for other reporting units, and to measure and record the amount of goodwill impairment prior to December 31, 2002.

The Company anticipates that future depreciation charges on capital assets will continue at or near the same level as a percent of sales.

INTEREST EXPENSE

Interest Expense for the first nine months of 2002 increased to $2.8 million or 2.7% of sales, from $2.7 million or 2.8% of sales in the same period of 2001. This increase resulted primarily from higher average levels of bank debt during the period, partly offset by lower interest rates on the portion of bank debt not subject to interest rate hedging and a decrease in the outstanding balance of convertible debentures.

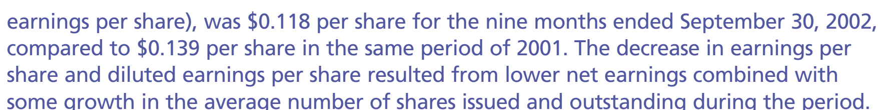
INCOME TAXES

Income Tax expense for the first nine months of 2002 decreased to $615 thousand or 0.6% of sales compared to $875 thousand or 0.9% of sales in the same period of 2001. The decrease in income tax expense is primarily due to the higher proportion of income from U.S. operations subject to lower income tax rates, combined with the positive effect of income tax deductions available to the Company as a result of effective tax planning of U.S. acquisitions.

NET EARNINGS AND EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Net Earnings from continuing operations for the nine months ended September 30, 2002, were $2.2 million or 2.1% of sales compared to $2.5 million or 2.6% of sales for the same period last year. Higher sales volumes were offset by lower EBITDA margins resulting from lower gross margins and higher operating costs. Lower depreciation and amortization costs, and income tax expense in relation to sales partly offset weaker EBITDA margins.

Earnings Per Share from continuing operations for the first nine months of 2002 was $0.128 per share compared to $0.159 per share in the same period of 2001. Diluted Earnings Per Share from continuing operations, which is calculated under the assumption that all convertible securities had been converted and stock options had been exercised at the date of issue (where such conversion and exercise would have the effect of reducing



earnings per share), was $0.118 per share for the nine months ended September 30, 2002, compared to $0.139 per share in the same period of 2001. The decrease in earnings per share and diluted earnings per share resulted from lower net earnings combined with some growth in the average number of shares issued and outstanding during the period.

DISCONTINUED OPERATIONS & EXTRAORDINARY ITEM

Net Loss from Discontinued Operations recorded for the nine months ended September 30, 2002, of $125 thousand ($4 thousand for 2001) resulted from a decision by the Company on August 9, 2002, to sell the assets and business of it's "Big Rig" location (C.A.C. Coatings) in Red Deer, Alberta.

An *Extraordinary Loss* net of taxes, of $456 thousand was recorded during the period resulting from the closure of the Rush's Collision & Safety Center location in Arizona, pending expropriation by the City of Flagstaff.

NET EARNINGS AND EARNINGS PER SHARE

Net Earnings for the nine months ended September 30, 2002, after giving effect to discontinued operations and the extraordinary loss, decreased to $1.6 million or 1.5% of sales compared $2.5 million or 2.6% of sales for the same period of the prior year. Higher sales volumes were offset by lower EBITDA margins resulting from lower gross margins and higher operating costs. Lower depreciation and amortization costs and lower income tax expense in relation to sales partly offset weaker EBITDA margins.

Earnings Per Share for the nine months ended September 30, 2002, after giving effect to discontinued operations and the extraordinary loss, was $0.087 per share compared to $0.159 per share in the same period of 2001. Diluted Earnings Per Share, which is calculated under the assumption that all convertible securities had been converted and stock options had been exercised at the date of issue (where such conversion and exercise would have the effect of reducing earnings per share), after giving effect to discontinued operations and the extraordinary loss, was $0.082 per share for the nine months ended September 30, 2002, compared to $0.139 per share in the same period of the prior year. The decline in earnings per share and fully diluted earnings per share resulted from lower net earnings, after giving effect to discontinued operations and the extraordinary loss, combined with some growth in the average number of shares issued and outstanding during the period.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objective is to ensure, in advance, that it has ample capital resources to allow it to execute its growth plan. It strives to combine an appropriate mix of equity and debt within its capital structure.

EQUITY

During the nine months ended September 30, 2002, the Company issued Class A shares as follows:

- An additional 54,286 Class A shares issued during the first quarter from treasury as partial consideration for an anticipated acquisition of a collision repair facility that was

not completed. The shares were subsequently cancelled during the second quarter and returned to treasury;

- An additional 388,785 Class A shares issued during the period relating to prior years acquisitions for a value of nil;
- An additional 33,624 Class A shares issued during the period in respect of earn out provisions relating to prior acquisitions for a value of $41,505;
- The conversion of $259,600 (face value) of Series I and II convertible debentures during the period in exchange for the issuance of an additional 243,850 Class A shares;
- The exercise of stock options during the period resulting in the issuance of 20,000 Class A shares for cash proceeds of $24,520.

As indicated in last year's annual report, the Company did not anticipate needing, nor did it ultimately require, new equity in the first nine months of 2002, beyond the issue of shares to vendors as partial payment for acquisitions.

In 2001, the Company initiated a Normal Course Issuer Bid to acquire for cancellation up to 5% of the outstanding Class A shares during the period commencing on November 27, 2001, and ending on November 26, 2002. Pursuant to this Normal Course Issuer Bid, the Company purchased and cancelled during the period 9,700 Class A shares at an average price of $2.02 per share.

On May 8, 2002, a special resolution of the shareholders of the Corporation was passed to amend the Articles of Incorporation with respect to the Class E voting shares and re-designate the Class A shares. Each issued and outstanding Class E voting share was subdivided into approximately 8.93 Class E voting shares for a total number of issued and outstanding Class E voting shares of 2,125,000. The number of votes to which each Class E voting share is entitled was changed from 8.93 votes per Class E voting share to one vote per Class E voting share. The Class E redemption price was changed from $25 per Class E voting share to $2.80 per Class E voting share. The rate at which the Class E voting shares may be converted into Class A shares was increased proportionately to reflect the increased number of Class E voting shares issued such that there was no benefit or disadvantage to any class of shareholder. As a result of the changes to the Class E voting shares, the use of the word "Subordinate" was dropped from the formal name of the Class A shares changing the formal designation of those shares to "Class A (Restricted Voting) Shares".

