

THE BOYD GROUP INC.
INTERIM FINANCIAL STATEMENTS

EIGHT MONTHS ENDED AUGUST 31, 2002



The following review of the Company's operating and financial results for the two month interim period and eight months ended August 31, 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 12 to 22 of this report.

RESULTS OF OPERATIONS

HIGHLIGHTS

Highlights of events and corporate initiatives during the first eight 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 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;
- Subsequent to August 31, 2002, closing the Rush's Collision & Safety Center facility in Flagstaff, Arizona pending expropriation of this location by the City of Flagstaff, resulting in an estimated extraordinary loss of approximately \$500,000.

ACQUISITIONS

Although no new acquisition transactions were completed during the first eight 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.

INTERIM PERIOD COMPARISON –

Two Months Ended August 31 – 2002 versus 2001

SALES

Sales increased to \$24.0 million for the two months ended August 31, 2002, an increase of \$2.4 million or 11.3% over the same period in 2001.

Same store sales in markets that the Company operated within, in the two month interim period of 2002 and 2001, increased 4.0% compared to the same period last year. Sales from acquisitions completed after the August 31, 2001, accounted for 7.3% of the sales increase in this interim period of 2002.

Same store sales growth in Canada of 5.4% in this two month interim period of 2002 reflects a return to positive sales growth in the Manitoba market (5.2%) 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 3.2% resulted from stronger sales performance in the U.S. Midwest and Southwest regions, where sales stabilized in this interim period after experiencing weak same store sales earlier this year.

GROSS MARGIN AND OPERATING EXPENSES

Gross Margin in the two month interim period of \$10.3 million or 43.2% of sales, compared to \$9.6 million or 44.7% of sales in the same period of 2001 reflects increased gross margin dollars resulting from increased sales. Consolidated gross margin percentage decreased due primarily to revised estimates of material purchase rebates related to more recently acquired U.S. locations. 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 two-month interim period of \$8.8 million, or 36.6% of sales, increased from \$7.8 million or 36.5% 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 remained flat at 20.6% of sales in the two month interim period of 2002, when compared to 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.

EBITDA

Earnings before interest, income taxes, depreciation and amortization ("EBITDA") decreased for the two month interim period to \$1.6 million or 6.6% of sales from \$1.8 million or 8.2% of sales in the same period of the prior year, due primarily to lower gross margins, as well as increased operating costs. 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 \$689 thousand or 2.9% of sales during this two month interim period of 2002 compared to \$769 thousand 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 \$128 thousand for the two month interim period.

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 has completed the first stage of the impairment test and has determined that there may be a potential impairment of goodwill, estimated to be in the range of \$2.0 - \$4.0 million, with respect to certain reporting units, excluding impairments associated with discontinued operations and the subsequent closure of one facility pending expropriation. 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 in the two months ended August 31, 2002, increased to \$636 thousand or 2.7% of sales, from \$618 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.

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 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 two month interim period decreased to \$48 thousand or 0.2% of sales compared to \$114 thousand or 0.5% of sales in 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 two-month interim period decreased to \$204 thousand or 0.8% of sales compared \$265 thousand or 1.2% 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 two-month interim period was \$0.014 per share compared to \$0.020 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 \$0.012 per share for the two months ended August 31, 2002 compared to \$0.016 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 two months ended August 31, 2002, of \$109 thousand (\$8 thousand for 2001) resulted from a decision by the Company on August 9, 2002, to sell the assets and business of its "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 (ie. 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.

NET EARNINGS AND EARNINGS PER SHARE

Net Earnings for the two-month interim period, after giving effect to discontinued operations, decreased to \$95 thousand or 0.4% of sales compared \$257 thousand or 1.2% 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 weaker EBITDA margins.

Earnings Per Share for the two-month interim period, after giving effect to discontinued operations was \$0.007 per share compared to \$0.019 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), was \$0.006 per share for the two months ended August 31, 2002, compared to \$0.016 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 combined with some growth in the average number of shares issued and outstanding during the period.

YEAR-TO-DATE COMPARISON –


Eight Months Ended August 31 – 2002 versus 2001

SALES

Sales increased to \$95.5 million for the eight months ended August 31, 2002, an increase of \$7.9 million or 9.0% over the same period in 2001.

