



BOYD GROUP SERVICES INC.

Consolidated Financial Statements

Year Ended December 31, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. 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 Boyd Group Services Inc.'s assets are safeguarded and that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting, disclosure control and internal control. The Board exercises these responsibilities through its Audit Committee, all members of which are not involved in the daily activities of Boyd Group Services Inc. The Audit Committee meets with management and, as necessary, with the independent auditors, Deloitte 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.

(signed)

Timothy O'Day
President & Chief Executive Officer

Winnipeg, Manitoba
March 21, 2023

(signed)

Jeff Murray
Vice President, Finance & Interim Chief Financial Officer

March 21, 2023

Independent Auditor's Report

To the Shareholders and the Board of Directors of
Boyd Group Services Inc.

Opinion

We have audited the consolidated financial statements of Boyd Group Services Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022 and 2021 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters

were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Goodwill and Intangible Assets — Canadian segment— Refer to the Financial Statement Notes 3 and 10

Key Audit Matter Description

The Company's evaluation of goodwill and intangible assets for impairment involves the comparison of the recoverable amount of each cash generating units to their carrying value. The Company used the discounted cash flow model to estimate the value-in-use of both the U.S. Segment and Canadian segment. As a result of the annual assessments of impairment of goodwill and intangible assets for the U.S. segment and Canadian segment, management has determined that there was no impairment of goodwill or intangible assets.

The continuing impact of the COVID-19 pandemic in Canada has resulted in a slower economic re-opening when compared to the U.S., as well as greater restrictions, which has caused a more significant decline in demand for services. As a result, we have identified the evaluation of the goodwill and intangible assets impairment analysis for the Canadian segment as a key audit matter. While there are several estimates and assumptions that are required to determine the recoverable amount of the Canadian segment, the estimates, and assumptions with the highest degree of subjectivity are future revenue and EBITDA forecasts and the selection of the discount rate. Auditing these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the future revenue and EBITDA forecasts and the selection of the discount rate used to determine the recoverable amount for the Canadian segment included the following, among others:

- Evaluated management's ability to accurately forecast future revenues, revenue growth rates, and EBITDA margins by comparing actual results to management's historical forecasts.
- Evaluated the reasonableness of the forecast of future revenues, revenue growth rates and operating margins by comparing the forecasts to:
 - Historical revenues and operating margins.
 - Known changes in the Company's operations and its industry, which are expected to impact future operating performance; and
 - Internal communications to management and the Board of Directors.
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates by testing the source information underlying the determination of the discount rates, developing a range of independent estimates, and comparing those to the discount rate selected by management.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we

determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael Boucher.

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 21, 2023

BOYD GROUP SERVICES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31,
(thousands of U.S. dollars)

	Note	2022	2021
Assets			
Current assets:			
Cash		\$ 15,068	\$ 27,714
Accounts receivable	17	139,266	103,024
Income taxes recoverable	8	5,666	7,576
Inventory	5	78,784	66,784
Prepaid expenses		36,520	29,554
		275,304	234,652
Property, plant and equipment	6	314,564	332,189
Right of use assets	7	568,437	502,036
Deferred income tax asset	8	3,815	1,737
Intangible assets	9	332,939	348,727
Goodwill	10	601,706	601,991
Other long-term assets	11	6,067	5,795
		\$ 2,102,832	\$ 2,027,127
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 307,729	\$ 258,423
Dividends payable	12	2,330	2,439
Current portion of long-term debt	13	15,365	13,887
Current portion of lease liabilities	14	98,870	92,924
		424,294	367,673
Long-term debt	13	344,806	428,186
Lease liabilities	14	519,056	450,423
Deferred income tax liability	8	62,885	48,602
Unearned rebates	15	5,194	5,809
		1,356,235	1,300,693
Equity			
Accumulated other comprehensive earnings	19	54,330	65,987
Retained earnings		88,183	56,720
Shareholders' capital	20	600,047	600,047
Contributed surplus	21	4,037	3,680
		746,597	726,434
		\$ 2,102,832	\$ 2,027,127

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

Approved by the Board:

TIMOTHY O'DAY
Director

DAVID BROWN
Director

BOYD GROUP SERVICES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(thousands of U.S. dollars except share amounts)

	Note	Shareholders' Capital		Contributed Surplus	Accumulated Other Comprehensive Earnings	Retained Earnings	Total Equity
		Shares	Amount				
Balances - January 1, 2021		21,472,194	\$ 600,047	\$ 3,604	\$ 65,157	\$ 42,872	\$ 711,680
Issue costs (net of tax of \$29)	21			(76)			(76)
Stock option accretion	21			152			152
Other comprehensive earnings					830		830
Net earnings						23,540	23,540
Comprehensive earnings					830	23,540	24,370
Dividends to shareholders	12					(9,692)	(9,692)
Balances - December 31, 2021		21,472,194	\$ 600,047	\$ 3,680	\$ 65,987	\$ 56,720	\$ 726,434
Stock option accretion	21	—	—	357			357
Other comprehensive loss					(11,657)		(11,657)
Net earnings						40,962	40,962
Comprehensive (loss) earnings					(11,657)	40,962	29,305
Dividends to shareholders	12					(9,499)	(9,499)
Balance - December 31, 2022		21,472,194	\$ 600,047	\$ 4,037	\$ 54,330	\$ 88,183	\$ 746,597

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

BOYD GROUP SERVICES INC.
CONSOLIDATED STATEMENTS OF EARNINGS
For the years ended December 31,
(thousands of U.S. dollars, except share and per share amounts)

		2022	2021
	<i>Note</i>		
Sales	24	\$ 2,432,318	\$ 1,872,670
Cost of sales		1,344,998	1,033,410
Gross profit		1,087,320	839,260
Operating expenses		813,820	619,716
Acquisition and transaction costs		1,700	5,835
Depreciation of property, plant and equipment	6	47,902	42,602
Depreciation of right of use assets	7	101,150	88,523
Amortization of intangible assets	9	26,567	22,569
Fair value adjustments	16	146	148
Finance costs		37,308	27,653
		1,028,593	807,046
Earnings before income taxes		58,727	32,214
Income tax expense			
Current	8	5,712	2,499
Deferred	8	12,053	6,175
		17,765	8,674
Net earnings		\$ 40,962	\$ 23,540

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

Basic and diluted earnings per share	29	\$ 1.91	\$ 1.10
Basic and diluted weighted average number of shares outstanding	29	21,472,194	21,472,194

BOYD GROUP SERVICES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
For the years ended December 31,
(thousands of U.S. dollars)

		2022	2021
Net earnings		\$ 40,962	\$ 23,540
Other comprehensive earnings			
Items that may be reclassified subsequently to Consolidated Statements of Earnings			
Change in unrealized earnings on foreign currency translation		(11,657)	830
Other comprehensive (loss) earnings		(11,657)	830
Comprehensive earnings		\$ 29,305	\$ 24,370

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

BOYD GROUP SERVICES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,
(thousands of U.S. dollars)

