

BOYD GROUP INCOME FUND
INTERIM REPORT TO UNITHOLDERS
Three Months Ended March 31, 2007

BOYD GROUP INCOME FUND

INTERIM REPORT TO UNITHOLDERS

First Quarter Ended March 31, 2007

To our Unitholders,

For the three months ended March 31, 2007, our consolidated same store sales grew by 6.9% and overall revenue increased 12.3% to \$52.8 million from \$47.0 million in the first quarter a year ago. Net earnings for the three months ended March 31, 2007 were \$0.8 million or \$0.07 per fully diluted unit compared to a net loss of (\$1.8) million or (\$0.17) per fully diluted unit for the same period in the prior year. The increase in net earnings reflects the strong same store sales growth for the first quarter of 2007, in both Canada and the U.S., coupled with reductions in operating costs as a percentage of sales.

Sales in Canada in the first quarter of 2007 totalled \$18.3 million, an increase of \$1.1 million or 6.5%, compared to the first quarter a year ago. Sales increases in Canada are entirely due to same store sales growth, with increases reported in all four western provinces. Our Canadian business is functioning well and we anticipate continued steady performance in the year ahead.

In the U.S., first quarter sales increased 15.6% to \$34.5 million from \$29.8 million in the first quarter a year ago. Sales increases in the U.S. included new sales of \$2.5 million from three 2006 start-ups in Tacoma and Renton, Washington and Scottsdale, Arizona, as well as one new 2007 start-up located in Glenview, Illinois. Excluding the impact of foreign currency translation, acquisitions, start-ups and new glass initiatives, U.S. same store sales increased by \$1.7 million or 5.6%, compared to the first quarter a year ago.

We are generally pleased with our financial performance for the quarter and subject to continued year over year improvement in financial performance in our second and third quarters, we look forward to reinstating distributions at some time in the fourth quarter of this year. Over the intervening period, we will continue to utilize cash flow from operations to strengthen the Fund's balance sheet while monitoring our financial position to assess the appropriate time to resume distributions at conservative and sustainable levels.

We continue to believe the fundamentals of our business are sound and our long-term business outlook remains positive. We look forward to supporting our positive momentum in the first quarter of 2007 with a continued focus on optimizing the performance of our business in both Canada and the U.S. On behalf of the Trustees of the Boyd Group Income Fund and Boyd Group employees, thank you for your continued support.

Sincerely,



Terry Smith
Chief Executive Officer

Management's Discussion & Analysis

OVERVIEW

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

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

The following review of the Fund's operating and financial results for the three months ended March 31, 2007, including material transactions and events up to and including May 10, 2007 should be read in conjunction with the unaudited consolidated interim financial statements, as well as the annual audited consolidated financial statements, management discussion and analysis and Annual Information Form of Boyd Group Income Fund for the year ended December 31, 2006 as filed on SEDAR at www.sedar.com. The Fund's units trade on the Toronto Stock Exchange under the symbol TSX: BYD.UN.

FORWARD-LOOKING INFORMATION

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

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

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

SIGNIFICANT EVENTS

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

BUSINESS ENVIRONMENT & STRATEGY

As at March 31, 2007, the business environment of the Company and strategies adopted by management remain unchanged from those described in the Fund's 2006 annual MD&A.

DISTRIBUTABLE CASH

As the income trust sector continues to mature, there has been an increasing focus on the information that income trusts are expected to disclose to ensure transparency and consistency in the calculation of distributable cash. In response, the Canadian Institute of Chartered Accountants released on November 9, 2006, draft guidance on reporting distributable cash. The Fund recognizes that the determination of distributable cash varies between issuers and is committed to being fully transparent. As a result, during the 4th quarter of 2006, management modified its calculation and disclosure to be consistent, in all material respects, with this guidance.

Maintaining Productive Capacity

Productive capacity is defined by Boyd as the maintenance of the Company's facilities, signage, courtesy cars, equipment, systems, brand names and infrastructure. Although most of Boyd's repair facilities are leased, funds are required to ensure facilities are properly repaired and maintained to ensure the Company's physical appearance communicates Boyd's standard of professional service and quality. The Company's need to maintain its facilities and upgrade or replace equipment, signage, computers, software and courtesy car fleets forms part of the annual cash requirements of the business. The Company manages these expenditures by annually reviewing and determining its capital budget needs and then authorizing major expenditures throughout the year based upon individual business cases. Recently, the Company has been able to manage its capital budget to approximately 0.8% of sales.

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

In many circumstances, large equipment expenditures including automobiles, shop equipment and computers can be financed using either operating or capital leases. Maintenance capital expenditures as well as the repayment of operating and capital lease, including the interest thereon, form part of the distributable cash calculations.

The Fund does not believe a reserve for future productive capacity is required.

Long-term Unfunded Contractual Operational Obligations

Long-term unfunded contractual obligations from operations can include such things as pension obligations, post closure environmental liabilities and in Boyd's case, prepaid rebate amounts that may be required to be repaid. Boyd's pension plans are defined contribution plans and do not require the Company to make up any funding shortfalls. Management is also not aware of any environmental remediation requirements or prepaid rebate adjustments. It has therefore not established any reserve for future long-term unfunded contractual obligations from operations.

