BOYD GROUP INCOME FUND

Interim Condensed Consolidated Financial Statements

Three Months Ended March 31, 2018

<u>Notice</u>: These interim condensed consolidated financial statements have not been audited or reviewed by the Fund's independent external auditors, Deloitte LLP.

BOYD GROUP INCOME FUND
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)
(thousands of Canadian dollars)

	Note		March 31, 2018		December 31, 2017
Assets					
Current assets:					
Cash		**$**	**59,215**	$	47,831
Accounts receivable			**97,111**		104,545
Income taxes recoverable			**4,641**		6,662
Inventory			**31,142**		27,011
Prepaid expenses			**25,925**		25,294
			218,034		211,343
Property, plant and equipment	*6*		**202,956**		196,099
Deferred income tax asset			**-**		106
Intangible assets	*7*		**258,707**		251,902
Goodwill	*8*		**367,509**		351,943
		$	**1,047,206**	$	1,011,393
Liabilities and Equity					
Current liabilities:					
Accounts payable and accrued liabilities		**$**	**199,343**	$	195,837
Distributions and dividends payable	*9*		**875**		869
Current portion of long-term debt	*10*		**13,836**		15,134
Current portion of obligations under finance leases			**3,682**		3,652
			217,736		215,492
Long-term debt	*10*		**251,777**		242,842
Obligations under finance leases			**4,777**		5,269
Deferred income tax liability			**27,718**		26,302
Exchangeable Class A common shares	*9,12*		**20,384**		20,218
Unit based payment obligation	*13*		**27,014**		40,185
Non-controlling interest put options and call liability	*12*		**21,936**		21,242
			571,342		571,550
Equity					
Accumulated other comprehensive earnings			**50,311**		38,810
Deficit			**(37,423)**		(46,432)
Unitholders' capital			**458,974**		443,463
Contributed surplus			**4,002**		4,002
			475,864		439,843
		$	**1,047,206**	$	1,011,393

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

Approved by the Board:

BROCK BULBUCK
Trustee

ALLAN DAVIS
Trustee

BOYD GROUP INCOME FUND
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
(thousands of Canadian dollars, except unit amounts)

		Unitholders' Capital										
	Note	Units		Amount		Contributed Surplus		Accumulated Other Comprehensive Earnings		Deficit		Total Equity
Balances - January 1, 2017		18,065,060	$	306,261	$	4,002	$	65,560	$	(95,285)	$	280,538
Issue costs (net of tax of $nil)				(192)								(192)
Units issued in connection with acquisition		537,872		51,716								51,716
Retractions		3,798		355								355
Conversion and redemption of convertible debentures		907,134		85,323								85,323
Other comprehensive loss								(26,750)				(26,750)
Net earnings										58,435		58,435
Comprehensive earnings								(26,750)		58,435		31,685
Distributions to unitholders										(9,582)		(9,582)
Balances - December 31, 2017		19,513,864	$	443,463	$	4,002	$	38,810	$	(46,432)	$	439,843
Issue costs (net of tax of $nil)				(101)								(101)
Units issued from treasury in connection with options exercised	13	150,000		15,134								15,134
Retractions		4,737		478								478
Other comprehensive earnings								11,501				11,501
Net earnings										18,336		18,336
Comprehensive earnings								11,501		18,336		29,837
Adjustment on adoption of IFRS 15 (net of tax of $1,804)	3									(6,731)		(6,731)
Distributions to unitholders	9									(2,596)		(2,596)
Balances - March 31, 2018		19,668,601	$	458,974	$	4,002	$	50,311	$	(37,423)	$	475,864
Balances - January 1, 2017		18,065,060	$	306,261	$	4,002	$	65,560	$	(95,285)	$	280,538
Issue costs (net of tax of $nil)				(101)								(101)
Retractions		498		43								43
Other comprehensive loss								(3,192)				(3,192)
Net earnings										15,012		15,012
Comprehensive earnings								(3,192)		15,012		11,820
Distributions to unitholders	9									(2,330)		(2,330)
Balances - March 31, 2017		18,065,558	$	306,203	$	4,002	$	62,368	$	(82,603)	$	289,970