In July 1999, the Company entered into agreements with strategic trading partners, with subsequent amendments in September 2001, that provide, among other things, approximately $25 million in forgivable capital funding over a period of three to six years, to be used for acquisition or start-up of new collision repair operations. Subject to certain obligations and performance criteria, which the Company anticipates it will meet, the Company will not be required to repay this funding. The nature of this capital funding provides the Company with another source of available capital, without interest cost or dilution, to support its acquisition strategy. During the first nine months of 2002, the Company received approximately $150,000 ($2.8 million in the same period of 2001) in forgivable capital funding toward a late 2001 start-up operation.

The Company anticipates continuing to issue shares to vendors as partial payment for acquisitions, and will continue to assess the need to issue new equity in 2002. The Company will raise new debt or equity in advance of requiring the funds where a market

opportunity exists and where the objective is to ensure ample capital is available for future growth.

DEBT FINANCING

On March 20, 2001, the Company entered into a new seven-year syndicated loan agreement with the Toronto-Dominion Bank and Scotiabank, effective April 1, 2001. The new credit facilities were used initially to repay the existing facilities, and provided the Company with an ongoing ability to pay for a portion of future acquisitions using bank debt.

The new facility included a $5 million operating line of credit and a $45 million revolving term facility to be used for acquisitions and new start-up locations. Availability of funds under both the operating credit and the revolving term facility were subject to annual renewal, however, once advanced, borrowings under the revolving term facility were committed, for a total of seven years, subject to repayment requirements and covenant performance. As is normal for financings of this nature, the credit facility is secured by the Company's assets.

On April 1, 2002, in accordance with the credit agreement, the outstanding balance under the revolving term facility of $32.5 million was converted to a term loan, repayable in quarterly installments over a period of five years, commencing July 1, 2003. On August 2, 2002, the Company and the bank syndicate reached agreement on the renewal of the remaining balance of the $45 million revolving term facility. Under the terms of this renewal, any portion of the remaining undrawn balance of $12.5 million drawn by the Company between April 1, 2002, and October 1, 2003, would have become repayable on October 1, 2003. As at September 30, 2002, no additional draws had been made on the remaining balance of the facility.

At September 30, 2002, the Company had approximately $32.5 million ($34.0 million – December 31, 2001) of bank debt outstanding under term loan and approximately $4.9 million ($3.2 million – December 31, 2001) outstanding under its operating line of credit.

On October 21, 2002, the Company announced that it intends to offer for sale $5.0 million of subordinate convertible 8% debentures, with a 5-year maturity from the date of issue. A "greenshoe option" is also contemplated to cover potential over-allotments up to an additional $2.5 million of debentures. The debentures will be convertible, at the option of the holders, into Class A shares at a price of $2.00 per share. The Company will have the option to settle all or a portion of the debenture obligation at maturity, through issuance of Class A shares at the then market price, subject to a floor price of $1.38 per share. The proceeds of the debenture offering will be used to repay bank debt and potentially for acquisition of existing automotive collision repair businesses and establishment of new automotive collision repair businesses. The offering is expected to close on November 27, 2002, subject to satisfaction of certain closing conditions.

Subsequent to September 30, 2002, the Company entered into an agreement with its senior lenders to amend its credit facility. This amendment provided for the Company to proceed with an offering of up to $7.5 million of new 2002, 8% Subordinate Convertible Debentures, as well as an extension of it's existing Series I, 8.5% Convertible Debentures for up to a further five years. Under the amended terms, the undrawn $12.5 million balance of the $45 million revolving term facility has expired, however upon application of

proceeds of the new debenture offering to the facility, the amount so repaid, subject to lender approval as well as the Company's ability to meet certain operating and financial ratios, remains available to the Company for its future use. The amended credit facility, unless otherwise extended by the lenders, now matures on January 1, 2004, and provides for payment of interest only until maturity. As a result of this change, the Company expects to record a non-cash charge of approximately $500,000 as a write-off of previously deferred financing costs.

The Company expects to continue to supplement its debt financing, by negotiating with vendors, in certain acquisitions, to provide financing to the Company in the form of term notes. The notes payable to vendors are typically at favorable interest rates and for terms of 5-10 years. Although this source of financing does partially impact the total availability of funds under the syndicated credit facility, it is another means of supporting the Company's growth, at a relatively low cost.

The Company anticipates, as part of its ongoing strategy to grow through acquisition and start-up of new collision repair facilities, continuing to source new debt financing to supplement contributed equity and minimize dilution to shareholders.

WORKING CAPITAL

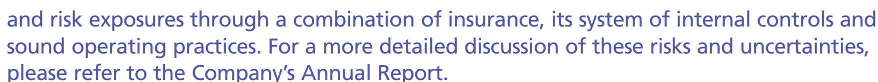
Net working capital (current assets less current liabilities) was approximately $6.9 million at September 30, 2002, compared to approximately $8.9 million at December 31, 2001, primarily as a result of the Series I Convertible Debentures (maturing January 4, 2003) and the first payment on the senior term loan (due July 1, 2003) being reclassified to current liabilities. After giving effect to the recent bank amendment, under which the senior term loan payment will no longer be due July 1, 2003, the net working capital at September 30, 2002, would be $8.1 million. The Company expects to continue to operate at or above a working capital ratio of 1:1.

