

BOYD GROUP INCOME FUND

2003 Annual Report

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BOYD GROUP INCOME FUND

ANNUAL REPORT TO UNITHOLDERS

December 31, 2003

To our Unitholders,

It is a pleasure to present our 2003 annual report – our first as an income trust. The reorganization of The Boyd Group Inc. into Boyd Group Income Fund was approved by securityholders in January 2003 and was formalized concurrently with the completion of our \$9.0 million initial public offering, which closed on February 28, 2003.

Since our conversion to an income trust on February 28, 2003 we have made 10 monthly cash distributions of \$0.095 per trust unit to our unitholders, representing an aggregate yield of approximately 12% based on the weighted average trading price of trust units over this period. Throughout this period we have generated distributable cash in excess of our monthly cash distributions, thereby demonstrating our ability to maintain an attractive yield for our investors. This is the heart of our value proposition to investors – delivering stable, attractive cash distributions plus growth.

Financial Results

For the twelve months ended December 31, 2003, our revenues totalled \$129.6 million compared with \$140.7 million for the year ended December 31, 2002. This decrease was primarily attributable to the translation of results from our U.S. operations at a lower U.S. to Canadian dollar exchange rate, relative to a year ago and weaker sales in certain economically depressed regions in the U.S. Net income for 2003 was \$1.5 million compared to net income of \$1.2 million in 2002.

Growth Strategy

The primary objective of our business strategy is to increase distributable cash available to unit holders. To achieve this, we are focused on four key initiatives: 1) enhancing **operating margins**; 2) **acquisitions** or new site developments; 3) **operational excellence**; and, 4) strengthening our **relationships with insurance companies**.

Enhancing our **operating margins** at our existing locations is an ongoing focus. With a large, established base of repair centres, we have compelling opportunities to leverage our fixed cost base to achieve incremental, higher margin revenue growth. Looking ahead, geared towards improving our same store sales growth and operating margins you can expect to see continued investments in capital equipment, enhanced services and employee training.

Acquisitions have been, and will continue to be, a key part of our growth, and we will continue to execute our acquisition strategy in adherence with our strict criteria for ensuring value creation for our unitholders. Our subsequent to year-end acquisition of the Gerber Group demonstrates this commitment. This acquisition is in line with our strategy of profitably growing our business by acquiring best-in-class assets in the fragmented North American collision repair market.

Founded in 1937 and based in Skokie, Illinois, Gerber Group operates 16 repair facilities and currently has two new facilities under development. The Company operates full-service repair centres offering collision repair along with auto glass repair and replacement. Gerber has grown their business using many of the same guiding principles and business practices that have served us so well. Over its long history, Gerber has developed an efficient operating and service model characterized by strong partnerships within the insurance industry, standardized operating procedures, centralized customer service and administrative functions, and advanced information technology.

At U.S. \$1.2 billion in collision repair revenue, the northern Illinois region where Gerber operates represents the second largest collision repair market in the United States, and Gerber is the largest collision repair operator in this region, which provides us with a significant presence in a highly attractive market. In combining Gerber's operations with that of Boyd, we have significantly expanded our North American footprint. We now operate 81 corporate locations and 11 franchise outlets throughout Canada and the United States. We expect that Gerber's assets will contribute approximately \$70 million to Boyd Group's annualized revenue in 2004, increasing our overall annualized sales to almost \$200 million.

In addition to these near term benefits, this acquisition also significantly enhances our platform for future growth in the U.S. market. With Gerber's strong operating history, professional management, sales expertise and experience with insurance companies and Direct Repair Programs, we are well positioned for further expansion. We plan to open 25 to 30 additional facilities in the Northern Illinois area over the next five years.

Operational excellence continues to be a cornerstone of our company culture, and this is demonstrated in our being the first collision repair company in North America to achieve ISO multi-site registration. Other means to achieve operational excellence, and by extension competitive advantage, include our Boyd Quality Systems, standard operating procedures, and management information systems. All of these elements support a high level of business performance and have contributed to our industry leading customer satisfaction ratings. Customer satisfaction is a very important measure for us and for our insurance company partners who are increasingly looking for collision repair providers that excel in this regard.

Our commitment to mutually rewarding **relationships with insurance companies** is key to our business. More than 90% of our revenues are derived from insurance claims. Much of this insurance paid business is the result of our participation in insurer's Direct Repair Programs or "DRP's". These are programs that insurance companies have developed to better manage their auto repair claims process and increase customer satisfaction.

Within a DRP, insurers recommend that their policyholders have their vehicles repaired by the insurer's preferred vendor to ensure high levels of service and enhanced repair guarantees. Insurers select collision repair operators to participate in their DRP's on the basis of integrity, convenience, facility appearance, competitive pricing, quality of repair work, and customer service. Boyd participates in the Direct Repair Programs with most if not all of the U.S. and Canada's leading insurance companies.

Industry consolidation offers us additional opportunities to strengthen our ties with insurance companies as they increasingly look for professional repair operators with a broad geographical presence. This enhances repair performance consistency and the efficiencies of single points of contact. Through our expanding North American presence, critical mass and commitment to operational excellence and customer satisfaction, we believe that we are very well positioned to see our business continue to grow through further development of these insurance company relationships.

Looking Ahead

We are committed to providing our investors with stable, attractive monthly cash distributions while increasing the value of Boyd Group Income Fund through strategic growth.

We operate in a stable, multi-billion dollar industry that offers significant opportunities for value creation through industry consolidation, operational excellence and mutually rewarding partnerships with insurance companies. We are well positioned to capitalize on these opportunities and we have a focused strategy in place to succeed.

We are confident in the business outlook for the Boyd Group Income Fund and we look forward to reporting to you on our continued progress in the year ahead. On behalf of our Board of Trustees and all of our employees, thank you for your continued support.

Sincerely,

Terry Smith
President & CEO
The Boyd Group Inc.

March 17, 2004

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 across the four western Canadian provinces and eight U.S. states. Boyd carries on business in Canada under the trade names "Boyd Autobody and Glass", "Boyd Autobody" and "Service Collision Repair Centre" and in the U.S. continues to operate under the trade names of acquired businesses in some markets, while transitioning to a common brand name, "Service Collision Repair Center" or "Collision Service Repair Center" in the more fully developed markets.

Boyd provides collision repair services to individual vehicle owner, fleet and lease customers, however, more than 90% of the Company's revenue is 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 Fund's units trade on the Toronto Stock Exchange under the symbol TSX: BYD.UN. The Fund is North America's only publicly traded entity that deals exclusively in the operation of collision repair centres.

Since the underlying business operations of the Fund and Boyd are the same, both before and after the reorganization, the Fund is considered to be a continuation of The Boyd Group Inc. following the continuity of interest method of accounting. Comparative figures for the year ended December 31, 2002 are those of The Boyd Group Inc. The following review of the Fund's operating and financial results for the year ended December 31, 2003, including material transactions and events up to and including March 17, 2004, as well as management's expectations for the year ahead should be read in conjunction with the annual audited consolidated financial statements of Boyd Group Income Fund for the year ended December 31, 2003 and the auditor's report thereon dated March 17, 2004, included on pages 37 to 64 of this report.

Highlights

A summary of significant events and corporate initiatives during 2003 which had, and which will continue to have an impact on the Fund's financial results and financial position include:

- Successful completion of an initial public offering of Boyd Group Income Fund to raise \$9,030,000 through an issue of trust units and successful completion of the reorganization to an income trust, effective February 28, 2003;
- Successful completion of an agreement with the senior lenders to further amend and restate the Company's senior credit facilities in support of the income trust structure;
- Identifying, assessing and completing potential acquisition opportunities where appropriate, such as the acquisition of a joint venture interest in 1st Choice Mobile Auto Glass Dealers Inc. on March 1, 2003 and the acquisition of the assets of Autotek Collision effective December 1, 2003;
- Identifying and implementing further integration and cost improvement initiatives, including disposition of marginally profitable operations, such as the sale of the Humboldt, Saskatchewan location, and consolidation of operations to improve efficiency and utilization of capacity, such as the relocation and consolidation of the Central Vancouver location with the acquired Autotek operations;
- On September 18, 2003, implementation of a Premium Distribution, Distribution Reinvestment and Optional Cash Payment Plan, under which unitholders of the Fund may elect to reinvest cash distributions in order to acquire additional trust units, or alternatively, exchange such additional trust units for a premium cash distribution;
- Upon a preliminary closing September 30, 2003 and a final closing on November 10, 2003, completing an offer for sale of \$2.26 million of 8% Subordinate Convertible Debentures, including issue of 100 purchase warrants per \$1,000 of debentures issued with an exercise price of \$8.60, with proceeds used to settle interest rate swap contracts and to directly reduce senior bank debt;

- On November 10, 2003, completing an amendment to the supply agreement with certain trading partners to provide a \$15 million acquisition loan facility to be used to finance future acquisitions of existing collision repair businesses or start-up of new collision repair businesses;
- Subsequent to December 31, 2003, on January 19, 2004, completing a “bought-deal” private placement of \$14 million of Subscription Receipts, providing holders with the right to exchange these receipts for trust units of the Fund, pending completion of the acquisition of The Gerber Group, Inc. (the “Gerber Acquisition”);
- Subsequent to December 31, 2003, requesting and receiving \$5.2 million U.S. forgivable capital funding and \$7.6 million U.S. loan financing under the agreement with trading partners, to fund the Gerber Acquisition;
- Subsequent to December 31, 2003, on February 2, 2004, completing the acquisition of The Gerber Group, Inc. (the “Gerber Acquisition”), an operator of a chain of 16 collision repair facilities located in Chicago, Illinois, and issuing, as partial consideration, \$8.1 million U.S. of exchangeable vendor notes to the former owners of Gerber;
- Subsequent to December 31, 2003, on February 2, 2004, issuing 1,750,000 trust units of the Fund, including 875,000 detachable Purchase Warrants to acquire additional trust units at a fixed price of \$10.00 per unit, in exchange for the \$14 million subscription receipts proceeds. Funds were used principally to finance a portion of the Gerber Acquisition and to provide for the future development of additional collision repair facilities.

Selected Annual Information

The following table summarizes selected financial information for the Fund and the predecessor Company over the prior three years:

(000's, except per unit figures)	December 31 2003	December 31 2002	December 31 2001
Sales	\$ 129,575	\$ 140,746	\$ 131,312
Net earnings from continuing operations and before extraordinary item	1,577	2,047	3,318
Basic earnings per unit from continuing operations and before extraordinary item	0.372	0.437	0.858
Diluted earnings per unit from continuing operations and before extraordinary item	0.182	0.405	0.779
Net Earnings	1,480	1,176	3,318
Basic earnings per unit	0.344	0.195	0.840
Diluted earnings per unit	0.160	0.228	0.762
Total assets	69,447	80,967	89,207
Total long-term financial liabilities	21,820	34,897	39,435
Cash dividends or distributions per share or unit declared:			
Class E share dividends	0.0473	0.1892	0.1892
Trust Unit distributions	0.9500	0.0000	0.000

The slow U.S. economy during the last three years has contributed to same store sales declines in the U.S. in each of these years. In 2003, the situation was made worse by a significant loss of value in the U.S. dollar in relation to the Canadian dollar. Adjusting for the impact of foreign currency translation using 2002 exchange rates, 2003 sales would have been \$8.6 million higher, or approximately \$138 million. Collision repair industry sources in the U.S. have reported declines in the number of collision claims, in the range of 6-7% each year for the past two years. In efforts to offset the weakening sales trend in the U.S., Boyd has been actively pursuing opportunities to increase sales volumes in existing markets through strengthening of DRP relationships and through broadening product offering. The Fund believes these efforts have been partly successful in mitigating the impact of the weakened economy. In Canada, annual same store sales growth of 3-4% over the last two years has helped to offset the weaker sales in the U.S. The Fund is optimistic that the U.S. economy will show some recovery in 2004 and believes that the Canadian economy will remain steady.

Net earnings from continuing operations and before extraordinary item is impacted in both 2002 and 2003 by certain unusual charges, in addition to being impacted by same store sales declines in the U.S. In the fourth quarter of 2002, the Company recorded accelerated amortization of deferred financing charges of \$1.1 million (\$0.8 million, net of tax) resulting from amendments to its senior credit facilities in anticipation of the conversion to an income trust. In 2003, the Fund recorded reorganization costs and charges to settle interest rate swap contracts totalling \$2.6 million (\$1.6 million net of tax).

Net earnings in both 2002 and 2003 were impacted by decisions to discontinue operations in certain of Boyd's business reporting units in Alberta and Saskatchewan, as well as an extraordinary loss recorded in 2002 resulting from expropriation of one of the Company's collision repair centres located in Arizona.

BOYD GROUP INCOME FUND

In the fall of 2002, the Board of Directors of The Boyd Group Inc. began to formally review strategic alternatives for the Company and gave consideration to possible approaches to strengthening the Company's financial position, enhancing security holder value and providing an enhanced platform for growth. The Board of Directors unanimously concluded, after examining the merits of alternatives, that Boyd's business was well suited for an income fund and that the income fund structure should provide these benefits, and at the same time unlock the value of significant cash flows and improve current investor returns by efficiently distributing these cash flows directly to unitholders.

On January 24, 2003, the shareholders of The Boyd Group Inc. approved a Plan of Arrangement (the "Arrangement") that would reorganize Boyd into an income trust. On February 28, 2003, under the terms of the Arrangement, the Fund acquired 53.67% (64.96% of publicly held shares and 15% of Management Group shares) of the common shares of Boyd from its shareholders, through a series of transactions, resulting in the issue of 2.39 million trust units as consideration. Also under the terms of the Arrangement, Boyd Group Holdings Inc. ("BGHI"), a holding company under voting control of the Fund, acquired the remaining 46.33% (35.04% of publicly held shares and 85% of Management Group shares) of the common shares of Boyd from its shareholders, issuing 2.06 million Class A common shares as consideration. Each public shareholder (other than the management group) indirectly received 0.6496 trust units of the Fund and 0.3504 Class A common shares of BGHI in exchange for each four Class A (Restricted Voting) shares held in Boyd prior to the Arrangement. As a final step in the Arrangement, the Company subsequently issued new Class I common shares to the Fund in exchange for cancellation of the previously publicly-traded common shares held by the Fund and issued new Class II common shares to BGHI in exchange for the cancellation of the previous common shares held by BGHI.

Also, on February 28, 2003, concurrent with the Arrangement, the Fund completed an initial public offering (the "IPO") of 1,050,000 trust units at \$8.60 per unit, raising \$9,030,000. The net proceeds of the IPO were used to reduce long-term debt (including capital lease obligations), fund the Company's Big Box prototype, fund capital expenditures relating to branding and facility upgrades, and for other general operating purposes.

Following the reorganization, the Fund owns 100% of the Class I common shares (representing 53.67% of the total common shares) and subordinated notes (the "notes") issued by the Company, and pays monthly distributions to unitholders from the interest income earned on the notes and from dividends or return of capital on the common share investment. In addition, BGHI owns 100% of the Class II common shares (representing 46.33% of the total common shares) issued by the Company, and pays monthly dividends to shareholders from the dividends or return of capital on its common share investment in Boyd.

The Boyd Group Inc., with majority ownership controlled by the Fund and a minority interest held by BGHI, will carry on the current business and will continue to operate under the name The Boyd Group Inc. As the new public entity, Boyd Group Income Fund's business will primarily be the ownership and control of The Boyd Group Inc.

Distributable Cash

It is the Company's policy to distribute to the Fund and BGHI, on an annual basis, available cash from operations after deductions for sustaining capital expenditures, debt service and interest obligations, and any reserves for administrative and other expenses and such reasonable working capital reserves considered appropriate by the Board of Directors.

The collision repair industry, particularly in Canada is subject to seasonal fluctuations. The Trustees of the Fund have eliminated the impact of seasonal fluctuations on unitholders by equalizing the monthly distributions. Due to this seasonality, it is not entirely possible to extrapolate the distributable cash for the ten months from February 28, 2003 to

December 31, 2003 to determine an estimate of distributable cash on an annual basis. In addition, the higher levels of debt and interest expense prior to the reorganization, and the impact of costs related to completing the reorganization in this period, do not allow for a direct calculation of distributable cash for the fiscal year.

Following the February 28, 2003 reorganization, and during the ten months ended December 31, 2003, the Company generated distributable cash of \$5.6 million. A pro-forma distributable cash calculation is presented below to estimate the distributable cash had the income fund structure been in place since January 1, 2003. The pro-forma calculation is presented in two formats to assist unitholders in understanding the calculation of distributable cash and to assist in comparing to pro-forma distributable cash calculations previously presented. Making the pro forma adjustments described below, the Fund generated distributable cash of approximately \$6.3 million on an annualized pro forma basis for 2003.

Distributable Cash ⁽¹⁾	Year Ended December 31, 2003
EBITDA (Earnings before interest, taxes, depreciation & amortization) ⁽¹⁾	\$ 8,874,441
Add Back (Deduct):	
Big Box prototype reserve ⁽²⁾	791,271
Amortization of unearned income	(2,025,206)
Interest expense, net of interest income	(2,138,958)
Interest on pre-arrangement capital leases ⁽³⁾	210,271
Interest on equity component of convertible debentures	(386,548)
Maintenance expenditures on equipment	(672,765)
Capital lease payments on post-reorganization leases	(3,353)
Repayment on vendor notes	(379,372)
Income taxes recovered	1,126,531
Proceeds on sale of equipment	244,363
(Gain) Loss on disposal of equipment	32,750
Distributable cash before pro-forma adjustments	5,673,425
Reduction of interest expense to reflect income trust structure for period prior to February 28, 2003 ⁽⁴⁾	166,467
Reduction of principal repayment on vendor notes to reflect income trust structure for period prior to February 28, 2003 ⁽⁵⁾	311,232
Pro-forma Distributable Cash	\$6,151,124
Distributions declared ⁽⁶⁾	
Unitholders	\$3,509,823
Non-Controlling Interest Shareholders	783,889
Total distributions declared	\$4,293,712
Distributions reinvested ⁽⁷⁾	
Unitholders	\$362,973
Boyd Group Holdings Inc.	273,069
Total distributions reinvested	\$636,042
Net cash distributions after reinvestment	
Unitholders	\$3,146,850
Non-Controlling Interest Shareholders	510,820
Net cash distributions	\$3,657,670
Distributions declared	
Per Unit	\$0.95
Per Non-Controlling Share	\$0.38
Weighted average distributions per unit and non-controlling share	\$0.72

- (1) Distributable Cash and EBITDA are not recognized measures under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings (loss), Distributable Cash and EBITDA are useful supplemental measures as they provide investors with an indication of cash available for distribution, both before and after debt service, capital expenditures and income taxes. Investors should be cautioned, however, that EBITDA and Distributable Cash should not be construed as an alternative to net earnings (loss) determined in accordance with GAAP as an indicator of the Fund's performance. Boyd's method of calculating EBITDA and Distributable Cash may differ from other companies and, accordingly, may not be comparable to similar measures used by other companies.
- (2) Costs of the AWC Collision "Big Box" prototype development of \$791 thousand were funded from proceeds of the initial public offering completed at the time of the reorganization, as contemplated in the final prospectus filed by the Fund and dated February 14, 2003.
- (3) Interest costs arising from capital lease obligations that existed prior to date of the reorganization are excluded from distributable cash since the total future capital lease principal and interest obligations were provided for from proceeds of the initial public offering completed at the time of the reorganization.
- (4) Reduction of interest expense during the period January 1, 2003 to February 28, 2003 to give effect to the completion of the initial public offering, acquisition of The Boyd Group Inc. and repayment of senior bank debt and settlement of interest rate swap contracts relating to the reorganization.
- (5) Reduction of principal payments on vendor loans during the period January 1, 2003 to February 28, 2003 to give effect to the fact that these loan repayments were funded from the proceeds of the initial public offering.
- (6) Distributions declared payable by the Fund to unitholders and by BGHI to shareholders are for the ten month period from March 1, 2003 to December 31, 2003.
- (7) Distributions reinvested include elected distributions under the distribution reinvestment and premium distribution components of the Fund's reinvestment plan for the period from September 18, 2003 to December 31, 2003 and the elected dividends reinvested by Boyd Group Holdings Inc. under its premium dividend reinvestment plan for the period from September 18, 2003 to December 31, 2003.

The following alternative calculation of distributable cash is presented, beginning with Cash flow from Operations, a measure recognized under Canadian generally accepted accounting principles. The Fund intends to use this method of calculating distributable cash for purposes of future presentation;

Distributable Cash ⁽¹⁾	Year Ended December 31, 2003	
Cash flow from operating activities	\$	5,614,498
Add Back (Deduct):		
Changes in non-cash working capital items		(4,108,310)
Big Box prototype reserve ⁽²⁾		791,271
Current income tax expense		586,741
Interest on pre-arrangement capital leases ⁽³⁾		210,271
Arrangement and swap breakage costs		2,650,098
Proceeds of sale of equipment		244,363
Income taxes recovered		1,126,531
Maintenance expenditures on equipment		(672,765)
Repayment of vendor notes		(379,372)
Capital lease payments on post-reorganization leases		(3,353)
Interest on equity component of convertible debentures		(386,548)
		5,673,425
Reduction of interest expense to reflect income trust structure for period prior to February 28, 2003 ⁽⁴⁾		166,467
Reduction of principal repayment on vendor notes to reflect income trust structure for period prior to February 28, 2003 ⁽⁵⁾		311,232
		311,232
Pro-forma Distributable Cash	\$	6,151,124

Distributions declared ⁽⁶⁾		
Unitholders	\$	3,509,823
Non-Controlling Interest Shareholders		783,889
Total distributions declared	\$	4,293,712
Distributions reinvested ⁽⁷⁾		
Unitholders	\$	362,973
Boyd Group Holdings Inc.		273,069
Total distributions reinvested	\$	636,042
Net cash distributions after reinvestment		
Unitholders	\$	3,146,850
Non-Controlling Interest Shareholders		510,820
Net cash distributions	\$	3,657,670
Distributions declared		
Per Unit	\$	0.95
Per Non-Controlling Share	\$	0.38
Weighted average distributions per unit and non-controlling share	\$	0.72

Distributions

The Fund and BGHI make monthly distributions of available cash, in accordance with their distribution policies, to unitholders and shareholders of record on the last day of each month, payable on or about the last business day of the following month. The amount of cash distributed by the Fund is equal to the pro rata share of interest or principal repayments received on the notes and distributions received on or in respect of the Class I common shares of the Company held by the Fund, after deducting expenses of the Fund and any cash redemptions of the Fund during the period. The amount of cash distributed by BGHI is equal to the pro rata share of distributions received on or in respect of the Class II common shares of the Company held by BGHI, after deducting expenses of BGHI.

The Fund declared distributions totalling \$3.5 million or \$0.95 per unit during the period starting on March 1, 2003, resulting in an annualized distribution rate of \$1.14 per unit. BGHI declared distributions totalling \$0.8 million or \$0.38 per unit during the period starting on March 1, 2003, resulting in an annualized distribution rate of \$0.456 per unit. The Fund and BGHI declared regular monthly distributions of \$0.095 per unit and \$0.038 per share respectively, for the ten months subsequent to the February 28, 2003 reorganization date. All of the distributions declared by the Fund during 2003 are taxable as other income in the hands of the unitholders, while the distributions declared by BGHI during 2003 are taxable as dividend income to shareholders of BGHI.

The Fund anticipates continuing to declare and pay monthly cash distributions of \$0.095 per unit during 2004. BGHI anticipates declaring and paying monthly cash distributions of \$0.038 per share for the first two months of 2004, followed by an increase in the distribution rate to \$0.0665 per share for the remaining months of 2004, as outlined in the initial Plan of Arrangement.

BUSINESS ENVIRONMENT & STRATEGY

The collision repair industry in North America is in the early stages of consolidation. At present this industry, estimated by Boyd to represent approximately \$50 billion in annual revenue, is highly fragmented, consisting primarily of small independent family owned businesses operating in local markets. To date, only a small number of multi-unit collision repair operators, growing in part through acquisition, have emerged in North America. No single operator within this group is dominant, either in terms of size or geographic coverage, and the Company estimates that as a group, consolidators have less than a 5% North American market share. All of the known industry consolidators, other than Boyd, are currently headquartered and have the majority of their operations in the United States.

The weakness in the U.S. economy over the last 12-24 months, coupled with declining frequency of auto accidents and lower collision repair claims volumes, have contributed to an increasingly competitive business environment. There appears to be a growing trend among major insurers in both the public and private insurance markets toward developing performance-based measurements in selecting collision repair partners. The trend in the private insurance markets to utilize DRP's for a growing percentage of collision repair claims volume is continuing, and more recently the trend appears to be favouring the development of multi-location DRP arrangements with the strongest multi-location collision repair operators in select regions.