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

BOYD GROUP INCOME FUND

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

(thousands of Canadian dollars, except unit and per unit amounts)

	Note		Three months ended March 31, 2018		2017
Sales	*15*	**$**	**453,291**	$	378,915
Cost of sales			**248,746**		205,809
Gross profit			**204,545**		173,106
Operating expenses			**162,422**		140,320
Acquisition and transaction costs			**334**		186
Depreciation of property, plant and equipment	*6*		**7,698**		6,123
Amortization of intangible assets	*7*		**4,177**		2,748
Fair value adjustments	*11*		**2,305**		(1,198)
Finance costs			**2,622**		2,498
			179,558		150,677
Earnings before income taxes			**24,987**		22,429
Income tax expense					
Current			**4,052**		6,387
Deferred			**2,599**		1,030
			6,651		7,417
Net earnings		**$**	**18,336**	$	15,012

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Basic earnings per unit	*16*	**$**	**0.932**	$	0.831
Diluted earnings per unit	*16*	**$**	**0.928**	$	0.699
Basic weighted average number of units outstanding	*16*		**19,663,886**		18,065,548
Diluted weighted average number of units outstanding	*16*		**19,877,252**		19,535,411

BOYD GROUP INCOME FUND

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (Unaudited)

(thousands of Canadian dollars)

		Three months ended March 31, 2018		2017
Net earnings	**$**	**18,336**	$	15,012
Other comprehensive earnings (loss)				
Items that may be reclassified subsequently to Interim Condensed Consolidated Statements of Earnings				
Change in unrealized earnings on translating financial statements of foreign operations		**11,501**		(3,192)
Other comprehensive earnings (loss)		**11,501**		(3,192)
Comprehensive earnings	**$**	**29,837**	$	11,820

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

BOYD GROUP INCOME FUND
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(thousands of Canadian dollars)

	Note	Three months ended March 31, 2018	2017
Cash flows from operating activities			
Net earnings		**$ 18,336**	$ 15,012
Items not affecting cash			
Fair value adjustments	*11*	**2,305**	(1,198)
Deferred income taxes		**2,599**	1,030
Amortization of discount on convertible debt		**-**	240
Amortization of intangible assets	*7*	**4,177**	2,748
Depreciation of property, plant and equipment	*6*	**7,698**	6,123
Other		**(50)**	(17)
		35,065	23,938
Changes in non-cash working capital items		**(832)**	(3,926)
		34,233	20,012
Cash flows used in financing activities			
Fund units issued from treasury in connection with options exercised	*17*	**405**	-
Issue costs	*17*	**(101)**	(101)
Increase in obligations under long-term debt	*10,17*	**18,427**	6,555
Repayment of long-term debt	*10,17*	**(15,789)**	(3,191)
Repayment of obligations under finance leases	*17*	**(914)**	(1,104)
Dividends and distributions paid	*17*	**(2,619)**	(2,360)
Payment to non-controlling interests	*12,17*	**-**	(35)
		(591)	(236)
Cash flows used in investing activities			
Proceeds on sale of equipment and software	*6*	**171**	163
Equipment purchases and facility improvements		**(3,846)**	(3,681)
Acquisition and development of businesses (net of cash acquired)		**(19,605)**	(14,570)
Software purchases and licensing		**(64)**	(124)
		(23,344)	(18,212)
Effect of foreign exchange rate changes on cash		**1,086**	(364)
Net increase in cash position		**11,384**	1,200
Cash, beginning of year		**47,831**	53,515
Cash, end of year		**$ 59,215**	$ 54,715
Income taxes paid		$ 1,814	$ 1,020
Interest paid		$ 2,629	$ 1,517

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

1. GENERAL INFORMATION

Boyd Group Income Fund (the "Fund" or "BGIF") is an unincorporated, open-ended mutual fund trust established under the laws of the Province of Manitoba, Canada on December 16, 2002. It was established for the purposes of acquiring and holding a majority interest in The Boyd Group Inc. (the "Company"). The Company is partially owned by Boyd Group Holdings Inc. ("BGHI"), which is controlled by the Fund. These financial statements reflect the activities of the Fund, the Company and all its subsidiaries including BGHI.