CAPITAL EXPENDITURES

Excluding expenditures for acquisitions, the Company spent approximately $2.6 million ($992 thousand, net of obligations under capital leases of $1.6 million) or 2.5% of sales on capital expenditures in the first nine months of 2002, compared to $2.7 million ($1.6 million, net of obligations under capital leases of $1.1 million) or 2.8% of sales in the same period of 2001. The Company expects that the level of capital expenditures, as a percentage of sales, will be at, or near the current level in the future.

RISKS AND UNCERTAINTIES

The Company is subject to certain risks inherent in the operation of its business, including retaining key members of the executive team, customer concentration in certain public insurance markets, competition from other businesses, competition from other acquirers of collision repair businesses, ongoing access to sources of capital (debt and equity), increases in operating costs caused by general and location specific economic conditions, labour relations, environmental and regulatory risks and changes in interest rates, tax rates, foreign currency exchange rates and other operating expenses. The Company manages risk



and risk exposures through a combination of insurance, its system of internal controls and sound operating practices. For a more detailed discussion of these risks and uncertainties, please refer to the Company's Annual Report.

OUTLOOK

The Company anticipates that for the balance of 2002, its results will continue to be impacted by challenging economic conditions and it expects that for the balance of the year, lower year-over-year results will continue to be reported. It is optimistic that initiatives introduced throughout 2002 will result in a return to improving performance for 2003.

The Company expects to continue to grow through the acquisition of collision repair businesses as well as by way of organic growth opportunities. There continues to be opportunity to grow Canadian operations, however, it is expected that the majority of the Company's growth will take place in the U.S.

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

FORWARD-LOOKING INFORMATION

This interim report contains forward-looking information, other than historical facts, which reflect the views of the Company'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 Company'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 Company. The Company can give no assurance that it expectations with respect to forward-looking information will prove to be correct.

The Company 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.

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

September 30, 2002 and December 31, 2001

	September 30 2002	December 31 2001
Assets *(Notes 4 and 5)*		
Current		
Cash	**$ 2,283,696**	$ 2,091,838
Accounts receivable	**12,487,183**	12,361,375
Income taxes recoverable	**1,041,158**	1,601,576
Inventory	**3,570,946**	3,765,535
Prepaid expenses	**2,633,060**	1,974,355
	22,016,043	21,794,679
Capital assets *(Note 6)*	**21,232,941**	21,416,743
Deferred costs *(Note 8)*	**1,310,516**	1,228,196
Goodwill and other intangible assets *(Notes 3(a) and 9)*	**39,881,681**	44,766,919
	$ 84,441,181	$ 89,206,537
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 12,095,743**	$ 11,656,066
Due to related parties	**7,277**	8,917
Current portion of long-term debt *(Notes 10, 15 and 16)*	**1,569,122**	292,896
Current portion of obligations under capital leases	**1,082,010**	864,765
Current portion of convertible debentures – debt component *(Note 11)*	**397,009**	31,564
	15,151,161	12,854,208
Long-term debt *(Notes 10, 15 and 16)*	**33,244,507**	34,897,233
Obligations under capital leases	**2,414,179**	1,750,247
Convertible debentures – debt component *(Note 11)*	**–**	1,597,800
Future taxes	**395,977**	863,145
Unearned income	**9,522,285**	10,843,280
Other long-term liabilities	**356,678**	358,179
	61,084,787	63,164,092
Equity		
Share capital *(Note 12)*	**18,610,818**	18,359,794
Convertible debentures – equity component *(Note 11)*	**1,216,849**	183,953
Retained earnings	**2,494,283**	6,396,650
Cumulative translation adjustment	**1,034,444**	1,102,048
	23,356,394	26,042,445
	$ 84,441,181	$ 89,206,537

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS *(UNAUDITED)*

Nine Months Ended September 30

	2002	2001
Sales	**$ 105,730,977**	$ 98,004,653
Cost of sales	**58,161,070**	53,728,533
Gross margin	**47,569,907**	44,276,120
Operating expenses	**39,048,683**	34,906,303
Earnings before interest, taxes, depreciation and amortization	**8,521,224**	9,369,817
Depreciation and amortization	**2,895,954**	3,272,663
Interest expense	**2,870,875**	2,744,667
Interest income	**(42,950)**	(26,911)
	5,723,879	5,990,419
Earnings before income taxes	**2,797,345**	3,379,398
Income taxes	**615,300**	875,300
Net earnings from continuing operations and before extraordinary items	**2,182,045**	2,504,098
Net loss from discontinued operations (net of income tax recoveries in 2002 of $111,200; 2001 of $4,000) *(Note 4)*	**(125,324)**	(4,409)
Net earnings before extraordinary items	**2,056,721**	2,499,689
Extraordinary loss (net of income tax recoveries of $ 304,576) *(Note 5)*	**(456,445)**	–
Net earnings	**1,600,276**	2,499,689
Dividends on Class E shares	**(354,768)**	(354,768)
Premium paid on Class A (Restricted Voting) shares purchased and cancelled *(Note 12)*	**(6,667)**	(34,539)
Cumulative adjustment – goodwill impairment *(Notes 3(a) and 9)*	**(5,141,208)**	–
Retained earnings, beginning of period	**6,396,650**	3,586,267
Retained earnings, end of period	**$ 2,494,283**	$ 5,696,649
Average number of shares outstanding	**14,306,951**	13,476,492
Basic earnings per share from continuing operations and before extraordinary items *(Notes 3(a) and 14)*	**$ 0.128**	$ 0.159
Loss per share from discontinued operations	**(0.009)**	–
Loss per share from extraordinary items	**(0.032)**	–
Basic earnings per share	**$ 0.087**	$ 0.159
Diluted earnings per share from continuing operations and before extraordinary items *(Notes 3(a) and 14)*	**$ 0.118**	$ 0.139
Loss per share from discontinued operations	**(0.008)**	–
Loss per share from extraordinary items	**(0.028)**	–
Diluted earnings per share	**$ 0.082**	$ 0.139