Debt Management

In addition to capital lease obligations arranged to finance maintenance expenditures on property and equipment, the Company has utilized long-term debt to finance the expansion of its business, usually through the acquisition and start-up of collision and glass repair and replacement businesses. Repayments of this debt have, in part, been refinanced by replacement facilities or draws on the Company's operating line and therefore do not form part of distributable cash calculations. Boyd's bank facilities include restrictive covenants, which could limit the Fund's ability to distribute cash. These covenants will be monitored in conjunction with any future anticipated distributions.

The following is a distributable cash calculation for the first three month period of 2007 with comparative figures for 2006.

Distributable Cash ⁽¹⁾

Three months ended March 31,

	2007	2006
Cash flow from operating activities before changes in non-cash working capital items ⁽²⁾	\$ 1,968,512	\$ 2,808,244
Add Back (Deduct):		
Changes in non-cash working capital items	(1,518,475)	(2,312,351)
Current income tax expense	100,547	49,575
Income taxes paid	(99,373)	(93,782)
Principal repayments of capital leases	(60,734)	(41,860)
Collection of rebates	278,041	-
Proceeds of sale of equipment	3,245	46,302
Sustaining expenditures on plant and equipment	(181,971)	(475,706)
Distributable Cash	\$ 489,792	\$ (19,578)
Distributable Cash per average unit and Class A common share		
Per average unit and Class A common share	\$ 0.047	\$ (0.002)
Per fully diluted unit and Class A common share	\$ 0.047	\$ (0.002)

(1) Distributable cash is not a recognized measure and does not have a standardized meaning under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, distributable cash is a useful supplemental measure as it provides investors with an indication of cash available for distribution. Investors should be cautioned however, that distributable cash should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Fund's performance. Boyd's method of calculating distributable cash may differ from other companies and, accordingly, may not be comparable to similar measures used by other companies.

(2) Operating cash flows in 2006 were positively impacted by \$1.6 million in foreign exchange gains realized on the settlement of previous trading partner arrangements and Canadian senior term debt repayments.

No distributions have been declared or paid during 2007 or 2006. Based on current financial performance, the Fund does not anticipate reinstating distributions until some time in the fourth quarter of 2007. Instead, the Fund will continue to use cash flow from operations to strengthen its balance sheet. At the end of this period, the Trustees of the Fund and Boyd Group's senior management will consider resuming distributions at conservative and sustainable levels.

RESULTS OF OPERATIONS

1st Quarter Comparison – Three months ended March 31, 2007 vs. 2006

Sales

Sales increased \$5.8 million or 12.3% to \$52.8 million for the three months ended March 31, 2007 when compared to the same period in 2006, after adjusting for the effect of discontinued operations. This increase resulted from same store sales growth, both in Canada and the U.S., as well as new sales generated from start-ups in the U.S. of \$2.5 million or 5.4%.

Same store sales increased \$3.3 million or 6.9% during the quarter. Excluding the effect of foreign currency translation, which resulted in a \$0.5 million increase in sales, same store sales increased \$2.8 million or 5.9%.

The following chart provides comparative sales by geographic region:

Sales by Geographic Region (000's)		
<i>Three Months Ended March 31,</i>		
	2007	2006
Canada	\$ 18,286	\$ 17,173
United States	34,509	29,852
Total	\$ 52,795	\$ 47,025
Canada - % of total	34.6%	36.5%
United States - % of total	65.4%	63.5%

Sales in Canada for the three months ended March 31, 2007 totalled \$18.3 million, an increase of \$1.1 million or 6.5%. Sales increases in Canada were entirely due to same store sales growth. Increases were reported in all four western provinces.

Sales in the U.S. totalled \$34.5 million for the three months ended March 31, 2007, an increase from 2006 of \$4.7 million or 15.6%. Sales increases in the U.S. included new sales of \$2.5 million from three 2006 start-ups in Tacoma and Renton, Washington and Scottsdale, Arizona and from one new 2007 start-up located in Glenview, Illinois. Same store sales in the U.S. increased \$2.2 million or 7.1% when compared to the same period in the prior year. Translation of U.S. revenues at a stronger U.S. dollar exchange rate, relative to the Canadian dollar, accounted for \$0.5 million or 1.5% of the increase in U.S. same store sales. Excluding the impact of foreign currency translation, U.S. same store sales increased by \$1.7 million or 5.6% over 2006.

Gross Margin

Gross Margin was \$23.4 million or 44.3% of sales for the three months ended March 31, 2007, an increase from \$18.7 million or 39.9% of sales for the same period in 2006. The 2006 gross margin was impacted by a one-time, non cash charge to cost of sales in the amount of \$2.1 million resulting from the settlement of pre-existing trading partner arrangements. Excluding this one-time charge, the gross margin for 2006 would have been 44.2% and comparable to the current year's results.

Operating Expenses

Operating Expenses for the three months ended March 31, 2007 increased \$1.9 million to \$20.3 million from \$18.4 million for the same period of 2006. Increases primarily resulted from sales increases generated by strong same store sales and new start ups with salaries, wages and the related benefit costs representing the largest portion of the increase. Operating expenses as a percentage of sales in the first quarter decreased to 38.5% of sales from 39.2% last year. Reductions, as a percentage of sales, occurred in many areas with the more significant reductions occurring in travel, insurance, advertising and utility costs.

Foreign Exchange Gains

Foreign Exchange Gains for the three months ended March 31, 2007 of \$0.2 million decreased from \$1.6 million for the same period of 2006. The current quarter gains resulted primarily from the repayment of \$0.6 million of U.S. dollar denominated Canadian senior bank term debt. The larger foreign exchange gains in the first quarter of 2006 were driven by the repayment of \$2.1 million of U.S. dollar denominated Canadian senior bank term debt as well as the repayment of U.S. dollar denominated trading partner rebates located in Canada.