The management team share a common vision in making Boyd a leader in the consolidation of the collision repair industry and to represent through corporate owned locations, as well as franchised locations, the pre-eminent chain of upscale retail oriented collision repair shops, providing exceptional service to its customers, challenging and rewarding employment to its employees and long term financial returns for its owners.

Boyd's fundamental strategies to achieve its vision include:

- Continued growth through acquisition, development and integration of market leading collision repair businesses;
- Ongoing development of innovative and mutually rewarding strategic relationships with insurance, fleet and lease customers, as well as supply trading partners;
- Creation of a common brand respected as the best in the collision repair industry for quality and customer service;
- Growth through broadening its product and service offerings to increase same store sales;
- Use of best practices and economies of scale to enhance profitability and operating performance.

These strategic initiatives are interrelated and Boyd's success in achieving its vision will largely be based on its capability to identify and capitalize upon the key performance factors that drive the collision repair industry.

Acquisition & Integration of Collision Repair Businesses

Since January of 1998, Boyd has acquired, either directly or through subsidiaries, or opened as "Greenfield" sites, 46 collision repair locations in Canada and the United States at a cost of approximately \$64.2 million. These acquisitions and facility openings have established Boyd's critical mass and, to the knowledge of the Company, Boyd is now the largest operator of company owned and operated collision repair facilities in Canada and is among the largest in the United States.

Growth through acquisition has provided Boyd with the opportunity to significantly increase its revenues and EBITDA through leveraging its investment in infrastructure and brand development. Over the past year, the focus of Boyd management has been on integrating and rationalizing acquired operations as well as improving sales and earnings from existing operations. Under the income trust structure, Boyd intends to continue to grow by way of acquisition and integration of market leading collision repair businesses, while simultaneously focusing upon same store sales growth opportunities.

Successful growth through acquisition requires a disciplined acquisition approach followed by a well-executed and tailored plan of integration that recognizes regional and cultural variation while focusing on standardization of best practices and achieving economies of scale.

Boyd continues to follow a disciplined acquisition approach based upon specific geographic, operational and financial criteria for identifying candidates and determining acquisition prices. In assessing acquisitions, the Company will apply the following criteria:

- Adding value to Unitholders;
- Profitability with proven management and market share;
- Geographic proximity to current operations and ability to leverage economies of scale;
- Continuing involvement of owners, managers or key employees;
- Above average potential to enhance return on investment, including ability to leverage customer relationships;
- Compatibility with Boyd's operating strategies and culture.

Boyd considers the ability to source funds for acquisition growth to be a key success factor in its consolidation strategy. Historically, it has been Boyd's practice to typically require each vendor to accept, as partial consideration for the purchase price, Boyd Class A (Restricted Voting) shares. The shares issued in the past have typically been priced at a premium to market, released from escrow in annual increments over periods of up to five years, and contained a price protection mechanism such that any shortfall between issue price and market price at the time of release from escrow results in an

additional cash payment to the vendor, or at the Company's option, the issue of additional shares. The Fund expects that future use of trust units as partial consideration for acquisitions will normally be priced at market and the Fund does not intend to provide a price protection mechanism on such issues. The balance of the purchase price paid to vendors of collision repair businesses has been sourced from a combination of forgivable capital funding, promissory notes in favour of the vendor, cash generated from internal operations and funding provided by way of Boyd's credit facilities.

The recently completed Gerber Acquisition provides a good illustration of how Boyd intends to fund future acquisition transactions, utilizing a combination of proceeds from the recent issue of trust units, exchangeable vendor notes, forgivable capital funding and loan financing provided by the Fund's trading partners.

The Company intends to finance its continued growth through a combination of future trust unit offerings, debt financing (including vendor notes) and forgivable capital funding provided by strategic trading partners. Management believes that the income trust structure will enhance the Company's ability to fund its acquisition strategy with a more attractive security in the form of trust units, which will provide potential vendors of collision repair businesses with a regular cash yield.

Strategic Relationships

The collision repair business, particularly in the United States, is dependent upon the maintenance and enhancement of excellent working relationships with insurance, fleet and lease customers. Boyd's revenues are largely derived from automobile insurance companies, as are the majority of revenues comprising the \$50 billion collision repair industry. Boyd works at maintaining both the key relationships initially developed and those relationships cultivated by acquired businesses. These relationships are often local in nature; however, as Boyd has grown in regional and national scope, it has focused on establishing regional and national relationships where possible.

Customer relationship dynamics in Boyd's principal markets differ from region to region. In three of the Canadian provinces where Boyd operates, government-owned insurance companies have, by legislation, either exclusive or semi-exclusive rights to provide insurance to automobile owners. Although Boyd's services in these markets are predominantly paid for by government-owned insurance companies, these insurers do not typically refer insured automobile owners to specific collision repair centres, allowing individual consumers the freedom of choice. Boyd focuses its marketing endeavours, primarily through consumer based advertising, on obtaining business from individual vehicle owners. Boyd manages relationships in the government-owned insurance markets through active participation in industry associations and rate-setting negotiations.

In Provinces other than Manitoba and Saskatchewan, and in the United States, where private insurers operate, a greater emphasis is placed on establishing and maintaining referral arrangements with insurance companies. Boyd continues to develop and strengthen its DRP relations with insurance carriers in both Canada and the United States. DRP's are established between insurance companies and collision repair shops to better manage automobile repair claims and increase levels of customer satisfaction. Insurance companies select collision repair operators to participate in their programs based on integrity, convenience and physical appearance of the facility, quality of work and customer service. DRP's represent an opportunity for Boyd to increase its business as the percentage of insurance paid collision claims handled through DRP's continues to increase. Industry publications have indicated that auto collision claims handled through DRP's in the United States increased to approximately 34% in 2001, from approximately 8% in 1996. Management expects this percentage to continue to grow and industry commentators expect that by 2004, nearly 55% of auto collision claims will be handled through DRP's. In addition, industry research suggests that this number could grow as high as 70% in the future. Along with the growth in DRP's, Boyd's management believes there is a growing preference among insurance carriers to do business with multi-location collision repairers in order to reduce the number and complexity of contacts in the collision repair process.

As repair volume flowing through DRP's grows and as DRP's evolve, Boyd believes that it is well positioned to take advantage of the opportunities that arise from these industry trends. Boyd believes that it has strong relationships in place with insurance, fleet and lease customers in each of its markets, and has the capability to enhance these relationships.

Key Supplier Agreements

As a critical component of its strategy, Boyd has established relationships with certain key suppliers. In July 1999, certain key trading partners provided the Company with, among other things, a commitment for approximately \$25 million in forgivable capital funding over a period of three to six years, to be used for acquisition and start-up of new collision repair businesses. Forgivable capital funding amounts received in respect of each acquisition or start-up are recorded as unearned income and are amortized to income as they are earned, pursuant to the agreement, over a period of 84 months.

Under the terms of the agreement, Boyd is obligated to purchase the trading partners products on an exclusive basis for a term, which extends beyond the funding and amortization periods. In exchange for this exclusive arrangement, the key suppliers are required to continue to price their products competitively to Boyd.

To date, Boyd has received a total of approximately \$20.5 million of capital funding under this agreement, providing the Company with an additional source of available capital, without interest cost or equity dilution, to support its acquisition strategy.

In November 2003, Boyd entered into a further amendment to its agreement with these trading partners to provide a \$15 million acquisition loan facility, with interest-only payments due during the five year term of each loan drawn, and principal due at maturity. The loan facility is provided at favourable interest rates, providing an additional source of available financing to fund growth.

Boyd has entered into preferred supplier agreements with several other key suppliers of parts and materials used in the collision repair process that typically provide for volume and/or price discounts.

The recent Gerber Acquisition is expected to provide Boyd with greater opportunities to establish and further develop both new and existing preferred supplier relationships for other collision repair products and services

A Brand Recognized for Quality & Service

The principal names under which Boyd carries on business in Canada are “Boyd Autobody and Glass”, “Boyd Autobody” and “Service Collision Repair Centre”. In order to more fully retain and utilize the goodwill of acquired collision repair centres, Boyd has, particularly in the United States, continued to operate under the name used by the acquired business prior to acquisition. However, Boyd is implementing a common branding initiative in Alberta, Canada using the name “Service Collision Repair Centre” and in the United States using the names “Service Collision Repair Center” in Georgia, Oklahoma and Kansas and “Collision Service Repair Center” in Washington. The Company, with the Gerber Acquisition, expects to re-evaluate its common branding strategy in the U.S. during 2004.

In support of establishing a brand recognized for quality and service, Boyd achieved North America’s first International Organization for Standardization (ISO) 9002 multi-site registration in automotive collision repair in its Canadian operations in 2000 and was successful in extending this multi-site registration to its United States operations in April 2002. The ISO 9002 standard establishes best practice process and procedures for providing the highest quality in collision repair services.

Boyd also conducts extensive consumer satisfaction polling at all operating locations to assist it in keeping customer satisfaction at the forefront of its mandate and to reinforce the association between the Company’s brands and the desire to exceed each customer’s expectations.

Broadening Product & Service Offerings

Boyd continues to seek opportunities to broaden its product and service offerings in all markets to enhance same store sales. In the Manitoba region, the Company has established a strong presence in the auto glass replacement and repair business, as a means of expanding services beyond traditional collision repair services.

Early in 2003, the Company extended the auto glass business into the Seattle, Washington market through meeting the requirements to participate in auto glass replacement and repair referral programs with Allstate and State Farm. In addition, the Company gained access to the auto glass replacement and repair referral network that manages claims on behalf of a number of insurers.

On March 1, 2003, the Company entered into a joint venture agreement with the parent of Anvil Auto Glass Ltd., a British Columbia based company actively involved in the auto glass repair and replacement business in that province. Under the terms of this arrangement, the Company will be certified by the Insurance Corporation of British Columbia to complete auto glass replacement and repairs at seven of its company-owned locations in British Columbia.

The Company expects to continue expansion into the auto glass repair and replacement business in other existing markets and expects to continue to identify other opportunities to expand its product and service offering in all markets.

Big-Box Initiative – A Prototype of Innovation, Best Practices & Economies of Scale

Since becoming a public company in 1998, Boyd's growth has come primarily by way of acquisitions. The Company believes that this has been, and can continue to be, a viable and successful strategy. Boyd has long believed that there is a better business model available for collision repair that could truly realize the advantages and efficiency of size and scale.

During 2001, the Company determined that it was at a size and stage in its development that would allow it to pursue the development and testing of this type of model. Boyd engaged a multi-disciplined industrial engineering firm to assist in formalizing its plan to develop a "Big Box" production model. The Company took its first step in executing this plan on September 28, 2001 when it acquired AWC Collision Centers in Tacoma, Washington, an operation, which, by virtue of its facility size, location and customers, was well suited for transitioning to this "Big Box" model.

While the "Big Box" prototype is still in the development stage and is approaching break even sales volumes and operating results, and while Boyd continues to be positive on the merits of the "Big Box" plan, generating sufficient levels of sales to support further development has not been realized and there is potential that sufficient sales volumes will not be realized in the near term.

RESULTS OF OPERATIONS

Sales

Sales totalled \$129.6 million for the year ended December 31, 2003, a decrease of \$11.2 million or 7.9% compared to the same period in 2002 (after adjusting 2002 for the effect of discontinued operations during 2003). Of the total sales decline, \$8.7 million or 6.2% can be attributed to the impact of foreign currency translation on sales generated from the Company's U.S. operations. Excluding the effects of currency translation, overall sales declined \$2.5 million or 1.7%, principally resulting from weak economic conditions in certain U.S. regions.

All of the Company's revenues are derived from automotive collision repair and related services, conducted through locations within Canada or the United States of America. The following chart provides the historical sales trends by geographic region:

Sales by Geographic Region (000's)	2003	2002	2001	2000	1999
Canada	\$ 56,398	\$ 53,576	\$ 51,691	\$ 48,917	\$ 43,354
United States	73,177	87,170	80,315	48,133	11,286
Total	\$129,575	\$140,746	\$132,006	\$ 97,050	\$ 54,640
Canada - % of total	43.5%	38.1%	39.2%	50.4%	79.3%
United States - % of total	56.5%	61.9%	60.8%	49.6%	20.7%

Sales in Canada in 2003 totalled \$56.4 million, an increase of \$2.8 million or 5.3% over the prior year, after adjusting 2002 sales for operations discontinued during 2003. Sales growth in Canada is due to the acquisition of the new automotive glass repair business in British Columbia and strong same store sales growth in the Alberta region. The acquisition of a joint venture interest in 1st Choice Mobile Auto Glass Dealers Inc. contributed \$1.1 million or 2.0% of the increase in sales in Canada. Strong same store sales growth in Alberta was the major factor in the same store sales growth of \$1.7 million or a 3.3% increase over the prior year.

In the U.S., sales totalled \$73.2 million for the year ended December 31, 2003, compared to \$87.2 million for the prior year. Translation of U.S. revenues at a weaker U.S. dollar exchange rate, relative to the Canadian dollar, accounted for \$8.7 million of the decline in sales. Excluding the impact of foreign currency translation, U.S. sales declined \$5.3 million or 6.1% compared to the prior year. Industry sources in the U.S. reported a 7.0% decline in the number of auto insurance claims during 2003, while average claim severity (average cost per claim) has been reported to be 4.2%-5.5% lower in the fourth quarter of 2003 compared to the same quarter a year ago. In addition to weaker economic conditions affecting sales in all U.S. regions generally, sales in our Kansas region have been significantly impacted by severe economic recession in this market.

Gross Margin

Gross Margin of \$57.9 million or 44.7% of sales for 2003, compared to \$63 million or 44.8% of sales in the same period of 2002, reflects lower gross margin dollars resulting from lower sales volume combined with the impact of foreign currency translation on gross margin from U.S. operations. Consolidated gross margin as a percent of sales for 2003 was impacted by regional sales mix, with a greater proportion of sales coming from Canada, where gross margins as a percentage of sales were lower, 45.1% compared to 45.8% in 2002, due to the impact of the glass repair business and higher parts and labour costs in some regions. Gross margin as a percentage of sales improved in the U.S., from 44.1% to 44.4%, due primarily to improved labour efficiency.

Operating Expenses

Operating Expenses, net of foreign exchange gains for 2003 of \$49 million, or 37.8% of sales, decreased from \$52.3 million or 37.2% of sales in 2002. Overall operating expenses in 2003 reflect an increase of \$0.2 million in operating expenses in the Canadian operations, while operating expenses in the U.S. decreased \$3.5 million.

Operating expense increases in Canada of \$1.2 million, comprised of \$0.3 million from acquisition of the new glass business in the B.C. region and a \$0.9 million increase in costs of existing operations, were largely offset by \$1.0 million of realized foreign currency gains on \$U.S. denominated cash balances in the Canadian operations.

After recognizing the impact of foreign currency translation to reduce operating expenses by \$3.2 million, actual operating expenses in the U.S. were further reduced by \$1.3 million in 2003, when compared on a same store basis to the prior year. After adjusting 2002 operating expenses to recognize additional expenses of \$1.1 million that were capitalized during the first three months of 2002 as part of the pre-operating period for the AWC Collision "Big Box" facility, operating expenses for 2003 would be reduced by \$1.3 million when compared to 2002. Reductions in operating expenses were primarily achieved through reductions in administrative salaries and related overhead.

Consolidated operating expenses as a percentage of sales increased to 37.8% in 2003, compared to 37.2% in 2002, as reductions in operating expenses were not sufficient to offset the impact of lower sales volumes.

Salaries, wages and benefits costs decreased \$1.8 million in 2003 to \$27.4 million, an overall decrease of 6.0% compared to 2002. Salaries, wages and benefits as a percentage of sales increased to 21.2% of sales in 2003 compared to 20.8% in the same period last year. In Canada, salaries, wages and benefit costs increased \$0.5 million, or 4.9% due to acquisition of the glass business and the higher sales volume in the Alberta region.

In the U.S., the impact of foreign currency translation served to reduce salaries, wages and benefit costs by \$1.9 million. After adjusting 2002 to recognize additional salaries, wages and benefit costs of \$0.6 million that were capitalized during the first quarter of 2002 for the AWC facility, salaries, wages and benefits costs for 2003 were reduced by \$0.9 million when compared to 2002 on a same store sales basis.

EBITDA

Earnings before interest, income taxes, depreciation and amortization ("EBITDA") for 2003 totalled \$8.9 million or 6.8% of sales compared to \$10.7 million or 7.6% of sales in the same period of the prior year. The negative impact of foreign currency translation on U.S. sales and earnings contributed to the decline in absolute dollar terms. Lower sales volumes in particular U.S. markets and higher operating costs as a percentage of sales contributed to the decline in EBITDA margin.

Depreciation and Amortization

Depreciation and amortization expense related to plant and equipment totalled \$3.3 million or 2.6% of sales for the year ended December 31, 2003 compared to \$3.6 million or 2.6% of sales in the prior year. The Company anticipates that future depreciation charges on plant and equipment will continue at or near the same level as a percent of sales, with sustaining expenditures on plant and equipment increasing with growth in sales volume.

Amortization of deferred costs and franchise rights in 2003 totalled \$0.4 million compared to \$1.4 million in the same period of the prior year. Amortization of deferred costs in 2002 included a one time accelerated amortization of deferred financing costs of \$1.1 million resulting from amendments to the Company's senior credit facilities. During 2003, new deferred financing charges totalling \$0.6 million were recorded, relating to the issue of convertible debentures and further

amendments to the senior credit facilities. The Company expects the future amortization of deferred costs and franchise rights to be at or near levels consistent with 2003.

Interest Expense

Interest Expense, net of interest income, decreased to \$2.1 million, or 1.7% of sales for 2003, from \$3.6 million or 2.6% of sales in the same period of 2002. Interest costs on bank debt decreased \$1.5 million resulting from reductions in the outstanding bank term facility and lower interest rates following settlement of interest rate swap contracts. This impact on interest costs was expected in connection with the reorganization to an income trust. The decrease in interest costs on bank debt were partly offset by higher interest costs relating to the debt components of the outstanding balance of 8.5%, Series I subordinate convertible debentures originally issued in 1998 and extended in 2002, the issue of new 8% 2002 Convertible debentures in late 2002 and the issue of 8% 2003 Convertible debentures completed in the fourth quarter of 2003. Interest costs related to the equity component of these convertible debentures issues, which can be settled at maturity, at the Company's option, through the issuance of trust units, have been charged to retained earnings.

Arrangement and Swap Breakage Costs

Arrangement and Swap Breakage Costs in 2003 totalled \$2.6 million, including \$0.8 million related to completing the Plan of Arrangement and reorganization to an income trust and the balance relating to termination of a portion of the Company's interest rate swap agreements in combination with the reduction in long-term bank debt and amendment of the senior credit facilities. A further settlement of interest rate swap contracts continued in the fourth quarter of 2003 at a cost of \$0.6 million, in conjunction with the Fund's offering of subordinate convertible debentures. The Company completed the final stage of settlement of interest rate swap contracts that extended beyond the term of the current senior credit facilities in January 2004.

Income Taxes

Income tax recoveries and reductions in future tax expense totalled \$0.7 million for 2003, compared to income tax recovery of \$16 thousand in the same period of 2002. The recovery of future income taxes is primarily due to the effect of income tax deductions available as a result of effective tax planning and the income trust structure.

Net Earnings before Non-Controlling Interest and Goodwill Impairment

Net earnings before non-controlling interest and goodwill impairment for the year ended December 31, 2003, was \$1.1 million or 0.8% of sales compared to net earnings of \$2 million or 1.5% of sales for the same period last year. Lower sales volumes and lower EBITDA margins resulting from higher operating costs in relation to sales contributed to lower net earnings. Arrangement and swap breakage costs associated with the conversion to an income trust had significant impact on net earnings for the year. Excluding the impact of these unusual charges, net earnings for 2003 would have been \$2.7 million.

Goodwill Impairment

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.

During 2002, and in accordance with the new standard, the Company completed 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. Impairment of goodwill identified from the transitional testing of reporting units in 2002, totalling \$8.1 million, was recorded as a cumulative effect of change in accounting policy and charged to opening retained earnings in 2002. No additional impairment of goodwill was recognized in 2002.

The Company continued to test the impairment of goodwill for all reporting units during 2003, and has concluded, based on completion of testing for 2003, that a recognition of goodwill impairment relating to the operations of the AWC Collision facility in Tacoma, Washington, as well as goodwill impairment relating to the operations of the Washington region reporting unit, totalling \$285 thousand, net of tax recoveries of \$158 thousand, was necessary.

Non-Controlling Interest

Non-Controlling Interest for the year ended December 31, 2003 reflects an allocation of net losses of \$0.8 million to Boyd Group Holdings Inc. (“BGHI”), a holding company created upon the reorganization to an income trust to hold a non-controlling interest in The Boyd Group Inc. The Boyd Group Inc. recorded a net loss for 2003 of \$2.9 million, after deducting the interest paid on the subordinate notes to the Fund. This net loss is allocated between the Fund and BGHI in proportion to their respective equity interest in the Company. Subsequent to this allocation, upon consolidation of the Company with the Fund, inter-company interest between the Company and the Fund is eliminated, such that the Fund’s consolidated earnings are not impacted by this interest cost. The effect of consolidation results in net earnings in the consolidated Fund after elimination of the inter-company interest, while BGHI absorbs a portion of this interest cost as the non-controlling shareholder.

Discontinued Operations

Net Loss from Discontinued Operations, net of tax, of \$97 thousand in 2003, resulted from a decision by the Company on June 1, 2003, to sell the assets and business of its collision repair business in Humboldt, Saskatchewan. Net loss from discontinued operations, net of tax of \$141 thousand in the same period of the prior year includes the operating results of the Big Rig operation in Red Deer, Alberta, disposed of on August 9, 2002, as well as the operating results of the Humboldt, Saskatchewan location for 2002.

Extraordinary Loss

Extraordinary loss, net of tax, of \$723 thousand was recorded during 2002 as a result of the closure of Rush’s Collision & Safety Center, a single location in Flagstaff, Arizona that was subject to expropriation by the City of Flagstaff. The City originally announced its intention to expropriate this property in late 2001, resulting in a detrimental impact on the ability of the Company to operate this facility as a going concern and leading to the decision to close this facility in September 2002. Following the closure, the City of Flagstaff indemnified the Company with respect to ongoing property lease obligations at this location during the period October 2002 through August 2003, when the City of Flagstaff completed the expropriation of this property, thereby terminating any remaining obligations the Company had with respect to this location.

Net Earnings and Earnings Per Unit

Net Earnings after giving effect to the non-controlling interest and goodwill impairment in 2003, and discontinued operations and extraordinary loss in 2002, increased to \$1.5 million or 1.1% of sales for 2003, compared to net earnings of \$1.2 million or 0.8% of sales for the same period of the prior year. Excluding the after tax impact of arrangement and swap breakage costs recorded during 2003, net earnings would have been \$3.1 million or 2.4% of sales. Lower net earnings before non-controlling interest in 2003 were offset by the positive impact of the non-controlling interest, while net earnings in 2002 were negatively impacted by the extraordinary loss.

Basic Earnings Per Unit from continuing operations and before extraordinary loss was \$0.372 per unit for the year ended December 31, 2003 compared to basic earnings of \$0.437 per unit in the same period of 2002. *Diluted Earnings Per Unit from continuing operations and before extraordinary loss*, which is calculated under the assumption that all convertible securities had been converted (where such conversion would have the effect of reducing earnings per unit), was \$0.197 per unit compared to earnings of \$0.405 per unit in the same period of the prior year. The decline in basic earnings per unit in 2003 resulted from lower net earnings from continuing operations, before giving effect to extraordinary loss. Diluted earnings per unit were further impacted by the potential dilution of earnings resulting from the exchange of Class A shares of BGHI for units of the Fund, where both the losses allocated to BGHI (as the holder of the non-controlling interest) and the additional units issued on the exchange have the impact of reducing earnings per unit.

Basic Earnings Per Unit, after giving effect to discontinued operations and extraordinary loss, was \$0.344 per unit for the year ended December 31, 2003 compared to basic earnings of \$0.195 per unit in the same period of 2002. *Diluted Loss Per Unit*, after giving effect to discontinued operations and extraordinary loss, which is calculated under the assumption that all convertible securities had been converted (where such conversion would have the effect of reducing earnings per unit), was \$0.160 per unit compared to earnings of \$0.228 per unit in the same period of the prior year. The increase in basic earnings per unit in 2003, when compared to 2002, is a result of the impact of the extraordinary loss on basic earnings per unit in 2002. The decline in diluted earnings per unit in 2003 is the result of the dilution resulting from the exchange of Class A shares of BGHI for units of the Fund, where both the losses allocated to BGHI (as the holder of the non-controlling interest) and the additional units issued on the exchange have the impact of reducing earnings per unit.