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

Nine Months Ended September 30

	2002	2001
CONTINUING OPERATIONS		
Cash flows from operating activities		
Net earnings from continuing operations and before extraordinary items	**$ 2,182,045**	$ 2,504,098
Items not affecting cash		
Future taxes	**(461,000)**	176,900
Depreciation and amortization	**2,895,954**	3,272,663
Amortization of unearned income	**(1,462,932)**	(1,625,392)
Loss (gain) on disposal of capital assets	**44,149**	(232,845)
	3,198,216	4,095,424
Changes in non-cash working capital items	**462,464**	(2,653,722)
	3,660,680	1,441,702
Cash flows from financing activities		
Issue of share capital, net of issue costs	**23,074**	6,520
Repurchase of share capital	**(19,568)**	(62,994)
Increase in obligations under long-term debt	**–**	10,674,514
Repayment of long-term debt	**(230,681)**	(3,697,759)
Repayment of obligations under capital leases	**(761,314)**	(660,248)
Increase in unearned income	**150,000**	6,586,810
Increase in other long-term liabilities	**–**	231,157
Dividends paid	**(354,768)**	(354,768)
	(1,193,257)	12,723,232
Cash flows from investing activities		
Proceeds on sale of capital assets	**236,136**	1,601,904
Acquisition of capital assets	**(992,261)**	(1,629,571)
Acquisition and development of businesses	**(588,201)**	(5,228,171)
Deferred costs	**(306,064)**	(452,737)
Acquisition of other assets	**(372,367)**	(6,430,946)
	(2,022,757)	(12,139,521)
Foreign exchange	**(17,324)**	119,703
Net increase in cash position from continuing operations and before extraordinary items	**427,342**	2,145,116
DISCONTINUED OPERATIONS		
Operating activities	**96,054**	31,132
Financing activities	**(17,063)**	(3,175)
Investing activities	**(3,958)**	(85,289)
Net proceeds on disposal	**146,453**	–
Net increase (decrease) in cash position from discontinued operations	**221,486**	(57,332)
EXTRAORDINARY ITEMS		
Operating activities	**(443,709)**	–
Investing activities	**(13,261)**	–
Net decrease in cash position from extraordinary items	**(456,970)**	–
Net increase in cash position	**191,858**	2,087,784
Cash position, beginning of period	**2,091,838**	(3,237,724)
Cash position, end of period	**$ 2,283,696**	$ (1,149,940)
Income taxes paid (recovered)	**$ (31,300)**	$ 757,596
Interest paid	**$ 3,089,246**	$ 2,361,791

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS *(UNAUDITED)*

Three Months Ended September 30

	2002	2001
Sales	**$ 35,110,214**	$ 31,906,381
Cost of sales	**19,663,546**	17,106,668
Gross margin	**15,446,668**	14,799,713
Operating expenses	**13,083,486**	11,880,974
Earnings before interest, taxes, depreciation and amortization	**2,363,182**	2,918,739
Depreciation and amortization	**1,027,890**	1,151,124
Interest expense	**975,410**	950,667
Interest income	**(11,823)**	(11,897)
	1,991,477	2,089,894
Earnings before income taxes	**371,705**	828,845
Income taxes	**50,196**	110,170
Net earnings from continuing operations and before extraordinary items	**321,509**	718,675
Net loss from discontinued operations (net of income tax recoveries in 2002 of $97,100; 2001 of $6,900) *(Note 4)*	**(109,399)**	(11,056)
Net earnings before extraordinary items	**212,110**	707,619
Extraordinary loss (net of income tax recoveries of $250,873) *(Note 5)*	**(376,174)**	–
Net earnings (loss)	**(164,064)**	707,619
Dividends on Class E shares	**(118,256)**	(118,256)
Premium paid on Class A (Restricted Voting) shares purchased and cancelled *(Note 12)*	**–**	(5,934)
Cumulative adjustment – goodwill impairment *(Notes 3(a) and 9)*	**(5,141,208)**	–
Retained earnings, beginning of period	**7,917,811**	5,113,220
Retained earnings, end of period	**$ 2,494,283**	$ 5,696,649
Average number of shares outstanding	**14,477,501**	13,706,017
Basic earnings per share from continuing operations and before extraordinary items *(Notes 3(a) and 14)*	**$ 0.014**	$ 0.044
Loss per share from discontinued operations	**(0.008)**	–
Loss per share from extraordinary items	**(0.026)**	–
Basic earnings (loss) per share	**$ (0.020)**	$ 0.044
Diluted earnings per share from continuing operations and before extraordinary items *(Notes 3(a) and 14)*	**$ 0.014**	$ 0.039
Loss per share from discontinued operations	**(0.007)**	–
Loss per share from extraordinary items	**(0.023)**	–
Diluted earnings (loss) per share	**$ (0.016)**	$ 0.039

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

Three Months Ended September 30

	2002	2001
CONTINUING OPERATIONS		
Cash flows from operating activities		
Net earnings from continuing operations and before extraordinary items	**$ 321,509**	$ 718,675
Items not affecting cash		
Future taxes	**(858,000)**	110,600
Depreciation and amortization	**1,027,890**	1,151,124
Amortization of unearned income	**(483,218)**	(1,079,644)
Loss (gain) on disposal of capital assets	**30,535**	(7,876)
	38,716	892,879
Changes in non-cash working capital items	**914,938**	(3,895,959)
	953,654	(3,003,080)
Cash flows from financing activities		
Repurchase of share capital	**–**	(10,194)
Increase in obligations under long-term debt	**–**	100,345
Repayment of long-term debt	**(67,209)**	(49,548)
Repayment of obligations under capital leases	**(269,916)**	(288,056)
Increase in unearned income	**–**	4,500,000
Decrease in other long-term liabilities	**(421)**	(37,980)
Dividends paid	**(118,256)**	(118,256)
	(455,802)	4,096,311
Cash flows from investing activities		
Proceeds on sale of capital assets	**22,733**	22,789
Acquisition of capital assets	**(197,441)**	(489,623)
Acquisition and development of businesses	**(131,891)**	(2,337,849)
Deferred costs	**(81,062)**	(54,307)
Acquisition of other assets	**(20,413)**	647,836
	(408,074)	(2,211,154)
Foreign exchange	**565,575**	335,337
Net increase (decrease) in cash position from continuing operations and before extraordinary items	**655,353**	(782,586)
DISCONTINUED OPERATIONS		
Operating activities	**2,909**	(91,505)
Financing activities	**(17,063)**	–
Investing activities	**3,146**	(1,878)
Net proceeds on disposal	**146,453**	–
Net increase (decrease) in cash position from discontinued operations	**135,445**	(93,383)
EXTRAORDINARY ITEMS		
Operating activities	**(174,222)**	–
Investing activities	**(69,678)**	–
Net decrease in cash position from extraordinary items	**(243,900)**	–
Net increase (decrease) in cash position	**546,898**	(875,969)
Cash position, beginning of period	**1,736,798**	(273,971)
Cash position, end of period	**$ 2,283,696**	$ (1,149,940)
Income taxes paid (recovered)	**$ (37,766)**	$ 234,582
Interest paid	**$ 1,209,924**	$ 753,054