Sales in markets that the Company operated within, in the first eight months of 2002 and 2001, increased 3.7% compared to the same period last year. This increase resulted from the full period impact in 2002 of acquisitions completed during the first eight months of 2001 (3.0% increase) and an increase of 0.7% in same store sales of these exit operations. Sales from acquisitions that occurred after the first eight months of 2001 accounted for 5.3% of the sales increase in the first eight months of 2002.

Same store sales growth in Canada of 4.0% in the first eight 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 9.3%. In the U.S., the Company continued to experience weak



same store sales in the U.S. Midwest region attributable to a locally depressed economic situation in this region 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 4.0%.

GROSS MARGIN AND OPERATING EXPENSES

Gross Margin in the first eight months of 2002 of \$42.8 million or 44.8% of sales, compared to \$39.1 million or 44.6% of sales in the same period of 2001 reflects increased gross margin dollars resulting from increased sales. Consolidated gross margin percentage increased year-to-date as purchasing synergies and other margin improvements in maturing U.S. locations take effect. 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 eight months of 2002 of \$35.2 million, or 36.8% of sales, increased from \$30.9 million or 35.2% 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 eight months of 2002 compared to 20.0% 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 eight months of 2002 to \$7.7 million or 8.0% of sales from \$8.2 million or 9.4% of sales in the same period of the prior year. Improved gross margins were offset by higher operating costs as a percentage of sales, principally in the U.S. Midwest region and in newly acquired operations as noted above. 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 \$2.6 million or 2.7% of sales during the first eight months of 2002 compared to \$2.9 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 \$501 thousand for the first eight months of 2001.

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 eight months of 2002 increased to \$2.5 million or 2.6% of sales, from \$2.4 million or 2.7% 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 eight months of 2002 decreased to \$560 thousand or 0.6% of sales compared to \$879 thousand or 1.0% 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 eight months ended August 31, 2002, were \$2.0 million or 2.1% of sales compared to \$2.1 million or 2.3% of sales for the same period last year. Higher sales volumes were offset by lower EBITDA margins resulting from higher operating costs. Lower depreciation and amortization costs, and income tax expense in relation to sales offset weaker EBITDA margins, resulting in flat net earnings.

Earnings Per Share from continuing operations for the first eight months of 2002 was \$0.122 per share compared to \$0.135 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 \$0.112 per share for the eight months ended August 31, 2002, compared to \$0.121 per share in the same period of 2001. The decrease in earnings per share and diluted earnings per share resulted from flat 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 for the eight months ended August 31, 2002, of \$125 thousand (\$1 thousand for 2001) resulted from a decision by the Company on August 9, 2002, to sell the assets and business of its "Big Rig" location (C.A.C. Coatings) in Red Deer, Alberta.

NET EARNINGS AND EARNINGS PER SHARE

Net Earnings for the eight months ended August 31, 2002, after giving effect to discontinued operations, decreased to \$1.9 million or 2.1% of sales compared \$2.0 million or 2.3% of sales for the same period of the prior year. Higher sales volumes were offset by lower EBITDA margins resulting from 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 eight months ended August 31, 2002, after giving effect to discontinued operations, was \$0.114 per share compared to \$0.135 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), was \$0.105 per share for the eight months ended August 31, 2002, compared to \$0.120 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 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 eight months ended August 31, 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 earnout provisions relating to prior acquisitions for a value of \$41,505;
- The conversion of \$166,600 (face value) of Series I and II convertible debentures during the period in exchange for the issuance of an additional 150,850 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 eight 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 eight 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, to be effective April 1, 2001. The new credit facilities were used initially to repay the existing facilities, and provide 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 are 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, will become repayable on October 1, 2003. As at August 31, 2002, no additional draws have been made on the remaining balance of the facility.

At August 31, 2002, the Company had approximately \$32.5 million (\$34.0 million – December 31, 2001) of bank debt outstanding under term loan and approximately \$3.2 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 August 31, 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 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.