SUMMARY OF QUARTERLY RESULTS

(\$000's, except per unit data)	2003				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	36,148	32,386	30,706	30,336	35,907	34,358	34,926	35,556
Earnings (loss) from continuing operations and before extraordinary item	(251)	651	980	197	1,157	715	326	(150)
Basic earnings (loss) per unit from continuing operations and before extraordinary item	(0.138)	0.180	0.256	0.017	0.295	0.166	0.057	(0.075)
Diluted earnings (loss) per unit from continuing operations and before extraordinary item	(0.138)	0.158	0.182	(0.033)	0.260	0.153	0.056	0.019
Net earnings (loss)	(260)	563	980	197	1,108	656	(164)	(425)
Basic earnings (loss) per unit	(0.141)	0.156	0.256	0.017	0.281	0.150	(0.078)	(0.151)
Diluted earnings (loss) per unit	(0.141)	0.139	0.182	(0.033)	0.250	0.138	(0.066)	(0.037)

Sales by quarter for the last two years illustrate the impact of seasonality, whereby collision repair claims volumes tend to be higher in the winter season, particularly in Canada. Quarterly sales in 2003 were significantly impacted by foreign currency translation, as the U.S. dollar weakened during each quarter, with the largest decline occurring in the first half of 2003. Net earnings from continuing operations and before extraordinary item reflect the effect of the decline in sales volumes on earnings. Net earnings in the fourth quarter of 2002 were impacted by \$0.6 million accelerated amortization of deferred financing charges, while the first quarter of 2003 was impacted by reorganization costs and interest rate swap breakage costs totaling \$1.2 million, net of tax. The fourth quarter of 2003 was also impacted by interest rate swap breakage costs as the Company continued its plan to unwind these contracts.

LIQUIDITY AND CAPITAL RESOURCES

The reorganization of The Boyd Group Inc. into Boyd Group Income Fund in February 2003 and the simultaneous initial public offering of trust units, coupled with the issue of a new series of convertible debentures late in 2002 and the establishment of an amended and restated credit facility with the senior lenders has resulted in a significantly improved capital structure. Long-term debt and other long term obligations at December 31, 2003 were reduced by \$15 million or 35% compared to December 31, 2002. After adjusting equity to include the non-controlling interest, on the basis that all Class A shareholders of BGHI will ultimately exchange their shares for units of the Fund, equity increased to \$27.9 million at December 31, 2003 compared to \$24.5 million at December 31, 2002, even after the negative impact of a \$4.3 million change in the cumulative translation adjustment resulting from foreign currency translation of the U.S. self-sustaining operations of Boyd.

Cash and cash equivalents at December 31, 2003 totalled \$1.6 million compared to \$2.1 million at December 31, 2002. At December 31, 2003, the Fund had \$2.5 million (\$4.0 million – December 31, 2002) outstanding under its operating line of credit. Offsetting the outstanding balance of the operating line of credit, was cash held on deposit in U.S. bank accounts totalling \$1.6 million (\$6.1 million – December 31, 2002) and cash held on reserve to fund future capital lease obligations of \$2.6 million (\$0.0 – December 31, 2002) for a net cash position of \$1.6 million (\$2.1 million – December 31, 2002).

Net working capital (current assets less current liabilities) totalled \$3.7 million at December 31, 2003 (\$8.9 million – December 31, 2002). Current asset balances declined when expressed in Canadian dollars as a result of current assets held in U.S. operations being translated at lower foreign currency exchange rates due to the weaker U.S. dollar. Current liabilities were reduced by the impact of foreign currency translation on U.S. denominated trade accounts payable, but this impact was offset by recording cash distributions and dividends payable to unitholders and shareholders. The Company expects to continue to operate at or above a working capital ratio of 1:1.

The Fund had total debt outstanding at December 31, 2003 of \$21.8 million, comprised of \$16.7 million of senior bank term debt, \$0.5 million of vendor loans, \$2.2 million of obligations under capital lease and \$2.3 million debt component of subordinate convertible debentures. This compares to \$34.9 million of total debt outstanding at December 31, 2002, comprised of \$28 million of senior bank term debt, \$0.9 million of vendor loans, \$3.3 million obligations under capital lease and \$2.7 million debt component of subordinate convertible debentures. Total debt decreased by \$13.1 million or 38%, while net debt (net of cash and cash equivalents) decreased by \$12.6 million, due entirely to proceeds raised from the convertible debenture offering and initial public offering of trust units that were conducted in concert with the reorganization of Boyd to an income trust.

The following table summarizes the contractual obligations at December 31, 2003 and required payments over the next five years:

Contractual Obligations (000's) As at December 31, 2003	Payments Due By Period				
	Total	Due < 1 year	1-3 years	4-5 years	After 5 year
Long-term debt	\$ 17,257	\$ 94	\$ 16,936	\$ 134	\$ 93
Capital lease obligations	2,240	1,106	1,116	18	0
Operating lease obligations	26,951	5,867	10,444	7,679	2,961
Purchase obligations:					
Earn out provisions	0	0	Unknown	Unknown	Unknown
Share price guarantees payable in cash	65	65	0	0	0
Other long-term obligations ⁽¹⁾ :					
1998 8.5% Series I convertible debentures	758	0	0	758	0
2002 8.0% convertible debentures	5,893	0	0	5,893	0
2003 8.0% convertible debentures	2,260	0	0	2,260	0
Total Contractual Obligations	\$ 55,424	\$ 7,132	\$ 28,496	\$ 16,742	\$ 3,054

- (1) The Fund has the right, at its option, to settle each of the 1998, 2002 and 2003 convertible debenture obligations either by issuing additional trust units or by payment of cash.

Operating Activities

Cash flow from operations, before considering working capital changes, was \$1.5 million for the year ended December 31, 2003 compared to \$4.6 million in 2002. The decrease in operating cash flows is directly attributable to the impact of currency translation on cash flow from U.S. operations and lower U.S. sales volumes totalling \$1.8 million, the impact of arrangement and swap breakage costs of \$2.6 million, partly offset by interest cost savings of \$1.4 million.

Changes in working capital items provided a net source of cash of \$4.1 million in 2003, excluding the effect of working capital changes related to discontinued operations. The change in working capital included income taxes recovered of \$1.6 million and recording income taxes payable of \$0.2 million. Accounts receivable reductions of \$1.2 million consisted of a \$1.1 million impact of foreign currency translation of U.S. receivable balances and \$0.1 million reduction in Canada from improved collections. A reduction in inventory of \$0.7 million consisted of \$0.3 million reduction due to currency translation, and a \$0.4 million improvement in paint and body materials inventory levels, principally in the U.S. operations. Prepaid expenses were reduced \$0.8 million, with \$0.2 million resulting from currency translation, while the balance of \$0.6 million was principally due to charge-offs of acquisition search costs and changes in timing of payment on insurance policy premiums. Offsetting these sources of cash was a decrease in accounts payable and accrued liabilities of \$0.5 million, resulting from the negative impact of currency translation of \$1.2 million offset by improved management of cash disbursements to supplier terms.

Financing Activities

Equity

On January 24, 2003, the shareholders of The Boyd Group Inc. approved a Plan of Arrangement (the "Arrangement") that would reorganize The Boyd Group Inc. into an income trust, subject to the completion of an initial public offering of new trust units.

On February 28, 2003, concurrent with the Arrangement, the Fund completed an initial public offering (the "IPO") of 1,050,000 trust units at \$8.60 per unit, raising \$9,030,000. The net proceeds of the IPO were used to reduce long-term debt (including capital lease obligations), fund the Company's Big Box prototype, fund capital expenditures relating to branding and facility upgrades, and for other general operating purposes.

Under terms of the Arrangement, prior to the conversion, all outstanding Class D shares of The Boyd Group Inc. were cancelled and all of the issued and outstanding Class E shares of the Company were converted to Class A (Restricted Voting) shares on a 1 for 1 basis. Immediately prior to the reorganization, the Class A (Restricted Voting) shares were consolidated on 4 for 1 basis.

On February 28, 2003, under the terms of the Arrangement, a wholly owned subsidiary of the Fund acquired 15% of the outstanding Class A (Restricted Voting) shares held by the Management Group (shares held directly or indirectly by Terry Smith and Brock Bulbuck) in exchange for the subordinate notes. This subsidiary of the Fund also acquired 64.96% (the "debt percentage") of the Class A (Restricted Voting) shares of The Boyd Group Inc. from its other public shareholders through the issue of subordinate notes. The Fund, through a series of transactions, issued 2.39 million trust units to acquire the subordinate notes from the holders. Also, under the terms of the arrangement, Boyd Group Holdings Inc. ("BGHI"), a holding company organized under voting control of the Fund, acquired the remaining 85% of Class A (Restricted Voting) shares held by the Management Group and the remaining 35.04% (the "minority percentage") of the Class A (Restricted Voting) shares of The Boyd Group Inc. from its other public shareholders, issuing a total of 2.06 million Class A common shares as consideration. Each public shareholder (other than the Management Group) indirectly received 0.6496 trust units of the Fund and 0.3504 Class A common shares of BGHI in exchange for each four Class A (Restricted Voting) shares held. Following the reorganization, the wholly-owned subsidiary of the Fund that issued the subordinate notes amalgamated with The Boyd Group Inc., to continue as The Boyd Group Inc. Also, following the reorganization, the Company issued one new Class I share to the Fund in exchange for each Class A (Restricted Voting) share held by the Fund and one new Class II share to BGHI in exchange for each Class A (Restricted Voting) share held by BGHI. All of the Class A (Restricted Voting) shares repurchased by the Company were subsequently cancelled.

Holders of vested and outstanding stock options to acquire Class A (Restricted Voting) shares of The Boyd Group Inc. were provided, under the terms of the Arrangement with a choice to exercise such options to receive Class A (Restricted Voting) shares and subsequently convert the shares so received to trust units on 4:1 basis. Holders of a total of 616,908 stock options chose to exercise their options to acquire Class A shares, for total consideration of \$772,775. Outstanding stock options that were not exercised prior to the reorganization were cancelled for no consideration.

The trust indentures under which the 1998 Series I 8.5% Subordinate Convertible Debentures and the 2002 8.0% Subordinate Convertible Debentures were amended to provide debenture holders the right to exchange, through the terms of an exchange agreement between the Fund and the Company, debentures for units. Upon receiving a request to convert any of the convertible debentures, the Company will issue additional notes and Class I shares to the Fund, in consideration for receiving additional units from the Fund for purposes of satisfying the debenture conversion obligation.

Upon completion of the Arrangement: (i) the Fund is the holder of all of the notes and Class I shares of the Company, (ii) BGHI is the holder of all of the Class II shares of the Company, and (iii) the former holders of the Class A (Restricted Voting) shares of the Company will now hold units in the Fund and Class A shares in BGHI.

The Fund, BGHI and the Company have adopted a dividend/distribution policy whereby; (i) the Company will distribute all of its available cash, subject to applicable law and necessary reserves, by way of dividends on its shares, after satisfying its interest payments and any principal repayments on the notes to the Fund and (ii) BGHI will distribute all of its available cash, subject to applicable law and necessary reserves, by way of dividends on its shares and (iii) the Fund will distribute all of its available cash, subject to applicable law and necessary reserves, all as determined to be appropriate by their respective Board of Directors or Trustees.

The following provides a continuity of the income trust conversion transaction, illustrating the share capital of the Company and the resulting unitholders' capital of the Fund:

	<u>Shares</u>	<u>Amount</u>
Balance of Class A (Restricted Voting) shares of the Company at December 31, 2002	14,737,002	\$ 18,693,465
Issued as partial consideration guaranteed under certain purchase and sale agreements	120,123	-
Issued on exercise of stock options	616,980	772,755
Cancellation of Class D shares of the Company	-	10
Issued on conversion of Class E shares	2,125,000	1
Issued on conversion of 1998 Series I debentures	212,500	250,000
Issue costs	-	(235)
Balance at February 28, 2003	17,811,605	\$ 19,715,996

	<u>Units</u>	<u>Amount</u>
Units issued by the Fund on February 28, 2003 in exchange for Class A (Restricted Voting) shares of the Company (after consolidation on a 4 for 1 basis and exchange of shares held by the Management Group, the remaining publicly held shares and the exercise of stock options)	2,389,957	\$ 10,581,575
Units issued on initial public offering	1,050,000	9,030,000
Issue costs (net of tax recovery of \$743,890)	-	(1,099,251)
Units issued under guaranteed price contracts	126,086	-
Units issued to settle retraction of non-controlling interest shares	4,625	23,242
Units issued on conversion of 2002 debentures	200,875	1,607,000
Units issued on conversion of 1998 debentures	121,974	574,000
Units repurchased and cancelled	(35,508)	(189,716)
Units issued on acquisitions	11,928	100,000
Units issued under reinvestment programs	54,927	431,347
Unitholder's capital at December 31, 2003	3,924,864	\$ 21,058,197

The Fund has guaranteed the unit price on units previously issued on certain acquisitions and currently held in escrow, to be released in annual amounts up to September 2006. If, at the time of release from escrow, the market value of the units differs from the guaranteed price, the Fund is either obligated to issue more units where the guaranteed price is higher than the market value, or alternatively, may claw back units in the case where the guaranteed price is less than market value. During 2003, the Fund issued 126,086 units under acquisition price guarantees, including 19,372 units issued during the fourth quarter. Based on the December 31, 2003 market value of the units, the Fund would be obligated to issue approximately 198,180 additional units in respect of these guarantees, or may, at its option, settle the guarantees for cash.

During 2003, the Fund issued 200,875 units in respect of the conversion of 2002 8% Convertible Debentures in the amount of \$1,607,000 and 175,099 units in respect of the conversion of the 1998 Series I 8.5% Convertible Debentures in the amount of \$824,000. The Fund issued 73,500 units on conversion of \$588,000 face amount of the 2002 8% Convertible Debentures and 9,137 units on conversion of \$43,000 face amount of the 1998 Series I 8.5% Convertible Debentures during the fourth quarter.

During the third quarter, the Fund repurchased, in a private transaction through its subsidiary, The Boyd Group Inc., 35,508 units with a book value of \$189,716 and 5,162 Class A shares of BGHI with a book value of \$40,657, from the former owner of Rush's Collision & Safety Center, Inc. in exchange for cash, certain assets and a note in favour of the vendor in the total amount of \$320,327. The premium paid to repurchase the units, in the amount of \$89,954 was charged to retained earnings. The Boyd Group Inc. continues to hold the Class A shares of BGHI repurchased in this transaction and the book value of these shares is offset, as a reciprocal investment, against the non-controlling interest of BGHI in the Company.

During the fourth quarter, the Fund issued 11,928 units in the amount of \$100,000, on behalf of the Company, as partial consideration for the acquisition of the assets and business of Autotek Collision Repairs in Vancouver, B.C.

The following chart discloses outstanding unit data of the Fund, including information on all outstanding securities of the Fund and its subsidiaries that are convertible or exchangeable for units of the Fund as of March 17, 2004:

Securities	# or \$ Amount of Securities Outstanding	# of Units to be Issued on Conversion or Exchange by Holder	Maximum # of Units to be issued
Units outstanding	6,604,967	6,604,967	6,604,967
Class A common shares of BGHI ⁽¹⁾	1,716,294	1,716,294	1,716,294
Convertible debentures			
1998 Series I –8.5% debentures ⁽²⁾	\$559,000	118,790	118,790
2002 – 8.0% debentures ⁽³⁾	\$ 2,695,000	336,875	488,225
2003 – 8.0% debentures ⁽⁴⁾	\$1,802,000	209,535	429,050
Exchangeable notes – 6.4% ⁽⁵⁾	\$10,905,825	1,228,400	1,450,000
Warrants:			
Issued September 30, 2003 ⁽⁶⁾	140,300	140,300	140,300
Issued November 10, 2003 ⁽⁶⁾	40,000	40,000	40,000
Issued February 2, 2004 ⁽⁷⁾	872,500	872,500	872,500

- (1) The Fund is obligated to issue units to BGHI, in exchange for Class B shares of BGHI, upon a request for retraction by the holders of the Class A shares of BGHI. After February 29, 2004, all Class A shares retracted will be exchanged for units of the Fund on a 1:1 basis.
- (2) The 1998 Series I 8.5% convertible debentures are convertible, at the option of the holder, to units of the Fund, at any time, at a fixed conversion price of \$4.71 per unit. The Fund, through the Company, has the right to settle the principal amount of the debentures, at any time upon 30 days notice, through the issue of units at the fixed price of \$4.71 per unit.
- (3) The 2002 8.0% convertible debentures are convertible, at the option of the holder, to units of the Fund at any time, at a fixed conversion price of \$8.00 per unit. The Fund, through the Company, has the right to settle the principal amount of the debentures at maturity through the issue of units, at then market prices, subject to a floor price of \$5.52 per unit.
- (4) The 2003 8.0% convertible debentures are convertible, at the option of the holder, to units of the Fund at any time, at a fixed conversion price of \$8.60 per unit. The Fund has the right to settle the principal amount of the debentures at maturity through the issue of units, at then market prices, subject to a floor price of \$4.41 per unit.
- (5) The exchangeable notes are exchangeable, at the option of the holder, to units of the Fund at the rate of up to 40% of the original principal amount after the first anniversary, 60% of the original principal amount after the second anniversary, 80% of the original principal amount after the third anniversary and 100% of the original principal amount after the fourth anniversary, at a fixed price of \$6.62 U.S. per unit. The Fund, through the Company, has the right to settle the exchangeable notes at maturity, through the issue of trust units, at current market price, such price not exceed the fixed price of \$6.62 U.S. per unit, and subject to a floor price of \$5.61 U.S. per unit.
- (6) The Fund issued 174,000 purchase warrants on September 30, 2003, in connection with the issue of \$1.74 million of 2003 convertible debentures, that provide the holder with the right, for a period of two years from date of issue, to acquire trust units of the Fund, at a fixed price of \$8.60 per unit. The Fund issued 52,000 additional purchase warrants on November 10, 2003 as part of the final debenture closing, also at a fixed price of \$8.60 per unit. No warrants were exchanged for trust units during 2003. In 2004 to date, at total of 31,700 warrants were exercised from the September 30, 2003 issue and a total of 14,000 warrants were exercised from the November 10, 2003 issue, with the balance of warrants remaining outstanding. Proceeds from the exercise of warrants will be used to fund new acquisitions or start-up of collision repair facilities and for general corporate purposes.

- (7) The Fund issued 875,000 purchase warrants on February 2, 2004 in connection with a \$14 million issue of units and the Gerber Acquisition. The warrants can be exercised to acquire trust units at a fixed price of \$10.00 per unit, and will expire in three years from the date of issue. As of March 17, 2004 holders had exercised 2,500 of the 2004 warrants. Proceeds from the exercise of the warrants will be used to fund new acquisition and start-ups of collision repair facilities and for general corporate purposes.

As part of the Arrangement, the Fund obtained voting control of Boyd Group Holdings Inc. through a special class of voting shares, while the economic interest in BGHI resides with the holders of the Class A common shares. Boyd Group Holdings Inc. is a mutual fund corporation established for the purpose of holding a non-controlling interest in the Company. The Class A common shares of BGHI are not listed for trading on any stock exchange.

Upon a request for retraction received from a shareholder at any time after the February 28, 2003 effective date, the Class A common shares of BGHI will be retracted and exchanged for units in the Fund, according to the retraction rate in effect at the time of the exercise of such right of retraction. If retracted in the period from February 28, 2003 to March 31, 2003, each BGHI Class A common share would be retracted for 0.4 units of the Fund. During each subsequent month, the per unit consideration for each BGHI Class A common share increased by 0.05 units, and subsequent to March 1, 2004, each Class A common share will be retractable for one unit of the Fund. This retraction is achieved by BGHI issuing Class B common shares to the Fund in exchange for units of the Fund, and the units so received are delivered to the Class A shareholders requesting retraction. During the period from February 28, 2003 to December 31, 2003, BGHI received requests and retracted 5,725 Class A common shares, issued 5,725 Class B common shares to the Fund and received 4,625 units of the Fund as consideration, which were delivered to the Class A shareholders in respect of the retraction.

Subsequent to December 31, 2003, BGHI has retracted a total of 340,844 Class A common shares, issued a total of 340,844 Class B common shares to the Fund, and received a total of 340,373 units of the Fund as consideration, which have been or will be delivered to the Class A shareholders in respect of the retraction. The Fund anticipates that a significant number of Class A shares of BGHI held by public holders, other than the Management Group, will be retracted in the near term since the shares can be retracted and units received on a 1:1 basis, the units are publicly traded in a liquid market and the cash distribution being paid on a unit is planned to be higher than the cash dividend rate paid on the Class A shares of BGHI.

The holders of the Class A common shares receive cash dividends on a monthly basis at a rate established as a percentage of the cash distributions expected to be paid on trust units. During the first year following the effective date through February 28, 2004, holders of the Class A shares of BGHI received monthly cash dividends per share equal to 40% of the cash distribution paid per unit to holders of the Fund units. In the second year, for the period from March 1, 2004 through February 28, 2005, it is expected that holders of the Class A shares will receive monthly cash dividends per share equal to 70% of the cash distribution per unit paid to holders of the Fund units. It is anticipated that after this two year period, the monthly cash dividend per unit on Class A shares of BGHI will equal the monthly cash distribution per unit paid to holders of the Fund units.

The following provides a continuity of the non-controlling interest of Boyd Group Holdings Inc. in the Company from the February 28, 2003 effective date of the reorganization to December 31, 2003:

	<u>Shares</u>	<u>Amount</u>
Class A common shares issued on February 28, 2003 in exchange for Class A (Restricted Voting) shares of the Company (after consolidation on a 4 for 1 basis and exchange of shares held by the Management Group and other public shareholders)	2,062,863	\$ 9,134,421
Less allocation of non-controlling portion of deficit of the Company at February 28, 2003	—	(759,639)
Balance at February 28, 2003	2,062,863	8,374,782
Less non-controlling portion of loss of the Company for the ten months ended December 31, 2003	—	(798,103)
Less dividends paid to Boyd Group Holdings Inc.	—	(705,500)
Less dividends payable to Boyd Group Holdings Inc.	—	(78,389)
Less non-controlling portion of interest on equity component of convertible debentures	—	(60,791)
Less reciprocal investment by the Company in Boyd Group Holdings Inc.	—	(40,657)
Less Class A common shares retracted	(5,725)	(23,242)
Add Class B shares issued for units in settlement of retractions	5,725	23,242
Non-controlling interest at December 31, 2003	2,062,863	\$ 6,691,342

Following the February 28, 2003 reorganization, and during the ten months ended December 31, 2003 the Company generated distributable cash of \$5,586,434. For the period ended December 31, 2003, the Company paid or recorded interest payable to the Fund of \$3,539,654 on the Notes, and paid or declared dividends payable to the Fund and BGHI of \$15,391 and \$783,889 respectively. The Fund paid or declared cash distributions of \$0.095 per unit per month or a total of \$3,509,823 for the ten months ended December 31, 2003. Boyd Group Holdings Inc. paid or declared payable dividends of \$0.038 per Class A and B share or a total of \$783,889 to Class A and B common shareholders for the ten months ended December 31, 2003. The Company, the Fund and BGHI expect to continue to make monthly cash distributions to unitholders and shareholders.

On September 18, 2003 the Fund adopted a Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan (the "DRIP") which was first made available to unitholders of record on September 30, 2003. The DRIP allows eligible unitholders to direct that their monthly cash distributions received from the Fund be reinvested in additional trust units at a 5% discount to the average market price. The Fund records the value of the units issued under the plan at the market price net of the discount. The DRIP includes both a premium distribution option and a distribution reinvestment option which allows participants to elect to either have the additional trust units issued held for their account under the plan or have the additional units delivered to a designated broker in exchange for a premium cash distribution paid by the broker equal to 102% of the amount of reinvested distributions. From the date of plan inception through to December 31, 2003 unitholders have elected to reinvest cash distributions of \$185,500 under the premium distribution option and \$51,167 under the distribution reinvestment option, for a total reinvestment of \$236,667 from the cash distribution otherwise payable to unitholders during this period. Unitholders have also elected to reinvest \$126,306 of distributions declared in December 2003 that would otherwise have been paid in January 2004. The Fund has reinvested these distributions in the Company and the Company plans to use the reinvested funds to repay senior debt, finance future capital expenditures and fund growth through acquisition or start-up of new collision repair facilities. The Fund anticipates that it will continue to operate the DRIP in the foreseeable future and expects the level of reinvestment to continue at or above current levels.