The Company's business consists of the ownership and operation of autobody/autoglass repair facilities and related services. At the reporting date, the Company operated locations in five Canadian provinces under the trade name Boyd Autobody & Glass and Assured Automotive, as well as in 22 U.S. states under the trade name Gerber Collision & Glass. The Company uses newly acquired brand names during a transition period until acquired locations have been rebranded. The Company is also a major retail auto glass operator in the U.S. with locations across 31 U.S. states under the trade names Gerber Collision & Glass, Glass America, Auto Glass Service, Auto Glass Authority and Autoglassonly.com. The Company also operates Gerber National Claim Services ("GNCS"), which offers glass, emergency roadside and first notice of loss services with approximately 5,500 glass provider locations and 4,600 Emergency Roadside Services provider locations throughout the U.S.

The units of the Fund are listed on the Toronto Stock Exchange and trade under the symbol "BYD.UN". The head office and principal address of the Fund are located at 3570 Portage Avenue, Winnipeg, Manitoba, Canada, R3K 0Z8.

The policies applied in these interim condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of May 14, 2018, the date the Board of Trustees approved the statements. Any subsequent changes to IFRS that are given effect in the Fund's annual consolidated financial statements for the year ending December 31, 2018 could result in restatement of these interim condensed consolidated financial statements.

2. BASIS OF PRESENTATION

These interim condensed consolidated financial statements for the three months ended March 31, 2018 have been prepared in accordance with IAS 34, *Interim financial reporting* using the same accounting policies and methods of computation followed in the consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards as set out below. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS.

A number of new or amended standards became applicable for the current reporting period and the Fund had to change its accounting policies as a result of adopting the following standards:

- IFRS 9 *Financial Instruments*, and
- IFRS 15 *Revenue from Contracts with Customers.*

The impact of the adoption of these standards and the new accounting policies are disclosed in notes 3 and 12.

The Fund has also adopted the narrow-scope amendments to IFRS 2, *Share-based Payment* on January 1, 2018. The adoption of IFRS 2 did not have a material impact on the Fund's consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES

a) *Revenue recognition*

The Fund has adopted IFRS 15 *Revenue from Contracts with Customers* on January 1, 2018 using the modified retrospective approach, which recognizes the cumulative effect of initial application as an adjustment to the opening balance of retained earnings (deficit) at January 1, 2018 without restatement of comparatives. Beginning January 1, 2018, the Fund recognizes revenue upon completion and delivery of the repair to the customer, which has been determined to be the performance obligation that is distinct and the point at which control of the asset passes to the customer. Revenue is measured at the fair value of the consideration received. Previously, revenue was recognized to the extent that it was probable that the economic benefits would flow to the Fund, the sales price was fixed or determinable and collectability was reasonably assured. As a result, revenue that met the revenue recognition criteria under the prevailing IAS 18 was recognized in the year ended December 31, 2017. The same revenue; however, would not have met the recognition criteria under IFRS 15. As such, the impact on the consolidated financial statements as at January 1, 2018 is a decrease to opening retained earnings (deficit) of $6,731.

b) *Financial instruments*

The Fund has adopted IFRS 9 *Financial Instruments* on January 1, 2018 using the modified retrospective approach. IFRS 9 includes a logical model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially-reformed approach to hedge accounting. The adoption of IFRS 9 has resulted in changes to the classification of the Fund's financial assets but has not changed the classification of the Fund's financial liabilities. The carrying values of the Fund's financial instruments were not impacted by the adoption of IFRS 9.