During 2002, 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 \$7.7 million at August 31, 2002, compared to approximately \$8.9 million at December 31, 2001, primarily as a result of the Series I and II convertible debentures (maturing January 4, 2003, and September 30, 2002, respectively) and the first payment on the senior term loan (due July 1, 2003) being reclassified to current liabilities. 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 \$2.5 million (\$935 thousand, net of obligations under capital leases of \$1.6 million) or 2.6% of sales on capital expenditures in the first eight months of 2002, compared to \$2.4 million (\$1.3 million, net of obligations under capital leases of \$1.1 million) or 2.7% 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, 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 in 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 its 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)

August 31, 2002 and December 31, 2001

	August 31 2002	December 31 2001
Assets (Note 3)		
Current		
Cash	\$ 734,408	\$ 2,091,838
Accounts receivable	12,701,617	12,361,375
Income taxes recoverable	1,636,427	1,601,576
Inventory	3,663,202	3,765,535
Prepaid expenses	2,607,230	1,974,355
	21,342,884	21,794,679
Capital assets	21,324,374	21,416,743
Deferred costs	1,273,166	1,228,196
Goodwill and other intangible assets (Notes 4(a) and 6)	43,120,943	44,766,919
	\$ 87,061,367	\$ 89,206,537
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 10,450,862	\$ 11,656,066
Due to related parties	8,931	8,917
Current portion of long-term debt (Note 7)	1,543,643	292,896
Current portion of obligations under capital leases	1,080,255	864,765
Current portion of convertible debentures – debt component (Note 8)	529,933	31,564
	13,613,624	12,854,208
Long-term debt (Note 7)	32,761,206	34,897,233
Obligations under capital leases	2,418,387	1,750,247
Convertible debentures – debt component (Note 8)	–	1,597,800
Future taxes	1,229,576	863,145
Unearned income	9,683,723	10,843,280
Other long-term liabilities	353,050	358,179
	60,059,566	63,164,092
Equity		
Share capital (Note 9)	18,577,959	18,359,794
Convertible debentures – equity component (Note 8)	1,116,784	183,953
Retained earnings	6,717,871	6,396,650
Cumulative translation adjustment	589,187	1,102,048
	27,001,801	26,042,445
	\$ 87,061,367	\$ 89,206,537

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (UNAUDITED)

Eight Months Ended August 31

	2002	2001
Sales	\$ 95,542,155	\$ 87,626,669
Cost of sales	52,694,753	48,533,436
Gross margin	42,847,402	39,093,233
Operating expenses	35,196,138	30,876,298
Earnings before interest, taxes, depreciation and amortization	7,651,264	8,216,935
Depreciation and amortization	2,606,990	2,890,050
Interest expense	2,540,058	2,418,022
Interest income	(39,962)	(21,425)
	5,107,086	5,286,647
Earnings before income taxes	2,544,178	2,930,288
Income taxes	559,600	879,494
Net earnings from continuing operations	1,984,578	2,050,794
Net loss from discontinued operations (net of income tax recoveries in 2002 of \$111,200; 2001 of \$1,200) (Note 3)	(125,324)	(1,442)
Net Earnings from continuing operations	1,859,254	2,049,352
Dividends on Class E shares	(236,512)	(236,512)
Premium paid on Class A (Restricted Voting) shares purchased and cancelled (Note 9)	(6,667)	(28,605)
Prior period adjustment – goodwill impairment (Note 6)	(1,294,854)	–
Retained earnings, beginning of period	6,396,650	3,586,267
Retained earnings, end of period	\$ 6,717,871	\$ 5,370,502
Average number of shares outstanding	14,284,212	13,449,779
Basic earnings per share from continuing operations (Note 11)	\$ 0.122	\$ 0.135
Basic earnings per share	\$ 0.114	\$ 0.135
Diluted earnings per share from continuing operations (Note 11)	\$ 0.112	\$ 0.121
Diluted earnings per share	\$ 0.105	\$ 0.120

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Eight Months Ended August 31