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)*

1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

The Company is incorporated under The Corporations Act (Manitoba). Its business consists of the ownership and operation of autobody/autoglass repair facilities acquired either through the acquisition of existing businesses, or through site development resulting in new locations. In addition, the Company has licensed its trade names, trademarks and systems to independently owned repair facilities under license agreement.

The Class A (Restricted Voting) shares of the Company are listed on the Toronto Stock Exchange under the trading symbol "BYD".

2. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods of computation followed in the audited consolidated financial statements for the year ended December 31, 2001, except as noted below. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Company's 2001 Annual Report.

The measurement 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 the reported amounts of revenues and expenses during the recorded period. Actual results could differ from these estimates.

3. CHANGE IN ACCOUNTING POLICIES

a) *Business Combinations, Goodwill and Other Intangible Assets*

On January 1, 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1581 Business Combinations and Section 3062 Goodwill and Other Intangible Assets. In accordance with the requirements of the new standards, as at January 1, 2002, the Company ceased amortizing goodwill, commenced the process of allocating goodwill to reporting units and began the related transitional impairment testing of allocated goodwill. Any impairment loss resulting from the transitional impairment test will be recorded as a cumulative effect of change in accounting policy and charged to opening retained earnings.

Under Section 3062, goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of each reporting unit is compared with an initial fair value to assess the potential for goodwill impairment. The second step is completed when the carrying amount of a reporting unit exceeds its finally determined fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss. The Company completed the first stage of the impairment test for all reporting units and determined that there was a potential impairment of goodwill. In August 2002, the Company concluded the testing of goodwill impairment for two reporting units; the Big Rig reporting unit in Alberta, and a reporting unit in Arizona that is pending expropriation. The goodwill impairment for these reporting units as at January 1, 2002, was recorded as a charge to opening retained earnings. In September 2002, the Company recorded an estimated impairment of goodwill, as at January 1, 2002, related to its U.S. Midwest reporting unit, as a further charge to opening retained earnings. Amounts are disclosed in note 9. The Company expects to complete the second stage of the impairment testing for other reporting units, and to measure and record the amount of goodwill impairment prior to December 31, 2002.

Except for the elimination of goodwill amortization charges from the Interim Consolidated Statements of Earnings and Retained Earnings and the known impairment associated with discontinued operations and the pending expropriation, the new standards had no impact on the financial statements for the nine months ended September 30, 2002.

3. CHANGE IN ACCOUNTING POLICIES *(cont'd)*

The following table provides the reconciliation between reported net earnings from continuing operations and before extraordinary items, basic earnings per share and diluted earnings per share from continuing operations and before extraordinary items adjusted to exclude amortization of goodwill, on an after-tax basis:

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Net earnings from continuing operations and before extraordinary items:				
Reported net earnings from continuing operations and before extraordinary items	**$ 321,509**	$ 718,675	**$ 1,984,578**	$ 2,504,098
Add back: amortization of goodwill, net of tax	–	205,745	–	600,469
Net earnings from continuing operations and before extraordinary items adjusted for amortization of goodwill	**$ 321,509**	$ 924,420	**$ 1,984,578**	$ 3,104,567
Basic earnings per share from continuing operations and before extraordinary items:				
Reported earnings per share from continuing operations and before extraordinary items	**$ 0.014**	$ 0.044	**$ 0.128**	$ 0.159
Add back: amortization of goodwill, net of tax	–	0.015	–	0.045
Basic earnings per share from continuing operations and before extraordinary items adjusted for amortization of goodwill	**$ 0.014**	$ 0.059	**$ 0.128**	$ 0.204
Diluted earnings per share from continuing operations and before extraordinary items:				
Reported diluted earnings per share from continuing operations and before extraordinary items	**$ 0.014**	$ 0.039	**$ 0 .118**	$ 0.139
Add back: amortization of goodwill, net of tax	–	0.012	–	0.037
Diluted earnings per share from continuing operations and before extraordinary items adjusted for amortization of goodwill	**$ 0.014**	$ 0.051	**$ 0.118**	$ 0.176

b) *Stock Based Compensation*

On January 1, 2002, the Company adopted the recommendations of the CICA Handbook Section 3870 Stock-Based Compensation and Other Stock-based Payments. The new standard permits the use of the fair value based method or an intrinsic value based method of accounting for employee stock-based compensation. When an intrinsic value based method of accounting is used, pro-forma net income and pro-forma earnings per share must be disclosed as if the fair value based method of accounting had been used to account for stock-based compensation cost.

During the second quarter, 74,000 stock options were granted. The weighted-average fair value of the options was $0.41 per option. The fair value of each option was estimated using a binomial option pricing model with the following weighted average assumptions used for the options granted: dividend yield 0.0%, expected volatility 8.0%, risk free interest rate 4.49%, and expected life of the options of 5 years.