		2022	2021
	<i>Note</i>		
Cash flows from operating activities			
Net earnings		\$ 40,962	\$ 23,540
Adjustments for			
Fair value adjustments	16	146	148
Deferred income taxes	8	12,053	6,175
Finance costs		37,308	27,653
Amortization of intangible assets	9	26,567	22,569
Depreciation of property, plant and equipment	6	47,902	42,602
Depreciation of right of use assets	7	101,150	88,523
Other		(318)	(421)
		265,770	210,789
Changes in non-cash working capital items	31	(1,523)	(14,075)
		264,247	196,714
Cash flows from (used in) financing activities			
Issue costs		—	(105)
Increase in obligations under long-term debt	13	126,093	330,500
Repayment of long-term debt, principal	13	(211,863)	(83,504)
Repayment of obligations under property leases, principal	14	(92,203)	(82,622)
Repayment of obligations under vehicle and equipment leases, principal	14	(3,047)	(2,275)
Interest on long-term debt	13	(15,495)	(9,874)
Interest on property leases	14	(21,363)	(17,797)
Interest on vehicle and equipment leases	14	(432)	(302)
Dividends paid		(9,545)	(9,653)
Payment of financing costs	13	(514)	—
		(228,369)	124,368
Cash flows used in investing activities			
Proceeds on sale of equipment and software	6	2,745	1,145
Equipment purchases and facility improvements		(33,370)	(31,479)
Acquisition and development of businesses (net of cash acquired)	4	(71,706)	(317,488)
Software purchases and licensing	9	(259)	(4,917)
Increase in other long-term assets		(475)	(1,358)
Proceeds on sale / leaseback agreements	6	55,140	—
		(47,925)	(354,097)
Effect of foreign exchange rate changes on cash		(599)	(312)
Net decrease in cash position		(12,646)	(33,327)
Cash, beginning of year		27,714	61,041
Cash, end of year		\$ 15,068	\$ 27,714
Income taxes paid		\$ 3,857	\$ 4,014
Interest paid		\$ 36,911	\$ 27,554

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

BOYD GROUP SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(thousands of U.S. dollars, except share and per share amounts)

1. GENERAL INFORMATION

Boyd Group Services Inc. (“BGSI” or the “Company”) is a Canadian corporation and controls The Boyd Group Inc. and its subsidiaries.

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 Canada under the trade name Boyd Autobody & Glass and Assured Automotive, as well as in the U.S. under the trade name Gerber Collision & Glass. In addition, the Company is a major retail auto glass operator in the U.S. 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”), that offers glass, emergency roadside and first notice of loss services.

The shares of the Company are listed on the Toronto Stock Exchange and trade under the symbol “BYD.TO”. The head office and principal address of the Company are located at 1745 Ellice Avenue, Unit C1, Winnipeg, Manitoba, Canada, R3H 1A6.

The consolidated financial statements for the year ended December 31, 2022 (including comparatives) were approved and authorized for issue by the Board of Directors on March 21, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

The consolidated financial statements of BGSI have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The functional currency of Boyd Group Services Inc. is the Canadian dollar (“CAD”). These consolidated financial statements are presented in thousands of U.S. dollars (“USD”), except share and per share amounts.

b) Revenue recognition

BGSI is in the business of collision repair. The Company 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.

c) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

d) Property, plant and equipment

Property, plant and equipment assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

BOYD GROUP SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(thousands of U.S. dollars, except share and per share amounts)

Depreciation is calculated using the declining balance and straight line rates as disclosed in the property, plant and equipment note. Leasehold improvements are amortized on the straight line basis over the period of estimated benefit.

An item of property, plant and equipment is reclassified as held for sale or derecognized upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the Consolidated Statement of Earnings.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property, plant and equipment and any changes arising from the assessment are applied by BGSi prospectively.

e) Leases

At inception, the Company assesses whether a contract is or contains a lease. Leases are recognized as a right of use asset and a lease liability at the lease commencement date.

The Company recognizes a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases, defined as leases with a lease term of 12 months or less, and leases of low value assets. For these leases, the Company recognizes the lease payments as operating expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Right of use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation is recorded on a straight line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If the interest rate implicit in the leases cannot be readily determined, the Company uses its incremental borrowing rate. In order to calculate the incremental borrowing rate, reference interest rates are derived from the yields of corporate bonds in Canada and the U.S. The reference interest rates are supplemented by a leasing risk premium. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect lease payments made.

For sale leaseback transactions, the Company applies the requirements of IFRS 15 *Revenue from Contracts with Customers* to determine if the transfer qualifies as a sale. If the transfer qualifies as a sale, the Company derecognizes the asset and recognizes a right of use asset equal to the retained portion of the previous carrying amount of the sold asset. The residual is recognized as a gain on sale leaseback.

f) Consolidation

The financial statements of the Company consolidate the accounts of the Company and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

BOYD GROUP SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(thousands of U.S. dollars, except share and per share amounts)

g) Business combinations, goodwill and other intangible assets

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. The cost of the acquisition is measured at the aggregate of the fair values (at the acquisition date) of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquired company. Acquisition costs are expensed as incurred. The acquired company's identifiable assets (including previously unrecognized intangible assets), liabilities and contingent liabilities are recognized at their fair values at the acquisition date.

Goodwill represents the excess of the cost of an acquisition over the fair value of BGSI's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses.

Intangible assets are recognized only when it is probable that the expected future economic benefits attributable to the assets will accrue to the Company and the cost can be reliably measured. Intangible assets acquired in a business combination are recorded at fair value. Intangible assets that do not have indefinite lives are amortized over their useful lives using an amortization method which reflects the economic benefit of the intangible asset. Customer relationships are amortized on a straight-line basis over the expected period of benefit of 20 years. Contractual rights, which consist of non-compete agreements and favourable lease agreements, are amortized on a straight-line basis over the term of the contract. Software is amortized on a straight-line basis over periods of three and five years. Brand names which the Company continues to use in the conduct of its business are considered indefinite life because their value is not expected to degrade over time. To the extent the Company decides to discontinue the use of a certain brand, an estimate of the remaining useful life is made and the intangible asset is amortized over the remaining period.

h) Impairment of non-financial assets

Property, plant and equipment and definite life intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating unit or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Goodwill and indefinite lived intangible assets are reviewed for impairment annually or at any time if an indicator of impairment exists. As well, newly acquired goodwill is reviewed for impairment at the end of the year in which it was acquired.

Goodwill acquired through a business combination is allocated to each CGU, or group of CGUs, that are expected to benefit from the related business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Impairment losses on goodwill are not reversed.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

BOYD GROUP SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(thousands of U.S. dollars, except share and per share amounts)

j) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the Consolidated Statement of Earnings except to the extent that it relates to items recognized directly in equity, in which case the income tax is recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by BGSi and it is probable that the temporary difference will not reverse in the foreseeable future.

k) Unearned rebates

Prepaid purchase rebates are recorded as unearned rebates on the statement of financial position and amortized, as a reduction of the cost of purchases, on a straight-line basis over the term of the contract.

l) Shareholders' capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

m) Share-based compensation plans

Equity settled plans

The Company's stock option plan allows for the granting of options up to an amount of 250,000 Common shares. Each tranche of the options vests equally over two, three, four and five year periods. Options are awarded and vest over a five year period. The term of an option shall be determined and approved by the People, Culture and Compensation Committee; provided that the term shall be no longer than ten years from the grant date. The fair value of each option is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the option vesting period, based on the number of options expected to vest, with the offset credited to contributed surplus.