EBITDA

*Earnings before interest, income taxes, depreciation and amortization ("EBITDA")*¹ for the first quarter of 2007 totalled \$3.2 million or 6.1% of sales compared to \$2.0 million or 4.2% of sales in the same period of the prior year. The increase in EBITDA was primarily the result of higher sales. The first quarter of 2006 was impacted by the one-time, non cash charge to cost of sales in the amount of \$2.1 million resulting from the settlement of pre-existing trading partner arrangements offset by the \$1.6 million of foreign exchange gains on the prepayment of U.S. denominated debt and trading partner rebates.

Depreciation and Amortization

Depreciation and Amortization Expense related to plant and equipment totalled \$0.8 million or 1.5% of sales for the three months ended March 31, 2007 and decreased from \$0.9 million or 1.9% of sales in the same period of the prior year. The decrease was the result of the Fund's declining balance depreciation policies. The Fund has managed the replacement of plant and equipment, ensuring that productive capacity is maintained, on a more conservative basis over the last few years. As a result, the carrying value of tangible capital assets and related depreciation expense has been declining.

Amortization of deferred costs and other intangible assets for the first quarter of 2007 decreased to \$0.4 million or 0.8% of sales from \$0.9 million or 1.8% of sales expensed for the same period in the prior year. Amortization of intangible assets in 2007 was lower due to the completion of the amortization period of original non-compete agreements associated with the 2004 acquisition of The Gerber Group, Inc. In addition, amortization expense for 2006 was higher due to the accelerated amortization of deferred cost balances associated with the trading partner debt settled on February 14, 2006, including the remaining guarantee fees paid to 4612094 Manitoba Inc.

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

Interest Expense

Interest Expense, net of interest income, of \$0.9 million or 1.7% of sales for the first quarter of 2007 increased from \$0.7 million or 1.5% of sales in the same period of the prior year. Interest cost increases were associated with floating rates on draws of the Fund's operating line of credit offset by interest savings associated with repayments of the Fund's Canadian senior debt facility. In addition, interest expense for the first quarter of 2007 included the amortization of discounts of \$74 thousand associated with the application of amortized cost of long-term and convertible debt balances related to the adoption of CICA Handbook Section 3855 – Financial Instruments – Recognition and Measurement.

Income Taxes

Current Income Tax Expense and Future Tax Expense totalled \$0.4 million for the first quarter of 2007, compared to a recovery of \$0.1 million for the same period in 2006. The increased income tax expense related to higher income in Canada. Provisions and recoveries of income tax have been associated with the Fund's Canadian operations only. Income tax provisions and recoveries in the U.S. have not been recorded due to the existence of unrecognized tax losses and other tax assets in the U.S.

Net Earnings (Loss) from Continuing Operations

Net Earnings (Loss) from Continuing Operations for the three months ended March 31, 2007 was \$0.8 million or 1.4% of sales and compared to a loss of \$0.4 million or 0.8% of sales last year. The increase in earnings reflected the strong same store sales growth for the first quarter of 2007, in both Canada and the U.S., coupled with reductions in operating costs as a percentage of sales. The loss generated for the first quarter of 2006 was impacted by the \$2.1 million one-time charge to earnings, offset by a \$1.6 million foreign exchange gain and lower earnings in the U.S.

Loss from Discontinued Operations

Loss from Discontinued Operations for the first quarter of 2006 of \$1.4 million primarily resulted from the closure of the AWC collision repair facility located in Fife, Washington. No operations were discontinued during the first quarter of 2007.

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

Net Earnings (Loss), after discontinued operations, for the three months ended March 31, 2007 was \$0.8 million or 1.5% of sales for the first quarter of 2007 and compared to a loss of \$1.8 million or 3.8% of sales for the same period in the prior year. The increase reflected strong same store sales growth for the first quarter of 2007, in both Canada and the U.S., coupled with reductions in operating costs as a percentage of sales. The loss generated for the first quarter of 2006 resulted primarily from the impacts associated with the replacement trading partner arrangements and discontinued operations.

Basic Earnings (Loss) Per Unit and Class A Common Share was \$0.07 per unit and Class A common share for the three months ended March 31, 2007, an increase when compared to a basic loss of \$0.17 per unit and Class A common share in the same period in 2006. *Diluted Earnings Per Unit and Class A Common Share* was also \$0.07 per unit and Class A common share for the first quarter of 2007 compared to a diluted loss of \$0.17 per unit and Class A common share for the same period in the prior year.

Summary of Quarterly Results

(\$000's, except per unit and Class A common share data)	2007		2006		2005			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	52,795	46,882	44,882	44,832	47,025	44,528	45,680	45,609
Earnings (loss) from continuing operations	758	(17,463)	(1,931)	(637)	(375)	(896)	706	362
Basic earnings (loss) per unit and Class A common share from continuing operations	0.072	(1.687)	(0.188)	(0.062)	(0.036)	(0.114)	0.071	0.037
Diluted earnings (loss) per unit and Class A common share from continuing operations	0.072	(1.687)	(0.188)	(0.062)	(0.036)	(0.112)	0.070	0.037
Net earnings (loss)	758	(17,464)	(2,011)	(654)	(1,780)	(1,045)	582	140
Basic earnings (loss) per unit and Class A common share	0.072	(1.685)	(0.196)	(0.064)	(0.173)	(0.125)	0.059	0.014
Diluted earnings (loss) per unit and Class A common share	0.072	(1.685)	(0.196)	(0.064)	(0.173)	(0.125)	0.058	0.014

During the first quarter of 2007 and the fourth quarter of 2006, continued same store sales growth in Canada and the return to same store sales growth in the U.S., along with some strengthening of the U.S. dollar, have positively impacted the Fund and contributed to a return to profitability when compared to losses experienced in previous quarters. Until recently, increased revenues resulting from Canadian same store sales growth and new start-ups and glass initiatives in the U.S. had been offset by same store sales declines in the U.S. and a weakening U.S. dollar.