On September 18, 2003, in conjunction with the Fund adopting the DRIP, The Boyd Group Inc. adopted a Premium Dividend Reinvestment Plan under which Boyd Group Holding Inc., through its non-controlling interest in the Company, can direct that cash dividends received from The Boyd Group Inc. be reinvested in the Company in exchange for additional trust units in Boyd Group Income Fund. Under the terms of this plan, Boyd Group Holdings Inc. will also elect that the trust units received be delivered to a designated broker in exchange for a premium distribution equal to 102% of the reinvested amount. From the date of inception of this reinvestment plan to December 31, 2003 Boyd Group Holdings Inc. elected to reinvest a total of \$194,680 of cash dividends it would otherwise have received during this period. BGHI also elected to reinvest \$78,389 of dividends declared payable by the Company to shareholders of record on December 31, 2003 that would otherwise have been paid in January 2004. The distributions reinvested by BGHI in the Company will be used to repay senior debt obligations, fund future capital expenditure requirements and finance growth through acquisition or start-up of new collision repair facilities.

In conjunction with a new \$2.26 million offering of 2003 8% Convertible Subordinate debentures completed and issued in two closings on September 30, 2003 and November 10, 2003, the Fund issued 226,000 purchase warrants, at the rate of 100 warrants for each \$1,000 of debenture issued, providing holders with the right to acquire, at a fixed exercise price of \$8.60 per unit, a total of 226,000 units of the Fund. The warrants, issued in two series of 174,000 warrants on September 30, 2003 and 52,000 on November 10, 2003, will expire two years from their respective dates of issue and can be exercised with or without conversion of the underlying debenture. During 2003, no warrants were exercised.

Subsequent to December 31, 2003, and in connection with the proposed acquisition of The Gerber Group, Inc., the Fund completed, on January 19, 2004, an underwritten private placement offering of 1,750,000 Subscription Receipts at a price of \$8.00 per receipt, for total proceeds of \$14 million. Upon successful completion of the acquisition transaction on February 2, 2004, each subscription receipt was exchanged for one trust unit of the Fund and one-half purchase warrant. Each purchase warrant provides the holder with the right to acquire one additional trust unit for each whole warrant, at an exercise price of \$10.00 per unit. The 875,000 warrants issued will expire three years from the effective issue date, being the closing date of the acquisition transaction, or February 2, 2007.

The Fund anticipates continuing to issue trust units to vendors as partial payment for acquisitions. The Fund will also continue to assess the need to issue new equity in 2004. The Fund expects to 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.

Trading Partner Funding – Forgivable Capital & Loans

In July 1999, the Fund entered into agreements with strategic trading partners, with subsequent amendments that provide, among other things, approximately \$25 million in forgivable capital funding over a period of three to six years to be used to fund the acquisition or start-up of collision repair facilities. The forgivable capital funding is received in the form of pre-paid purchase rebates from the trading partners, is recorded as unearned income when received and is amortized as a reduction of cost of sales as the rebates are earned, pursuant to the terms of the agreement, over a period of 84 months from the date of receipt. Subject to certain obligations and performance criteria, the Fund will not be required to repay this funding.

Under the terms of such agreements, the Fund is obligated to purchase the trading partners' products on an exclusive basis for a term that extends beyond the 84 month amortization period. In exchange for this exclusive arrangement, and subject to certain conditions, the trading partners are required to continue to price their products competitively to the Fund.

Early termination or default by the Fund would require the Fund to repay the aggregate unamortized balance of funding received plus interest from the date of termination or default to the date of repayment. In the event that termination or default occurred within the first five years of the agreements, the Fund would also be required to make an additional payment, calculated as a declining percentage of the unamortized balance.

After the first five years of the agreements, as of December 31, 2003, the Fund's repayment obligations for early termination or default would be limited to the aggregate unamortized balances.

The Fund may also be required to repay the unamortized balance of the forgivable capital funding received with respect to any particular acquisition or start-up, upon certain events occurring, such as sale or closure of a particular location for which funding was received. No amounts were required to be repaid under the terms of these agreements in 2003, while an unamortized balance of \$150,048 was required to be repaid to the trading partners in 2002 resulting from the closure of the Rush's Collision & Safety Center location.

In addition, in certain circumstances, failure to meet certain performance criteria with respect to a particular acquisition for which funding was received, can eliminate or reduce the amount of funding available for future acquisitions, or in certain circumstances, require that all or a material amount of funding be repaid. In 2003, forgivable capital funding that was requested and would otherwise be available for the Autotek acquisition, in the amount of \$90,000 could not be drawn, as the requested funding was reduced, in accordance with the agreements, by an adjustment amount relating to shortfalls in performance criteria for two acquisitions completed in 2001. In early 2004, the amount of forgivable funding requested and otherwise available for the Gerber Acquisition was reduced by an adjustment amount of \$407,100 relating to shortfalls in performance criteria for prior acquisitions completed in 2001 and 2002.

After application of performance adjustment amounts relating to prior acquisitions to the Gerber funding, there are no other unapplied adjustment amounts resulting from performance tests relating to prior acquisitions that need to be applied to reduce future acquisition funding. Performance criteria remain to be applied to certain acquisitions for which funding was received, and it cannot yet be determined if a performance shortfall will result in further adjustment amounts that could affect future funding. The Fund cannot predict the extent to which any such adjustment amount resulting from future performance tests could be applied to reduce future acquisition funding. In addition, upon early termination or default by the Fund, any such performance adjustment amounts outstanding that have not been applied to reduce future acquisition funding would be repayable within 30 days of the date of termination, if the adjustment amount is known, or within 30 days of the date at which the adjustment amount could be determined. In the case of the acquisition of AWC Collision Centers, certain performance criteria are to be tested on or after January 1, 2005 and any adjustment amount determined is to be applied to reduce future funding for acquisitions between January 1, 2005 and March 31, 2006, after which time, in accordance with the current terms of the agreements, any adjustment amount would become repayable.

The nature of this forgivable capital funding provides the Fund with another source of available capital, without interest cost or dilution, to support its acquisition strategy. During 2003, the Fund did not receive any new forgivable capital funding. Subsequent to December 31, 2003, the Fund, through its subsidiary, The Boyd Group Inc. requested forgivable capital funding of \$5,474,130 U.S. (\$7,116,370 Cdn) for the Gerber Acquisition and on January 30, 2004 received \$5,195,000 U.S. (\$6,709,270 Cdn) after applying performance adjustment amounts from prior acquisitions. Since the inception of the agreement with the trading partners, Boyd has received \$20.5 million, net of adjustments, of the \$25 million available facility. The Fund anticipates that it will seek to either amend the existing agreement or negotiate a new facility to continue to make forgivable capital funding available for acquisitions. The Fund cannot provide any assurance that such a new or amended facility will be available to fund future acquisitions and start-ups.

On November 10, 2003, the Company entered into a further amendment of the agreement with its trading partners that provides for a \$15 million acquisition loan facility to be used, in conjunction with the forgivable capital funding, to fund the acquisition and start-up of new collision repair businesses. The loan facility provides for a maximum draw of \$5 million in any calendar year, commencing from the date the first loan is advanced and cumulative for subsequent years. Loan advances for any particular acquisition or start-up are subject to certain limits, and are in part dependent upon the amount of forgivable capital funding requested or available for a particular transaction. The agreement provides that the first \$750,000 drawn on this new facility be deemed to be immediately forgiven and received as additional pre-paid rebates, to be earned immediately. Each loan advanced in respect of a transaction will be supported by a Promissory Note, with a five-year term and annual interest-only payments, based on one year LIBOR rates plus 3.5%, due on the anniversary date of each note. The full principal amount of each note is due on maturity, or within 90 days of the date that the Fund elects to sell or close any business for which loan funding was provided and a promissory note balance remains outstanding. The promissory notes are subject to certain covenants and conditions, and are supported by a limited guarantee provided by 4612094 Manitoba Inc., a party related to the Fund. A guarantee fee, in the amount of \$395,267 was approved by the Board of Directors on January 19, 2004, with an initial fee of \$250,000 payable immediately and an additional fee of \$145,267 to become payable on January 1, 2005, only in the event that the guarantee continues to be required to support the loans drawn under the facility and only if a portion of the loans remain outstanding at that date.

In December 2003, the Fund requested the first draw under the new acquisition loan facility in the amount of \$125,000 to fund the acquisition of the assets of Autotek Collision. The loan funding received was deemed to be immediately forgiven and received as pre-paid rebates, which are immediately earned and recorded as a reduction in cost of sales of the related products purchased from these trading partners. On January 31, 2004, the Fund received an additional draw of \$7,596,150 U.S. (\$9,875,000 Cdn) on the acquisition loan facility to fund a portion of the Gerber Acquisition. Of the loan funding received, the first \$625,000 was deemed to be immediately forgiven and received as additional pre-paid product rebates, which were immediately earned and recorded as a reduction in cost of sales in 2004. The Fund anticipates making additional draws upon this acquisition loan facility in respect of future acquisitions and start-ups of collision repair facilities.

Debt Financing

In conjunction with the reorganization of Boyd and the initial public offering of trust units of Boyd Group Income Fund on February 28, 2003, the Fund entered into a new agreement with its senior lenders. The amended and restated credit agreement provides the Fund with a two year, interest-only, \$21 million term facility and a \$6 million operating line of credit facility, subject to customary terms, conditions, covenants and other provisions common to other companies organized as income trusts. The new senior credit facilities will mature on February 28, 2005. The Fund has commenced discussions on renewal of the credit facilities with the senior lenders and believes that a satisfactory agreement can be reached well in advance of the expiry of the current term.

During 2003, the Fund repaid \$7.2 million of the senior term facility, including approximately \$6.2 million repaid prior to or on the date of the reorganization to an income trust, principally from proceeds of the initial public offering as well as from operating funds generated from working capital improvements, and approximately \$1 million repaid from proceeds of the convertible debentures issued in September 2003. Virtually the entire balance of the senior term facility outstanding during 2003 was denominated in U.S. dollars, as these loans were originally drawn to finance U.S. acquisition transactions completed between 1999 and 2002. As a result, the reported balance of long-term debt was reduced by approximately \$4.1 million during 2003 resulting from foreign currency translation of the U.S. denominated debt using weaker U.S. dollar exchange rates. Unrealized foreign exchange gains or losses arising on translation of the U.S. denominated debt are deferred as part of the cumulative translation adjustment to retained earnings, since the Fund considers the U.S. denominated debt as a hedge of the U.S. self-sustaining foreign operations.

The Fund has traditionally used capital leases to finance a portion of its maintenance capital expenditures. The Fund expects to continue to use this source of financing where available at favourable interest rates and on reasonable terms, although this financing also impacts the total availability of funds under the syndicated credit facilities. At February 28, 2003, \$3.9 million of the proceeds of the initial public offering were set aside in a cash reserve account to be used to fund future capital lease payments (principal and interest) relating to the outstanding balance of capital leases at December 31, 2002, of \$3.3 million. At December 31, 2003, the cash reserve for capital leases totalled \$2.6 million and outstanding capital lease obligations totalled \$2.2 million. During 2003, maintenance capital expenditures of \$41 thousand were financed through new capital leases. The Fund anticipates making increased use of capital lease financing in connection with proposed start-up locations planned for the Illinois market.

On September 30, 2003, the Fund completed a preliminary closing of \$1,740,000 of 2003 8% Convertible Debentures. The debentures are convertible into Boyd Group Income Fund trust units at a price of \$8.60 per trust unit and each \$1,000 principal amount of debentures includes warrants to purchase 100 trust units at an exercise price of \$8.60 per unit. The debentures are repayable five years from the date of issue and holders have the option to convert at any time prior to maturity. The Fund has the option to redeem the debentures, one year after the date of issue, at a redemption price equal to 105% of the original principal amount, or two years after the date of issue up to the date of maturity, at a redemption price of 102.5% of the original principal amount. The Fund will also have the option, at either the time of redemption or at maturity, to repay the principal amount of the debentures either by issue of additional trust units at then market prices or by cash payment. The debentures rank subordinate to the senior bank debt and pari passu to the existing convertible debenture issues outstanding. The warrants issued in connection with the debenture offering will expire two years after the initial closing date. The Fund used proceeds of \$0.3 million to pay costs of the offering, \$0.6 million to settle a portion of existing interest rate swap contracts and the remainder to reduce senior bank debt. On November 10, 2003, the Fund completed a final closing of an additional \$520,000 of 2003 8% Convertible Debentures and issued warrants to purchase 100 trust units at a price of \$8.60 for each \$1,000 of debenture issued. The Fund used the additional proceeds from the final closing of \$0.5 million to settle all outstanding interest rate swap contracts in early January 2004.

The Fund expects to continue to supplement its debt financing, by negotiating with vendors, in certain acquisitions, to provide financing to the Fund in the form of term notes. The notes payable to vendors are typically at favourable interest rates and for terms of 5-10 years. This source of financing is another means of supporting the Fund's growth, at a relatively low cost. During 2003, the Fund repaid vendor loans totalling approximately \$440,000 and issued new vendor notes totalling \$133,723. Subsequent to December 31, 2003 and in conjunction with the Gerber Acquisition on February 2, 2003, the Fund indirectly, through the Company, issued exchangeable vendor notes to the three principal owners of Gerber in a total amount of \$10.8 million (\$8.1 million U.S.). The exchangeable notes bear interest at a fixed rate of 6.4% per annum, payable quarterly, commencing on May 1, 2004 and continuing to and including February 1, 2008. The entire principal balance of the notes is due and payable in four years, at the February 1, 2008 maturity date. The holders of the exchange notes have the right to exchange the notes for units of the Fund, at a fixed exchange price of \$6.62 U.S. per unit and in accordance with the following exchange formula:

- (i) no portion of the note may be exchanged prior to the first anniversary of the date of the notes;
- (ii) 40% of the original principal amount of the notes may be exchanged for units after the first anniversary and prior to the second anniversary of the date of the notes;
- (iii) 60% of the original principal amount of the notes may be exchanged for units after the second anniversary and prior to the third anniversary of the date of the notes;
- (iv) 80% of the original principal amount of the notes may be exchanged for units after the third anniversary and prior to the fourth anniversary of the date of the notes, and;
- (v) 100% of the original principal amount of the notes may be exchanged for units after the fourth anniversary and prior to the fifth anniversary of the date of the notes.

The rights of the holders to exchange the notes are also subject to certain terms and conditions of the purchase and sale agreement between the parties. The Fund has the right to repurchase units issued under terms of the exchange formula at market prices. The Fund also has the right, both upon settlement of the principal amount of the exchange notes at maturity, or at any earlier time due to acceleration, to satisfy the principal balance of the notes through the issue of trust units, at the lesser of the \$6.62 U.S. per unit exchange price or a market price, subject to a floor price of \$5.61 U.S. per unit.

The Fund 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 unitholders.

Investing Activities

Cash used in investing activities totaled \$1.8 million for 2003, compared to \$3.1 million for the prior year. Reduced maintenance capital expenditures and reduced investment in acquisition and start-up of new businesses accounted for the majority of this change. Boyd invested approximately \$0.6 million in deferred pre-operating costs for the AWC Collision location in 2002 during the pre-operating period, with no similar investment in 2003.

Acquisitions

During 2003, the Fund, through its operating subsidiaries, acquired interests in two collision repair facilities;

- i) On March 1, 50% of the shares, representing a joint venture interest in 1st Choice Mobile Auto Glass Dealers Inc., in Vancouver, B.C.
- ii) On November 24, the assets and business of Autotek Collision Repairs in Vancouver, B.C.

The cash portion of acquisition purchase price allocated to the fair value of property, plant and equipment acquired, in the amount of \$287,785, is recorded as cash used in the acquisition and development of businesses. The cash portion of acquisition purchase price allocated to goodwill or other intangible assets is recorded as cash used in the acquisition of other assets. During 2003, additional purchase price paid on prior years acquisitions as a result of contractual agreements, totaling \$234,150, was allocated to goodwill and is included in cash used in the acquisition of other assets.

Subsequent to December 31, 2003 the Fund acquired, effective February 1, 2004, 100% of the outstanding shares of The Gerber Group Inc., a market leading collision repair group operating in the Chicago, Illinois metropolitan market area. The group operates 16 collision repair facilities, with two additional collision repair facilities currently under development. The acquisition was financed through a combination of forgivable capital funding and loans from trading partners, exchangeable vendor notes from the former principals of the business, and a portion of the \$14.0 million private placement of subscription receipts completed on January 19, 2004. The Fund expects that this acquisition will add approximately \$70 million annually to revenue and will make an accretive contribution to distributable cash.

Capital Expenditures

Excluding expenditures related to acquisition and expansion (including branding and facility upgrades financed from proceeds of the income trust offering), the Fund spent approximately \$714 thousand (\$673 thousand, net of obligations under capital leases of \$41 thousand) or 0.6% of sales on sustaining capital expenditures in 2003, compared to \$3 million (\$1.3 million, net of obligations under capital leases of \$1.7 million) or 2.2% of sales in 2002. The Fund expects that the level of sustaining capital expenditures, including cash outlays and new capital lease financing of sustaining capital expenditures, will remain below 1% of sales in the current year.

In conjunction with the reorganization to the income trust structure, the Fund set aside approximately \$2 million of the proceeds of the initial public offering as a reserve for funding capital expenditures specifically related to branding and upgrading of collision repair facilities, to be used over a period of two years. The capital expenditures for branding and facility upgrades are excluded from the calculation of distributable cash, since these expenditures are not expected to recur beyond the initial branding and facility upgrade. During 2003, the Fund spent \$555 thousand on branding and facility upgrades. The Fund anticipates continuing to utilize all or a significant portion of the remaining reserve funds to complete branding and facility upgrades as originally planned.

During 2003, the Fund disposed of equipment, principally consisting of courtesy vehicles, for net proceeds totalling \$193,941 compared to total proceeds from equipment disposals of \$387,131 in 2002. The Fund anticipates that it will continue to generate proceeds on disposal of equipment, and particularly courtesy vehicles as these vehicles are purchased off capital leases and ultimately sold. Fewer courtesy vehicles are being replaced due to the growth of loss-of-use insurance policies, which provide policyholders with rental vehicles. Where courtesy vehicles have been replaced, these replacements have been obtained using operating leases.

RELATED PARTY TRANSACTIONS

During 2003, the Fund engaged in the following transactions with related parties:

- a) Management services fees paid to C.C. Collision Repair Management Limited Partnership (“C.C. Repair”) totalling \$924,767 (2002- \$940,146). C.C. Repair, an entity owned by parties related to senior officers of the Fund, employs all of the Fund’s operations managers for its Manitoba locations, as well as certain senior corporate management staff and provides the services of these personnel to the Fund under contract. Other than \$24,000 (2002 - \$24,000), all of the management fees collected by C.C. Repair were in turn paid out in expenses, either directly or indirectly to these employees of C.C. Repair for salaries, wages and benefits, or for other expenses

associated with the delivery of management services. The Fund has established this structure in order to achieve the most advantageous employment tax position within Manitoba.

- b) Property rent totalling \$51,426 (2002 - \$51,250) paid to 3577997 Manitoba Inc., a subsidiary of Coast to Coast Collision Centres Inc, an entity owned by parties related to senior officers of the Fund. The payments represent premises rental expense for the Fund's collision repair location at 139 Main Street, Selkirk, Manitoba, which is owned by 3577997 Manitoba Inc. The property lease for this location does not contain any significant non-standard terms and conditions that would not normally exist in an arm's length relationship, and the Fund has determined that the terms and conditions of the lease are representative of fair market value.
- c) The Fund's subsidiary, The Boyd Group Inc., has declared and paid dividends totalling \$333,781, through BGHI to 4612094 Manitoba Inc. ("Management Holdco"), an entity owned directly or indirectly by senior officers of the Fund. 4612094 Manitoba Inc. owns 878,372 Class A common shares and 30,000,000 voting common shares of BGHI, representing approximately 30% of the total voting shares of BGHI.
- d) On November 10, 2003, 4612094 Manitoba Inc. provided a limited guarantee, on behalf of the Company, in order to obtain acquisition financing from certain trading partners (see discussion under Trading Partner Funding). A guarantee fee, in the amount of \$395,267, was approved by the Board of Directors on January 19, 2004, with an initial fee of \$250,000 payable immediately and an additional fee of \$145,267 to become payable on January 1, 2005, only in the event that the guarantee continues to be required to support the loans drawn under the facility and only if a portion of the loans remain outstanding at that date. The Fund considers the guarantee fee to be representative of the fair market value of such a guarantee entered into between parties dealing at arm's length.

FINANCIAL INSTRUMENTS

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

As there is no ready market for the Fund's long-term debt, capital lease obligations, convertible debentures and exchangeable notes, the fair value of these financial instruments has been estimated using approaches based on the discounted cash flow method. The fair value of these items using the discounted cash flow method is approximately equal to their current carrying values.

The Fund uses the following financial instruments in the conduct of its business;

1) Bank term debt & interest rate swaps

The Fund has used bank term debt in the past to acquire new collision repair facilities or invest in the development of collision repair facilities. The bank term debt is subject to normal trade terms and the historical cost carrying values of the debt reasonably approximate the fair value. The term bank debt is denominated entirely in \$U.S., and the Fund has not used derivative instruments to hedge the potential exposure to changes in the foreign currency exchange rates.

In April 2001, in conjunction with renewing its senior credit facilities for a new 7-year term, the Company entered into an amortizing interest rate swap contract for a notional amount of \$18 million U.S., designed to match the term and amortization of the term loans and provide an effective hedge against the exposure to fluctuations in longer term interest rates. The interest rate swap contracts provided the Company with a fixed rate of interest of 5.82% plus spreads of 2.50-2.75% in exchange for variable rate debt typically consisting of 90 day LIBOR advances. The Company believes this hedging strategy was effective in terms of the original objectives.

As a part of the plan of reorganization to the income trust structure, and as a result of amendments to the term loan facility to a shorter term, two-year interest only facility, the Fund recognized the need to move to a shorter term strategy, and recognized an opportunity to significantly reduce term debt and interest costs, through a combination of direct debt reduction and the unwinding of the existing interest rate swap agreements utilizing proceeds of the debenture and trust unit offerings. The Fund specifically established an objective to settle outstanding interest rate swap contracts to significantly lower current interest costs and realign hedging to the shorter term of the new credit facilities. From the date of the reorganization through to January 7, 2004 the Fund progressively settled the outstanding amortizing interest rate swap contract as funds were raised through offerings. The costs of settling these contracts were charged to income as the contracts were settled, on the basis that these contracts no longer represented an effective hedge of the term loans which were restructured under the income trust.

On March 1, 2004, the Fund entered into a new interest rate swap contract, for a one year term aligned with the February 28, 2005 maturity date of \$12 million U.S. in term loans, that provide for a fixed rate of interest of 1.58% plus spread of 2.50- 2.75% in exchange for variable interest based on 90-day LIBOR advances. The Fund anticipates continuing to utilize a shorter term hedging strategy in line with reduced levels of debt and the interest-rate sensitive nature of the income trust structure. The Fund is matching the cost of the fixed interest rate hedge to the term of the variable interest rate exposure on the term loans.

2) Convertible debentures and exchange notes

The Fund has used, and will continue to use, convertible debentures as an alternative means of raising capital where more traditional sources of bank or similar debt are not readily available and the immediate cost or availability of equity financing is unfavourable. In December 2002, the Company reached an agreement with the holders of the 1998 Series I debentures to extend the term of the debentures for five years and to allow the outstanding principal amount of the debentures to be settled at maturity, at the Company's option, by issue of units or payment of cash. The Fund also issued new series of convertible debentures in December 2002 and September and November 2003, with similar five year terms and settlement provisions. In addition, in February 2004, the Fund, through its U.S. subsidiary, issued a five year exchangeable note to the sellers of The Gerber Group Inc. The exchange note has features essentially similar to the convertible debentures, except that exchange at the option of the holder is restricted to certain quantities and time periods. All of these financial instruments are compound in nature, embodying both a liability and an equity component. The Fund has established the fair value of the liability component of these instruments using the discounted cash flow method applied using a discount factor based on a non-convertible subordinate debt instrument with similar terms and conditions. The equity component of the debentures or notes is arrived at by deducting the liability component, as determined above, from the total face value of the debentures or notes at the time of issue. Interest payments on the debentures or notes are charged to the income statement to the extent the payments relate to the debt component of the debentures, while the remaining amount is accreted as a charge against the equity component of the debentures or notes.

3) Warrants

The Fund issued 226,000 purchase warrants, in connection with the convertible debenture offering completed in September and November 2003. The warrants expire in two years from the date of issue and allow holders to acquire trust units at a fixed price of \$8.60 per unit. The weighted average fair value of the purchase warrants was estimated at the date of issue using a binomial option pricing model, with the following weighted average assumptions used for the warrants granted: dividend yield of 13.25%, expected volatility of 19.4%, risk free interest rate of 4.35%, and expected life of the warrants of 2 years. The weighted average fair value of the warrants at issuance was estimated at \$92,300 or \$0.4084 per warrant based upon the above assumptions. The fair value of the warrants was separated as a component of equity, separate from the debt and equity components of the related convertible debentures.