Cash settled plans

The Company's Performance Share Units, Restricted Share Units and Directors Deferred Share Unit Plan are cash settled share-based payments. The fair value of each outstanding Performance Share Unit and Restricted Share Unit is estimated based on the fair market value of the Company's units/shares at the grant date, subsequently adjusted for additional shares granted based on the reinvestment of notional dividends and the market value of the shares at the end of each reporting period. The associated compensation expense is recognized over the vesting period, factoring in the probability of the performance criteria being met during that period. The fair value of each outstanding Director Deferred Share Unit is estimated based on the fair market value of the BGSi's shares at the grant date, subsequently adjusted for additional shares

BOYD GROUP SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(thousands of U.S. dollars, except share and per share amounts)

granted based on the reinvestment of notional dividends and the market value of the shares at the end of each reporting period.

n) Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing the net earnings for the period attributable to equity owners of the Company by the weighted average number of shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of shares outstanding and corresponding earnings impact for dilutive instruments. The Company’s potentially dilutive instruments consist of stock options. The dilutive impact of the stock options are calculated using the treasury stock method.

o) Foreign currency translation

Items included in the financial statements of each subsidiary are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Company operates with multiple functional currencies. The consolidated financial statements are presented in U.S. dollars as this provides a better reflection of the Company’s business activities, given the significance of revenues denominated in U.S. dollars. Entities that have a functional currency different from that of U.S. dollars are translated into U.S. dollars. Assets and liabilities are translated into U.S. dollars at the noon rate of exchange prevailing at the statement of financial position dates and income and expense items are translated at the average exchange rate during the period (as this is considered a reasonable approximation to actual rates). The adjustment arising from the translation of these accounts is recognized in other comprehensive earnings (loss) as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive earnings (loss) related to the foreign operation are recognized in earnings. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive earnings related to the subsidiary are reallocated between controlling and non-controlling interests.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation’s functional currency are recognized in earnings.

p) Financial instruments

Recognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Classification

BGSI classifies its financial assets and liabilities in the following categories depending on the Company’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 (“FVPL”) or through OCI, and
- Those to be measured at amortized cost

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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 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 are classified as financial assets or financial liabilities at FVPL with mark-to-market adjustments being recorded to net earnings at each period end.

Measurement

At initial recognition, BGSi measures a financial asset at its fair value. In the case of a financial asset not measured at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset are included in the initial fair value. 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

q) Pensions and other post-retirement benefits

The Company contributes to defined contribution pension plans of certain employees. Contributions are recognized within operating expenses at an amount equal to contributions payable for the period. Any outstanding contributions are recognized as liabilities within accrued liabilities.

r) Provisions

Provisions are recognized when BGSi has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is significant. The increase in the provision due to the passage of time is recognized as a finance cost.

s) Segment reporting

The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the joint responsibility of the President and Chief Executive Officer of BGSi and the Chief Financial Officer of BGSi.

The Company's primary line of business is automotive collision and glass repair and related services, with the majority of revenues relating to this group of similar services. This line of business operates in Canada and the U.S. and both regions exhibit similar long-term economic characteristics. In this circumstance, IFRS requires the Company to provide specific geographical disclosure. For the years reported, the Company's revenues were derived within Canada or the U.S. and all property, plant and equipment, right of use assets, goodwill and intangible assets are located within these two geographic areas.

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t) *Government assistance*

Government grants are recognized at their fair value in accordance with *IAS 20, Accounting for Government Grants and Disclosure of Government Assistance*, when there is reasonable assurance that the grant will be received and any specified conditions are met.

Grants received in relation to COVID-19 relief are recorded in the Consolidated Statement of Earnings as a reduction of cost of sales, operating expenses and finance costs when it is determined there is reasonable assurance the grants will be received.

u) *Reporting Interest Paid on the Statement of Cash Flows*

In accordance with IAS 7 Statement of Cash Flows, the Company has made the accounting policy choice to disclose these amounts as “Financing Activities” in the cash flow statement as this best reflects the nature of these expenses.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

COVID-19 Impact, Inflationary Cost Environment and Supply Chain Disruption

The COVID-19 pandemic impacted the demand for collision repair services throughout 2020 and 2021 and continued to impact demand in Canada during the first and second quarters of 2022. A slower economic re-opening, as well as greater restrictions, caused a more significant decline in demand for services in Canada when compared to the U.S.

During 2022, the ability to service demand has been impacted by supply chain disruption, which has delayed the completion of many repairs and has resulted in high levels of work in process.

As at December 31, 2022, BGSi is not able to reliably forecast the severity or duration that pandemic related issues, including staffing constraints, wage and parts inflation, and supply chain disruption, will have on the economy, or on BGSi's operations. The extent to which the impacts of these disruptions affect the judgments and estimates depend on future developments, which are highly uncertain and cannot be predicted. Management will continue to monitor and assess the impact of pandemic related issues on its judgments, estimates, accounting policies and amounts recognized in these consolidated financial statements.

Critical accounting estimates

BGSi makes estimates, including the assumptions applied therein, concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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Impairment of Goodwill and Intangible Assets

When testing goodwill and intangibles for impairment, BGSi uses a five year forward looking discounted cash flow of the cash generating unit (“CGU”) or group of CGU’s to which the asset relate. An estimate of the recoverable amount is then calculated as the higher of an asset’s fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The methods used to value intangible assets and goodwill require critical estimates to be made regarding the future cash flows and useful lives of the intangible assets. Goodwill and intangible asset impairments, when recognized, are recorded as a separate charge to earnings, and could materially impact the operating results of the Company for any particular accounting period. A slower economic re-opening, as well as greater restrictions, caused a more significant decline in demand for services in Canada when compared to the U.S.; however, BGSi concluded that there was no impairment of goodwill or intangible assets as a result of the assessment as at December 31, 2022.

Impairment of Other Long-lived Assets

BGSi assesses the recoverability of its long-lived assets, other than goodwill and intangibles, after considering the potential impairment indicated by such factors as business and market trends, the Company’s ability to transfer the assets, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates the future cash flows expected to result from the use of the assets and their potential disposition. If the discounted sum of the expected future cash flows is less than the carrying value of the assets generating those cash flows, an impairment loss would be recognized based on the excess of the carrying amounts of the assets over their estimated recoverable value. The underlying estimates for cash flows include estimates for future sales, gross margin rates and operating expenses. Changes which may impact these estimates include, but are not limited to, business risks and uncertainties and economic conditions. To the extent that management’s estimates are not realized, future assessments could result in impairment charges that may have a material impact on the Company’s consolidated financial statements.

Business Combinations

Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to property, plant and equipment and intangible assets acquired and liabilities assumed on acquisition. The determination of these fair values involves analysis including the use of discounted cash flows, estimated future margins, future growth rates, market rents and capitalization rates. There is estimation in this analysis and actual results could differ from estimates.