All financial assets previously classified as loans and receivables are now classified as amortized cost. All financial liabilities previously classified as other financial liabilities are now classified as amortized cost. There were no changes to the category of financial liabilities classified as fair value through profit or loss ("FVPL").

At the date of adoption, the application of IFRS 9 had no material impact on the Fund's consolidated financial statements.

<u>Recognition</u>
Financial assets and liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument.

<u>Classification</u>
Effective January 1, 2018, the Fund classifies its financial assets and liabilities in the following categories depending on the Fund's business model for managing the financial assets and the contractual terms of the cash flows:

- Those to be measured subsequently at fair value, either through profit or loss or through OCI, and
- Those to be measured at amortized cost.

Cash and accounts receivable are classified as amortized cost. After their initial fair value measurement, they are measured at amortized cost using the effective interest method, as reduced by appropriate allowances for estimated lifetime expected credit losses.

Accounts payable and accrued liabilities, dividends and distributions payable, and long-term debt are classified as amortized cost and are net of any related financing fees or issue costs. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

Derivative contracts including the non-controlling interest put option and call liability are classified as financial assets or financial liabilities at FVPL with mark-to-market adjustments being recorded to net earnings at each period end.

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

As a result of the Fund's units being redeemable for cash, the exchangeable Class A shares of the Fund's subsidiary BGHI, are presented as financial liabilities and classified as financial assets or financial liabilities at FVPL. Exchangeable Class A shares are measured at the market price of the units of Fund as of the statement of financial position date.

Measurement
At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

For those financial instruments where fair value is recognized in the Consolidated Statement of Financial Position the methods and assumptions used to develop fair value measurements have been classified into one of the three levels of the fair value hierarchy for financial instruments:

- Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 includes inputs that are observable other than quoted prices included in Level 1
- Level 3 includes inputs that are not based on observable market data

Impairment
IFRS 9 replaces the incurred loss model under IAS 39 with an expected credit loss model. Expected credit losses are to be recognized at all times in a forward looking approach that reflects changes in credit risk of the financial instrument. The expected losses are recognized and measured according to one of three approaches: a general approach, a simplified approach, or a credit adjusted approach. For accounts receivable that do not contain a significant financing component, it is mandatory to use the simplified approach. Under the simplified approach, the measurement basis for the allowance is the lifetime expected credit losses.

4. ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET ADOPTED

The following is an overview of accounting standard changes that the Fund will be required to adopt in future years:

IFRS 16, Leases, was issued by the IASB on January 13, 2016 and will replace the current guidance found in IAS 17, Leases and related interpretations. The new standard will bring most leases onto the statement of financial position through recognition of related assets and liabilities. IFRS 16 establishes principles for recognition, measurement, presentation and disclosure of leases. The new standard will come into effect on January 1, 2019 with early application permitted if IFRS 15, Revenue from Contracts with Customers has also been applied. The Fund is currently evaluating the impact of adopting IFRS 16 on its financial statements, but expects this standard will have a significant impact on its consolidated statement of financial position, along with a change to the recognition, measurement and presentation of lease expenses in the consolidated statement of earnings.

5. ACQUISITIONS

The Fund completed four acquisitions that added 10 locations during the three months ended March 31, 2018 as follows:

Acquisition Date	Location
January 19, 2018	Collier County, FL (2 locations)
January 31, 2018	Sudbury, ON (4 locations)
February 20, 2018	Falcon, CO
February 23, 2018	Dallas, TX (3 locations)

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

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

Acquisitions in 2018		Total acquisitions
Identifiable net assets acquired at fair value:		
Cash	$	416
Other currents assets		1,841
Property, plant and equipment		4,226
Identified intangible assets		
Customer relationships		6,045
Non-compete agreements		271
Liabilities assumed		(1,499)
Identifiable net assets acquired	$	11,300
Goodwill		8,455
Total purchase consideration	$	19,755
Consideration provided		
Cash paid or payable	$	18,256
Sellers notes		1,499
Total consideration provided	$	19,755

The preliminary purchase prices for the 2018 acquisitions as disclosed above may be revised as additional information becomes available. Further adjustments may be recorded in future periods as purchase price adjustments are finalized.