	2002	2001
CONTINUING OPERATIONS		
Cash flows from operating activities		
Net earnings from continuing operations	\$ 1,984,578	\$ 2,050,794
Items not affecting cash		
Future Taxes	397,000	66,300
Depreciation and amortization	2,606,990	2,890,050
Amortization of unearned income	(1,300,494)	(742,944)
Loss (Gain) on disposal of capital assets	16,744	(232,845)
	3,704,818	4,031,355
Changes in non-cash working capital items	(2,123,857)	961,903
	1,580,961	4,993,258
Cash flows from financing activities		
Issue of share capital, net of issue costs	23,074	6,520
Repurchase of share capital	(19,568)	(52,800)
Increase in obligations under long-term debt	-	10,574,169
Repayment of long-term debt	(193,137)	(3,667,992)
Repayment of obligations under capital leases	(682,340)	(546,043)
Increase in unearned income	150,000	2,086,810
Increase in other long-term liabilities	-	269,137
Dividends paid	(236,512)	(236,512)
	(958,483)	8,433,289
Cash flows from investing activities		
Proceeds on sale of capital assets	214,331	1,583,115
Acquisition of capital assets	(934,870)	(1,313,206)
Acquisition and development of businesses	(545,563)	(3,032,166)
Deferred costs	(246,583)	(409,164)
Acquisition of other assets	(385,941)	(6,811,922)
	(1,898,626)	(9,983,343)
Foreign exchange	(221,993)	(36,539)
Net increase (decrease) in cash position from continuing operations	(1,498,141)	3,406,665
DISCONTINUED OPERATIONS		
Operating activities	15,279	105,140
Financing activities	(17,063)	(3,175)
Investing activities	(3,958)	(84,827)
Net proceeds on disposal	146,453	-
Net increase in cash position from discontinued operations	140,711	17,138
Net increase (decrease) in cash position	(1,357,430)	3,423,803
Cash position, beginning of period	2,091,838	(3,237,724)
Cash position, end of period	\$ 734,408	\$ 186,079
Income taxes paid (recovered)	\$ (39,586)	\$ 683,995
Interest paid	\$ 2,707,658	\$ 2,556,447

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (UNAUDITED)

Two Months Ended August 31

	2002	2001
Sales	\$ 23,960,571	\$ 21,528,397
Cost of sales	13,614,910	11,911,571
Gross margin	10,345,661	9,616,826
Operating expenses	8,768,442	7,850,969
Earnings before interest, taxes, depreciation and amortization	1,577,219	1,765,857
Depreciation and amortization	689,487	768,511
Interest expense	644,354	624,022
Interest income	(8,835)	(6,411)
	1,325,006	1,386,122
Earnings before income taxes	252,213	379,735
Income taxes	47,900	114,364
Net earnings from continuing operations	204,313	265,371
Net loss from discontinued operations (net of income tax recoveries in 2002 of \$97,100; 2001 of \$4,100) (Note 3)	(109,399)	(8,089)
Net Earnings	94,914	257,282
Prior period adjustment – goodwill impairment (Note 6)	(1,294,854)	–
Retained earnings, beginning of period	7,917,811	5,113,220
Retained earnings, end of period	\$ 6,717,871	\$ 5,370,502
Average number of shares outstanding	14,470,902	13,600,127
Basic earnings per share from continuing operations (Note 11)	\$ 0.014	\$ 0.020
Basic earnings per share	\$ 0.007	\$ 0.019
Diluted earnings per share from continuing operations (Note 11)	\$ 0.012	\$ 0.016
Diluted earnings per share	\$ 0.006	\$ 0.016

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

Two Months Ended August 31

	2002	2001
CONTINUING OPERATIONS		
Cash flows from operating activities		
Net earnings from continuing operations	\$ 204,313	\$ 265,371
Items not affecting cash		
Depreciation and amortization	689,487	768,511
Amortization of unearned income	(331,018)	(197,196)
Loss (Gain) on disposal of capital assets	3,130	(7,876)
	565,912	828,810
Changes in non-cash working capital items	(1,432,753)	(280,334)
	(866,841)	548,476
Cash flows from financing activities		
Repayment of long-term debt	(29,665)	(19,781)
Repayment of obligations under capital leases	(190,942)	(173,851)
Decrease in other long-term liabilities	(421)	-
	(221,028)	(193,632)
Cash flows from investing activities		
Proceeds on sale of capital assets	928	4,000
Acquisition of capital assets	(147,154)	(173,258)
Acquisition and development of businesses	(89,253)	(141,844)
Deferred costs	(21,581)	(10,734)
Acquisition of other assets	(33,987)	266,860
	(291,047)	(54,976)
Foreign exchange	321,856	179,095
Net increase (decrease) in cash position from continuing operations	(1,057,060)	478,963
DISCONTINUED OPERATIONS		
Operating activities	(77,866)	(17,497)
Financing activities	(17,063)	-
Investing activities	3,146	(1,416)
Net proceeds on disposal	146,453	-
Net increase (decrease) in cash position from discontinued operations	54,670	(18,913)
Net increase (decrease) in cash position	(1,002,390)	460,050
Cash position, beginning of period	1,736,798	(273,971)
Cash position, end of period	\$ 734,408	\$ 186,079
Income taxes paid (recovered)	\$ (46,052)	\$ 156,672
Interest paid	\$ 828,336	\$ 947,710

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.