Fair Value of Financial Instruments

BGSi has applied discounted cash flow methods to establish the fair value of certain financial liabilities recorded on the Consolidated Statement of Financial Position, as well as disclosed in the notes to the consolidated financial statements. BGSi also establishes mark-to-market valuations for derivative instruments, which are assumed to represent the current fair value of these instruments. These valuations rely on assumptions regarding interest and exchange rates as well as other economic indicators, which at the time of establishing the fair value for disclosure, have a high degree of uncertainty. Unrealized gains or losses on these derivative financial instruments may not be realized as markets change.

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Income Taxes

BGSI is subject to income tax in several jurisdictions and estimates are used to determine the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. Uncertain tax liabilities may be recognized when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Critical judgments in applying the entity's accounting policies

Deferred Tax Assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on BGSI's latest forecasts which are adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which BGSI operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. The judgments inherent in these assessments are subject to uncertainty and if changed could materially affect the BGSI's assessment of its ability to realize the benefit of these tax assets.

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4. ACQUISITIONS

The Company completed 20 acquisitions that added 23 collision repair locations during the year ended December 31, 2022 as follows:

Acquisition Date	Location
January 3, 2022	Springhill & Thompson's Station, TN (2 locations)
February 11, 2022	Signal Hill, CA
March 18, 2022	Bossier City & Shreveport, LA (2 locations)
March 28, 2022	New Smyrna Beach, FL
March 31, 2022	Eau Claire and Plover, WI (2 locations)
April 29, 2022	Indian Trail, NC
May 13, 2022	Marion, NC
May 31, 2022	Elkhorn, WI
July 8, 2022	Roseville, CA
July 29, 2022	Orangevale, CA
September 2, 2022	La Crosse, WI
September 6, 2022	Brownwood, TX
September 9, 2022	Yakima, WA
September 30, 2022	Sacramento, CA
October 7, 2022	Tulsa, OK
November 4, 2022	Wausau, WI
November 28, 2022	Sulphur, LA
November 28, 2022	Lake Charles, LA
December 30, 2022	Tallahassee, FL
December 30, 2022	Colorado Springs, CO

During the first quarter of 2022, the Company also acquired a single location glass business in Minnesota. During the third quarter of 2022, the Company opened a single location glass business in California and acquired a four location glass business in Florida. During the fourth quarter of 2022, the Company acquired a single location glass business in Wisconsin.

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The Company has accounted for the 2022 acquisitions using the acquisition method as follows:

Acquisitions in 2022	Total acquisitions
Identifiable net assets acquired at fair value:	
Other currents assets	\$ 960
Property, plant and equipment	11,055
Right of use assets	18,179
Identified intangible assets	
Customer relationships	13,903
Non-compete agreements	466
Lease liabilities	(18,179)
Identifiable net assets acquired	\$ 26,384
Goodwill	6,190
Total purchase consideration	\$ 32,574
Consideration provided	
Cash paid or payable	\$ 28,699
Seller notes	3,875
Total consideration provided	\$ 32,574

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The Company completed 39 acquisitions that added 101 locations during the year ended December 31, 2021 as follows:

Acquisition Date	Location
January 15, 2021	Wyandotte, MI
February 12, 2021	Columbia, SC
February 19, 2021	Mentor & Streetsboro, OH (2 locations)
February 23, 2021	Amarillo, TX
March 26, 2021	Simi Valley, CA
March 26, 2021	Tallahassee, FL (3 locations)
March 31, 2021	Milwaukee, WI
April 9, 2021	Vero Beach, FL
April 23, 2021	Escondido, CA
April 27, 2021	Denton and Flour Mound, TX (2 locations)
April 30, 2021	Green Bay, WI
April 30, 2021	Sanford and Southern Pines, NC (2 locations)
May 7, 2021	Kaneohe, Wahiawa & Waipahu, HI (3 locations)
May 14, 2021	Baltimore & Reisterstown, MD (2 locations)
June 11, 2021	Victor, NY
June 15, 2021	Pittsburgh, PA
June 18, 2021	Austin, TX (2 locations)
June 25, 2021	Georgia & South Carolina (16 locations)
July 9, 2021	La Habra, CA
July 16, 2021	Appleton, WI
July 31, 2021	Oklahoma, Kansas & Missouri (35 locations)
August 13, 2021	Eagle River, Minocqua, Rhinelander & Tomahawk, WI (4 locations)
August 13, 2021	San Diego, CA
August 20, 2021	Springfield, MO
August 31, 2021	Austin, TX
September 7, 2021	Ankeny, IA
September 17, 2021	Shreveport, LA
September 17, 2021	Burbank, IL
September 27, 2021	Erie, PA
October 1, 2021	Clarence, NY
October 8, 2021	Brighton, MI
October 15, 2021	Medina & North Ridgeville, OH (2 locations)
October 22, 2021	Sycamore, IL
October 29, 2021	Cornwall, ON
November 12, 2021	London, ON
November 16, 2021	Westfield, WI
November 19, 2021	Verona, WI
December 3, 2021	Hudson, WI
December 10, 2021	Peterborough, ON

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During the second quarter of 2021, the Company acquired a mobile scanning and calibration business. During the third quarter of 2021, the Company acquired a glass business.

The Company has accounted for the 2021 acquisitions using the acquisition method as follows:

Acquisitions in 2021	Total acquisitions
Identifiable net assets acquired at fair value:	
Cash	\$ 2,258
Other current assets	10,063
Property, plant and equipment	44,231
Right of use assets	140,273
Identified intangible assets	
Customer relationships	85,079
Non-compete agreements	3,606
Brand name	1,077
Liabilities assumed	(10,707)
Lease liabilities	(140,273)
Identifiable net assets acquired	\$ 135,607
Goodwill	137,836
Total purchase consideration	\$ 273,443
Consideration provided	
Cash paid or payable	\$ 258,873
Seller notes	14,570
Total consideration provided	\$ 273,443

The preliminary purchase prices for the 2022 acquisitions may be revised as additional information becomes available. Further adjustments may be recorded in future periods as purchase price adjustments are finalized.

Canadian acquisition transactions are initially recognized in U.S. 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 Consolidated 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.

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Goodwill recognized during 2022 is expected to be deductible for tax purposes.

On the statement of cash flows, included as part of cash used for acquisition and development of business were costs related to the acquisition of businesses, as well as the development of businesses which consisted primarily of property, plant and equipment additions.

The results of operations reflect the revenues and expenses of acquired operations from the date of acquisition. During 2022, revenue contributed by 2022 acquisitions since being acquired were \$27,138. Net losses incurred by 2022 acquisitions since being acquired were \$643. If 2022 acquisitions had been acquired on January 1, 2022, BGSI's revenue and net earnings for the year ended December 31, 2022 would have been \$2,461,482 and \$38,968 (unaudited), respectively.

5. INVENTORY

As at	December 31, 2022	December 31, 2021
Parts and materials	\$ 20,734	\$ 20,837
Work in process	58,050	45,947
	\$ 78,784	\$ 66,784

Included in cost of sales for the year ended December 31, 2022 are parts and material costs of \$794,017 (2021 – \$615,418) and labour costs of \$389,609 (2021 – \$295,671) with the balance of cost of sales primarily made up of sublet charges.