Subsequent to December 31, 2003, the Fund, in connection with the \$14 million offering of subscription receipts and the Gerber Acquisition, issued 875,000 purchase warrants on February 2, 2004, providing holders with the right to acquire trust units at a fixed price of \$10.00 per unit and exercisable for a period of 3 years from the date of issue. The Fund anticipates applying the same approach to determining the fair value of these warrants in 2004.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements that present fairly the financial position, financial condition and results of operation 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 following is a summary of critical accounting estimates and assumptions that the Fund believes could materially impact its financial position, financial condition or results of operations:

1) Goodwill Valuation and Impairment

The Fund has acquired a significant number of collision repair businesses and has recorded goodwill on the acquisition of these businesses with a current book and fair value of approximately \$33 million. The Fund, in accordance with new CICA Handbook Section 3062 Goodwill and Other Intangible Assets, effective January 1, 2002, has established a

process for testing the valuation of goodwill on an annual basis for purposes of determining impairment. In order to establish that the carrying value of net assets, including goodwill, for a particular business reporting unit, exceeds the fair value, the Fund is required to make significant estimates and assumptions that relate to matters that are highly uncertain at the time the estimates are made.

When evaluating goodwill, the Fund uses the recorded historical cash flows of the reporting unit for the most recent two years, and an estimate or forecast of cash flows for the next year. The Fund also utilizes historical, normalized cash flow multiples from the actual acquisition transactions completed, adjusted for assumptions regarding the impact of current economic conditions, industry and market performance. Values of reporting units are arrived at by applying assumed cash flow multiples to average cash flows over the combined actual and forecast period. Qualitative factors, including market presence, strength of DRP relationships, strength of regional and local management, degree of variability in cash flows and other factors are considered in making assumptions regarding adjusted cash flow multiple factors. The Fund has not changed its approach or method of evaluating goodwill since it adopted this methodology. Goodwill impairment losses, when determined, reduce the carrying value of goodwill on the balance sheet and are recorded as a separate charge to income, and could materially impact the operating results of the Fund for any particular accounting period. Goodwill impairment losses would typically be non-cash charges since the valuation is being performed on assets acquired and related cash outflows from prior investments. Upon initial adoption of Section 3062, the Fund recorded goodwill impairment losses as a cumulative transitional adjustment against opening retained earnings on January 1, 2002 of \$8.2 million. No goodwill impairment losses were recorded in 2002. In 2003, the Fund, after completing the ongoing evaluation of goodwill, recorded total impairment losses of \$0.4 million.

2) Fair Value of Financial Instruments

The Fund has applied discounted cash flow methods to establish the fair value and carrying values of certain financial liabilities and equity instruments recorded on the balance sheet, as well as disclosed in the notes to the financial statements.

As discussed under Financial Instruments, the liability component of each of the three convertible debenture issues that are currently outstanding, were established by applying discount factors to the future interest payments (cash flow) at the time of issue. Selection of the appropriate discount factor, based on similar non-convertible subordinate debt securities is a matter of professional judgement and is a key assumption in establishing the carrying value of the liability and equity components and can have a material impact on the established carrying values. The Fund believes that the appropriate discount factor has been applied to establish the fair values of the liabilities, but acknowledges that this is a critical estimate, subject to significant uncertainty from period to period.

The Fund has also obtained mark-to-market valuations of its interest rate swap contracts, which are assumed to represent the current fair value of these instruments. These valuations rely on assumptions regarding future interest rates, which at the time of establishing fair for disclosure purposes, have a high degree of uncertainty. Unrealized gains or losses on these derivative financial instruments may never be realized as markets change.

3) Performance to Trading Partner Agreements

The Fund is required, when applying to its trading partners to obtain forgivable capital funding in the form of prepaid rebates at the time of undertaking an acquisition or start-up of a new collision repair business, to make critical estimates regarding the future performance of the acquired business or start-up operation. Forgivable funding received is based directly on these estimates of future financial performance. In subsequent financial periods, more than a year after the date of acquisition or start-up of a new collision repair business, the Fund is required to measure its actual performance against the performance criteria and estimates. Failure to meet certain performance criteria with respect to a particular acquisition for which funding was received can eliminate or reduce the amount of funding available for future acquisitions, or in certain circumstances, require that all or a material amount of funding be repaid. During 2003 and in early 2004, the Fund applied such adjustment amounts arising from performance tests completed on prior acquisitions to reduce funding received on the Autotek Collision and Gerber acquisitions.

At present, the Fund has no adjustment amounts outstanding related to performance tests completed on previous acquisitions or start-ups. Performance tests on certain acquisitions remain to be performed at future dates, and could give rise to adjustment amounts that could materially reduce funding available for future acquisitions, or in certain circumstances, require that all or a material amount of funding be repaid. The Fund anticipates that adjustment amounts relating to performance tests of acquisitions remaining to be completed will be fully offset against future funding requests.

CHANGES IN ACCOUNTING POLICIES

The Fund did not adopt any changes to existing accounting policies during 2003.

The Fund initially adopted a fair value approach to accounting for warrants issued during 2003. This adoption of an accounting policy was necessitated by the decision to issue purchase warrants, in connection with a convertible debenture offering, that provide the holder of the warrant the right to acquire units in the fund at fixed prices.

Under Canadian generally accepted accounting principles, financial instruments, including equity instruments, such as the purchase warrants, should be recorded, at the time of issue, at fair value. Fair value is defined as the amount of consideration that would be agreed upon by arm's length parties under no compulsion to act.

The fair value of the warrants issued was measured by employing a binomial option pricing model that utilizes assumptions and estimates regarding anticipated yield on the underlying security, the risk-free interest rate, market volatility of the security and the term of the warrants. This method of estimating the fair value of warrants and options directly is recognized as an appropriate method under generally accepted accounting principles.

No alternative accounting principles are available with respect to measuring the value of financial instruments of this type.

BUSINESS RISKS AND UNCERTAINTIES

The Fund and the Company are subject to certain risks inherent in the operation of the business, including the ability of the Company to generate available cash, the dependence of the Fund on the Company to receive interest income on the notes and dividend income on the Class I shares, income tax matters affecting the tax treatment of unitholders and the Fund, the nature of income trust units, unitholder limited liability, the potential of further dilution of unitholders' interests in the Fund, retaining key members of the executive team, customer concentration in certain public insurance markets, competition from other businesses, competition from other acquirors 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 Fund manages risk and risk exposures through a combination of insurance, its system of internal controls and sound operating practices.

Cash Distributions Not Guaranteed

The Fund receives cash in the form of interest payments on the Notes and distributions from the Company, as well as distributions from BGHI. The Fund intends to distribute the cash it receives, net of expense and amounts reserved, to unitholders. The actual amount of cash received and ultimately distributed by the Fund will depend upon numerous factors, including profitability, fluctuations in working capital, sustainability of margins, and required capital expenditures of the Company. There can be no assurance regarding the amount of distributable cash generated by the Company, and therefore no assurance as to the amount of cash distributed by the Fund.

Dependence Upon The Boyd Group Inc.

The Fund is an unincorporated open-ended, limited purpose mutual fund trust which will be entirely dependent upon the operations and assets of the Company through the Fund's ownership of the Notes and Class I shares of Company and the Boyd Group Holdings Inc. Class B common shares, if any. Accordingly, the Fund's ability to make cash distributions to the Unitholders will be dependent upon the ability of the Company to pay its interest obligations under the Notes and to declare dividends or other distributions.

Dependence on Key Personnel

The success of the Company is dependent on the services of a number of members of management. The experience and talent of these individuals will be a significant factor in Boyd's continued success and growth. The loss of one or more of these individuals could have a material adverse effect on the Company's business operations and prospects. The Company has entered into management agreements with key members of management in order to mitigate this risk.

Available Cash and Cash Reserves

Boyd's ability to pay interest on the notes issued to the Fund or to make dividend distributions on its Class I and II shares will be subject to the Company's ability to generate available cash. Available cash will be determined after any provision for cash reserves. The additional amount allocated to cash reserves, excluding cash reserves resulting from reduced distributions to Boyd Group Holdings Inc., in any period is anticipated to be less than 10% of available cash, calculated before the allocation to the cash reserve. There is no guarantee however that cash reserves will constitute less than 10% of available cash in any given period, and accordingly, the Company's ability to make dividend distributions on its Class I and Class II shares may be restricted.

Risks Associated with Acquisition Strategy

The Company's objectives include plans to continue to increase revenues and earnings through the acquisition of additional collision repair facilities. There can be no assurance that the Company will be able to identify and acquire additional collision repair facilities. There can be no assurances that the acquired companies will continue to achieve sales and profitability levels achieved historically to justify the Company's investment. Further, there can be no assurances that the Company will be able to continue to acquire facilities with the current pricing model should competition for the target facilities intensify.

Potential Undisclosed Liabilities Associated with Acquisitions

To the extent that the prior owners of businesses acquired by Boyd failed to comply with or otherwise violated applicable laws, the Company, as the successor owner, may be financially responsible for these violations and any associated undisclosed liability. The discovery of any material liabilities, including but not limited to legal and environmental liabilities, could have a material adverse effect on the Company's business, financial condition and future prospects. The Company seeks, through systematic investigation and due diligence, and through indemnification of former owners, to minimize the risk of material undisclosed liabilities associated with acquisitions.

Inability to Successfully Integrate Acquisitions

A key element of the Company's strategy is to successfully integrate acquired businesses in order to expand and enhance profitability. There can be no assurance that the Company will be able to profitably integrate and manage additional repair facilities. Successful integration can depend upon a number of factors, including the ability to retain and motivate certain key management and staff, leverage customer and supplier relationships and implement standardized procedures and best practices. In the event that any significant acquisition cannot be successfully integrated into Boyd's operations or performs below expectations, the business could be materially and adversely affected.

Expansion into the United States

Boyd views the United States as having significant potential for market expansion of its business. There can be no assurance that any market for the Company's products will develop in these markets. Local laws and the presence of competition in certain jurisdictions may limit the Company's capability to successfully expand operations into these markets.

Loss of Key Customers

Over 70% of the Company's revenues are derived from insurance companies in private insurance markets, who over the past decade have implemented Direct Repair Programs ("DRP") with collision repair operators who have been recognized as consistent high quality repairers in the industry. The Company's ability to continue to grow the business in these markets, as well as maintain existing business volume, is largely reliant on the ability to maintain the DRP relationships throughout existing and acquired facilities. The Company continues to develop and monitor these relationships through formal agreements and ongoing measurement of the success factors considered critical by the insurance customer. The loss of any existing material DRP relationships could have a materially adverse effect on Boyd's operations and business prospects.

Government Operated Insurance

The collision repair industry in Manitoba, Saskatchewan and British Columbia is subject to significant government regulation and participation via the presence of government owned public insurance companies in these markets. In 2003, Boyd derived approximately 26% of its revenue from these markets, compared to 24% in the prior year. As a result of this government participation, the ability of Boyd, or any other collision repair provider, to control the level of payment for services is limited. Any change in the level of government control and participation in the industry could potentially have an adverse affect on the Company, however, if any change were to occur, Boyd believes that it will be in a position which is as good as, or better than most industry participants to deal with, or take advantage of, any such change. As the Company continues to expand in other markets, such as the U.S. market, its percentage of sales from these markets has and will continue to diminish.

Competition

The collision repair industry in North America, estimated at approximately \$50 billion, while in the very early stages of consolidation, is very competitive. Competition in this industry exists mainly on a regional basis with the main competitive factors being price, service and quality. There can be no assurance that Boyd's competitors will not achieve greater market acceptance due to pricing or other factors.

Although competition exists mainly on a regional basis, Boyd competes with a small number of other multi-location collision repair operators, in multiple markets in which it operates. No single operator within this group is dominant over the others, either in terms of size or geographic coverage, and the Company estimates that, as a group, consolidators have less than 5% market share. All of the other known multi-unit operators, other than Boyd, are currently headquartered and have the majority of their operations in the U.S. The Company anticipates facing increasing competition as it focuses more of the acquisition effort and expansion in the U.S. market.

Given these industry characteristics, existing or new competitors may become significantly larger and have greater financial and marketing resources than Boyd. These competitors may compete with Boyd in rendering services in the markets in which Boyd currently operates and also in seeking existing facilities to acquire or new locations to open in markets in which Boyd desires to expand. There can be no assurance that the Company will be able to maintain or achieve its desired market share.

Notwithstanding these potential risks of competition, the Company believes that it is currently as well positioned as any industry participant to emerge as a leader in a more consolidated state of the industry.

Key Supplier Relationships

In 1999, the Company entered into certain key supplier relationships that provide the Company with approximately \$25 million in forgivable capital funding over a period of three to six years. At December 31, 2003, the end of the fifth year of the agreement, the Company has used approximately \$20.5 million of this funding. The forgivable capital funding is to be used as partial payment for acquisitions and start-up locations. There can be no assurance that the forgivable capital funding will continue to be available if Boyd cannot meet the conditions for the forgivable capital funding and there can be no assurance that the forgivable capital funding will be available to the Company beyond the current \$25 million commitment. All or a portion of the forgivable capital funding may be repayable upon certain events occurring, such as sale or closure of a particular location. The absence of subsequent forgivable capital funding would significantly impact the Company's cash funding of future acquisitions and start-up locations.

Acquisition Growth & Ongoing Access to Capital

The Company intends to grow, in part, through future acquisitions of collision repair businesses. There can be no assurance that Boyd will have sufficient capital resources available to implement its acquisition strategy. Subsequent to the reorganization to an income trust structure on February 28, 2003, the Company has committed to payout substantially all of its operating cash flow, after meeting maintenance capital expenditures, debt service requirements and income tax obligations. Inability to raise new capital, in the form of debt or equity, could limit Boyd's future growth by acquisition.

The Company will endeavour, through a variety of strategies, to ensure, in advance that it has sufficient capital for growth. Potential sources of capital that the Company has been successful at accessing in the past include public and private equity placements, using equity securities to directly pay for a portion of acquisitions, capital available through strategic alliances

with trading partners, vendor financing and both senior and subordinate debt facilities. There can be no assurance that the Company will be successful in accessing these or other sources of capital in the future.

Credit & Refinancing Risks

The Company and other restricted parties under the amended senior credit facilities have, and will continue to have, significant debt service obligations. In addition the Company's ability to make scheduled payments of interest or principal on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rates, and financial, competitive, business and other factors many of which are beyond its control.

The amended and restated senior credit facilities contain restrictive covenants that limit the discretion of the Company's management and the ability of the Company to incur additional indebtedness, to make acquisitions of collision repair businesses, create liens or other encumbrances, to pay dividends, redeem any equity or debt or make certain other payments, investments, capital expenditures, loans or guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the credit facility contains a number of financial covenants that require the Company and other restricted parties to meet certain financial ratios and financial condition tests. A failure to comply with the obligations under the senior credit facility could result in an event of default, which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the senior credit facilities were to be accelerated, there can be no assurance that the assets of the Company and other restricted parties would be sufficient to repay the indebtedness in full. There can also be no assurance that the Company will be able to refinance the credit facilities as and when they mature.

Environmental Risk

The nature of the collision repair business means that hazardous substances must be used, which could cause damage to the environment if not handled properly. The Company's environmental protection policy requires environmental site assessments to be performed on all business locations prior to acquisition so that any existing or potential environmental situations can be remedied or otherwise appropriately addressed. It is also Boyd's practice to secure environmental indemnification from landlords and former owners of acquired collision repair businesses, where such indemnification is available.

To date, the Company has not encountered any environmental protection requirements or issues which would have material financial or operational effects on its current business and it is not aware of any material environmental issues that could have a material impact on future results or prospects. No assurance can be given, however, that the prior activities of Boyd, or its predecessors, or the activities of a prior owner or lessee, have not created a material environmental problem or that future uses will not result in the imposition of material environmental liability upon Boyd.

Fluctuations in Operating Results and Seasonality

The Company's operating results have been and are expected to continue to be subject to quarterly fluctuations due to a variety of factors including changes in purchasing patterns, pricing policies, general and regional economic downturns and weather conditions. These factors can affect Boyd's ability to fund ongoing operations and finance future activities.

Weather Conditions

The effect of weather conditions on collision repair volume represents an element of risk to the Company's ability to achieve same store sales growth. Historically, extremely mild winters and dry weather conditions, particularly in Canada, have had a negative impact on collision repair sales volumes. Even with market share gains, this type of temporary decline in market size can result in same store sales declines.

The Company strives to mitigate the effect of weather by increasing market share annually (as evidenced by either same store or same market sales increases) through aggressive advertising and high levels of customer service. The Company's increasing geographic diversification resulting from its growth and expansion is expected to continue to lessen the effect of this risk.

Interest Rates

Since the date of the reorganization, the Company has terminated all of the pre-existing interest rate swap contracts that were in place at the time of the reorganization to an income trust structure in efforts to reduce interest costs and realign hedging activities to better match the amount and maturity of the underlying amended credit facilities. On February 5, 2004, the Fund entered into a new interest rate swap contract fixing the interest rate on a notional amount of \$12 million U.S. of the senior term debt, representing more than 95% of the senior term debt outstanding, at an interest rate of 1.58% plus incentive priced spread. The interest rate swap contract is effective March 1, 2004 and terminates on February 28, 2005, the maturity date of the term facility.

Foreign Currency Risk

In the past, the Company has financed acquisitions of U.S. businesses in part by making U.S. denominated loans available under its credit facilities that could then be serviced and repaid from anticipated future U.S. earnings streams. Although this natural hedging strategy is partially effective in mitigating future foreign currency risks, the Company anticipates increased exposure to foreign currency risks subsequent to the income trust reorganization. A substantial portion of Boyd's revenue and cash flow are now, and are expected to continue to be, generated in U.S. dollars. Fluctuations in exchange rates between the Canadian dollar and other currencies may have a material adverse effect on the Company's ability to make future Canadian dollar cash distributions. The Fund is continuing to monitor foreign currency risks and investigate alternative foreign currency hedging strategies to determine if an effective hedging strategy can be established to significantly mitigate this risk exposure.

OUTLOOK

As the Fund had anticipated, operating results for 2003 continued to be impacted by challenging economic conditions, with lower year over year results being reported. Boyd is encouraged by the improvements in operating expense management in light of the continuing weakness in the U.S. economy. It remains optimistic that initiatives introduced throughout 2003, coupled with new initiatives for 2004, will result in a return to improving performance in 2004.

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

The Fund 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 Boyd's growth will take place in the U.S.

FORWARD LOOKING INFORMATION

This annual 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.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These 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 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 consolidated financial statements.

In accordance with Canadian generally accepted auditing standards, the independent auditors conduct an examination each year in order to express a professional opinion on the consolidated financial statements.



Terry Smith
President & Chief Executive Officer



Mike Graham, C.A.
Vice President & Chief Financial Officer

AUDITORS' REPORT

To the Unitholders
Boyd Group Income Fund

We have audited the consolidated balance sheets of Boyd Group Income Fund as at December 31, 2003 and 2002 and the consolidated statements of (deficit) retained earnings, earnings and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Winnipeg, Manitoba
March 17, 2004

CONSOLIDATED BALANCE SHEETS

December 31

	2003	2002
Assets		
Current assets:		
Cash (Note 9)	\$ 1,597,066	\$ 2,090,371
Accounts receivable	11,189,952	12,548,758
Income taxes recoverable	-	1,660,242
Inventory	2,955,297	3,713,578
Prepaid expenses	1,659,985	2,487,966
	17,402,300	22,500,915
Property, plant and equipment (Note 6)	16,752,497	20,784,202
Investment in Boyd Group Holdings Inc. (Notes 14 and 15)	23,242	-
Future income tax asset (Note 19)	2,673,229	-
Deferred costs (Note 7)	1,093,729	913,032
Goodwill and other intangible assets (Note 8)	31,501,790	36,769,087
	\$ 69,446,787	\$ 80,967,236
Liabilities & Unitholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,796,607	\$ 12,269,748
Income taxes payable	288,144	-
Distributions payable (Notes 16 and 29)	372,862	-
Dividends payable to non-controlling interest (Notes 15, 16 and 29)	78,389	-
Due to C.C. Collision Repair Management Limited Partnership (Note 18)	7,400	3,308
Current portion of long-term debt (Note 10)	93,824	283,557
Current portion of obligations under capital leases (Note 11)	1,106,466	1,052,116
	13,743,692	13,608,729
Long-term debt (Note 10)	17,163,233	28,555,576
Obligations under capital leases (Note 11)	1,133,107	2,282,062
Convertible debentures - debt component (Note 12)	2,323,584	2,723,988
Future income tax liability (Note 19)	-	21,951
Other long-term liabilities	200,372	339,046
Unearned income (Note 13)	6,994,567	8,894,109
Non-controlling interest (Note 15)	6,691,342	-
	48,249,897	56,425,461
Contingencies and Guarantees (Notes 22 and 23)		
Unitholders' equity		
Unitholders' capital (Note 14)	21,058,197	18,693,476
Convertible debentures - equity component (Note 12)	6,131,419	6,025,841
Warrants (Notes 12 and 14)	92,300	-
Deficit	(2,739,245)	(1,089,808)
Cumulative translation adjustment	(3,345,781)	912,266
	21,196,890	24,541,775
	\$ 69,446,787	\$ 80,967,236

Approved by the Board:

Trustee

Trustee

CONSOLIDATED STATEMENTS OF (DEFICIT) RETAINED EARNINGS

Years ended December 31

	2003	2002
(Deficit) retained earnings, beginning of year	\$ (1,089,808)	\$ 6,396,650
Cumulative adjustment – goodwill impairment (Note 8)	-	(8,166,515)
Allocation of portion of deficit as at February 28 to non-controlling interest (Note 15)	759,639	-
Net earnings	1,480,309	1,175,540
Dividends on Class E shares	(118,256)	(473,024)
Distributions to unitholders (Note 16)	(3,509,823)	-
Interest on equity component of convertible debentures (net of income tax recoveries of \$85,444 (2002 - \$11,730)) (Note 12)	(171,352)	(15,792)
Premium paid on Class A (Restricted Voting) shares purchased and cancelled (Note 14)	-	(6,667)
Premium paid on units purchased and cancelled (Note 14)	(89,954)	-
Deficit, end of year	\$ (2,739,245)	\$ (1,089,808)

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31

	2003	2002
Sales	\$ 129,575,335	\$ 140,746,119
Cost of sales	71,680,208	77,746,127
Gross margin	57,895,127	62,999,992
Operating expenses	50,044,816	52,388,775
Foreign exchange gains (Notes 9 and 10)	(1,024,130)	(78,660)
Depreciation and amortization	3,313,680	3,610,942
Amortization of deferred costs and franchise rights	363,323	1,412,878
Interest expense	2,239,316	3,687,847
Interest income	(100,358)	(53,130)
Arrangement and swap breakage costs (Note 17)	2,650,098	-
	57,486,745	60,968,652
Earnings before income taxes, non-controlling interest and goodwill impairment	408,382	2,031,340
Income tax expense (recovery) (Note 19)		
Current	586,741	580,167
Future	(1,242,996)	(596,542)
	(656,255)	(16,375)
Net earnings before non-controlling interest and goodwill impairment	1,064,637	2,047,715
Goodwill impairment losses (net of income tax recoveries of \$158,365) (Note 8)	(285,110)	-
Net earnings from continuing operations before non-controlling interest and extraordinary item	779,527	2,047,715
Non-controlling interest (Note 15)	798,103	-
Net earnings from continuing operations and before extraordinary item	1,577,630	2,047,715
Net loss from discontinued operations (net of income tax recoveries of \$40,000 (2002 - \$132,100)) (Note 4)	(97,321)	(148,930)
Net earnings before extraordinary item	1,480,309	1,898,785
Extraordinary loss (net of income tax recoveries in 2002 of \$317,831) (Note 5)	-	(723,245)
Net earnings	\$ 1,480,309	\$ 1,175,540
Weighted average number of units outstanding	3,460,686	3,600,142
Basic earnings per unit from continuing operations and before extraordinary item (Note 26)	\$ 0.372	\$ 0.437
Loss per unit from discontinued operations	(0.028)	(0.041)
Loss per unit from extraordinary item	-	(0.201)
Basic earnings per unit	\$ 0.344	\$ 0.195
Diluted earnings per unit from continuing operations and before extraordinary item (Note 26)	\$ 0.182	\$ 0.405
Loss per unit from discontinued operations	(0.022)	(0.030)
Loss per unit from extraordinary item	-	(0.147)
Diluted earnings per unit	\$ 0.160	\$ 0.228

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31

	2003	2002
CONTINUING OPERATIONS		
Cash flows from operating activities		
Net earnings from continuing operations and before extraordinary item	\$ 1,577,630	\$ 2,047,715
Items not affecting cash		
Non-controlling interest	(798,103)	-
Goodwill impairment losses, net of income tax recoveries	285,110	-
Future income taxes	(1,242,996)	(596,542)
Amortization of deferred costs and franchise rights	363,323	1,412,878
Depreciation and amortization	3,313,680	3,610,942
Amortization of unearned income	(2,025,206)	(1,942,060)
Loss on disposal of equipment	32,750	51,230
	1,506,188	4,584,163
Changes in non-cash working capital items (<i>Note 20</i>)	4,108,310	(184,614)
	5,614,498	4,399,549
Cash flows from financing activities		
Issue of share capital on exercise of options	772,755	25,623
Repurchase of share capital	-	(19,568)
Issue of fund units	9,461,347	-
Issue costs on fund units	(1,841,916)	-
Repurchase of fund units	(320,327)	-
Increase in obligations under long-term debt	133,723	-
Repayment of long-term debt	(7,660,208)	(6,042,856)
Repayment of obligations under capital leases	(1,066,176)	(1,015,972)
Proceeds on issue of convertible debentures	2,260,000	7,500,000
Interest on equity component of convertible debentures	(386,548)	(15,792)
Issue costs of equity component of convertible debentures	-	(535,082)
Issue costs on debt component of convertible debentures	(382,937)	(228,793)
Dividends paid to non-controlling interest	(705,500)	-
Distributions paid to unitholders	(3,136,961)	-
Increase in unearned income	125,664	150,000
Repayment of unearned income	-	(150,048)
Decrease in other long-term liabilities	(101,713)	(16,374)
Increase in financing costs	(147,299)	(170,000)
Dividends paid on Class E shares	(118,256)	(473,024)
	(3,114,352)	(991,886)
Cash flows from investing activities		
Proceeds on sale of equipment	193,941	387,131
Acquisition of equipment	(672,765)	(1,338,049)
Acquisition and development of businesses	(287,785)	(1,072,900)
Branding and facility upgrades	(555,108)	-
Deferred costs	(96,171)	(684,685)
Acquisition of other assets	(407,966)	(367,740)
	(1,825,854)	(3,076,243)
Foreign exchange	(1,504,756)	(176,999)
Net (decrease) increase in cash position from continuing operations and before extraordinary item	(830,464)	154,421
DISCONTINUED OPERATIONS		
Operating activities	261,129	131,595
Financing activities	(2,598)	(22,974)
Investing activities	28,206	(7,914)
Net proceeds on disposal	50,422	146,453
Net increase in cash position from discontinued operations	337,159	247,160
EXTRAORDINARY ITEM		
Operating activities	-	(396,305)
Investing activities	-	(6,743)
Net decrease in cash position from extraordinary item	-	(403,048)
Net decrease in cash position	(493,305)	(1,467)
Cash position, beginning of year	2,090,371	2,091,838
Cash position, end of year	\$ 1,597,066	\$ 2,090,371
Income taxes (recovered) paid	\$ (1,126,531)	\$ 41,896
Interest paid	\$ 2,985,283	\$ 3,926,170

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

Boyd Group Income Fund (the "Fund") is an unincorporated, open-ended mutual fund trust established under the laws of the Province of Manitoba on February 28, 2003. It was established for the purposes of acquiring and holding a majority interest in The Boyd Group Inc. (the "Company"). The Company's business consists of the ownership and operation of autobody/autoglass repair facilities acquired either through the acquisition of existing businesses, or through site development resulting in new locations. In addition, the Company has licensed its trade names, trademarks and systems to independently owned repair facilities under license agreement.