3. CHANGE IN ACCOUNTING POLICIES *(cont'd)*

The company has elected to apply the intrinsic value based method of accounting for employee stock-based compensation. In accordance with the intrinsic value based method of accounting for stock based compensation, no compensation expense has been recognized. Had the fair value based method of accounting been applied, compensation expense, net of tax, would have been recorded for options granted under the Company's plan during the nine months ended September 30, 2002, based on the fair value of the options granted, amortized over the vesting period. The Company's net earnings for the nine months ended September 30, 2002, on this basis would have been reduced by less than $25,000 and earnings per share would have been reduced by less than $0.001.

4. DISCONTINUED OPERATIONS

On August 9, 2002, the Company disposed of the operating assets of its Big Rig operation located in Red Deer, Alberta. The decision was made to dispose of this operation because its primary activity was the repair of tractor trailer units and tanks, and was not considered part of the Company's core business of automobile collision repair.

The interim consolidated balance sheets include the following assets and liabilities which relate to the Big Rig location:

	September 30 2002	December 31 2001
Current assets	**$ 284,817**	$ 426,563
Fixed assets	**–**	263,395
Goodwill and other intangible assets	**–**	91,145
	284,817	781,103
Deduct		
Current liabilities	**23,932**	71,871
Net assets of discontinued operations	**$ 260,885**	$ 709,232

The results of discontinued operations are summarized below:

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Sales	**$ 78,840**	$ 382,609	**$ 568,893**	$ 1,318,494
Loss before income taxes	**(107,011)**	(17,956)	**(137,036)**	(8,409)
Income taxes	**(50,300)**	(6,900)	**(64,400)**	(4,000)
	(56,711)	(11,056)	**(72,636)**	(4,409)
Loss on disposition of assets (net of income tax recoveries of $46,800)	**(52,688)**	–	**(52,688)**	–
Net loss from discontinued operations	**$ (109,399)**	$ (11,056)	**$ (125,324)**	$ (4,409)

5. EXTRAORDINARY ITEM

In September 2002, the Company decided to close Rush's Collision and Safety Center, Inc. ("Rush's"), a single facility, located in Flagstaff, Arizona. In late 2001, the City of Flagstaff announced that sometime in 2003, they would expropriate the property on which Rush's is located. The impact of this announcement had a detrimental effect on the ability of the Company to operate the facility as a going concern. As a direct result of this intended expropriation, the Company believed it had no alternative but to close the operation in October 2002. Ongoing losses in the fourth quarter of the current year are expected until the final expropriation is completed. The impact of the closure up to September 30, 2002, is as follows:

5. EXTRAORDINARY ITEM *(cont'd)*

The interim consolidated balance sheets include the following assets and liabilities which relate to the Rush's location:

	September 30 2002	December 31 2001
Current assets	**$ 626,310**	$ 451,602
Fixed assets	**534,388**	682,131
Goodwill and other intangible assets	**–**	1,210,380
	1,160,698	2,344,113
Deduct		
Current liabilities	**181,689**	154,721
Net assets	**$ 979,009**	$ 2,189,392

The losses from extraordinary items to September 30, 2002, is summarized below:

	Three months ended September 30 2002	Nine months ended September 30 2002
Sales	**$ 332,131**	$ 1,292,952
Net operating loss before income taxes	**(266,087)**	(400,061)
Income taxes	**(106,293)**	(159,996)
	(159,794)	(240,065)
Provisions for closure (net of income tax recoveries of $144,580)	**(216,380)**	(216,380)
Net extraordinary loss	**$ (376,174)**	$ (456,445)

6. CAPITAL ASSETS

	September 30, 2002			December 31, 2001	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Rates
Land	**$ 52,472**	**$ –**	**$ 52,472**	$ 52,472	–
Buildings	**292,554**	**54,478**	**238,076**	247,581	5%
Shop equipment/ paint spraybooths	**14,552,210**	**4,957,087**	**9,595,123**	9,949,714	15%
Equipment – office	**1,334,396**	**584,711**	**749,685**	789,774	20%
Computer hardware	**1,889,508**	**1,034,922**	**854,586**	1,006,724	30%
Computer software	**1,313,014**	**735,155**	**577,859**	693,811	3-5 yrs. S.L.
Signage	**806,761**	**309,247**	**497,514**	364,258	15%
Vehicles	**5,866,094**	**2,016,293**	**3,849,801**	3,166,078	10-20%
Leasehold improvements	**6,819,875**	**2,002,050**	**4,817,825**	5,146,331	10-25 yrs. S.L.
	$ 32,926,884	**$ 11,693,943**	**$ 21,232,941**	$ 21,416,743	

Included in the above are assets under capital lease with a cost of $5,232,617 and a net book value of $3,536,986. For the nine months ended September 30, 2002, assets acquired through capital lease amounted to $1,640,783.

7. ACQUISITIONS

The Company did not acquire any collision repair facilities for the nine months ended September 30, 2002.

8. DEFERRED COSTS

	2002	2001
Pre-operating period costs	**$ 537,238**	$ 553,314
Convertible debenture issue costs	**203,752**	203,752
Contract costs	**200,000**	200,000
Financing costs	**1,115,283**	908,083
	2,056,273	1,865,149
Less accumulated amortization	**(745,757)**	(636,953)
	$ 1,310,516	$ 1,228,196

When deferred costs are fully amortized, the cost and accumulated amortization are netted to write-off the asset.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

	September 30 2002	December 31 2001
Goodwill	**$ 42,021,790**	$ 46,921,169
Franchise fees	**260,000**	270,000
	42,281,790	47,191,169
Less accumulated amortization	**(2,400,109)**	(2,424,250)
	$ 39,881,681	$ 44,766,919

As part of the ongoing review of the potential impairment of goodwill described in note 3(a), the Company has recorded, as at January 1, 2002, as a cumulative adjustment to opening retained earnings, the impairment of goodwill associated with the Big Rig reporting unit, in the amount of $84,474, the impairment of goodwill associated with the Rush's Collision and Safety Center, Inc. reporting unit, in the amount of $1,210,380, and the impairment of goodwill associated with the U.S. Midwest reporting unit, in the amount of $3,846,354.