U.S. acquisition transactions are initially recognized in Canadian dollars at the rates of exchange in effect on the transaction dates. Subsequently, the assets and liabilities are translated at the rate in effect at the Statement of Financial Position date.

A significant part of the goodwill recorded on the acquisitions can be attributed to the assembled workforce and the operating know-how of key personnel. However, no intangible assets qualified for separate recognition in this respect.

Goodwill recognized during 2018 is expected to be deductible for tax purposes, except for the goodwill related to the January 31, 2018 acquisition in Sudbury. Goodwill recognized on this transaction totalled $2,063.

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

6. PROPERTY, PLANT AND EQUIPMENT

As at	**March 31, 2018**	December 31, 2017
Balance, beginning of year	**$ 196,099**	$ 161,813
Acquired through business combination	**4,226**	31,836
Additions	**5,679**	41,576
Proceeds on disposal	**(171)**	(750)
Gain on disposal	**62**	269
Depreciation	**(7,698)**	(28,057)
Foreign exchange	**4,759**	(10,588)
Balance, end of period	**$ 202,956**	$ 196,099

7. INTANGIBLE ASSETS

As at	**March 31, 2018**	December 31, 2017
Balance, beginning of year	**$ 251,902**	$ 158,514
Acquired through business combination	**6,316**	116,135
Additions	**62**	416
Amortization	**(4,177)**	(13,608)
Purchase price allocation adjustments within the measurement period	**-**	1,109
Foreign exchange	**4,604**	(10,664)
Balance, end of period	**$ 258,707**	$ 251,902

8. GOODWILL

As at	**March 31, 2018**	December 31, 2017
Balance, beginning of year	**$ 351,943**	$ 230,701
Acquired through business combination	**8,455**	136,482
Purchase price allocation adjustments within the measurement period	**479**	73
Foreign exchange	**6,632**	(15,313)
Balance, end of period	**$ 367,509**	$ 351,943

The purchase price allocation adjustments represent additional consideration which resulted in the recognition of additional goodwill as well as balance sheet reclassifications between property, plant and equipment and goodwill within the measurement period for certain 2017 acquisitions.

9. DISTRIBUTIONS AND DIVIDENDS

The Fund's Trustees have discretion in declaring distributions. The Fund's distribution policy is to make distributions of its available cash from operations taking into account current and future performance amounts necessary for principal and interest payments on debt obligations, amounts required for maintenance capital expenditures and amounts allocated to reserves.

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

Distributions to unitholders and dividends on the exchangeable Class A shares were declared and paid as follows:

Record date	**Payment date**	**Distribution per Unit / Dividend per Share**	**Distribution amount**	**Dividend amount**
January 31, 2018	February 26, 2018	$ 0.0440	$ 865	$ 10
February 28, 2018	March 27, 2018	0.0440	865	10
March 31, 2018	April 26, 2018	0.0440	866	9
		$ 0.1320	$ 2,596	$ 29

Record date	**Payment date**	**Distribution per Unit / Dividend per Share**	**Distribution amount**	**Dividend amount**
January 31, 2017	February 24, 2017	$ 0.0430	$ 776	$ 10
February 28, 2017	March 29, 2017	0.0430	777	10
March 31, 2017	April 26, 2017	0.0430	777	10
		$ 0.1290	$ 2,330	$ 30

At March 31, 2018, there were 195,658 (December 31, 2017 – 200,395) exchangeable Class A shares outstanding with a carrying value of $20,384 (December 31, 2017 - $20,218).

During the first quarter of 2018, a fair value adjustment expense in the amount of $644 (2017 – recovery of $153) was recorded against earnings related to these exchangeable Class A shares.