On January 24, 2003, the shareholders of the Company approved a Plan of Arrangement (the "Arrangement") that would reorganize the Company into an income trust. On February 28, 2003, under the terms of the Arrangement, the Fund acquired 53.67% (64.96% of publicly held shares and 15% of Management Group shares) of the common shares of the Company from its shareholders, through a series of transactions, resulting in the issue of 2,389,957 trust units as consideration. Also under the terms of the Arrangement, Boyd Group Holdings Inc. ("BGHI"), a holding company under voting control of the Fund, acquired the remaining 46.33% (35.04% of publicly held shares and 85% of Management Group shares) of the common shares of the Company from its shareholders, issuing 2,062,863 Class A common shares as consideration. Each public shareholder (other than the management group) indirectly received 0.6496 trust units of the Fund and 0.3504 Class A common shares of BGHI in exchange for each four Class A (Restricted Voting) shares held in the Company prior to the Arrangement. The Company, with majority ownership controlled by the Fund and a minority interest held by BGHI, will carry on the current business and will continue to operate under the name The Boyd Group Inc. Ownership percentages changed throughout the remaining year resulting from new unit issuances and repurchases, Class A common share retractions, and conversions of convertible debentures. At December 31, 2003, the Fund held 65.52% of the voting shares of the Company.

Also on February 28, 2003, concurrent with the Arrangement, the Fund completed an initial public offering (the "IPO") of 1,050,000 trust units at \$8.60 per unit, raising \$9,030,000. These net proceeds of the IPO were used to reduce long-term debt (including capital lease obligations), fund the Company's Big Box prototype, fund costs relating to branding and facility upgrades, and for other general operating purposes.

The Fund has made monthly distributions of its available cash to unitholders of \$0.095 per unit commencing on April 30, 2003.

The units of the Fund are listed on the Toronto Stock Exchange and trade under the symbol "BYD.UN".

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

The Fund is considered to be a continuation of The Boyd Group Inc. following the continuity of interest's method of accounting. As a result, these consolidated financial statements reflect a continuation of The Boyd Group Inc. and comparative figures for the year ended December 31, 2002 are those of The Boyd Group Inc.

On March 1, 2003, the Fund acquired a 50% interest in 1st Choice Mobile Auto Glass Dealers Inc. The Fund accounts for this joint venture using the proportionate consolidation method.

On March 10, 2003, the Fund incorporated 4698828 Manitoba Inc. and on March 31, 2003, 4050606 Manitoba Inc. was wound up into the Company.

The Boyd Group Finance Limited Partnership formed in 2001, continued to have no activity during the year.

The consolidated financial statements of the Fund and its 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, the Company and the following direct subsidiary companies and joint venture at December 31, 2003:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Boyd Group (Sask.) Inc.	100%
The Boyd Group (Alta.) Inc.	100%
Dean Bros. Collision Repairs Ltd.	100%
469006 B.C. Ltd.	100%
4698828 Manitoba Inc.	100%
The Boyd Group (U.S.) Inc.	100%
1 st Choice Mobile Auto Glass Dealers Inc.	50%
The Boyd Group Finance Limited Partnership	100%

All inter-company balances, transactions and profits have been eliminated.

b) *Revenue recognition*

The Fund recognizes revenue related to the operation of autobody/autoglass facilities when the rendering of services is completed.

c) *Inventory*

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

d) *Property, plant and equipment*

Property, plant and equipment assets are recorded at cost. Depreciation is calculated using the rates disclosed in note 6. Leasehold improvements are amortized on the straight-line basis over the initial term of the lease plus one renewal period.

e) *Deferred costs*

Pre-operating period costs

The Fund defers pre-operating period costs of new locations and amortizes these costs on a straight-line basis over a period of five years. The pre-operating period is the period ending thirty days from the opening date of new start-up locations. In some cases, where significant facility re-design of acquired businesses is required, the pre-operating period is extended to six months subsequent to the opening date. During the pre-operating period, the activities of a new location are primarily space development, training, facility re-design and set-up in nature. Any revenues realized during the pre-operating period are recorded as a reduction of the pre-operating costs deferred.

Convertible debenture issue costs

Convertible debenture issue costs represent issue costs (including agents commissions) associated with the issuance of convertible debentures and more specifically the proportionate issue costs associated with the debt component of such debentures. These costs are amortized over the five year term of the debentures on a yield basis.

Deferred contract costs

Deferred contract costs represented costs associated with the 1998 acquisition of the assets and business of Coast to Coast Collision Centres Inc. and Coast to Coast Franchise Services Inc., specific to securing employment contracts with the President and the Senior Vice-President & Chief Operating Officer.

These costs were being amortized over the five year term of the employment contracts on a straight-line basis.

Deferred financing costs

Deferred financing costs represent costs associated with the Fund's refinancing and securing of its credit facilities. These costs are being amortized over the term of its long-term credit facilities on a straight-line basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) *Business combinations, goodwill and other intangible assets*

On January 1, 2002, the Fund 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 Fund ceased amortizing goodwill, allocated goodwill to reporting units and completed the related transitional impairment testing of allocated goodwill. The impairment loss resulting from the transitional impairment test was recorded as a cumulative effect of change in accounting policy and charged to opening retained earnings at January 1, 2002.

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 stages. In the first stage, the carrying amount of each reporting unit is compared with its fair value to assess the potential for goodwill impairment. The second stage is completed when the carrying amount of a reporting unit exceeds its 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 any impairment loss.

g) *Franchise rights*

Prior to August 29, 1998, franchise fees were paid to acquire franchise rights, which include trade names, trademarks and business systems. The franchise rights are carried at cost less amortization to date. The franchise rights are being amortized on a straight-line basis over a period of ten years.

h) *Convertible debentures*

Since the Fund has the ability to repay the principal portion of the convertible debentures by the issuance of units, the debenture obligations are, for accounting purposes, classified partly as debt and partly as equity. The debt component represents the present value of interest payments over the term of the debentures. In determining the present value of the principal and interest, the Fund employs an interest rate, at the date of issuance of the convertible debentures, which represents its estimated cost of borrowing similar subordinated, illiquid debt which does not bear an equity conversion privilege. Interest paid and payable on the convertible debentures is recorded as a repayment of the debt component, and interest on the debt component is recorded as an expense. The equity component is accreted over the term of the convertible debentures through periodic charges to retained earnings (net of income taxes) such that, on maturity, the equity component equals the principal amount, less issuance costs relating to the equity component at the date of issue.

i) *Acquisition costs*

The Fund follows the policy of capitalizing acquisition costs incurred on successful completion of acquisitions. These costs are allocated to the identifiable assets acquired with any excess purchase price allocated to goodwill.

j) *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.

The Fund's subsidiaries are subject to tax and follow the asset and liability method for accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future income tax assets and liabilities are measured using enacted or substantively enacted rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of enactment or substantive enactment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) *Unearned income*

Pre-paid purchase rebates are recorded as unearned income on the balance sheet and amortized, as a reduction of the cost of purchases, on a straight-line basis over a period of seven years from the date of receipt.

l) *Earnings per unit*

Basic earnings per unit are calculated using the weighted daily average number of units outstanding.

Diluted earnings per unit are calculated using the “if converted” method for convertible debt and exchangeable shares and the treasury stock method for warrants and stock options, if these instruments are dilutive. These methods assume that all Class A shares of the minority shareholders, convertible debentures and Class E shares outstanding at the quarter end or year end were converted at the beginning of the quarter or year, or at the date of issue, and that stock options and warrants outstanding at the quarter end or year end had been exercised at the beginning of the quarter or year, or when granted. The proceeds received on the exercise of stock options and warrants, are assumed to be used to purchase units at market prices. Interest savings on the conversion of convertible debentures are calculated using actual interest rates experienced during the year. Losses allocated to the non-controlling interest are reversed assuming Class A shares are exchanged.

m) *Foreign currency translation*

The Fund follows the current rate method of foreign currency translation for its net investment in its self-sustaining foreign operations. Under this method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and income and expense items are translated at the average exchange rate during the period. The adjustment arising from the translation of these accounts is deferred and included in equity as a cumulative translation adjustment. The appropriate amounts of accumulated exchange gains and losses are included in earnings when there is a reduction of the Fund’s net investment in self-sustaining foreign operations.

Transactions of Canadian operations denominated in U.S. currency are translated into Canadian dollars at the rates of exchange in effect on the transaction dates. Foreign currency denominated monetary assets and liabilities of Canadian operations are translated at the exchange rate prevailing at the end of the period. Exchange gains and losses are included in net earnings for the period.

n) *Stock based compensation*

As a result of the Arrangement, the Fund has no unit based or stock based compensation plans in place at December 31, 2003.

On January 1, 2002, the Fund 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 2002, 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.

During 2002, the Fund had 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 was 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 Fund’s plan during the year, based on the fair value of the options granted, amortized over the vesting period. The Fund’s net earnings for the year, on this basis would have been reduced by less than \$25,000 and earnings per unit would have been reduced by less than \$0.001.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Derivative financial instruments

The Fund uses derivative financial instruments in the management of its interest rate exposures. The Fund does not enter into financial instruments for trading or speculative purposes.

The Fund enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

The Fund's policy is to formally designate each derivative financial instrument as a hedge of a specifically identified debt instrument. The Fund also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used are effective in offsetting changes in fair values or cash flows of hedged items.

Realized and unrealized gains or losses associated with the derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred under other current, or non-current, assets or liabilities on the balance sheet and recognized into income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

p) Use of estimates

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.

3. ACQUISITIONS

During 2003, the Fund acquired two collision repair facilities:

- i) On March 1, 50% of the shares, representing a joint venture interest in, 1st Choice Mobile Auto Glass Dealers Inc., in Vancouver, British Columbia (Note 27);
- ii) On November 24, the assets and business of Autotek Collision Repairs in Vancouver, British Columbia.

The Fund has accounted for the acquisitions using the purchase method as follows:

	<u>2003</u>
Fair value of assets acquired	\$ 372,978
Fair value of liabilities assumed	(195,756)
<hr/>	
Fair value of net assets acquired	177,222
Goodwill	350,539
<hr/>	
Total purchase consideration, including acquisition costs	\$ 527,761
<hr/>	
Consideration provided	
Cash	\$ 427,761
Trust units	100,000
<hr/>	
Total consideration provided	\$ 527,761

During 2003, additional purchase price paid on prior years acquisitions, as a result of certain contractual agreements, amounted to \$234,150 (2002 - \$432,241) of which \$ nil (2002 - \$64,614) was paid by issuing additional units. The additional purchase price paid was allocated to goodwill. The results of operations reflect the revenues and expenses of acquired operations from the date of acquisition. The Fund did not acquire any collision repair facilities for the year ended December 31, 2002.

4. DISCONTINUED OPERATIONS

On August 9, 2002, the Fund disposed of the operating assets of its Big Rig operation located in Red Deer, Alberta. In addition, on June 1, 2003, the Fund disposed of the operating assets of its operation located in Humboldt, Saskatchewan.

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

	<u>2003</u>	<u>2002</u>
Current assets	\$ 566	\$ 338,567
Equipment	-	117,614
Goodwill and other intangible assets	-	29,921
	<u>566</u>	<u>486,102</u>
Deduct		
Current liabilities	45,819	73,696
Long-term liabilities	-	17,442
	<u>45,819</u>	<u>91,138</u>
Net (liabilities) assets of discontinued operations	\$ (45,253)	\$ 394,964

The results of discontinued operations are summarized below:

	<u>2003</u>	<u>2002</u>
Sales	\$ 212,769	\$ 1,259,094
Loss before income taxes	(48,417)	(181,542)
Income taxes	(19,000)	(85,300)
	<u>(29,417)</u>	<u>(96,242)</u>
Loss on disposition of assets (net of income tax recoveries of \$21,000 [2002 - \$46,000])	(67,904)	(52,688)
Net loss from discontinued operations	\$ (97,321)	\$ (148,930)

5. EXTRAORDINARY ITEM

As a result of a decision made by the City of Flagstaff, Arizona, Rush's Collision and Safety Center, Inc. ("Rush's"), a single facility located in Flagstaff, was expropriated during 2002. The impact of this announcement, made early in the year, had an immediate detrimental effect on the ability of the Fund to operate the facility as a going concern. As a direct result of this expropriation, the Fund closed the business. The impact on the consolidated financial statements resulting from the announcement by the City of Flagstaff and the subsequent closure is as follows:

The consolidated balance sheet, as at December 31, 2002, included the following assets and liabilities which relate to the Rush's location:

	<u>2002</u>
Current assets	\$ 417,538
Equipment	321,581
	<u>739,119</u>
Deduct current liabilities	79,095
Net assets	\$ 660,024

5. EXTRAORDINARY ITEM (continued)

The losses from the extraordinary item for 2002 are summarized below:

	<u>2002</u>
Sales	\$ 1,434,434
Net operating loss before income taxes	(479,855)
Income tax recovery	(173,251)
	(306,604)
Provisions for closure (net of income tax recoveries of \$144,580)	(416,641)
Net extraordinary loss	\$ (723,245)

6. PROPERTY, PLANT AND EQUIPMENT

	<u>2003</u>		<u>2002</u>		
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation	Rates
Land	\$ 52,472	\$ -	\$ 52,472	\$ -	
Buildings	322,968	67,627	292,326	57,542	5%
Shop equipment / paint spraybooths	13,108,971	5,713,865	14,656,995	5,287,577	15%
Equipment – office	1,262,816	688,040	1,350,389	626,692	20%
Computer hardware	1,901,181	1,267,053	1,921,909	1,115,107	30%
Computer software	1,342,965	924,948	1,378,375	808,642	3-5 years S.L.
Signage	775,183	388,010	821,295	329,368	15%
Vehicles	4,735,312	1,947,528	5,604,303	2,000,229	10-20%
Leasehold improvements	6,879,606	2,631,906	7,084,861	2,153,566	10-25 years S.L.
	\$ 30,381,474	\$ 13,628,977	\$ 33,162,925	\$ 12,378,723	

Net Book Value \$16,752,497 \$20,784,202

Included in the above are assets under capital lease with a cost of \$4,207,385 (2002 - \$5,273,977) and a net book value of \$2,495,326 (2002 - \$3,493,553). During the year, assets acquired through capital lease amounted to \$40,888 (2002 - \$1,741,348).

7. DEFERRED COSTS

	<u>2003</u>	<u>2002</u>
Pre-operating period costs	\$ 357,600	\$ 457,730
Convertible debenture issue costs	611,730	228,793
Contract costs	-	200,000
Financing costs	527,429	334,140
	1,496,759	1,220,663
Less accumulated amortization	(403,030)	(307,631)
	\$ 1,093,729	\$ 913,032

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

8. GOODWILL AND OTHER INTANGIBLE ASSETS

	<u>2003</u>	<u>2002</u>
Goodwill	\$ 32,966,552	\$ 38,448,276
Financing costs	200,000	250,000
	<u>33,166,552</u>	<u>38,698,276</u>
Less accumulated amortization	<u>(1,664,762)</u>	<u>(1,929,189)</u>
	<u>\$ 31,501,790</u>	<u>\$ 36,769,087</u>

During the year, \$584,689 (2002 - \$432,241) in additional goodwill was recorded. Of these amounts, \$350,539 (2002 - \$ nil) was recorded as a result of acquisitions during the year with the remaining goodwill \$234,150 (2002 - \$432,241) relating to additional purchase price paid on prior years acquisitions as disclosed in note 3.

During 2003, the Fund wrote-off goodwill in the amount of \$24,250 and franchise rights, in the amount of \$5,251, associated with the sale of Humboldt. This amount was included as part of the loss on disposition of discontinued assets as disclosed in note 4.

In addition, during 2003, as part of the ongoing goodwill impairment testing described in note 2(f), the Fund incurred goodwill impairment losses of \$443,475, less income tax recoveries of \$158,365. The losses related to the Big Box reporting unit, in the amount of \$199,610, the Alignment reporting unit, in the amount of \$25,080, and the Northwest (U.S.) reporting unit, in the amount of \$218,785. All of these reporting units are located in Washington State. Impairment losses resulted from a downturn in economic activity in that market during 2003.

As part of the transitional testing of the potential impairment of goodwill described in note 2(f), the Fund recorded, as at January 1, 2002, as a cumulative transitional adjustment to opening retained earnings, the impairment of goodwill associated with the Big Rig reporting unit, in the amount of \$84,474, the impairment of goodwill associated with the Rush's reporting unit, in the amount of \$1,210,380, the impairment of goodwill associated with the U.S. Midwest reporting unit, in the amount of \$6,798,372, and the impairment of goodwill associated with a small market reporting unit located in Olds, Alberta, in the amount of \$73,289.

9. CASH (BANK INDEBTEDNESS)

	<u>2003</u>	<u>2002</u>
Funds on deposit	\$ 1,589,604	\$ 6,059,127
Unrestricted cash held on reserve to fund future capital lease obligations	2,551,939	-
Operating demand loan at prime rate secured by a General Security Agreement securing all fund assets	<u>(2,544,477)</u>	<u>(3,968,756)</u>
	<u>\$ 1,597,066</u>	<u>\$ 2,090,371</u>

Effective February 28, 2003, the Fund entered into an amended and restated credit agreement with its bankers. The amendment provided the Fund with a two year \$6.0 million operating facility secured by a General Security Agreement. Gains on foreign exchange transactions associated with a Canadian domiciled U.S. dollar bank account within this facility amounted to \$646,806.

10. LONG -TERM DEBT

Effective February 28, 2003, the Fund entered into an amended and restated credit agreement with its bankers. The amendment provided the Fund with a two-year, interest only, term facility. The new term facility is secured by a General Security Agreement and subsidiary guarantees with incentive priced interest rates and is subject to customary terms, conditions, covenants and other provisions for an income trust. As at December 31, 2003, the Fund has fully drawn the facility in U.S. dollars, representing \$16,749,504 (U.S. \$12,960,000). The U.S. dollar long-term debt is considered a partial hedge of the Fund's net investment in self-sustaining foreign operations. The adjustment arising from the translation of these accounts is deferred and included in equity as a cumulative translation adjustment. The appropriate amounts of accumulated exchange gains and losses are included in earnings when there is a reduction of the Fund's hedge associated with its net investment in self-sustaining foreign operations. During the year, the Fund used a portion of the proceeds received from the initial public offering of units of the Fund as well as a portion of the proceeds from the 2003 convertible debenture offering to repay long-term debt with the Fund's bankers, in the

10. LONG -TERM DEBT (continued)

amount of \$7,279,986 (U.S. \$4,740,000), and with the Fund's vendors, in the amount of \$323,170. Foreign exchange gains associated with the settlement of a portion of the long-term debt facility amounted to \$377,324.

The Fund also used a portion of the remaining proceeds to terminate \$18,084,474 (U.S. \$12,678,750) in interest rate swap contracts for a cost of \$1,828,430 (U.S. \$1,286,625) (see notes 17 and 28).

On November 10, 2003, the Company entered into an agreement with its trading partners that provides for a \$15 million acquisition loan facility to be used, in conjunction with the forgivable capital funding, to fund the acquisition and start-up of new collision repair businesses. The loan facility provides for a maximum draw of \$5 million in any calendar year, commencing from the date the first loan is advanced and cumulative for subsequent years. Loan advances for any particular acquisition or start-up are subject to certain limits, and are in part dependent upon the amount of forgivable capital funding requested or available for a particular transaction. The agreement provides that the first \$750,000 drawn on this new facility be deemed to be immediately forgiven and received as additional pre-paid rebates, to be earned immediately (see note 13). Each loan advanced in respect of a transaction will be supported by a Promissory Note, with a five-year term and annual interest-only payments, based on one year LIBOR rates plus 3.5%, due on the anniversary date of each note. The full principal amount of each note is due on maturity, or within 90 days of the date that the Fund elects to sell or close any business for which loan funding was provided and a promissory note balance remains outstanding. The promissory notes are subject to certain covenants and conditions, and are supported by a limited guarantee provided by 4612094 Manitoba Inc., a party related to the Fund (see note 18).

In December 2003, the Fund requested the first draw under the new acquisition loan facility in the amount of \$125,000 to fund the acquisition of the assets of Autotek Collision. The loan funding received was deemed to be immediately forgiven and received as pre-paid rebates, which were immediately earned and recorded as a reduction in cost of sales of the related products purchased from these trading partners. On January 31, 2004, the Fund received an additional draw of \$7,596,150 U.S. (\$9,875,000 Cdn) on the acquisition loan facility to fund a portion of the Gerber Acquisition. Of the loan funding received, the first \$625,000 was deemed to be immediately forgiven and received as additional pre-paid product rebates, which were immediately earned and recorded as a reduction in cost of sales in 2004. The Fund anticipates making additional draws upon this acquisition loan facility in respect of future acquisitions and start-ups of collision repair facilities.

	<u>2003</u>	<u>2002</u>
Term facility, secured by a General Security Agreement and subsidiary guarantees, incentive priced interest rates ranging from prime/U.S. base rate plus 1.0% to 1.25% (2002 – 1.0% to 2.0%) on prime based or U.S. base rate loans, or Bankers' Acceptances/LIBOR stamp fee plus 2.5% to 2.75% (2002 – 2.5% to 3.5%) on Banker's Acceptances or LIBOR loans, repayable February 28, 2005 (2002 – January 1, 2004), with the full amount of the facility repayable in U.S. funds. Interest rate fixed on \$5,917,577 Cdn. (2002 - \$27,958,920 Cdn.) of the loans using interest rate amortization swaps at 5.82% plus incentive pricing spread (Note 28). The effective interest rate on the facility was 6.9% (2002 – 9.7%).	\$ 16,749,504	\$ 27,958,920
Loans payable, unsecured, repayable in aggregate monthly instalments in 2002 and 2003 of \$283 including interest at 8.0%, repaid in March 2003	-	850
Vendor notes payable on the financing of certain acquisitions, unsecured, at interest rates ranging from 5.35% to 6.5% (2002 – 0.0% to 6.5%), repayable in aggregate monthly instalments of \$10,176 (2002 - \$18,692) including interest, \$nil quarterly instalments (2002 - \$19,745) plus interest of \$nil annual instalments (2002 - \$31,513). The notes are due August 2006 to June 2010 (2002 – September 2003 to June 2010) and are repayable in U.S. funds.	507,553	879,363
	17,257,057	28,839,133
Current portion	93,824	283,557
	\$ 17,163,233	\$ 28,555,576

10. LONG -TERM DEBT (continued)

Included in interest expense is interest on long-term debt of \$1,520,038 (2002 - \$3,037,776).