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

LIQUIDITY AND CAPITAL RESOURCES

The Fund had net bank indebtedness of \$7.1 million at March 31, 2007 compared to net bank indebtedness of \$6.5 million at December 31, 2006. At March 31, 2007, the Fund had \$12.0 million (\$10.2 million – December 31, 2006) outstanding under its operating line of credit. Offsetting the outstanding balance of the operating line of credit were outstanding deposits and cheques as well as cash held on deposit in U.S. bank accounts totalling \$4.9 million (\$3.7 million – December 31, 2006).

The net working capital ratio (current assets divided by current liabilities) was 0.91:1 at March 31, 2007 (0.88:1 at December 31, 2006).

At March 31, 2007, the Fund had total debt outstanding of \$40.0 million compared to \$41.0 million at December 31, 2006, \$39.4 million at September 30, 2006, \$38.7 million at June 30, 2006 and \$40.6 million at March 31, 2006. The debt consisted of the following:

	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
Net bank indebtedness	\$ 7.1	\$ 6.5	\$ 6.0	\$ 2.0	\$ 1.9
Canadian senior bank debt	3.4	4.2	4.3	7.8	8.5
U.S. senior bank debt	14.9	15.1	14.5	14.5	15.2
Supplier debt	0.3	0.4	0.4	0.4	0.4
Vendor loans	0.6	0.7	0.7	0.7	0.8
Obligations under capital lease	1.4	1.4	1.2	1.0	1.1
Convertible debt	12.3	12.7	12.3	12.3	12.7
	<u>\$ 40.0</u>	<u>\$ 41.0</u>	<u>\$ 39.4</u>	<u>\$ 38.7</u>	<u>\$ 40.6</u>

Operating Activities

Cash flow generated from operations, before considering working capital changes, was \$2.0 million for the first three months of 2007, down \$0.8 million from the \$2.8 million reported last year. Operating cash flows in 2006 were positively impacted by \$1.6 million in foreign exchange gains realized on the settlement of previous trading partner arrangements and Canadian senior term debt repayments. Excluding foreign exchange gains, cash flow generated from operations increased by \$0.6 million, from \$1.2 million in 2006 to \$1.8 million for 2007, reflecting improved overall financial performance.

Working capital used cash of \$1.5 million for the first three months of 2007 compared to a use of cash of \$2.3 million for the same period in 2006, excluding the effect of working capital changes related to discontinued operations. During 2007, receivable and work-in-progress inventory levels increased, reflecting stronger first quarter sales and activity levels. During 2006, excess cash generated was used to reduce trade accounts payable positions. Other increases and decreases in accounts receivable, inventory, prepaid expenses, income taxes, accounts payable and accrued liabilities are significantly influenced by timing of collections and expenditures as well as changes in the foreign exchange translation of U.S. working capital items.

Financing Activities

Cash provided by financing activities totalled \$1.4 million for the three months ended March 31, 2007, compared to \$3.1 million generated in the prior year. Increases in cash for 2007 were generated by draws on the Company's operating line of credit to partially finance a scheduled Canadian senior debt repayment of \$600,000 U.S. and fluctuations in working capital. Additional cash was received for the quarterly instalment of rebates from trading partners. The higher level of cash provided by financing activities in 2006 related primarily to the prepayment of senior term debt and capital leases offset by net cash increases resulting from the first quarter replacement of trading partner arrangements and refinancing of trading partner debt.

Equity

During the first three months of 2007 and 2006, the Fund issued no units under acquisition price guarantees.

On January 11, 2006, as approved by the unitholders at the annual meeting held on May 17, 2006, the Fund granted options to certain key employees allowing them to exercise the right to purchase up to 200,000 units of the Fund at any time after the expiration of 9 years and 255 days after the date the options were granted up to and including the expiration of 9 years and 345 days after the date the options were granted. The units may be purchased, to the extent validly exercised, on the 10th anniversary of the grant date subject to the condition that the option is not exercisable if the grantee is not an officer or employee on September 23, 2015, unless the grantees' employment is terminated "without cause" at any time after the sixth anniversary of the option grant, in which case the grantee may exercise the options at anytime within 30 days of the date of termination of such employment. The options would permit the purchase of units at a price equal to the weighted average trading price on the Toronto Stock Exchange for the first 15 trading days in the month of January 2006, being \$1.91 per unit. The cost of the options will be recognized as compensation expense over the term between the grant date and the date the options become exercisable.