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6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Shop Equipment	Office Equipment	Computer Hardware	Signage	Vehicles	Leasehold Improvements	Total
Depreciation rates		5%	15%	20%	30%	15%	30%	10 to 25 years straight line	
As at January 1, 2022									
Cost	\$29,538	\$46,782	\$224,502	\$17,437	\$30,364	\$15,917	\$7,430	\$187,034	\$559,004
Accumulated depreciation	—	(5,195)	(104,411)	(10,402)	(19,174)	(7,711)	(5,505)	(74,417)	(226,815)
Net book value	\$29,538	\$41,587	\$120,091	\$7,035	\$11,190	\$8,206	\$1,925	\$112,617	\$332,189
For the year ended December 31, 2022									
Acquired through business combinations	1,034	1,416	4,326	—	—	—	253	4,026	11,055
Additions	1,741	6,752	22,720	2,332	5,801	3,775	1,738	32,355	77,214
Proceeds on disposal	(21,016)	(26,282)	(27)	(6)	—	—	(825)	(9,729)	(57,885)
Gain (loss) on disposal	—	(373)	(17)	20	(22)	(2)	528	369	503
Transfers from right of use assets	—	(460)	—	—	—	38	279	422	279
Depreciation	—	(1,361)	(20,601)	(1,810)	(4,539)	(1,599)	(808)	(17,184)	(47,902)
Foreign exchange	(33)	(68)	(459)	(24)	(48)	(44)	(4)	(209)	(889)
Net book value	\$11,264	\$21,211	\$126,033	\$7,547	\$12,382	\$10,374	\$3,086	\$122,667	\$314,564
As at December 31, 2022									
Cost	\$11,264	\$24,371	\$248,390	\$19,457	\$35,441	\$19,483	\$9,218	\$211,907	\$579,531
Accumulated depreciation	—	(3,160)	(122,357)	(11,910)	(23,059)	(9,109)	(6,132)	(89,240)	(264,967)
Net book value	\$11,264	\$21,211	\$126,033	\$7,547	\$12,382	\$10,374	\$3,086	\$122,667	\$314,564

During the year ended December 31, 2022, BGSJ completed sale leaseback transactions for 36 properties for total proceeds of \$55,140. The properties will continue to operate under 15-year leases entered into under these sale-leaseback agreements. The increase in start-up locations resulted in a build up of real estate assets. The Company's strategy has been to not hold real estate. The sale leaseback transactions allowed the Company to replenish capital while continuing to use these properties. Of the sale leaseback transactions, 26 relate to properties that are current operating locations for the Company and 10 relate to start-up locations currently under development.

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	Land	Buildings	Shop Equipment	Office Equipment	Computer Hardware	Signage	Vehicles	Leasehold Improvements	Total
Depreciation rates		5%	15%	20%	30%	15%	30%	10 to 25 years straight line	
As at January 1, 2021									
Cost	\$10,149	\$27,212	\$183,037	\$15,403	\$26,314	\$13,955	\$6,746	\$143,144	\$425,960
Accumulated depreciation	—	(3,472)	(87,031)	(8,998)	(15,670)	(6,644)	(5,435)	(60,765)	(188,015)
Net book value	\$10,149	\$23,740	\$96,006	\$6,405	\$10,644	\$7,311	\$1,311	\$82,379	\$237,945
For the year ended December 31, 2021									
Acquired through business combinations	2,953	6,098	19,383	—	—	—	873	14,924	44,231
Additions	16,434	13,454	23,357	2,190	4,226	2,220	498	30,618	92,997
Proceeds on disposal	(6)	(9)	(8)	—	—	—	(991)	(131)	(1,145)
Gain (loss) on disposal	6	9	(55)	(9)	(3)	(30)	409	—	327
Transfers from right of use assets	—	10	214	(37)	(9)	1	324	(175)	328
Depreciation	—	(1,723)	(18,857)	(1,517)	(3,668)	(1,300)	(502)	(15,035)	(42,602)
Foreign exchange	2	8	51	3	—	4	3	37	108
Net book value	\$29,538	\$41,587	\$120,091	\$7,035	\$11,190	\$8,206	\$1,925	\$112,617	\$332,189
As at December 31, 2021									
Cost	\$29,538	\$46,782	\$224,502	\$17,437	\$30,364	\$15,917	\$7,430	\$187,034	\$559,004
Accumulated depreciation	—	(5,195)	(104,411)	(10,402)	(19,174)	(7,711)	(5,505)	(74,417)	(226,815)
Net book value	\$29,538	\$41,587	\$120,091	\$7,035	\$11,190	\$8,206	\$1,925	\$112,617	\$332,189

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7. RIGHT OF USE ASSETS

As at	Property		Vehicles		Equipment		December 31, 2022
Balance, beginning of period	\$	494,700	\$	7,299	\$	37	\$ 502,036
Acquired through business combinations		18,179		—		—	18,179
Additions and modifications		148,047		5,102		—	153,149
Depreciation		(98,179)		(2,960)		(11)	(101,150)
Transfers to property, plant and equipment		—		(279)		—	(279)
Foreign exchange		(3,493)		(3)		(2)	(3,498)
Net book value	\$	559,254	\$	9,159	\$	24	\$ 568,437

During the year ended December 31, 2022, BGSJ completed sale leaseback transactions for 36 properties for total proceeds of \$55,140. The properties will continue to operate under 15-year leases entered into under these sale-leaseback agreements. The increase in start-up locations resulted in a build up of real estate assets. The Company's strategy has been to not hold real estate. The sale leaseback transactions allowed the Company to replenish capital while continuing to use these properties. Of the sale leaseback transactions, 26 relate to properties that are current operating locations for the Company and 10 relate to start-up locations currently under development.

	Property		Vehicles		Equipment		December 31, 2021
Balance, beginning of period	\$	376,105	\$	5,813	\$	48	\$ 381,966
Acquired through business combinations		140,273		—		—	140,273
Additions and modifications		64,467		3,994		—	68,461
Depreciation		(86,327)		(2,185)		(11)	(88,523)
Loss on disposal		—		—		—	—
Transfers to property, plant and equipment		—		(328)		—	(328)
Foreign exchange		182		5		—	187
Net book value	\$	494,700	\$	7,299	\$	37	\$ 502,036

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8. INCOME TAXES

BGSI accounts for deferred income tax assets and liabilities in respect of accounting and tax basis differences. Deferred income tax assets and liabilities which relate to the same jurisdiction are netted on the Consolidated Statement of Financial Position.