Further distributions and dividends were declared for the month of April 2018 in the amount of $0.044 per unit/share.

10. LONG-TERM DEBT

Long-term debt is comprised of the following:

As at	**March 31, 2018**	December 31, 2017
Revolving credit facility (net of financing costs)	**$ 210,240**	$ 200,222
Seller notes	**55,373**	57,754
	$ 265,613	$ 257,976
Current portion	**13,836**	15,134
	$ 251,777	$ 242,842

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

The following is the continuity of long-term debt:

As at	**March 31, 2018**	December 31, 2017
Balance, beginning of year	**$ 257,976**	$ 101,617
Consideration on acquisition	**1,499**	6,641
Draws	**18,427**	209,053
Repayments	**(15,789)**	(53,212)
Deferred financing costs	**-**	(859)
Amortization of deferred finance costs	**43**	350
Foreign exchange	**3,457**	(5,614)
Balance, end of period	**$ 265,613**	$ 257,976

The following table summarizes the repayment schedule of the long-term debt:

Principal Payments	**March 31, 2018**	December 31, 2017
Less than 1 year	**$ 13,836**	$ 15,134
1 to 5 years	**236,125**	227,060
Greater than 5 years	**15,652**	15,782
	$ 265,613	$ 257,976

Included in finance costs for the period ended March 31, 2018 is interest on long-term debt of $2,470 (2017 - $1,254).

11. FAIR VALUE ADJUSTMENTS

	For the three months ended March 31, 2018	2017
Convertible debenture conversion feature	**$ -**	$ (438)
Exchangeable Class A common shares	**644**	(153)
Unit based payment obligation	**1,558**	628
Non-controlling interest put options and call liability	**103**	(1,235)
Total fair value adjustments	**$ 2,305**	$ (1,198)

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

12. FINANCIAL INSTRUMENTS

Carrying value and estimated fair value of financial instruments

			March 31, 2018		December 31, 2017	
	Classification	Fair value hierarchy	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Cash	Amortized cost	n/a	**59,215**	59,215	47,831	47,831
Accounts receivable	Amortized cost	n/a	**97,112**	97,112	104,545	104,545
Financial liabilities						
Accounts payable and accrued liabilities	Amortized cost	n/a	**199,343**	199,343	195,837	195,837
Distributions and dividends payable	Amortized cost	n/a	**875**	875	869	869
Long-term debt	Amortized cost	n/a	**265,613**	265,613	257,976	257,976
Exchangeable Class A common shares	FVPL [(1)]	1	**20,384**	20,384	20,218	20,218
Non-controlling interest put options and call liability	FVPL [(1)]	3	**21,936**	21,936	21,242	21,242

(1) Fair Value Through Profit or Loss

For the Fund’s current financial assets and liabilities, including accounts receivable and accounts payable and accrued liabilities, distributions and dividends payable, which are short term in nature and subject to normal trade terms, the carrying values approximate their fair value. As there is no ready secondary market for the Fund’s long-term debt, the fair value has been estimated using the discounted cash flow method. The fair value using the discounted cash flow method is approximately equal to carrying value. The fair value for the non-controlling interest put option and call liability is based on the estimated cash payment or receipt necessary to settle the contract at the Statement of Financial Position date. Cash payments or receipts are based on discounted cash flows using current market rates and prices and adjusted for credit risk. The fair value of the exchangeable Class A shares is estimated using the market price of the units of Fund as of the Statement of Financial Position date.

Collateral

The Company’s syndicated loan facility is collateralized by a General Security Agreement. The carrying amount of the financial assets pledged as collateral for this facility at December 31, 2017 was approximately $156,326 (December 31, 2017 - $152,376).