Principal payments required in the next five years are as follows:

2004	\$ 93,824
2005	16,849,164
2006	86,702
2007	65,123
2008	68,891

11. OBLIGATIONS UNDER CAPITAL LEASES

	<u>2003</u>	<u>2002</u>
Equipment leases, at interest rates ranging from 7.95% to 22.42%, repayable in aggregate monthly instalments of \$16,364 (2002 - \$19,512), due February 2004 to March 2007 (2002 - September 2003 to March 2007), secured by equipment with a net book value of \$407,134 (2002 - \$504,898).	\$ 361,325	\$ 627,963
Vehicle leases, at interest rates ranging from 4.63% to 11.27%, repayable in aggregate monthly instalments of \$75,925 (2002 - \$68,164) due January 2004 to December 2006 (2002 - February 2003 to December 2006), secured by vehicles with a net book value of \$2,088,192 (2002 - \$2,988,655)	1,878,248	2,706,215
	<u>2,239,573</u>	<u>3,334,178</u>
Current portion	1,106,466	1,052,116
	<u>\$ 1,133,107</u>	<u>\$ 2,282,062</u>

Included in interest expense is interest related to capital leases of \$210,271 (2002 - \$265,467).

Principal payments required in the next five years are as follows:

2004	\$ 1,106,466
2005	874,761
2006	240,830
2007	17,516
2008	-

12. CONVERTIBLE DEBENTURES

Debt component	<u>2003</u>	<u>2002</u>
Series I	\$ 203,889	\$ 503,759
2002	1,467,502	2,220,229
2003	652,193	-
	<u>2,323,584</u>	<u>2,723,988</u>
Equity component		
Series I	\$ 528,969	1,053,100
2002	4,086,943	4,972,741
2003	1,515,507	-
	<u>6,131,419</u>	<u>6,025,841</u>
Value assigned to warrants attached to 2003 debentures	92,300	-
	<u>\$ 6,223,719</u>	<u>\$ 6,025,841</u>

Included in interest expense is interest on convertible debentures of \$272,808 (2002 - \$163,376).

12. CONVERTIBLE DEBENTURES (continued)

Since the Fund has the ability to repay the principal portion of the convertible debentures by the issuance of units, the debenture obligations are, for accounting purposes, classified partly as debt and partly as equity. The debt component represents the present value of interest payments over the term of the debentures. In determining the present value of the principal and interest, the Fund employs an interest rate, at the date of issuance of the convertible debentures, which represents its estimated cost of borrowing similar subordinated, illiquid debt which does not bear an equity conversion privilege. Interest paid and payable on the convertible debentures is recorded as a repayment of the debt component, and interest on the debt component is recorded as an expense. The equity component is accreted over the term of the convertible debentures through periodic charges to retained earnings (net of income taxes) such that, on maturity, the equity component equals the principal amount, less issuance costs relating to the equity component at the date of issue.

Series I:

The debentures, issued January 5, 1998, bear interest at 8.5% per annum, paid quarterly and were originally due on January 4, 2003. On December 4, 2002, the Fund extended the term of the Series I debentures to January 4, 2008 as well as obtaining the right, at the option of the Fund, to satisfy the debentures, upon 30 days notice, by conversion to units at a price of \$ 4.71 per unit. They are convertible at any time prior to maturity by the holder thereof into units of the Fund at the rate of 212.5 units for each \$1,000 of debentures converted. The debentures are secured by a floating charge on all property of the Fund subordinated to security granted to a bank or trust company and purchase money security interests. They rank pari passu with other debentures issued by the Fund.

During the year, \$824,000 (2002 - \$162,000) in Series I debentures were converted into units or in the case of 2002 converted into Class A (Restricted Voting) shares. During the period January 1, 2003 to February 28, 2003, \$250,000 of the 8.5%, 1998, Series I Convertible debentures were converted into Class A (Restricted Voting) shares of the Company and form part of the total \$824,000 converted during the year.

The convertible debentures - equity component of the debentures represents the value of the holder conversion option plus the present value of principal to be paid in units, less the proportionate issue costs of \$25,142 allocated to the equity component.

2002 Debentures:

The debentures were issued on two separate dates, \$6,950,000 on December 3, 2002 and \$550,000 on December 16, 2002. They bear interest at 8.0% per annum, paid quarterly and are due on December 2, 2007. The debentures are convertible, at the option of the holders, into units at a price of \$ 8.00 per unit. The Fund has the option to settle all or a portion of the debenture obligation at maturity, through the issuance of units at the then market price, subject to a floor price of \$5.52 per unit. The debentures are secured by a floating charge on all property of the Fund subordinated to security granted to a bank or trust company and purchase money security interests. They rank pari passu with other debentures issued by the Fund.

During the year, \$1,607,000 (2002 - \$ nil) in 2002 debentures were converted into units.

The convertible debentures - equity component of the debentures represents the value of the holder conversion option plus the present value of principal to be paid in units, less the proportionate issue costs net of tax of \$338,554 (2002 - \$307,030) allocated to the equity component.

2003 Debentures:

The debentures were issued on two separate dates, \$1,740,000 on September 30, 2003 and \$520,000 on November 10, 2003. They bear interest at 8.0% per annum, paid quarterly and are due on September 29, 2008. The debentures are convertible, at the option of the holders, into units at a price of \$ 8.60 per unit. The debentures are also redeemable in whole or in part, at the option of the Fund, for a 5% premium on principal from October 1, 2004 to September 30, 2005, and a 2.5% premium on principal from October 1, 2005 until just prior to maturity. The Fund has the option to settle all or a portion of the debenture obligation at maturity, through the issuance of units at the then market price, subject to a floor price of \$4.41 per unit. The debentures are secured by a floating charge on all property of the Fund

12. CONVERTIBLE DEBENTURES (continued)

subordinated to security granted to a bank or trust company and purchase money security interests. They rank pari passu with other debentures issued by the Fund.

During the year, no 2003 debentures were converted into units.

The convertible debentures - equity component of the debentures represents the value of the holder conversion option plus the present value of principal to be paid in units. Costs of the debentures issue, in the amount of \$389,849 including the amounts associated with the equity component of the debentures, were reimbursed by the Company and have been recorded as deferred costs.

Warrants are attached to the 2003 debentures, wherein each \$1,000 in debentures carries 100 warrants, for a total of 226,000 warrants issued. The warrants are exercisable, at the option of the holders, into units at a price of \$8.60 per unit. They expire two years from the date of issue of each debenture offering, being 174,000 on September 29, 2005 and 52,000 on November 9, 2005. The warrants can be exercised without conversion of the underlying debenture. The weighted-average fair value of the warrants at issuance was estimated at \$92,300 or \$0.41 per warrant. The fair value of each warrant was estimated using a binomial option pricing model with the following weighted average assumptions used for the warrants granted: dividend yield 13.25%, expected volatility 19.4%, risk free interest rate 4.35%, and expected life of the warrants of 2 years.

13. UNEARNED INCOME

Pursuant to agreements with multiple trading partners entered into in July, 1999, the Fund received capital funding in the form of pre-paid purchase rebates from such trading partners for each acquired collision repair business or start-up collision repair shop. Such amounts are recorded as unearned income when received and are amortized as a reduction to cost of sales as they are earned, pursuant to terms of the agreements, over a period of 84 months from date of receipt.

Under the terms of such agreements, the Fund is obligated to purchase the trading partners' products on an exclusive basis for a term, which extends beyond the 84 month amortization period. In exchange for this exclusive arrangement, and subject to certain conditions, the trading partners are required to continue to price their products competitively to the Fund.

Early termination or default by the Fund would require the Fund to repay the aggregate unamortized balance of funding received plus interest from the date of termination or default to the date of repayment. In the event that termination or default occurred within the first five years of the agreements, the Fund would also be required to make an additional payment, calculated as a declining percentage of the unamortized balance.

After five years, which expired on December 31, 2003, the Fund's repayment obligations for early termination or default were limited to the aggregate unamortized balances.

The Fund may also be required to repay the unamortized balance of funding received for any acquired business or start-up location that it subsequently decides to close or sell. During 2003, \$ nil (2002 - \$ 150,048) of the unamortized balance was repaid.

During 2001, the Fund entered into a sale-leaseback transaction on property previously owned. The gain on the transaction was deferred as unearned income and is being amortized into income over the term of the subsequent lease. The unamortized amount of the gain at December 31, 2003 was \$190,044 (2002 - \$198,522).

14. UNITHOLDERS' CAPITAL

Authorized:

Unlimited number of Trust Units

Issued:

On January 24, 2003, the shareholders of the Company approved the Arrangement that reorganized the Company into the Fund. On February 28, 2003, under the terms of the Arrangement, the Fund acquired 53.67% (64.96% of publicly held shares and 15% of Management Group shares) of the Class A (Restricted Voting) shares of the Company from its shareholders, through a series of transactions, resulting in the issue of 2,389,957 trust units as consideration. Also under the terms of the Arrangement, BGHI, a holding company under voting control of the Fund, acquired the remaining 46.33% (35.04% of publicly held shares and 85% of Management Group shares) of the Class A (Restricted Voting) shares of the Company from its shareholders, issuing 2,062,863 Class A common shares as consideration. Each public shareholder (other than the management group) indirectly received 0.6496 trust units of the Fund and 0.3504 Class A common shares of BGHI in exchange for each four Class A (Restricted Voting) shares held in the Company prior to the Arrangement. The Company, with a majority ownership controlled by the Fund, and a non-controlling interest held by BGHI, carried on the current business of the Company.

As part of the Arrangement, 46.33% (the "minority percentage") of the outstanding Class A (Restricted Voting) shares of the Company, on February 28, 2003, were converted into Class A common shares of BGHI, creating a non-controlling ownership position upon consolidation of the Company and the Fund (Note 15).

The ownership percentages of the Company and the minority percentage continue to change as new units are issued and Class A common shares of BGHI are retracted. At December 31, 2003, the ownership percentage was 65.52% and the minority percentage was 34.48%.

Also on February 28, 2003, concurrent with the Arrangement, the Fund completed an initial public offering (the "IPO") of 1,050,000 trust units at \$8.60 per unit, raising \$9,030,000. The net proceeds of the IPO were used to reduce long-term debt (including capital lease obligations), fund the Company's Big Box prototype, fund costs relating to branding and facility upgrades, and for other general operating purposes.

The following provides a continuity of unitholders' capital:

	<u>Shares</u>	<u>Amount</u>
Balance of Class A (Restricted Voting) shares of the Company at December 31, 2002	14,737,002	\$ 18,693,465
Issued as partial consideration guaranteed under certain purchase and sale agreements	120,123	-
Issued on exercise of stock options	616,980	772,755
Cancellation of Class D shares of the Company	-	10
Issued on conversion of Class E shares	2,125,000	1
Issued on conversion of 1998 Series I debentures	212,500	250,000
Issue costs	-	(235)
Balance at February 28, 2003	17,811,605	\$ 19,715,996
	<u>Units</u>	<u>Amount</u>
Units issued by the Fund on February 28, 2003 in exchange for Class A (Restricted Voting) shares of the Company (after application of a 4 to 1 conversion rate and the minority percentage)	2,389,957	\$ 10,581,575
Units issued on initial public offering	1,050,000	9,030,000
Issue costs (net of tax recovery of \$743,890)	-	(1,099,251)
Units issued under guaranteed price contracts (Note 23)	126,086	-
Units issued to settle retraction of non-controlling interest shares (Note 15)	4,625	23,242
Units issued on conversion of 2002 debentures	200,875	1,607,000
Units issued on conversion of 1998 debentures	121,974	574,000
Units repurchased and cancelled	(35,508)	(189,716)
Units issued on acquisitions (Note 3)	11,928	100,000
Units issued under reinvestment programs (Note 16)	54,927	431,347
Unitholders' capital at December 31, 2003	3,924,864	\$ 21,058,197

14. UNITHOLDERS' CAPITAL (continued)

During 2003, the Fund repurchased and cancelled 35,508 units, having a book value of \$189,716 and repurchased but did not cancel 5,162 Class A shares of BGHI, with a book value of \$40,657 for an amount of \$320,327. The premium paid to acquire the units, in the amount of \$89,954 was charged to retained earnings. The book value of the non-controlling interest has been recorded as reciprocal investment in BGHI (see note 15).

As at December 31, 2002, the issued share capital of the Company was as follows:

14,737,002	Class A (Restricted Voting) shares	\$	18,693,465
100	Class D voting shares		10
2,125,000	Class E voting shares		1
		\$	18,693,476

During 2002, an additional 842,222 Class A (Restricted Voting) shares were issued for a value of \$409,254 comprised of:

- 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;
- Class A (Restricted Voting) shares issued for partial consideration in the acquisition of automotive collision repair facilities accounting for 527,922 Class A (Restricted Voting) shares valued at \$64,614;
- the conversion of Series I and II convertible debentures accounting for 292,300 Class A (Restricted Voting) shares for a value of \$316,600;
- the exercise of stock options accounting for 22,000 Class A (Restricted Voting) shares valued at \$28,040.

Issue costs associated with the issue of Class A (Restricted Voting) shares amounted to \$2,530 excluding \$60,141 reallocated from the equity component of the Series II debentures, which matured on September 30, 2002.

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. During 2002, the Company purchased and cancelled 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 was charged to retained earnings.

Stock options:

Pursuant to the Company's stock option plan, the Company had granted options to purchase Class A (Restricted Voting) shares of the Company to directors and officers of the Company and to certain other key employees of the Company, its subsidiaries and its agents. Options granted in favour of the directors of the Company, who were not employees of the Company, vested immediately upon granting. All other options vested over 5 years, at the rate of 20% per year, subject to achievement of certain minimum corporate operating performance levels. The exercise price, which was set at the time of granting, was the market price of the Class A (Restricted Voting) shares at the time of granting.

The following options were outstanding at December 31, 2002:

<u>Date Granted</u>	<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
January 28, 1998	412,500	\$ 1.01	January 28, 2004
December 31, 1998	85,300	\$ 1.55	December 31, 2004
January 25, 1999	149,000	\$ 1.61	December 31, 2004
August 19, 1999	75,200	\$ 2.00	December 31, 2005
December 9, 1999	20,000	\$ 2.85	December 31, 2005
January 5, 2000	245,500	\$ 2.50	January 5, 2006
March 20, 2000	25,000	\$ 2.70	March 20, 2006
April 27, 2001	177,000	\$ 1.76	December 31, 2006
May 22, 2002	74,000	\$ 1.84	December 31, 2007

On February 27, 2003, before the Arrangement, all outstanding options vested, of which 616,980 options were exercised and Class A (Restricted Voting) shares were issued for a value of \$772,755. The remaining 646,520 options were withdrawn and cancelled for no consideration.

14. UNITHOLDERS' CAPITAL (continued)

Warrants:

On September 30, 2003 and November 10, 2003, the Fund closed a five year, 8.0% convertible debenture offering and received proceeds of \$2,260,000. Warrants are attached to the 2003 debentures, wherein each \$1,000 in debentures carries 100 warrants, for a total of 226,000 warrants issued. The warrants are exercisable, at the option of the holders, into units at a price of \$8.60 per unit. They expire two years from the date of their issue, being September 29, 2005, for 174,000 warrants issued in connection with the September 30, 2003 debenture offering and November 9, 2005 for 52,000 warrants issued in connection with the November 10, 2003 debenture offering. The warrants can be exercised without conversion of the underlying debenture. During 2003, no warrants were exercised.

15. NON-CONTROLLING INTEREST

As part of the Arrangement referred to in notes 1 and 14, the minority percentage of the issued and outstanding Class A (Restricted Voting) shares of the Company were converted into Class A common shares of BGHI. BGHI is a private company and as such its shares are not listed on any stock exchange. Upon request for retraction by the shareholder, the Class A common shares of BGHI are exchangeable into units of the Fund. Beginning March 1, 2003, each share was retractable for 0.4 units. The unit consideration for a retraction increases by 0.05 units each subsequent month until March 1, 2004, when one share can be exchanged for one unit thereafter. At December 31, 2003 the retraction rate was 0.85 units per share. The Fund, although it has voting control of BGHI, does not have any significant economic interest in the activities of BGHI and as such, BGHI represents a minority ownership position of the Company.

During the year ended December 31, 2003, the non-controlling interest arose as follows:

	<u>Shares</u>	<u>Amount</u>
Class A common shares issued on February 28, 2003 in exchange for Class A (Restricted Voting) shares of the Company (after application of a 4 to 1 conversion rate and the minority percentage)	2,062,863	\$ 9,134,421
Less allocation of minority percentage of deficit of the Company at February 28, 2003	-	(759,639)
Balance, February 28, 2003	2,062,863	8,374,782
Less minority percentage of the loss of the Company for the ten month period ended December 31, 2003	-	(798,103)
Less minority percentage of the interest on equity component of convertible debentures	-	(60,791)
Less dividends paid to Boyd Group Holdings Inc. (Note 16)	-	(705,500)
Less accrued dividend payable to Boyd Group Holdings Inc. (Note 16)	-	(78,389)
Less reciprocal investment by the Company in Boyd Group Holdings Inc. (Note 14)	-	(40,657)
Class A common shares retracted	(5,725)	(23,242)
Class B common shares issued for units in settlement for retractions	5,725	23,242
Non-controlling interest at December 31, 2003	2,062,863	\$ 6,691,342

16. DISTRIBUTIONS AND DIVIDENDS

Regular monthly distributions to unitholders and dividends to the non-controlling interest shareholders were paid as follows:

16. DISTRIBUTIONS AND DIVIDENDS (continued)

a) Monthly distributions:

<u>Record date</u>	<u>Payment date</u>	<u>Distribution per unit</u>	<u>Dividend per share</u>	<u>Distribution amount</u>	<u>Dividend amount</u>
March 31, 2003	April 30, 2003	\$ 0.095	\$ 0.038	\$ 332,674	\$ 78,388
April 30, 2003	June 2, 2003	0.095	0.038	340,087	78,389
May 31, 2003	June 30, 2003	0.095	0.038	343,900	78,389
June 30, 2003	July 31, 2003	0.095	0.038	344,512	78,389
July 31, 2003	September 2, 2003	0.095	0.038	344,134	78,389
August 31, 2003	September 30, 2003	0.095	0.038	354,875	78,389
September 30, 2003	October 28, 2003	0.095	0.038	356,434	78,389
October 31, 2003	November 26, 2003	0.095	0.038	358,470	78,389
November 30, 2003	December 24, 2003	0.095	0.038	361,875	78,389
December 31, 2003	January 28, 2004	0.095	0.038	372,862	78,389
		\$ 0.950	\$ 0.380	\$ 3,509,823	\$ 783,889

b) Cumulative distributions:

	<u>February 28 to December 31</u>
Distributions declared during the period	\$ 3,509,823
Cumulative distributions, end of period	\$ 3,509,823

c) Cumulative dividends to non-controlling interest:

Dividends declared during the period	\$ 783,889
Cumulative dividends, end of period	\$ 783,889

Reinvestment plans

On September 18, 2003, the Fund adopted a Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan (the "Plan"), which was made available to unitholders of record on September 30, 2003.

The Plan allows eligible unitholders to direct that the monthly cash distributions paid by the Fund in respect of their existing units be reinvested in additional units at a 5% discount to the average market price. Distributions are recorded at the full amount and the additional units issued as a result of the discount are recorded in unitholders' capital.

The Plan also includes a feature which allows participants to elect to either have these additional units held for their account under the Plan, or have them delivered to a designated broker in exchange for a premium cash payment, provided by the broker, equal to 102% of the reinvested amount.

The Plan also allows those unitholders who participate in either the regular distribution reinvestment component or the premium distribution component of the Plan to purchase additional units from treasury for cash at a purchase price equal to the average market price (with no discount), subject to certain limits described in the Plan.

At the same time, the Company and BGHI adopted a Premium Dividend Plan with the same terms and conditions as the Premium Distribution Plan made available to unitholders. Under this plan BGHI may elect to reinvest all or part of its dividends from the Company.

17. ARRANGEMENT AND SWAP BREAKAGE COSTS

As part of the Arrangement referred to in notes 1 and 14, the Fund incurred one time costs of the Arrangement in the amount of \$821,668 as well as swap breakage fees on the settlement of a portion of its interest rate swap contracts used to hedge interest exposure on its long-term debt, in the amount of \$1,828,430.

18. RELATED PARTY TRANSACTIONS

During the year, the Fund paid the following amounts to related parties:

- a) \$924,767 (2002 - \$940,146) to C.C. Collision Repair Management Limited Partnership ("C.C. Repair"), for management services. C.C. Repair, an entity owned by parties related to senior officers of the Fund, employs all of the Fund's operations managers for its Manitoba locations, as well as certain senior management staff and provides the services of these personnel to the Fund under contract. Other than \$24,000 (2002 - \$24,000), all management fees collected by C.C. Repair were in turn paid out in expenses, either directly or indirectly to these employees of C.C. Repair for salaries, wages and benefits, or for other expenses associated with the delivery of management services. The amount due to C.C. Repair is non-interest bearing and has no specific terms of repayment.
- b) \$51,426 (2002 - \$51,250) to 3577997 Manitoba Inc., a subsidiary of Coast to Coast Collision Centres Inc., an entity owned by parties related to senior officers of the Fund. The payments represent premises rental expense for the Fund's location at 139 Main Street, Selkirk, Manitoba, which is owned by 3577997 Manitoba Inc.
- c) \$333,781 (2002 - \$ nil) representing dividends paid through BGHI to 4612094 Manitoba Inc., an entity owned directly or indirectly by senior officers of the Fund. 4612094 Manitoba Inc. owns 878,372 Class A common shares of BGHI and 30% of the voting shares of BGHI.

On November 10, 2003, 4612094 Manitoba Inc. provided a limited guarantee, on behalf of the Company, in order to obtain acquisition financing from certain trading partners as disclosed in note 10. A guarantee fee, in the amount of \$395,267, based on a fair market value of the guarantee in place for five years, was approved by the Board of Directors on January 19, 2004, with an initial fee of \$250,000 payable immediately and an additional fee of \$145,267 to become due January 1, 2005, only in the event that the guarantee continues to be required to support loans drawn under the facility and only if any portion of the loans remain outstanding at that date.

19. 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.

- a) Future income taxes of the Company consist of the following temporary differences on:

	<u>2003</u>	<u>2002</u>
Property, plant and equipment	\$ (23,412)	\$ (1,065,690)
Intangible assets	(84,180)	266,824
Losses carried forward	2,994,529	1,475,518
Other	(213,708)	(698,603)
	<u>\$ 2,673,229</u>	<u>\$ (21,951)</u>

19. INCOME TAXES (continued)

b) The Fund's tax recovery is made up as follows:

	<u>2003</u>	<u>2002</u>
Earnings before income taxes, non-controlling interest and goodwill impairment	\$ 408,382	\$ 2,031,340
Earnings of the Fund subject to tax in the hands of the unitholders, not the Fund	(3,565,438)	-
Loss of subsidiary companies	\$ (3,157,056)	\$ 2,031,340
Combined basic Canadian and U.S. Federal, provincial and state tax rates	38.01%	27.47%
Income taxes at combined statutory rates	\$ (1,200,129)	\$ 558,052
Adjustments for the tax effect of -		
Non-deductible depreciation	90,279	139,516
Non-deductible withholding taxes	287,152	318,259
Other non-deductible expenses	192,313	253,552
Amortization of permanent goodwill deductions	(96,724)	(107,926)
Deduction for interest on equity component of convertible debentures	(141,315)	-
Changes in future tax assets and liabilities resulting from changes in substantively enacted tax rates	204,015	(233,083)
Changes in future tax assets and liabilities resulting from transitional goodwill impairment testing	-	(1,549,147)
Other	(31,846)	567,520
Large corporations tax	40,000	36,882
Income tax recovery	\$ (656,255)	\$ (16,375)

c) At December 31, 2003, the Fund has non-capital losses in Canada carried forward of \$4,983,000 (2002 - \$2,209,000) and has recorded the future tax benefit of these losses in the amount of \$1,806,000 (2002 - \$857,000). The Fund has net operating losses in the U.S. of \$3,329,000 (2002 - \$82,000) and has recorded a future tax benefit in the amount of \$1,189,000 (2002 - \$ nil). In addition, the Fund also has net pre-acquisition operating losses in the U.S. of \$1,242,000 (2002 - \$955,000), the benefit of which has not been reflected in the financial statements.