Trading Partner Funding – Prepaid Rebates and Loans

During the first quarter of 2007, the Company received a regularly scheduled rebate from its new trading partners, in the amount of \$237,500 U.S. These additional rebates are received in equal quarterly instalments until February 28, 2012. During 2007, no other rebates for acquisitions or start-ups were requested or received. On February 14, 2006, the Company settled all amounts outstanding with its previous trading partners using proceeds from the new supplier arrangements. As a result of this negotiation and settlement the Company recorded a non-cash charge, in the amount of \$2.1 million to cost of sales. At the same time Boyd also repaid its trading partner loan facility with the proceeds received from a new \$13 million U.S. senior credit facility with a U.S. bank.

Debt Financing

On January 16, 2007, the Company repaid \$0.6 million U.S. of its Canadian senior debt facility, leaving \$3.0 million U.S. to be repaid in five additional quarterly repayments of \$0.6 million up to and including April 15, 2008.

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

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

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

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

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

Investing Activities

Cash used in investing activities totalled \$0.3 million for the three months ended March 31, 2007, compared to \$1.3 million used in the prior year. The use of cash for 2007 related to expenditures made for maintaining or replacing existing equipment, maintaining or upgrading existing facilities as well as the development of one new facility

located in Illinois. In 2006, the higher use of funds related to higher capital expenditures and the continued development of three facilities located in the Washington and Arizona markets.

Acquisitions and Start-Ups

Effective March 1, 2007, the Fund commenced operations in one new start-up collision repair facility located in Glenview, Illinois. A collision repair facility, located in Tempe, Arizona, is expected to commence operations in the second quarter of 2007.

During the first quarter of 2006, the Fund had three facilities located in Renton and Tacoma, Washington and Scottsdale, Arizona under development.

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

Capital Expenditures

The Fund spent approximately \$0.2 million or 0.3% of sales on the acquisition of equipment and facility upgrades during the first three months of 2007, compared to \$0.5 million or 1.0% of sales during the same period in 2006.

RELATED PARTY TRANSACTIONS

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

CHANGES IN ACCOUNTING POLICIES

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

FINANCIAL INSTRUMENTS AND HEDGES

For the three months ended March 31, 2007, the Fund has not entered into any new financial instruments or hedges.

CRITICAL ACCOUNTING ESTIMATES

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

The critical accounting estimates are substantially unchanged from those identified in the 2006 annual MD&A.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Fund's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. During the first quarter of 2007, there have been no changes in the Fund's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

BUSINESS RISKS AND UNCERTAINTIES

Risks and uncertainties affecting the business remain substantially unchanged from those identified in the 2006 annual MD&A.

OUTLOOK

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

Based on current financial performance, the Fund does not anticipate reinstating distributions until some time in the fourth quarter of 2007. Instead, the Company will continue to use its cash flow from operations to strengthen its balance sheet. At the end of this time period, management of the Company and the Trustees of the Fund would expect to resume distributions at conservative and sustainable levels.

ADDITIONAL INFORMATION

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FORM 52-109F2 - CERTIFICATION OF INTERIM FILINGS

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

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of the **Boyd Group Income Fund**, (the issuer) for the interim period ending **March 31, 2007**;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which interim filings are being prepared; and
 - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: May 10, 2007



Terry Smith
Chief Executive Officer

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FORM 52-109F2 - CERTIFICATION OF INTERIM FILINGS

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

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of the **Boyd Group Income Fund**, (the issuer) for the interim period ending **March 31, 2007**;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which interim filings are being prepared; and
 - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: May 10, 2007



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

BOYD GROUP INCOME FUND

Interim Consolidated Financial Statements

Three Months Ended March 31, 2007

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

INTERIM CONSOLIDATED BALANCE SHEETS (Unaudited)

March 31, 2007 and December 31, 2006

	March 31, 2007	December 31, 2006
Assets (Note 5)		
Current assets:		
Cash	\$ 5,439,082	\$ 4,090,443
Accounts receivable	20,743,559	19,086,709
Rebates receivable	388,783	431,703
Inventory	5,027,550	4,428,595
Prepaid expenses	1,433,891	1,468,077
	33,032,865	29,505,527
Note receivable	378,827	382,901
Property, plant and equipment	17,025,986	17,616,705
Future income tax asset	1,952,444	2,452,111
Deferred costs (Note 4)	808,588	1,292,866
Derivative Contracts	163,400	-
Goodwill	16,509,765	16,586,721
Intangible assets	16,366,377	16,816,030
	\$ 86,238,252	\$ 84,652,861
Liabilities and Equity		
Current liabilities:		
Bank indebtedness	\$ 12,538,000	\$ 10,575,931
Accounts payable and accrued liabilities	20,649,276	19,709,568
Income taxes payable	35,670	34,064
Current portion of long-term debt (Note 5)	2,954,110	3,029,977
Current portion of obligations under capital leases	285,979	279,985
	36,463,035	33,629,525
Long-term debt (Note 5)	16,228,481	17,362,426
Obligations under capital leases	1,087,871	1,107,168
Convertible debt (Note 6)	12,254,807	12,695,065
Unearned rebates	12,948,557	13,417,316
Non-controlling interest	477,671	493,125
	79,460,422	78,704,625
Equity		
Unitholders' capital (Note 7)	53,055,637	53,059,819
Shareholders' capital (Note 7)	56,595	58,362
Equity component of convertible debt (Note 6)	1,102,745	-
Contributed surplus (Note 8)	532,965	107,067
Warrants (Note 8)	-	421,500
Deficit	(37,510,402)	(37,509,258)
Accumulated other comprehensive loss (Note 9)	(10,459,710)	(10,189,254)
	6,777,830	5,948,236
	\$ 86,238,252	\$ 84,652,861