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

Non-controlling interest put option and call liability

On May 31, 2013, the Fund entered into a contribution agreement whereby Glass America Inc. contributed its auto-glass business to Gerber Glass in exchange for membership representing a 30% ownership interest in a new combined Glass America LLC. The GA Company Agreement contains a put option as well as a call option, which provide the non-controlling interest with the right to require Gerber Glass to purchase their retained interest and Gerber Glass with the right to require the non-controlling interest to sell their retained interest respectively, according to a valuation formula defined in the GA Company Agreement. On September 29, 2017, Gerber Glass exercised its' call option to acquire the 30% interest in the Glass America entity. All changes in the estimated liability are recorded in earnings.

On May 31, 2013, in connection with the acquisition of Glass America, the Fund amended and restated the limited liability company agreement of Gerber Glass LLC (the "Gerber Glass Company Agreement") which provides a member of its U.S. management team the opportunity to participate in the future growth of the Fund's U.S. glass business. Within the agreement was a put option held by the non-controlling member that provided the member an option to put the business back to the Fund according to a valuation formula defined in the agreement. On October 31, 2016, the Fund amended the Gerber Glass Company Agreement. The put option held by the non-controlling member continues to provide the member an option to put the business back to the Fund according to a valuation formula defined in the Gerber Glass Company Agreement; however, the put option is not exercisable until December 31, 2018 and is exercisable anytime thereafter by the glass-business operating member. The put option may be exercised before December 31, 2018 upon the occurrence of certain unusual events such as a change of control or resignation of the operating member. All fair value changes in the estimated liability are recorded in earnings.

The liability recognized in connection with both the put option and the call have been calculated using formulas defined in the applicable limited liability company agreements. The formula for the Glass America call is based on a multiple of EBITDA for the trailing twelve months ended August 31, 2017. The formula for the U.S. management team member put option is based on multiples of estimated future earnings of the Glass America business and estimated future exercise dates. The estimated future payment obligation is then discounted to its present value at each statement of financial position date. The significant unobservable inputs include the put being exercised in nine months at a probability weighted estimated EBITDA level as at December 31, 2018 of approximately $7,500 USD using a discount rate of 8%. An increase in the EBITDA level or a reduction in the discount rate would increase the put liability.

During the first quarter of 2018, the Fund made $nil (2017 - $35) in payments to the Glass America non-controlling interest.

The liability for non-controlling interest put options comprises the following:

As at	**March 31, 2018**	December 31, 2017
Glass-business operating partner non-controlling interest put option	**$ 7,375**	$ 7,075
Glass America non-controlling interest call liability	**14,561**	14,167
	$ 21,936	$ 21,242

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

The change in the non-controlling interest put option and call liabilities is summarized as follows:

	March 31, 2018		December 31, 2017	
	Glass-business operating partner	**Glass America non-controlling interest**	Glass-business operating partner	Glass America non-controlling interest
Balance, beginning of year	**$ 7,075**	**$ 14,167**	$ 7,998	$ 21,204
Fair value adjustments	**103**	**-**	(381)	(5,498)
Payment to non-controlling interests	**-**	**-**	-	(221)
Foreign exchange	**197**	**394**	(542)	(1,318)
Balance, end of period	**$ 7,375**	**$ 14,561**	$ 7,075	$ 14,167

During the first quarter of 2018, a fair value adjustment expense in the amount of $103 (2017 – recovery of $1,235) was recorded to earnings related to the non-controlling interest put option and call liability.

The exercise price for the call option regarding the Glass America non-controlling interest has been calculated in accordance with the terms of the GA Company Agreement. The Glass America non-controlling interest member has not agreed on the calculation of the exercise price, including certain material changes, and the matter has been submitted to binding arbitration in accordance with the terms of the GA Company Agreement. A reasonable estimate of the financial effect of these material changes and the timing of settlement of the call liability cannot be made at this time. As at May 14, 2018, the acquisition of the non-controlling interest in Glass America has not been completed.