10. LONG-TERM DEBT

Effective April 1, 2002, the drawn portion of the Company's extendible revolving credit facility, as disclosed in the Company's 2001 Annual Report, was converted to a term loan repayable over 20 quarterly installments with the first payment commencing July 1, 2003. The value of this term loan was $32.5 million as at September 30, 2002. The current portion of long-term debt for September 30, 2002, as disclosed in the Interim Consolidated Balance Sheets, includes the July 1, 2003 payment, in the amount of $1,270,012.

On August 2, 2002, the Company renewed the currently undrawn balance of its $ 45.0 million revolving term facility such that the Company may draw up to $ 12.5 million for the period ending October 1, 2003. Any of the remaining $ 12.5 million drawn between April 1, 2002, and October 1, 2003, will become repayable on October 1, 2003. As at September 30, 2002, no additional draws had occurred.

The company reached agreement on a further amendment subsequent to September 30, 2002, as described in note 16.

11. CONVERTIBLE DEBENTURES

	September 30 2002	December 31 2001
Debt component		
Series I	**$ 397,009**	$ 1,597,800
Series II	**–**	31,564
	397,009	1,629,364
Current portion	**397,009**	31,564
	$ –	$ 1,597,800
Equity component		
Series I	**$ 1,216,849**	$ 121,058
Series II	**–**	62,895
	$ 1,216,849	$ 183,953

The Series I debentures are due on January 4, 2003. On September 30, 2002, the outstanding balance of Series II debentures were converted into Class A (Restricted Voting) shares.

12. SHARE CAPITAL

Authorized:

The authorized share capital is contained in the Company's 2001 Annual Report except that on May 8, 2002, a special resolution of the shareholders of the Corporation was passed to amend the Articles of Incorporation with respect to the Class E voting shares and re-designate the Class A (Subordinate Restricted Voting) shares. Each issued and outstanding Class E voting share was subdivided into approximately 8.93 Class E voting shares for a total number of issued and outstanding Class E voting shares of 2,125,000. The number of votes to which each Class E voting share is entitled was changed from 8.93 votes per Class E voting share to 1 vote per Class E voting share. The Class E redemption price was changed from $25.00 per Class E voting share to $2.80 per Class E voting share. The rate at which the Class E voting shares may be converted into Class A (Subordinate Restricted Voting) shares was increased proportionately to reflect the increased number of Class E voting shares issued such that there was no benefit or disadvantage to any class of shareholder. As a result of the changes to the Class E voting shares, the use of the word "Subordinate" was dropped from the formal name of the Class A shares changing the formal designation of those shares to "Class A (Restricted Voting) Shares" and the Company's stock symbol was changed effective August 13, 2002 from "BYD.A" to "BYD".

Issued:

September 30 2002	December 31 2001		September 30 2002	December 31 2001
14,581,039	13,904,480	Class A (Restricted Voting) shares	**$ 18,610,807**	$ 18,359,783
100	100	Class D voting shares	**10**	10
2,125,000	238,000	Class E voting shares	**1**	1
			$ 18,610,818	$ 18,359,794

For the period ended September 30, 2002, an additional 676,559 Class A (Restricted Voting) shares were issued for a value of $251,024 comprised of:

a) 54,286 Class A (Restricted Voting) shares issued from treasury in the first quarter of 2002 in anticipation of an acquisition which did not occur. The shares were cancelled during the second quarter and returned to treasury;

b) 422,409 Class A (Restricted Voting) shares issued relating to prior years acquisitions for a value of $41,505.

c) the conversion of Series I and II convertible debentures during the period accounting for 243,850 Class A (Restricted Voting) shares for a value of $259,600;

d) the exercise of stock options during the period accounting for 20,000 Class A (Restricted Voting) shares valued at $24,520.

12. SHARE CAPITAL *(cont'd)*

Issue costs associated with the issue of Class A (Restricted Voting) shares amounted to $61,700.

In 2001, the Company initiated a Normal Course Issuer Bid to acquire for cancellation up to 5.0% of the outstanding Class A (Restricted Voting) shares during the period commencing on November 27, 2001, and ending on November 26, 2002. Pursuant to this Normal Course Issuer Bid, the Company purchased and cancelled during the period 9,700 Class A (Restricted Voting) shares, having a book value of $12,901, for an amount of $19,568. The premium paid to acquire the shares, in the amount of $6,667 has been charged to retained earnings.

On May 21, 2002, the Company withdrew 67,300 of its outstanding stock options. Pursuant to the Company's stock option plan, the Company granted 74,000 stock options on May 22, 2001, with an exercise price of $1.84. Further information on the stock option plan is contained in the Company's 2001 Annual Report.

13. SEGMENTED REPORTING

The Company has one reportable segment, being automotive collision repair and related services, with all revenues relating to a group of similar services. For the period ended September 30, 2002, all of the Company's revenues were derived within Canada or the United States of America. All capital assets and goodwill are located within these two geographic areas.

	Revenues		Capital Assets and Goodwill	
	September 30 2002	September 30 2001	**September 30 2002**	December 31 2001
Canada	**$ 40,484,302**	$ 38,383,068	**$ 17,797,534**	$ 18,074,848
United States	**65,246,675**	59,621,585	**43,207,232**	47,973,554
	$ 105,730,977	$ 98,004,653	**$ 61,004,766**	$ 66,048,402

The Company's revenues are largely derived from the insurers of its customers, who are generally automobile owners. In three Canadian provinces where the Company operates, government-owned insurance companies have, by legislation, either exclusive or semi-exclusive rights to provide insurance to the Company's customers. Although the Company's services in these markets are predominately paid for by these government-owned insurance companies, the Company's customers (automobile owners) have freedom of choice of repair provider.