3. 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:

	August 31 2002	December 31 2001
Current assets	\$ 395,742	\$ 426,563
Fixed assets	-	263,395
Goodwill and other intangible assets	-	91,145
	395,742	781,103
Deduct		
Current liabilities	54,082	71,871
Net assets of discontinued operations	\$ 341,660	\$ 709,232

The results of discontinued operations are summarized below:

	Two months ended August 31		Eight months ended August 31	
	2002	2001	2002	2001
Sales	\$ 78,840	\$ 271,052	\$ 568,893	\$ 1,206,937
Loss before income taxes	(107,011)	(12,189)	(137,036)	(2,642)
Income taxes	(50,300)	(4,100)	(64,400)	(1,200)
	(56,711)	(8,089)	(72,636)	(1,442)
Loss on disposition of assets (net of income tax recoveries)	(52,688)	-	(52,688)	-
Net loss from discontinued operations	\$ (109,399)	\$ (8,089)	\$ (125,324)	\$ (1,442)

As part of the disposal of assets, it was determined that the goodwill relating to the Big Rig operation was fully impaired at December 31, 2001. The impaired goodwill, in the amount of \$84,474, was written off to opening retained earnings at December 31, 2001, according to the ongoing goodwill impairment testing described in note 4.

4. 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. As at August 31, 2002, the Company has completed the first step of the impairment test and has identified a potential impairment of goodwill, estimated to be in the range of \$2.0 - \$4.0 million, excluding the recorded impairments associated with discontinued operations and the closure of one facility due to a pending expropriation, referred to in note 6. The Company will have completed the remainder of the second step by 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 closure of one facility due to a pending expropriation, the new standards had no impact on the financial statements for the eight months ended August 31, 2002.

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

	Two months ended August 31		Eight months ended August 31	
	2002	2001	2002	2001
Net earnings from continuing operations:				
Reported net earnings from				
continuing operations	\$ 204,313	\$ 265,371	\$ 1,984,578	\$ 2,050,794
Add back: amortization of goodwill, net of tax	-	128,208	-	500,790
Net earnings from continuing operations adjusted for amortization of goodwill	\$ 204,313	\$ 393,579	\$ 1,984,578	\$ 2,551,584
Basic earnings per share from continuing operations:				
Reported earnings per share from				
continuing operations	\$ 0.014	\$ 0.020	\$ 0.122	\$ 0.135
Add back: amortization of goodwill, net of tax	-	0.009	-	0.037
Basic earnings per share from continuing operations adjusted for amortization of goodwill	\$ 0.014	\$ 0.029	\$ 0.122	\$ 0.172
Diluted earnings per share from continuing operations:				
Reported diluted earnings per share				
from continuing operations	\$ 0.012	\$ 0.016	\$ 0.112	\$ 0.121
Add back: amortization of goodwill, net of tax	-	0.008	-	0.028
Diluted earnings per share from continuing operations adjusted for amortization of goodwill	\$ 0.012	\$ 0.024	\$ 0.112	\$ 0.149

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

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.

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 eight months ended August 31, 2002, based on the fair value of the options granted, amortized over the vesting period. The Company's net earnings for the eight months ended August 31, 2002, on this basis would have reduced by less than \$25,000 and earnings per share would have been reduced by less than \$0.001.

5. ACQUISITIONS

The Company did not acquire any collision repair facilities for the period ended August 31, 2002.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

	August 31 2002	December 31 2001
Goodwill	\$ 45,225,210	\$ 46,921,169
Franchise fees	260,000	270,000
	45,485,210	47,191,169
Less accumulated amortization	(2,364,267)	(2,424,250)
	\$ 43,120,943	\$ 44,766,919

As part of the ongoing review of the potential impairment of goodwill described in note 4(a), the Company has recorded, as a cumulative adjustment to opening retained earnings, the known impairment of goodwill associated with discontinued operations, in the amount of \$84,474 (see note 3) and the known impairment of goodwill associated with the pending closure of Rush's Collision and Safety Center, Inc., in the amount of \$1,210,380 (see note 12).