INTERIM CONSOLIDATED STATEMENTS OF DEFICIT (Unaudited)*Three Months Ended March 31,*

	2007	2006
Deficit, beginning of period	\$ (37,509,258)	\$ (15,599,879)
Transition adjustment on adoption of Financial Instruments (<i>Note 2</i>)	(758,761)	-
Net earnings (loss) for period	757,617	(1,780,067)
Deficit, end of period	\$ (37,510,402)	\$ (17,379,946)

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) (Unaudited)*Three Months Ended March 31,*

	2007	2006
Sales	\$ 52,795,310	\$ 47,025,139
Cost of sales	29,426,604	28,280,895
Gross margin	23,368,706	18,744,244
Operating expenses	20,350,143	18,415,976
Foreign exchange gains	(193,713)	(1,637,296)
Depreciation and amortization	775,577	873,911
Amortization of deferred costs, financing fees and other intangible assets	411,079	865,827
Interest expense	889,551	723,160
	22,232,637	19,241,578
Earnings (loss) before income taxes and non-controlling interest	1,136,069	(497,334)
Income tax expense (recovery)		
Current	100,547	49,575
Future	288,247	(190,862)
	388,794	(141,287)
Net earnings (loss) before non-controlling interest	747,275	(356,047)
Non-controlling interest	10,342	(18,511)
Net Earnings (loss) from continuing operations	757,617	(374,558)
Loss from discontinued operations (Note 3)	-	(1,405,509)
Net earnings (loss)	\$ 757,617	\$ (1,780,067)
Weighted average number of units and Class A common shares outstanding	10,527,216	10,288,327
Basic earnings (loss) per unit and Class A common share from continuing operations (Note 12)	\$ 0.072	\$ (0.036)
Loss per unit from discontinued operations	-	(0.137)
Basic earnings (loss) per unit and Class A common share	\$ 0.072	\$ (0.173)
Diluted earnings (loss) per unit and Class A common share from continuing operations (Note 12)	\$ 0.072	\$ (0.036)
Loss per unit from discontinued operations	-	(0.137)
Diluted earnings (loss) per unit and Class A common share	\$ 0.072	\$ (0.173)

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS) (Unaudited)*Three Months Ended March 31,*

	2007	2006
Net earnings (loss)	\$ 757,617	\$ (1,780,067)
Other comprehensive loss, net of income taxes		
Change in unrealized gains on translating financial statements of self-sustaining foreign operations	(202,946)	-
Change in derivative instruments designated as cash flow hedges	8,106	-
Reclassification to earnings of realized amounts on cash flow hedges	(19,860)	-
Other comprehensive loss, net of income taxes	(214,700)	-
Comprehensive earnings (loss)	\$ 542,917	\$ (1,780,067)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)*Three Months Ended March 31,*

	2007	2006
CONTINUING OPERATIONS		
Cash flows from operating activities		
Net earnings (loss) from continuing operations	\$ 757,617	\$ (374,558)
Items not affecting cash		
Non-controlling interest	(10,342)	18,511
Future income taxes	288,247	(190,862)
Amortization of discount on convertible debt	65,110	-
Amortization of discount on long-term debt	9,027	-
Amortization of deferred costs, financing fees and other intangible assets	411,079	865,827
Depreciation and amortization	775,577	873,911
Amortization of unearned rebates, net of settlement amounts	(329,743)	1,617,241
Unit option compensation expense	4,398	2,748
Gain on disposal of equipment	(2,458)	(4,574)
	1,968,512	2,808,244
Changes in non-cash working capital items	(1,518,475)	(2,312,351)
	450,037	495,893
Cash flows provided by financing activities		
Increase in obligations under long-term debt	-	14,935,700
Repayment of long-term debt	(751,282)	(13,854,272)
Increase in bank indebtedness	1,962,069	2,308,444
Repayment of obligations under capital leases	(69,002)	(1,281,487)
Increase in unearned rebates	-	12,952,083
Repayment of unearned rebates	-	(11,801,274)
Increase in financing costs	-	(164,084)
Collection of rebates receivable	278,041	-
	1,419,826	3,095,110
Cash flows used in investing activities		
Proceeds on sale of equipment	3,245	46,302
Equipment purchases and facility improvements	(181,971)	(475,706)
Acquisition and development of businesses	(57,088)	(700,170)
Deferred costs	(77,554)	(218,487)
	(313,368)	(1,348,061)
Foreign exchange	(206,903)	(284,243)
Net increase in cash position provided by continuing operations	1,349,592	1,958,699
DISCONTINUED OPERATIONS		
Operating activities	(953)	(366,410)
Financing activities	-	(1,680)
Investing activities	-	104,474
Net decrease in cash position used in discontinued operations	(953)	(263,616)
Net increase in cash position	1,348,639	1,695,083
Cash, beginning of period	4,090,443	1,076,588
Cash, end of period	\$ 5,439,082	\$ 2,771,671
Income taxes paid	\$ 99,373	\$ 93,782
Interest paid	\$ 826,861	\$ 1,506,127

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

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

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The Fund has implemented the following classifications:

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

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

Bank indebtedness, accounts payable and accrued liabilities, long-term debt and convertible debt are classified as “Other Financial Liabilities” and are net of any related financing fees or issue costs. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Fund, the measured amount generally corresponds to cost.