- a. The reconciliation between income tax expense and the accounting earnings multiplied by the combined basic Canadian and U.S. federal, provincial and state tax rates is as follows:

	For the years ended December 31,	
	2022	2021
Earnings before income taxes	\$ 58,727	\$ 32,214
Combined basic Canadian and U.S. federal, provincial and state tax rates	26.19 %	26.36 %
Income tax expense at combined statutory tax rates	\$ 15,381	\$ 8,492
Adjustments for the tax effect of:		
Additional state tax liability	2,039	—
Other non-deductible expenses	285	130
Other	60	52
Income tax expense	\$ 17,765	\$ 8,674

- b. Deferred income taxes consist of the Canadian and U.S. tax jurisdictions, respectively, as follows:

As at	December 31, 2022	December 31, 2021
Intangible assets	\$ (4,589)	\$ (4,272)
Non-capital losses carried forward	4,635	2,430
Accrued liabilities	198	195
Property, plant and equipment	(32)	(314)
Issue costs	900	1,446
Right of use assets net of lease liabilities	1,630	1,522
Other	1,073	730
Deferred income tax asset	\$ 3,815	\$ 1,737

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As at	December 31, 2022	December 31, 2021
Intangible assets	\$ 44,280	\$ 36,288
Net operating losses carried forward	—	(8,158)
Accrued liabilities	(10,989)	(5,001)
Property, plant and equipment	45,808	40,038
Acquisition costs	(3,713)	(3,964)
Right of use assets net of lease liabilities	(11,224)	(9,255)
Other	(1,277)	(1,346)
Deferred income tax liability	\$ 62,885	\$ 48,602

c. The movement in deferred income tax assets and liabilities in Canada and U.S. tax jurisdictions, respectively, during the year is as follows:

Deferred income tax asset as at	December 31, 2022	December 31, 2021
Balance, beginning of year	\$ 1,737	\$ 649
Issue costs	—	—
Deferred income tax recovery	2,230	1,072
Foreign exchange	(152)	\$ 16
Balance, end of year	\$ 3,815	\$ 1,737

Deferred income tax liability as at	December 31, 2022	December 31, 2021
Balance, beginning of year	\$ 48,602	\$ 41,355
Deferred income tax expense	14,283	7,247
Foreign exchange	—	—
Balance, end of year	\$ 62,885	\$ 48,602

d. Deferred income tax assets are recognized to the extent it is probable that sufficient future taxable income will be available to allow a deferred income tax asset to be realized. At December 31, 2022 BGSI has recognized all of its deferred income tax assets with the exception of \$5,545 (2021 - \$5,898) in capital losses available in Canada. At December 31, 2022 the Company has non-capital losses in Canada of \$17,770 (2021 - \$9,238) and net operating losses in the U.S. of \$nil (2021 - \$31,376).

The losses in Canada expire as follows:

Year of expiry	
2039	\$ 1,443
2040	\$ —
2041	\$ 1,864
2042	\$ 14,463

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9. INTANGIBLE ASSETS

	Customer Relationships	Brand Name	Software	Non-compete Agreements	Favourable Lease Agreements	Total
As at January 1, 2021						
Cost	\$317,293	\$22,556	\$8,041	\$19,720	\$6,301	\$373,911
Accumulated amortization	(71,738)	(4,962)	(5,123)	(13,610)	(2,097)	(97,530)
Net book value	\$245,555	\$17,594	\$2,918	\$6,110	\$4,204	\$276,381
For the year ended December 31, 2021						
Acquired through business combinations	85,079	1,077	—	3,606	—	89,762
Additions	—	—	4,917	—	—	4,917
Amortization	(17,793)	(208)	(1,138)	(3,010)	(420)	(22,569)
Foreign exchange	218	48	(55)	22	3	236
Net book value	\$313,059	\$18,511	\$6,642	\$6,728	\$3,787	\$348,727
As at December 31, 2021						
Cost	\$402,598	\$23,681	\$12,464	\$23,353	\$6,301	\$468,397
Accumulated amortization	(89,539)	(5,170)	(5,822)	(16,625)	(2,514)	(119,670)
Net book value	\$313,059	\$18,511	\$6,642	\$6,728	\$3,787	\$348,727
For the year ended December 31, 2022						
Acquired through business combinations	13,903	—	—	466	—	14,369
Additions	—	—	252	7	—	259
Amortization	(20,563)	(292)	(2,684)	(2,608)	(420)	(26,567)
Foreign exchange	(2,855)	(706)	(268)	(17)	(3)	(3,849)
Net book value	\$303,544	\$17,513	\$3,942	\$4,576	\$3,364	\$332,939
As at December 31, 2022						
Cost	\$412,705	\$22,974	\$11,640	\$23,203	\$6,305	\$476,827
Accumulated amortization	(109,161)	(5,461)	(7,698)	(18,627)	(2,941)	(143,888)
Net book value	\$303,544	\$17,513	\$3,942	\$4,576	\$3,364	\$332,939

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10. GOODWILL

As at	December 31, 2022	December 31, 2021
Balance, beginning of year	\$ 601,991	\$ 463,734
Acquired through business combination	6,190	137,836
Foreign exchange	(6,475)	421
Balance, end of period	\$ 601,706	\$ 601,991

The COVID-19 pandemic impacted the demand for collision repair services throughout 2020 and 2021 and continued to impact demand in Canada during the first and second quarters of 2022. A slower economic re-opening, as well as greater restrictions, caused a more significant decline in demand for services in Canada when compared to the U.S., which continued to have an impact on operations and resulted in lower financial performance than initial budgeted expectations in Canada during 2022. As such, the ongoing impact of COVID-19 continued to be a trigger to assess the carrying amount of goodwill as at December 31, 2022.

When testing goodwill for impairment, BGSi uses a five year forward looking discounted cash flow of the cash generating unit (“CGU”) or group of CGU’s to which the asset relate. BGSi has used the fair value less costs to sell method to evaluate the carrying amount of goodwill. The key assumptions used in the assessment include an estimate of current and future cash flows, taxes, future acquisition growth, future capital expenditures, a terminal growth rate of 3% and a weighted average cost of capital of 9% to 11%. A slower economic re-opening, as well as greater restrictions, caused a more significant decline in demand for services in Canada when compared to the U.S. There remains judgement and estimation in the timing and degree to which demand for services in Canada recovers to pre-COVID levels. BGSi concluded that there was no impairment to the carrying amount of goodwill as at December 31, 2022. The carrying amount of goodwill for the Canadian segment was \$94,674 as at December 31, 2022.

Sensitivity testing is conducted as part of the annual impairment tests. After considering all key assumptions, management considers that a reasonably possible change in only the following assumptions would cause the Canadian segment’s carrying amount to exceed its recoverable amount:

- If the discount rate increased by approximately 1.3%
- If Adjusted EBITDA margins are lower by approximately 1.3% throughout the forecast period, representing a 12% decline in Adjusted EBITDA.

Earnings before interest, taxes, depreciation and amortization (“EBITDA”) is not a calculation defined in IFRS. EBITDA comprises sales less operating expenses before finance costs, amortization and depreciation, and income taxes. Adjusted EBITDA is calculated to exclude acquisition and transaction costs and fair value adjustments to contingent consideration, which do not relate to the current operating performance of the business units but are typically costs incurred to expand operations.

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11. OTHER LONG TERM ASSETS

Other long term assets consist primarily of rent deposits in the amount of \$3,463 (2021 - \$3,783), which are long term in nature.

Investments which do not qualify for equity treatment are recorded as other long term assets at cost. Any derivatives associated with such investments are recorded at fair value, with fair value adjustments recorded to earnings. The value of such derivatives was \$nil as at December 31, 2022 (2021 - \$nil).

12. DIVIDENDS

The Company's Directors have discretion in declaring dividends. The Company declares and pays dividends from 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.

The Company declared dividends of C\$0.144 per share in the first, second and third quarters of 2022 and C\$0.147 in the fourth quarter of 2022. The Company declared dividends of C\$0.141 per share in the first, second and third quarter of 2021 and C\$0.144 in the fourth quarter of 2021.