13. UNIT BASED PAYMENT OBLIGATION

Pursuant to the Fund's Option Agreement and Confirmation, the Fund has granted options to purchase units of the Fund to certain key executives. The following options are outstanding:

Issue Date	**Number of Units**	**Exercise Price**	**Expiry Date**	**March 31, 2018 Fair Value**	December 31, 2017 Fair Value
January 2, 2008	150,000	$ 2.70	January 2, 2018	**$ -**	$ 14,729
January 2, 2009	150,000	$ 3.14	January 2, 2019	**14,281**	13,465
January 2, 2010	150,000	$ 5.41	January 2, 2020	**12,733**	11,991
				$ 27,014	$ 40,185

On January 2, 2018, the Fund completed the settlement of the unit options issued on January 2, 2008. As a result of the settlement, 150,000 units were issued at an exercise price of $2.70. The fair value of the unit options at settlement was $14,729.

The fair value of each outstanding option is estimated using a Black-Scholes valuation model with the following assumptions used for the outstanding options granted: stock price $104.18, dividend yield 0.59% and expected volatility 22.41% (determined as a weighted standard deviation of the unit price over the past four years). The risk free interest rate assumptions used in the valuation model are as follows: January 2, 2008 issuance - N/A, January 2, 2009 issuance – 1.33%, January 2, 2010 issuance – 1.71%.

During the first quarter of 2018, a fair value adjustment expense in the amount of $1,558 (2017 – $628) was recorded to earnings related to these unit based payment obligations.

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

14. SEASONALITY

The Fund's financial results for any individual quarter are not necessarily indicative of results to be expected for the full year. Interim period revenues and earnings are typically sensitive to regional and local weather, market conditions, and in particular, to cyclical variations in economic activity.

15. 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, IFRS requires the Fund to provide geographical disclosure. For the periods reported, all of the Fund's revenues were derived within Canada or the United States of America. Reportable assets include property, plant and equipment, goodwill and intangible assets which are all located within these two geographic areas.

	For the three months ended March 31,	
Revenues	**2018**	2017
Canada	**$ 74,739**	$ 24,366
United States	**378,552**	354,549
	$ 453,291	$ 378,915

Reportable Assets As at	**March 31, 2018**	December 31, 2017
Canada	**$ 235,498**	$ 231,928
United States	**593,674**	568,016
	$ 829,172	$ 799,944

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

16. EARNINGS PER UNIT

	For the three months ended March 31, 2018		For the three months ended March 31, 2017	
Net earnings	**$**	**18,336**	$	15,012
Less:				
2014 convertible debentures		**-**		7
Exchangeable class A shares		**-**		(123)
Non-controlling interest put options and call liability		**103**		(1,235)
Net earnings - diluted basis	**$**	**18,439**	$	13,661
Basic weighted average number of units		**19,663,886**		18,065,548
Add:				
2014 convertible debentures		**-**		919,625
Exchangeable class A shares		**-**		229,136
Non-controlling interest put options and call liability		**213,366**		321,102
Average number of units outstanding - diluted basis		**19,877,252**		19,535,411
Basic earnings per unit	**$**	**0.932**	$	0.831
Diluted earnings per unit	**$**	**0.928**	$	0.699

The unit options are instruments that could potentially dilute basic earnings per unit in the future, but were not included in the calculation of diluted earnings per unit because they are anti-dilutive for the periods presented.

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

As at			Non-cash changes				
	December 31, 2017	Cash Flows	Acquisition	Other items	Fair value changes	Foreign exchange	**March 31, 2018**
Fund units issued from treasury in connection with options exercised	$ -	$ 405	$ -	$ -	$ -	$ -	**$ -**
Long-term debt	257,976	2,638	1,499	43	-	3,457	**265,613**
Obligations under finance leases	8,921	(914)	-	257	-	195	**8,459**
Dividends and distributions	869	(2,619)	-	2,625	-	-	**875**
Non-controlling interest put options and call liability	21,242	-	-	-	103	591	**21,936**
Issue costs	-	(101)	-	-	-	-	**-**
	$ 289,008	(591)	1,499	2,925	103	4,243	**$ 296,883**

18. COMPARATIVE FIGURES

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