The losses expire as follows:

2004	\$ 131,000
2005	9,000
2006	608,000
2007	48,000
2008	1,285,000
2009	134,000
2010	2,768,000
2016	40,000
2018	48,000
2019	616,000
2020	321,000
2021	217,000
2022	82,000
2023	3,248,000

20. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	<u>2003</u>	<u>2002</u>
Accounts receivable	\$ 1,199,186	\$ (653,240)
Inventory	718,349	(101,889)
Prepaid expenses	825,754	(535,116)
Accounts payable and accrued liabilities	(455,357)	775,269
Due to C.C. Collision Repair Management Limited Partnership	4,092	(5,609)
Income taxes recoverable	1,816,286	335,971
	<u>\$ 4,108,310</u>	<u>\$ (184,614)</u>

21. LEASE COMMITMENTS

The Fund has various operating lease commitments, primarily in respect of leased premises. The minimum amounts payable over the next five years are as follows:

2004	\$ 5,867,289
2005	5,451,463
2006	4,992,592
2007	4,161,778
2008	3,516,937

22. CONTINGENCIES

- a) The Fund has three outstanding letters of credit to the Toronto Dominion Bank totalling \$70,000.
- b) Certain of the acquisitions include provisions for contingent purchase price amounts to be paid if certain financial performance is achieved. A portion of the contingent purchase price may be paid by the issue of additional units. The quantifiable contingent purchase price amounts, which may be required to be paid in respect of these and prior year acquisitions is \$65,000 (2002 - \$75,000). In addition to this quantifiable contingent purchase price, additional contingent purchase price amounts, which are not quantifiable at this time, may also be required to be paid.

23. GUARANTEES

The Fund has guaranteed the unit price on units held in escrow on certain acquisitions. If, at the time of release from escrow, the market value of the units differs from the guaranteed price, the Fund is either obligated to issue more units, in the case where the guaranteed price is higher than the market value, or claw back units, in the case where the guaranteed price is lower than the market value. Based on the December 31, 2003 market value of the units, the Fund would be obligated to issue 198,180 additional units for no consideration. As an alternative to issuing additional units, the Fund, at its option, may settle the guarantee on a cash basis.

24. SEGMENTED REPORTING

The Fund 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 Fund to provide geographical disclosure of segments. For the periods ended December 31, 2003 and 2002, all of the Fund's revenues were derived within Canada or the United States of America. All capital assets and goodwill are located within these two geographic areas.

	<u>Revenues</u>		<u>Property, Plant, Equipment and Goodwill</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Canada	\$ 56,398,192	\$ 53,576,107	\$ 16,438,551	\$ 17,373,219
United States	73,177,143	87,170,012	31,739,744	40,076,519
Total	<u>\$ 129,575,335</u>	<u>\$ 140,746,119</u>	<u>\$ 48,178,295</u>	<u>\$ 57,449,738</u>

24. SEGMENTED REPORTING (continued)

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

25. DEFINED CONTRIBUTION PENSION PLANS

The Fund has one defined contribution pension plan for certain employees located in the United States. The Fund matches employee contributions at rates up to 6.0% of the employees' salary. The expense and payments for the year were \$199,805 (2002 - \$290,834).

26. EARNINGS PER UNIT FROM CONTINUING OPERATIONS AND BEFORE EXTRAORDINARY ITEM

	<u>2003</u>	<u>2002</u>
a) Earnings:		
Net earnings from continuing operations and before extraordinary item	\$ 1,577,630	\$ 2,047,715
Less: Net after tax interest on equity component of convertible debentures	(171,352)	-
Less: Dividends on Class E shares	(118,256)	(473,024)
<hr/>		
Net earnings from continuing operations and before extraordinary item available to unitholders	1,288,022	1,574,691
Deduct:		
Losses allocated to non-controlling interest available for retraction	(444,722)	-
Net after tax interest on equity component of convertible debentures on non-controlling interest available for retraction	(33,874)	-
Add:		
Net after tax interest on Series I convertible debentures	-	77,159
Net after tax interest on 2002 convertible debentures	-	344,280
<hr/>		
Net earnings from continuing operations and before extraordinary item – unitholders – diluted basis	\$ 809,426	\$ 1,996,130
<hr/>		
	<u>2003</u>	<u>2002</u>
b) Number of units:		
Average number of units outstanding	3,460,686	3,600,142
Add:		
Potential retraction of non-controlling interest	974,342	-
Potential conversion of Series I convertible debentures	-	336,175
Potential conversion of 2002 convertible debentures	-	937,500
Potential exercise of outstanding stock options	-	60,146
<hr/>		
Average number of units outstanding – diluted basis	4,435,028	4,933,963
<hr/>		
Earnings per unit from continuing operations and before extraordinary item (a) divided by (b)		
Basic	\$ 0.372	\$ 0.437
<hr/>		
Diluted	\$ 0.182	\$ 0.405
<hr/>		

Per unit amounts for previous periods have been adjusted to reflect the conversion of four Class A (Restricted Voting) shares of the Company into one unit of the Fund. As at December 31, 2003, the Series I, 2002 and 2003 convertible debentures as well as the outstanding warrants were determined to be anti-dilutive and consequently, there is no difference between the basic number and diluted number of units outstanding.

27. INTEREST IN JOINT VENTURE

Effective March 1, 2003, the Fund finalized a joint venture arrangement under which it acquired 50% of the shares of 1st Choice Mobile Auto Glass Dealers Inc., a British Columbia corporation operating an automobile glass repair and replacement business through its wholly owned subsidiary, Anvil Mobile Auto Glass Ltd. The Fund accounts for its investment using the proportionate consolidation method. The joint venture is operated on a break-even basis. The Fund's interest in this joint venture is as follows:

27. INTEREST IN JOINT VENTURE (continued)

	March 1, 2003 to December 31, 2003	
Sales	\$	1,062,262
Expenses		1,062,262
Net Income	\$	-
Current assets	\$	103,497
Long-term assets		172,285
Current Liabilities	\$	126,766
Cash flows from:		
Operating activities	\$	8,649
Financing activities		52
Investing activities		(37,280)

28. 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'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.

Financial risk

The financial risk to the Fund's earnings arises from fluctuations in interest rates and foreign exchange rates, and the degree of volatility of those rates. The Fund utilizes interest rate swap agreements to manage fluctuations in certain interest rates but does not use derivative instruments to reduce its exposure to foreign currency risk. The swap agreements are considered a hedge of a specifically identified debt instrument with payments and receipts under the agreements being recognized as adjustments to interest expense. In the normal course of managing exposure to fluctuations in interest rates, and to market risks, the Fund is an end user of various derivative financial instruments that are not reported on the balance sheet. All contracts are over-the-counter traded and are with counter parties that are highly rated financial institutions. The contracts call for the exchange of variable interest rate payments for fixed interest rate payments on a notional amount of debt. At December 31, 2003, the variable interest rate of approximately 3.9% was swapped for a fixed interest rate of 8.6%.

The following table provides the use, notional amount and estimated fair market value of the Fund's derivative portfolio being the off balance sheet amounts at December 31:

28. FINANCIAL INSTRUMENTS (continued)

	<u>2003</u>		<u>2002</u>	
	<u>Notional Amount (over 5 years)</u>	<u>Fair Value</u>	<u>Notional Amount (over 5 years)</u>	<u>Fair Value</u>
Contracts held for cash flow management:				
Interest rate contracts -				
U.S. dollar swaps	\$ 5,917,576	\$ (578,800)	\$ 28,432,800	\$ (2,980,900)

No contracts are held for other purposes.

29. SUBSEQUENT EVENTS

On January 7, 2004, the Fund incurred a swap breakage fee on the settlement of the remaining portion of its interest rate swap contracts referred to in note 28 in the amount of \$531,360.

On January 19, 2004, the Fund announced the completion of a \$14 million bought deal private placement of 1,750,000 subscription receipts, priced at \$8.00 per unit plus one-half of a unit purchase warrant. Each whole warrant is exercisable into one unit at a unit price of \$10.00 per unit for a period of three years from the closing of the offering, being February 2, 2004.

On January 20, 2004, the Fund announced a cash distribution for the month of January 2004 of \$0.095 per trust unit and Boyd Group Holdings Inc. declared a dividend on its Class A common shares of \$0.038 per share. Both are payable on February 25, 2004 to unitholders and shareholders of record on January 31, 2004.

On January 28, 2004, the accrued distributions and dividends for the month of December 2003 were paid.

On January 30, 2004, the Fund received \$5.2 million U.S. and \$7.6 million U.S. as prepaid rebates and acquisition loans, respectively from its trading partners.

On February 2, 2004, the subscription receipts in connection with \$14 million private placement were exchanged into units.

On February 2, 2004, the Fund purchased 100% of the shares of The Gerber Group, Inc. for approximately \$30 million U.S., a market leading collision repair group operating in the greater Chicago, Illinois area. The group operates 16 repair facilities, with two additional facilities under development. The acquisition was financed through a combination of prepaid rebates and acquisition loans from trading partners, vendor exchangeable notes in the amount of \$8.1 million U.S. and a portion of the \$14 million private placement. The exchangeable notes bear interest at a fixed rate of 6.4% per annum, payable quarterly, commencing on May 1, 2004 and continue to and including February 1, 2008. Principal is due February 1, 2008. The holders have the right to exchange for a fixed exchange price of \$6.62 U.S. per unit, 40% of the notes for units of the Fund after the first anniversary date of the notes, 60% after the second anniversary date, 80% after the third anniversary note and 100% after the fourth anniversary date. The Fund has the right to at any time to satisfy the principal balance of the notes through the issue of units, at the lesser of the \$6.62 U.S. per unit exchange price or market price, subject to a floor price of \$5.61 U.S. per unit.

On February 5, 2004, the Fund entered into a new interest rate swap contract fixing the interest rate on a notional amount of \$12 million U.S. of long-term debt at a rate of 1.58% plus incentive priced spread. The contract is effective March 1, 2004 and terminates February 28, 2005.

On February 6, 2004, the Fund paid a \$250,000 guarantee fee to 4612094 Manitoba Inc. 4612094 Manitoba Inc., a related party, provided a limited guarantee, on behalf of the Company, in order to obtain acquisition financing from certain trading partners referred to in notes 10 and 18.

29. SUBSEQUENT EVENTS (continued)

On February 18, 2004, the Fund announced a cash distribution for the month of February 2004 of \$0.095 per trust unit and Boyd Group Holdings Inc. declared a dividend on its Class A common shares of \$0.038 per share. Both are payable on March 29, 2004 to unitholders and shareholders of record on February 29, 2004.

On February 25, 2004, the accrued distributions and dividends for the month of January 2004 were paid.

30. COMPARATIVE FIGURES

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

BOARD OF TRUSTEES

The Boyd Group Income Fund Board of Trustees consists of seven members – two of who are officers of the Fund and five of who are unrelated, outside Trustees. The Boyd Group Board of Trustees has established three standing committees: The Corporate Governance Committee, The Audit Committee, and the Executive Compensation Committee.

The Corporate Governance Committee is chaired by Wally Comrie and includes all of the unrelated, outside Trustees. The Audit Committee is chaired by Gene Dunn and includes Wally Comrie and Sherman Kreiner. The Executive Compensation Committee is chaired by Kevin Kavanagh and includes Robert Chipman and Terry Smith.

Terry Smith, President and Chief Executive Officer of the Fund, founded Boyd in 1990 and, through his entrepreneurial skills, marketing philosophies, and management expertise, is widely credited as the architect of Boyd's growth and development.

Brock Bulbuck, C.A., is Boyd's Senior Vice President and Chief Operating Officer. Since joining the Company in 1993, he has played a leading role, along with Mr. Smith, in the development and growth of the business. He is responsible for the management of the Company's operations and he works closely with the President and CEO in the development and execution of Boyd's growth strategies.

Walter Comrie is Local Sales Manager for CKY Television of Winnipeg. Under the Company's predecessor limited partnership structure, Mr. Comrie served as Chairman of the Advisory Committee. In addition to serving on the Board of Trustees of Boyd, he also serves as Director for Harval Sportswear, Winnipeg Habitat for Humanity, and the Broadcast Association of Manitoba.

Robert Chipman is Chairman and Director of The Megill-Stephenson Company Ltd. and Nation Leasing Group Inc. Mr. Chipman is a past director of the Royal Bank of Canada, Manitoba Telecom Services Inc., Buhler Industries Ltd., and Rice Capital Management Plus Inc.

Gene Dunn is President and CEO of Monarch Industries Ltd. of Winnipeg, a leading Canadian manufacturing company. In addition to serving on the Boyd Board of Trustees, he is also a member of the Board of ENSIS Growth Fund, past Chairman of the Board of Governors for Balmoral Hall School for Girls, and Chairman of the Winnipeg Blue Bombers Football Club.

Kevin Kavanagh is Chancellor of Brandon University and is a former President and CEO of The Great-West Life Assurance Company. He is also on the Board of Directors of The Great-West Life Assurance Company, Great-West Lifeco Inc., London Life, and National Leasing Group Inc.

Sherman Kreiner is President and CEO of Manitoba's Crocus Investment Fund. He is a Regent of the University of Winnipeg, a member of the Premier's Economic Advisory Council of Manitoba, a member of the Business Council of Manitoba, and a member of The Associates, University of Manitoba Faculty of Management. He is also an advisor to the Investment Committee of WCB, serves on the Boards of the Winnipeg Folk Festival, numerous other Crocus investee companies, and serves as Chairman of Community Ownership Solutions Inc.

CORPORATE DIRECTORY

COMPANY OFFICERS & SUSIDIARY COMPANY OFFICERS

Terry Smith
President &
Chief Executive Officer

Dan Dott
Vice President, Finance

Derek Chatterley *
Regional Vice President,
British Columbia &
Northwest U.S. Operations

Brock Bulbuck
Senior Vice President &
Chief Operating Officer

Roland Borsato
Vice President,
Margin Enhancement
& Product Development

Pat Chassie *
Regional Vice President,
Alberta Operations

Mike Graham
Vice President &
Chief Financial Officer

Bob Michalyszyn
Vice President,
Quality Systems

Stephen Viau *
Regional Vice President,
Southwest U.S. Operations

Kevin Comrie
Vice President,
Marketing & Sales

** Officers of subsidiary companies*

CORPORATE OFFICE

3570 Portage Avenue
Winnipeg, Manitoba, Canada
R3K 0Z8

Telephone: (204) 895-1244
Fax: (204) 895-1283
Website: www.boydgroup.com

MANITOBA LOCATIONS

Eric Danberg, *Regional Vice President, Manitoba & Saskatchewan Operations*

Susan Lamirande, *General Administration Manager*

Boyd Autobody & Glass Locations

614 Dudley Avenue
Winnipeg, Manitoba
R3M 1R7

1520 Saskatchewan Ave East
Portage la Prairie, Manitoba
R1N 3B5

8 – 2140 McPhillips Street
Winnipeg, Manitoba
R2K 2M3

3570 Portage Avenue
Winnipeg, Manitoba
R3K 0Z8

120 King Edward Street East *
Winnipeg, Manitoba
R3H 0N8

15 Marion Street
Winnipeg, Manitoba
R2H 0S8

951 Henderson Highway
Winnipeg, Manitoba
R2W 3A1

702 – 1st Street
Brandon, Manitoba
R7A 2X4

730 Nairn Avenue
Winnipeg, Manitoba
R2L 0X7

A-230 Jarvis Avenue
Winnipeg, Manitoba
R2V 3C8

20 Lakewood Boulevard
Winnipeg, Manitoba
R2J 2M6

139 Main Street
Selkirk, Manitoba
R1A 1R2

2405 Pembina Highway
Winnipeg, Manitoba
R3T 2H4

** Regional Office*

SASKATCHEWAN LOCATIONS

Eric Danberg, *Regional Vice President, Manitoba & Saskatchewan Operations*

Susan Lamirande, *General Administration Manager*

Boyd Autobody & Glass Locations

225 – 103rd Street East *
Saskatoon, Saskatchewan
S7N 1Y8

710 Circle Drive East
Saskatoon, Saskatchewan
S7K 0V1

2491 – 98th Street
North Battleford, Saskatchewan
S9A 3W1

* *Regional Office*

ALBERTA LOCATIONS

Pat Chassie, *Regional Vice President, Alberta Operations*

Gerry Zeck, *Director, Insurance Relations, Alberta*

Bill Johnson, *General Manager, Alberta Operations*

Service Collision Repair Centres

4903 – 76th Avenue
Edmonton, Alberta
T6B 2S7

35 Riel Drive
St. Albert, Alberta
T8N 5C6

1808 – 16th Avenue NE *
Calgary, Alberta
T2E 1L2

7668 – 49 Avenue
Red Deer, Alberta
T4P 1M4

14735 – 119th Avenue
Edmonton, Alberta
T5L 2N9

113 Cree Road
Sherwood Park, Alberta
T8A 3X9

5220 – 1A Street SW
Calgary, Alberta
T2H 0E4

4609 – 49 Avenue
Olds, Alberta
T5H 1C9

17511 – 103rd Avenue
Edmonton, Alberta
T5S 1J4

3520 – 32nd Street NE
Calgary, Alberta
T1Y 6G7

11450 – 29th Street SE
Calgary, Alberta
T2Z 3V5

* *Regional Office*

BRITISH COLUMBIA LOCATIONS

Derek Chatterley, *Regional Vice President, British Columbia Operations*

Paul McFarlane, *General Manager, British Columbia Operations*

Boyd Autobody & Glass Locations

5726 Landmark Way
Surrey, British Columbia
V3S 7H1

9666 King George Highway
Surrey, British Columbia
V3T 2V4

1111 West 73rd Avenue *
Vancouver, British Columbia
V6P 3E6

227152 Dewdney Trunk Road
Maple Ridge, British Columbia
V2X 3K3

371 West 2nd Avenue
Vancouver, British Columbia
V5Y 1C9

540 John Street
Victoria, British Columbia
V8T 1T6

1321 – 3rd Avenue
New Westminster, British Columbia
V3M 1R3

1160 West 73rd Avenue
North Vancouver, British Columbia
V7P 1E6

2663 Sooke Road
Victoria, British Columbia
V9B 1Y3

* *Regional Office*

NORTHWEST UNITED STATES LOCATIONS

Derek Chatterley, *Regional Vice President, Northwest U.S. Operations*

Diane Peters, *General Manager, Northwest U.S. Operations*

Collision Service Repair Centers

13640 N.E. 16th Street
Bellevue, Washington
98005

9125 Willows Road
Redmond, Washington
98052

107 – 2600 Randall Way N.W.
Silverdale, Washington
98383

3701 – 20th Street East
Fife, Washington
98424

134 Rainier Avenue South
Renton, Washington
98055

8916 South Tacoma Way
Tacoma, Washington
98499

6811 – 212th Street S.W.
Lynnwood, Washington
98036

2114 Westlake Avenue
Seattle, Washington
98121

14201 – N.E. 190th Street *
Woodinville, Washington
98072

* *Regional Office*

MIDWEST UNITED STATES LOCATIONS

Chuck Zimmer, *Regional General Manager, Midwest U.S. Operations*

Service Collision Repair Centers

1212 North Mosley Street
Wichita, Kansas
67214

5617 West Kellogg Street
Wichita, Kansas
67209

701 West Freeport Street
Broken Arrow, Oklahoma
74012

443 North Maize Road *
Wichita, Kansas
67212

407 West 5th Street
Claremore, Oklahoma
74017

* *Regional Office*

SOUTHWEST UNITED STATES LOCATIONS

Stephen Viau, *Regional Vice President, Southwest U.S. Operations*

Auto Magic Paint & Body Center
5415 South Decatur Boulevard
Las Vegas, Nevada
89118

Pro-Tech Autobody
15 – 2550 South Rainbow Blvd
Las Vegas, Nevada
89146-5175

Main Street Collision Center
2700 East Main Street
Mesa, Arizona
85213

Pro-Tech Autobody
645/649 Middlegate Road
Henderson, Nevada
89015-2609

Kingswood Collision Center
1015 West Broadway
Mesa, Arizona
85210

ILLINOIS & INDIANA LOCATIONS

Tim O'Day, *Regional COO, Operations*

Kevin Burnett, *District Manager*

Bud Center, *District Manager*

Gerber Auto Collision & Glass Locations

19 South Route 59 Aurora, Illinois 60504	2360 Ogden Avenue Downers Grove, Illinois 60515	900 East Ogden Avenue Naperville, Illinois 60563	840 Remington Schaumburg, Illinois 60173
20445 North Milwaukee Avenue Buffalo Grove, Illinois 60089	500 West Lake Street Elmhurst, Illinois 60126	4718 Southwest Highway Oak Lawn, Illinois 60453	275 Sundown Road South Elgin, Illinois 60177
3425 North Halsted Street Chicago, Illinois 60657	7902 Forest Hills Road Loves Park, Illinois 61111	601 Roselle Road Roselle, Illinois 60172	8250 North Skokie Blvd * Skokie, Illinois 60077
6200 Berkshire Drive Crystal Lake, Illinois 60014	3006 Route 1209 McHenry, Illinois 60050	830 West Belvidere Road Round Lake, Illinois 60073	1533 – 162 nd Street South Holland, Illinois 60473

* *Regional Office*

All-Consolidated Auto Rebuilders
272 East 147th Street
Harvey, Illinois
60426

All-Consolidated Auto Rebuilders
20 North Street
Park Forest, Illinois
60466

M&S Collision Center
553 South Washington Street
Valparaiso, Indiana
46383

GEORGIA LOCATIONS

Stephen Viau, *Regional Vice President, Southwest U.S. Operations*

Car-Tech Service Collision Repair Centers

11200 Alpharetta Highway Roswell, Georgia 30076	1746 Cobb Parkway South Marietta, Georgia 30060	649 West Market Circle Lithia Springs, Georgia 30122
1830 Mount Zion Highway Morrow, Georgia 30260	3030 Satellite Boulevard * Duluth, Georgia 30096	117 – 2445 Hilton Drive Gainesville, Georgia 30501

* *Regional Office*

FRANCHISE LOCATIONS

Boyd Autobody & Glass
30860 Peardonville Road
Abbotsford, British Columbia
V2T 6J9

Boyd Autobody & Glass
1960 Dayton Street
Kelowna, British Columbia
V1Y 7W6

M&S Collision Center
1561 South Calumet Avenue
Chesterton, Indiana
46304

Boyd Autobody & Glass
5608 Imperial Street
Burnaby, British Columbia
V5J 1E9

Boyd Autobody & Glass
275 Highway 33 East
Kelowna, British Columbia
V1X 2A4

Car-Tech Service Collision Repair Center
725 Dekalb Industrial Way
Decatur, Georgia
30033

Boyd Autobody & Glass
17511 – 56A Avenue
Surrey, British Columbia
V3S 1G2

Boyd Autobody & Glass
1099 Lansdowne Drive
Coquitlam, British Columbia
V3B 4T7

Boyd Autobody & Glass
1480 Western Road
Kelowna, British Columbia
V1Z 3Y1

Boyd Autobody & Glass
2635 Kingsway Avenue
Port Coquitlam, British Columbia
V3C 1T5

Car-Tech Service Collision Repair Center
2395 Cobb Parkway
Kennesaw, Georgia
30152

UNITHOLDER INFORMATION

BOYD GROUP INCOME FUND UNITS AND EXCHANGE LISTING

Units of the Fund are listed on the Toronto Stock Exchange under the symbol BYD.UN

Registrar and Transfer Agents

CIBC Mellon Trust Company
750 – One Lombard Place
Winnipeg, Manitoba
R3B 0X3

CIBC Mellon Trust Company
199 Bay Street
Commerce Court West, Security Level
Toronto, Ontario
M5L 1G9

Distribution Agents

Valiant Trust Company
510 – 550 – 6th Avenue S.W.
Calgary, Alberta
T2P 0S2

Auditors

Deloitte & Touche LLP
2200 – 360 Main Street
Winnipeg, Manitoba
R3C 3Z3

Legal Counsel

Thompson Dorfman Sweatman
2200 – 201 Portage Avenue
Winnipeg, Manitoba
R3B 3L3

Bankers

TD Bank Financial Group
44 King Street West
16th Floor, Scotia Plaza
Toronto, Ontario
M5H 1A1

Scotiabank
100 Wellington Street West
26th Floor, CP Tower
Toronto, Ontario
M5K 1A2

Annual General Meeting

Monday, May 17, 2004
The Fairmont Hotel
Two Lombard Place
Winnipeg, Manitoba
R3B 0Y3
5:00 p.m. (CDT)