Dividends to shareholders were declared and paid in thousands of U.S. dollars as follows:

Record date	Payment date	Dividend amount
March 31, 2022	April 27, 2022	\$ 2,441
June 30, 2022	July 27, 2022	2,413
September 30, 2022	October 27, 2022	2,321
December 31, 2022	January 27, 2023	2,324
		<hr/>
		\$ 9,499

Record date	Payment date	Dividend amount
March 31, 2021	April 28, 2021	\$ 2,408
June 30, 2021	July 28, 2021	2,478
September 30, 2021	October 27, 2021	2,389
December 31, 2021	January 27, 2022	2,417
		<hr/>
		\$ 9,692

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13. LONG-TERM DEBT

The Company has a credit facility agreement expiring in March 2025 which consists of a revolving credit facility of \$550,000 with an accordion feature which can increase the facility to a maximum of \$825,000 (the “revolving credit facility”, or the “facility”). The revolving credit facility is accompanied by a seven-year fixed-rate Term Loan A in the amount of \$125,000 at an interest rate of 3.455%. The revolving credit facility is with a syndicate of Canadian and U.S. banks and is secured by the shares and assets of the Company as well as guarantees by BGSi and subsidiaries, while Term Loan A is with one of the syndicated banks. The interest rate for draws on the revolving credit facility are based on a pricing grid of BGSi’s ratio of total funded debt to EBITDA as determined under the credit agreement. The Company can draw the facility in either the U.S. or in Canada, in either U.S. or Canadian dollars. The Company can make draws in tranches as required. Tranches bear interest only and are not repayable until the maturity date but can be voluntarily repaid at any time. The Company has the ability to choose the base interest rate between Prime, Bankers Acceptances (“BA”), U.S. Prime or London Inter Bank Offer Rate (“LIBOR”) until it is decommissioned and allowing for the use of the Secured Overnight Financing Rate (“SOFR”) at the Company’s election. The total syndicated facility includes a swing line up to a maximum of \$10,000 U.S. in Canada and \$30,000 in the U.S. At December 31, 2022, the Company has drawn \$186,500 U.S. (December 31, 2021 - \$264,500 U.S.) and \$9,000 Canadian (December 31, 2021 - \$nil) on the revolving credit facility and swing line and \$125,000 U.S. (December 31, 2021 - \$125,000) on the Term Loan A.

Under the revolving credit facility, the Company is subject to certain financial covenants which must be maintained to avoid acceleration of the termination of the credit agreement. The financial covenants require BGSi to maintain a senior funded debt to EBITDA ratio of less than 3.50 and an interest coverage ratio of greater than 2.75. For four quarters following a material acquisition, the senior funded debt to EBITDA ratio may be increased to less than 4.00. For purposes of covenant calculations, property lease payments are deducted from EBITDA, and EBITDA is further adjusted to reflect pro-forma annualized acquisition results.

On March 21, 2022, the Company amended the Credit Agreement to provide for a covenant flex period from January 1, 2022 to March 30, 2023 and to provide for revisions to interest rates, allowing for the use of LIBOR until it is decommissioned and allowing for the use of the Secured Overnight Financing Rate (“SOFR”) at the Company’s election. During the covenant flex period, the financial covenants require BGSi to maintain a senior funded debt to EBITDA ratio of less than 4.00 from March 21, 2022 to March 30, 2022, less than 4.50 from March 31, 2022 to September 29, 2022, less than 4.25 from September 30, 2022 to December 30, 2022 and less than 4.00 from December 31, 2022 to March 30, 2023. For four quarters following a material acquisition during the covenant flex period, the senior funded debt to EBITDA ratio may be increased by up to 0.50, never exceeding 4.50.

Financing costs of \$1,395 incurred during 2020 to complete the third amended and restated credit agreement and financing costs of \$514 incurred during 2022 to provide for a covenant flex period have been deferred. These fees are amortized to finance costs on a straight line basis over the five year term of the third amended and restated credit agreement and over the seven year term for fees incurred related to Term Loan A. The unamortized deferred financing costs of \$1,043 have been netted against the debt drawn as at December 31, 2022.

As at December 31, 2022, the Company was in compliance with all financial covenants.

Seller notes payable of \$43,069 (of which \$43,008 are U.S. denominated) on the financing of certain acquisitions are unsecured, at interest rates ranging from 3% to 8%. The notes are repayable from January 2023 to January 2028 in the same currency as the related note.

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Long-term debt is comprised of the following:

As at	December 31, 2022	December 31, 2021
Revolving credit facility & swing line (net of financing costs)	\$ 192,343	\$ 263,802
Term Loan A (net of financing costs)	124,759	124,680
Seller notes	43,069	53,591
	\$ 360,171	\$ 442,073
Current portion	15,365	13,887
	\$ 344,806	\$ 428,186

The following is the continuity of long-term debt:

As at	December 31, 2022	December 31, 2021
Balance, beginning of period	\$ 442,073	\$ 180,228
Consideration on acquisition	3,875	14,570
Draws	126,093	330,500
Repayments	(211,863)	(83,504)
Deferred financing costs	(514)	—
Amortization of deferred finance costs	406	286
Foreign exchange	101	(7)
Balance, end of period	\$ 360,171	\$ 442,073

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

Principal Payments	December 31, 2022
Less than 1 year	\$ 15,365
1 to 5 years	344,806
Greater than 5 years	—
	\$ 360,171

Included in finance costs for the year ended December 31, 2022 is interest on long-term debt of \$15,495 (2021 - \$9,874).

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14. LEASE LIABILITIES

The following is the continuity of lease liabilities:

	December 31, 2022	December 31, 2021
Balance, beginning of period	\$ 543,347	\$ 419,311
Assumed on acquisition	18,179	140,273
Additions and modifications	155,560	68,461
Repayments	(117,045)	(102,996)
Financing costs	21,795	18,099
Foreign exchange	(3,910)	199
Balance, end of period	\$ 617,926	\$ 543,347
Current portion	98,870	92,924
	\$ 519,056	\$ 450,423

Lease expenses are presented in the Consolidated Statement of Earnings as follows:

	Year ended December 31,	
	2022	2021
Operating expenses	\$ 6,037	\$ 4,928
Depreciation of right of use assets	\$ 101,150	\$ 88,523
Finance costs	\$ 21,795	\$ 18,099

The following table summarizes the undiscounted repayment schedule of the lease liabilities:

Less than 1 year	\$	125,869
1 to 5 years		383,941
Greater than 5 years		270,544
	\$	780,354

Included in operating expenses are short-term and low-value asset lease expenses of \$5,908 for the year ended December 31, 2022 (2021 - \$4,851).

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15. UNEARNED REBATES

In connection with a 2019 acquisition, the Company recognized prepaid rebates received from a trading partner of \$7,500. These rebates have been deferred as unearned rebates. Under the terms of this agreement, the Company will amortize the unearned rebate on a straight line basis over a term of 12 years, as a reduction of cost of sales.

The Company is obliged to purchase the suppliers' products on an exclusive basis over this term. 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 Company. Termination of the arrangement by the Company, the occurrence of an event of default or a change in control, as defined by the agreement, require the Company to repay all unamortized balances and all other amounts as outlined within the agreement.