14. EARNINGS PER SHARE FROM CONTINUING OPERATIONS AND BEFORE EXTRAORDINARY ITEMS

	Three months ended September 30		Nine months ended September 30	
	2002	**2001**	**2002**	**2001**
a) Earnings:				
Net earnings from continuing operations and before extraordinary items	**$ 321,509**	$ 718,675	**$ 2,182,045**	$ 2,504,098
Less: Dividends paid on Class E shares	**(118,256)**	(118,256)	**(354,768)**	(354,768)
Net earnings from continuing operations and before extraordinary items available to Class A (Restricted Voting) shareholders	**203,253**	600,419	**1,827,277**	2,149,330
Add:				
Net after tax interest on Series I convertible debentures	**19,114**	20,339	**57,342**	61,016
Net after tax interest on Series II convertible debentures	**–**	1,802	**–**	5,408
Net earnings from continuing operations and before extraordinary items – Class A (Restricted Voting) shareholders – diluted basis	**$ 222,367**	$ 622,560	**$ 1,884,619**	$ 2,215,754

14. EARNINGS PER SHARE FROM CONTINUING OPERATIONS AND BEFORE EXTRAORDINARY ITEMS *(cont'd)*

	Three months ended September 30		Nine months ended September 30	
	2002	**2001**	**2002**	**2001**
b) Number of Class A (Restricted Voting) shares:				
Average number of Class A (Restricted Voting) shares outstanding	**14,477,501**	13,706,017	**14,306,951**	13,476,492
Add:				
Potential conversion of Series I convertible debentures	**1,393,150**	1,482,400	**1,393,150**	1,482,400
Potential conversion of Series II convertible debentures	–	154,600	–	154,600
Potential exercise of outstanding stock options	**201,406**	138,981	**250,665**	207,623
Average number of Class A (Restricted Voting) shares outstanding – diluted basis	**16,072,057**	15,481,998	**15,950,766**	15,321,115

Earnings per share from continuing operations and before extraordinary items (a) divided by (b)

Basic	**$ 0.014**	$ 0.044	**$ 0.128**	$ 0.159
Diluted	**$ 0.014**	$ 0.040	**$ 0.118**	$ 0.145

The comparative diluted earnings per share calculation for the three month period and nine month period ended September 30, 2001, has been restated to conform with the presentation in the current year. At December 31, 2001, the Company adopted the recommendations of the CICA handbook Section 3500 Earnings Per Share, which resulted in the presentation of diluted earnings per share using the treasury stock method. Under the previous method, diluted earnings per share from continuing operations for the three month period and nine month period ended September 30, 2001, was reported as $ 0.039 and $ 0.139 per share respectively. The impact of the change in accounting policy to the interim consolidated financial statements was not material.

15. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

In the normal course of managing exposure to fluctuations in interest rates, and to market risks, the Company is an end user of various derivative financial instruments that are not reported on the balance sheet. All contracts are over-the-counter traded and are with counter parties that are highly rated financial institutions.

The following table provides the use, notional amount and estimated fair market value of the Company's derivative portfolio at September 30, 2002:

	September 30, 2002		December 31, 2001	
	Notional Amount (over 5 years)	**Fair Value**	Notional Amount (over 5 years)	Fair Value
Contracts held for cash flow management:				
Interest Rate Contracts –				
Canadian dollar swap	$ 1,280,000	$ (89,206)	$ 1,496,000	$ (113,769)
U.S. dollar swap	28,544,400	(3,017,852)	28,666,800	(1,417,310)
Total	$ 29,824,400	$ (3,107,058)	$ 30,162,800	$ (1,531,079)

No contracts are held for other purposes.

16. SUBSEQUENT EVENTS

On October 21, 2002, the Company announced that it intends to offer for sale $ 5.0 million of convertible 8% debentures repayable in five years from the date of issue. A "greenshoe option" is also contemplated to cover potential over-allotments up to an additional $ 2.5 million of debentures. The debentures will be convertible, at the option of the holders, into Class A (Restricted Voting) Shares at a price of $ 2.00 per share. The Company will have the option to settle all or a portion of the debenture obligation at maturity, through the issuance of Class A (Restricted Voting) Shares at the then market price, subject to a floor price of $ 1.38 per share. The proceeds of the debenture offering will be used to repay bank debt and fund future acquisitions. The offering is expected to close on November 27, 2002, subject to satisfaction of certain closing conditions.

Subsequent to September 30, 2002, the Company entered into an agreement with its senior lenders to amend its credit facility. This amendment provided for the Company to proceed with an offering of up to $7.5 million of new, 8% Subordinate Convertible Debentures, as well as an extension of its existing Series I, 8.5% Convertible Debentures for up to a further five years. Under the amended terms, the undrawn $ 12.5 million balance of the $ 45 million revolving term facility has expired, however, upon application of proceeds of the new debenture offering to the facility, the amount so repaid, subject to lender approval as well as the Company's ability to meet certain operating and financial ratios, remains available to the Company for its future use. The amended credit facility, unless otherwise extended by the lenders, now matures on January 1, 2004, and provides for payment of interest only until maturity. As a result of this change, the Company expects to record a non-cash charge of approximately $500,000 as a write-off of previously deferred financing costs.

Subsequent to September 30, 2002, the Company closed Rush's Collision and Safety Center, Inc. located in Flagstaff, Arizona. This action was taken as a direct result of impending expropriation proceedings by the City of Flagstaff for a new railroad line. The estimated net loss for the year resulting from this extraordinary event is expected to be in the $500,000 range with $456,445 recorded to September 30, 2002, as described in note 5.

17. COMPARATIVE FIGURES

Certain comparative figures for 2001 have been restated to conform with the presentation of the current year.

THE BOYD GROUP INC.

3570 Portage Avenue, Winnipeg, Manitoba, Canada R3K 0Z8
Tel. (204) 895-1244 Fax (204) 895-1283

www.boydgroup.com