7. 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 August 31, 2002. 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 August 31, 2002, no additional draws had occurred. The Company reached agreement on a further amendment subsequent to August 31, 2002, as described in note 12.

8. CONVERTIBLE DEBENTURES

	August 31 2002	December 31 2001
Debt component		
Series I	\$ 529,345	\$ 1,597,800
Series II	588	31,564
	529,933	1,629,364
Current portion	529,933	31,564
	\$ –	\$ 1,597,800
Equity component		
Series I	\$ 1,084,513	\$ 121,058
Series II	32,271	62,895
	\$ 1,116,784	\$ 183,953

The Series I and Series II debentures are due on January 4, 2003, and September 30, 2002, respectively.

9. 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:

August 31 2002	December 31 2001		August 31 2002	December 31 2001
14,488,039	13,904,480	Class A (Restricted Voting) shares	\$ 18,577,948	\$ 18,359,783
100	100	Class D voting shares	10	10
2,125,000	238,000	Class E voting shares	1	1
			\$ 18,577,959	\$ 18,359,794

For the period ended August 31, 2002, an additional 583,559 Class A (Restricted Voting) shares were issued for a value of \$218,165 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 150,850 Class A (Restricted Voting) shares for a value of \$166,600;
- d) the exercise of stock options during the period accounting for 20,000 Class A (Restricted Voting) shares valued at \$24,520.

Issue costs associated with the issue of Class A (Restricted Voting) shares amounted to \$1,559.

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

9. SHARE CAPITAL (cont'd)

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.

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. On May 21, 2002, the Company withdrew 67,300 of other series' of outstanding options. Further information on the stock option plan is contained in the Company's 2001 Annual Report.

10. 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 August 31, 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	
	August 31 2002	August 31 2001	August 31 2002	December 31 2001
Canada	\$ 36,269,079	\$ 34,339,534	\$ 17,898,636	\$ 18,074,848
United States	59,273,076	53,287,135	47,619,504	47,973,554
	\$ 95,542,155	\$ 87,626,669	\$ 65,518,140	\$ 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.

11. EARNINGS PER SHARE FROM CONTINUING OPERATIONS

	Two months ended August 31		Eight months ended August 31	
	2002	2001	2002	2001
a) Earnings:				
Net earnings from continuing operations	\$ 204,313	\$ 265,371	\$ 1,984,578	\$ 2,050,794
Less: Dividends paid on Class E shares	–	–	(236,512)	(236,512)
Net earnings from continuing operations available to Class A (Restricted Voting) shareholders	204,313	265,371	1,748,066	1,814,282
Add:				
Dividends on Class E shares	–	–	236,512	236,512
Net after tax interest on Series I convertible debentures	12,743	13,559	50,971	54,236
Net after tax interest on Series II convertible debentures	723	1,979	2,892	7,918
Net earnings from continuing operations – Class A (Restricted Voting) shareholders – diluted basis	\$ 217,779	\$ 280,909	\$ 2,038,441	\$ 2,112,948

11. EARNINGS PER SHARE FROM CONTINUING OPERATIONS (cont'd)

	Two months ended August 31		Eight months ended August 31	
	2002	2001	2002	2001
b) Number of Class A (Restricted Voting) shares:				
Average number of Class A (Restricted Voting) shares outstanding	14,470,902	13,600,127	14,284,212	13,449,779
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	93,000	254,600	93,000	254,600
Potential exercise of outstanding stock options	191,676	181,069	247,422	222,061
Potential conversion of Class E shares	2,125,000	2,125,000	2,125,000	2,125,000
Average number of Class A (Restricted Voting) shares outstanding – diluted basis	18,273,728	17,643,196	18,142,784	17,533,840
Earnings per share from continuing operations (a) divided by (b)				
Basic	\$ 0.014	\$ 0.020	\$ 0.122	\$ 0.135
Diluted	\$ 0.012	\$ 0.016	\$ 0.112	\$ 0.121

12. 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 August 31, 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 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.

Subsequent to August 31, 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.

13. COMPARATIVE FIGURES

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

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