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

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

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

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

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

3. DISCONTINUED OPERATIONS

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

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

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

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

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

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Current assets	\$ 5,045	\$ 5,585
Fixed assets	-	-
Goodwill and other intangible assets	-	-
	<u>5,045</u>	<u>5,585</u>
Current liabilities	<u>21,654</u>	23,147
Net assets	<u>\$ (16,609)</u>	<u>\$ (17,562)</u>

The results of discontinued operations are summarized below:

	Three Months Ended March 31,	
	<u>2007</u>	<u>2006</u>
Sales	\$ -	\$ 1,451,500
Loss for the period	-	(507,038)
Loss on disposition of assets	-	(898,471)
Net loss from discontinued operations	<u>\$ -</u>	<u>\$ (1,405,509)</u>

4. DEFERRED COSTS

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Pre-operating period costs	\$ 1,478,108	\$ 1,422,024
Convertible debenture issue costs	-	946,844
Financing costs	-	1,203,880
	<u>1,478,108</u>	<u>3,572,748</u>
Less accumulated amortization	<u>(669,520)</u>	<u>(2,279,882)</u>
	<u>\$ 808,588</u>	<u>\$ 1,292,866</u>

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

5. LONG-TERM DEBT

Long-term debt is comprised of the following:

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Term facility, secured by a General Security Agreement and subsidiary guarantees, incentive priced interest rates ranging from prime/U.S. base rate plus 0.5% to 1.75% on prime based or U.S. base rate loans, or Bankers' Acceptances/LIBOR stamp fee plus 2.0% to 3.25% on Banker's Acceptances or LIBOR loans, repayable in quarterly instalments of \$600,000 U.S. from April 15, 2007, to April 15, 2008, with the full amount of the facility repayable in U.S. funds. Interest rate fixed on \$3,458,700 Cdn. of the loans using interest rate swaps at 4% plus incentive pricing spread until April 2008. The March 31, 2007 balance is net of financing fees of \$47,134.	\$ 3,411,566	\$ 4,195,080
Term facility, with a U.S. bank for \$13 million U.S. secured by the shares and assets, excluding receivables, of The Gerber Group, Inc. as well as a third party guarantee. The facility is supported by an initial five year promissory note due January 31, 2011 with six quarterly principal repayments, in the amount of \$375,000 U.S., beginning October 31, 2009 and continuing thereafter on the last day of January, April, July and October 2010 as well as January 31, 2011. The sixth quarterly installment shall also include the remaining principal amount of the term loan unless the facility is extended. Subject to certain conditions, the Company has the option to renew the facility, on terms not less favourable, for an additional ten years. Interest rates are based on LIBOR plus 2.5% for LIBOR loans or U.S. prime rate less 0.25% for floating rate loans or the U.S. Bank's cost of funds plus 2.5% for fixed rate loans. The March 31, 2007 balance is net of financing fees of \$136,470.	14,851,230	15,148,900
Subordinated supplier debt at prime plus 2% (interest forgivable at the discretion of the supplier) with quarterly principal payments of \$25,000 U.S. The March 31, 2007 balance is reduced by \$36,999 for the discount on applying amortized cost for debt with below market interest rates. Repayable quarterly instalments remaining from April 20, 2007 to January 20, 2010 in U.S. funds.	308,871	378,723
Vendor notes payable of \$648,439 U.S. on the financing of certain acquisitions, unsecured, at interest rates ranging from 4.0% to 6.5%. The March 31, 2007 balance is reduced by \$35,248 for the discount on applying amortized cost on notes with below market interest rates. The remaining notes are repayable from April 2007 to June 2010 in U.S. funds.	610,924	669,700
	19,182,591	20,392,403
Current portion	2,954,110	3,029,977
	\$ 16,228,481	\$ 17,362,426

6. CONVERTIBLE DEBT

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Debt component		
Series I Convertible Debentures	\$ 109,000	\$ 109,000
2002 Convertible Debentures	2,317,000	2,317,000
2003 Convertible Debentures	1,585,000	1,585,000
2004 Vendor exchange notes	8,106,270	8,193,457
2005 Vendor exchange note	576,450	582,650
	<u>12,693,720</u>	<u>12,787,107</u>
Issue costs	(176,680)	(25,142)
Discount	(262,233)	(66,900)
	<u>\$ 12,254,807</u>	<u>\$ 12,695,065</u>
	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Equity component		
2002 Convertible Debentures	112,500	-
2003 Convertible Debentures	54,464	-
2004 Vendor exchange notes	935,781	-
	<u>\$ 1,102,745</u>	<u>\$ -</u>

As a result of implementing the new standards on financial instruments, issue costs are netted against the related convertible debt item. At March 31, 2007 the unamortized issue costs for the Series I Convertible Debentures were \$25,142, the unamortized issue costs for the 2002 Convertible Debentures were \$62,629 and the unamortized issue costs for the 2003 Convertible Debentures were \$88,909.

As a result of applying the CICA's EIC-164: Convertible and Other Debt Instruments with Embedded Derivatives, in conjunction with the new standards on financial instruments, the Fund has bifurcated the convertible debt into its debt and equity components. The remaining discount to convertible debt forms a portion of its amortized cost. At March 31, 2007 the unamortized discount for the Series I Convertible Debentures was \$66,900, the unamortized discount for the 2002 Convertible Debentures was \$11,364, the unamortized discount for the 2003 Convertible Debentures was \$9,971 and the unamortized discount for the 2004 Vendor Exchange notes was \$173,998.

7. CAPITAL

Unitholder's Capital

Authorized:

Unlimited number of Trust Units

Issued:

The ownership percentages of the Company between the Fund and BGHI continue to change as new units are issued and Class A common shares of BGHI are retracted. At March 31, 2007, the ownership percentage held by the Fund was 82.34% and BGHI was 17.66%.

The following provides a continuity of unitholders' capital:

	<u>March 31, 2007</u>		<u>December 31, 2006</u>	
	<u>Units</u>	<u>Amount</u>	<u>Units</u>	<u>Amount</u>
Unitholders' capital, beginning of year	9,615,117	\$ 53,059,819	9,357,008	\$ 53,130,354
Issue costs	-	(5,949)	-	(12,844)
Unit price guarantee payments	-	-	-	(244,180)
Units issued under guaranteed price contracts	-	-	90,566	-
Units issued to settle retraction of Class A common shares of BGHI	5,192	1,767	22,435	7,636
Units issued on acquisitions	-	-	147,632	193,088
Units redeemed	-	-	(2,524)	(3,114)
Discount on units redeemed	-	-	-	(11,121)
Unitholders' capital, end of year	9,620,309	\$ 53,055,637	9,615,117	\$ 53,059,819

Shareholders' Capital

Authorized:

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

Issued:

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Class A common shares		
Number of shares outstanding	881,476	886,668
Carrying Value of shares outstanding	\$ 56,595	\$ 58,362

8. CONTRIBUTED SURPLUS

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

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Contributed surplus, beginning of period	\$ 107,067	\$ 78,352
Expired 2004 warrants	421,500	-
Compensation expense related to unit-based compensation	4,398	17,594
Discount on units redeemed	-	11,121
Contributed surplus, end of year	\$ 532,965	\$ 107,067

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

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Unrealized loss on translating financial statements of self-sustaining <u>foreign operations</u>	Gain on derivative instruments designated as <u>cash flow hedges</u>	<u>Total</u>
Balance, as at January 1, 2007	\$ (10,189,254)	\$ -	\$ (10,189,254)
Adjustment to opening balance	(174,813)	119,057	(55,756)
Changes incurred during the quarter	(202,946)	(11,754)	(214,700)
Total	\$ (10,567,013)	\$ 107,303	\$ (10,459,710)

10. INCOME TAXES

The Fund is a mutual fund trust as defined under the Income Tax Act (Canada) and accordingly is not taxable on its income to the extent that its income is distributed to unitholders. This exemption does not apply to the Company or its subsidiaries, which are corporations that are subject to income tax. Consistent with the prior year, the Fund uses a valuation allowance to offset the benefit of income tax assets in excess of its estimate of tax on future taxable income.

11. SEGMENTED REPORTING

The Company has one reportable line of business, being automotive collision repair and related services, with all revenues relating to a group of similar services. In this circumstance, Canadian generally accepted accounting principles requires the Company to provide geographical disclosure of segments. For the periods reported, all of the Company's revenues were derived within Canada or the United States of America. All property, plant and equipment, goodwill and intangible assets are located within these two geographic areas.

	<u>Revenues</u>		<u>Property, Plant, Equipment Intangible Assets and Goodwill</u>	
	March 31, <u>2007</u>	March 31, <u>2006</u>	March 31, <u>2007</u>	December 31, <u>2006</u>
Canada	\$ 18,286,189	\$ 17,172,829	\$ 15,511,659	\$ 15,717,718
United States	34,509,121	29,852,310	34,390,469	35,301,738
Total	\$ 52,795,310	\$ 47,025,139	\$ 49,902,128	\$ 51,019,456

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

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
a) Earnings (Loss):		
Net earnings (loss) from continuing operations	\$ 757,617	\$ (374,558)
b) Number of units and Class A common shares:		
Average number of units and Class A common shares outstanding	10,527,216	10,288,327
Earnings (loss) per unit and Class A common share from continuing operations (a) divided by (b)		
Basic	\$ 0.072	\$ (0.036)
Diluted	\$ 0.072	\$ (0.036)

13. FINANCIAL INSTRUMENTS

Fair value

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

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

Credit risk

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

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

Interest rate risk

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

Foreign currency risk

The Fund operates a significant portion of its business in the United States and is therefore subject to foreign currency risk due to volatility between the Canadian and U.S. dollar. The Fund utilizes forward foreign exchange contracts for a portion of its intercompany U.S. dollar cash flow paid to Canada. The forward contracts are considered a hedge of a specifically identifiable cash flow for intercompany U.S. Dollar receivables, with payments and receipts recognized as adjustments to foreign currency gains or losses.

The following table provides the use, notional amount and estimated fair market value adjustment of the Fund's derivative portfolio at March 31, 2007:

Contracts held for cash flow management:

				<u>March 31, 2007</u>	<u>December 31, 2006</u>
	<u>Notional Amount</u>	<u>Contract Expires</u>	<u>Fixed Rates</u>	<u>Unrealized (Gain)/loss</u>	<u>Unrealized (Gain)/loss</u>
The Fund selling U.S. Dollars - Forward foreign exchange contracts	\$ 1,750,000	December 2008	\$1.2224 - \$1.2255	\$ (131,400)	\$ (134,500)
LIBOR interest rate contracts - U.S. dollar swaps	\$ 3,000,000	April 2008	4.00%	\$ (32,000)	\$ (46,300)

No contracts are held for other purposes.

14. COMPARATIVE FIGURES

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