At December 31, 2022, the Company has unearned rebates of \$5,194 (December 31, 2021 – \$5,809).

16. FAIR VALUE ADJUSTMENTS

	Year ended December 31,	
	2022	2021
Contingent consideration	146	148
Total fair value adjustments	\$ 146	\$ 148

17. FINANCIAL INSTRUMENTS

Carrying value and estimated fair value of financial instruments

	Classification	Fair value hierarchy	December 31, 2022		December 31, 2021	
			Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash	Amortized cost	n/a	15,068	15,068	27,714	27,714
Accounts receivable	Amortized cost	n/a	139,266	139,266	103,024	103,024
Financial liabilities						
Accounts payable and accrued liabilities	Amortized cost	n/a	307,729	307,729	258,423	258,423
Dividends payable	Amortized cost	n/a	2,330	2,330	2,439	2,439
Long-term debt	Amortized cost	n/a	360,171	355,815	442,073	437,717

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For the Company's current financial assets and liabilities, including accounts receivable, accounts payable and accrued liabilities, and dividends payable, which are short term in nature and subject to normal trade terms, the carrying values approximate their fair value. The fair value of BGSI's long-term debt has been determined by calculating the present value of the interest rate spread that exists between the actual Term Loan A and the rate that would be negotiated with the economic conditions at the reporting date. As there is no ready secondary market for BGSI's other long-term debt, the fair value has been estimated using the discounted cash flow method.

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, 2022 was approximately \$154,334 (December 31, 2021 - \$130,738).

Interest rate risk

The Company's operating line and syndicated loan facility are exposed to interest rate fluctuations and the Company does not hold any financial instruments to mitigate this risk. Seller notes and Term Loan A are at fixed interest rates.

Foreign currency risk

The Company's operations in Canada are more closely tied to its domestic currency. Accordingly, the Canadian operations are measured in Canadian dollars and the Company's foreign exchange translation exposure relates to these operations. When the Canadian operation's net asset values are converted to U.S. dollars, currency fluctuations result in period to period changes in those net asset values. BGSI's equity position reflects these changes in net asset values as recorded in accumulated other comprehensive earnings. The income and expenses of the Canadian operations are translated into U.S. dollars at the average rate for the period in order to include their financial results in the consolidated financial statements. Period to period changes in the average exchange rates cause translation effects that have an impact on net earnings. Unlike the effect of exchange rate fluctuations on transaction exposure, the exchange rate translation risk does not affect local currency cash flows.

Transactional foreign currency risk also exists in circumstances where U.S. denominated cash is received in Canada. The Company monitors U.S. denominated cash flows to be received in Canada and evaluates whether to use forward foreign exchange contracts. No forward foreign exchange contracts were used during 2022 or 2021.

BGSI earns interest on promissory notes issued to The Boyd Group (U.S.) Inc., the parent of the Company's U.S. operations. As at December 31, 2022 and December 31, 2021, promissory notes denominated in Canadian dollars are as follows:

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Promissory notes As at	December 31, 2022	December 31, 2021
Promissory note at 5.0% due September 29, 2027	\$ 108,000	\$ 108,000
Promissory note at 5.75% due January 1, 2030	41,800	41,800
Promissory note at 8.58% due January 1, 2024	6,800	6,800
Promissory note at 8.58% due January 1, 2024	25,000	25,000
Promissory note at 8.58% due January 1, 2024	30,000	30,000
Promissory note at 4.3% due December 30, 2030	70,000	70,000
	\$ 281,600	\$ 281,600

BGSI's U.S. operations purchase Canadian dollars at market rates to fund the monthly interest payments.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. Cash is in the form of deposits on demand with major financial institutions that have strong long-term credit ratings. BGSI is subject to risk of non-payment of accounts receivable; however, the Company's receivables are largely collected from the insurers of its customers. Accordingly, the Company's accounts receivable comprises mostly amounts due from national and international insurance companies or provincial crown corporations.

Aging of accounts receivable As at	December 31, 2022	December 31, 2021
Neither impaired nor past due	\$ 132,017	\$ 97,804
Past due:		
Over 90 days	10,928	8,174
	\$ 142,945	\$ 105,978
Allowance for doubtful accounts	(3,679)	(2,954)
Accounts receivable	\$ 139,266	\$ 103,024

BGSI uses an allowance account to record an estimate of potential impairment for accounts receivables.

Allowance for doubtful accounts As at	December 31, 2022	December 31, 2021
Balance, beginning of period	\$ 2,954	\$ 1,925
Increase in the allowance (net of recoveries and amounts written off)	725	1,029
Balance, end of period	\$ 3,679	\$ 2,954

Liquidity risk

The following table details the Company's remaining undiscounted contractual maturities for its financial liabilities.

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	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years
Accounts payable and accrued liabilities	\$307,729	\$307,729	\$—	\$—	\$—	\$—	\$—
Long-term debt	360,171	15,365	18,260	198,752	2,524	125,270	—
Lease liabilities	780,354	125,869	119,094	105,190	87,401	72,256	270,544
	\$1,448,254	\$448,963	\$137,354	\$303,942	\$89,925	\$197,526	\$270,544

Obligations of the Company are generally satisfied through future operating cash flows and the collection of accounts receivable.

Market Risk and Sensitivity Analysis

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Components of market risk to which the Company is exposed are interest rate risk and foreign exchange rate risk as discussed above.

BGSI has used a sensitivity analysis technique that measures the estimated change to net earnings and equity of a 1% (100 basis points) difference in market interest rates. The sensitivity analysis assumes that changes in market interest rates only affect interest income or expense of variable financial instruments not covered by hedging instruments. For the year ended December 31, 2022 it is estimated that the impact of a 1% increase to market rates would result in a \$2,201 decrease (2021 – \$2,215 decrease) to net earnings as well as comprehensive earnings.

The currency risk sensitivity analysis is based on a 5% strengthening or weakening of the Canadian Dollar against the U.S. Dollar and assumes that all other variables remain constant. Under this assumption, net earnings for the year ended December 31, 2022 as well as comprehensive earnings would have changed by \$nil due to no foreign exchange contracts being in place at the end of 2022 and 2021.

18. CONTINGENCIES

BGSI has two letters of credit for \$225 (2021 –\$225).

19. ACCUMULATED OTHER COMPREHENSIVE EARNINGS

	December 31, 2022	December 31, 2021
Balance, beginning of period	\$ 65,987	\$ 65,157
Unrealized earnings on foreign currency translation	(11,657)	830
Balance, end of period	\$ 54,330	\$ 65,987

There is no tax impact of translating the financial statements of the Canadian operations.

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20. CAPITAL

Shareholders' Capital

Authorized:

Unlimited number of common shares

An unlimited number of common shares are authorized and may be issued pursuant to the Articles of Incorporation of BGS. All common shares have equal rights and privileges. Each common share is redeemable and transferable. A common share entitles the holder thereof to participate equally in dividends, including the dividends of net earnings and net realized capital gains of BGS and dividends on termination or winding-up of BGS, is fully paid and non-assessable and entitles the holder thereof to one vote at all meetings of shareholders for each share held.

21. CONTRIBUTED SURPLUS

During the year, stock option accretion (net of issue costs) of \$357 (2021 - \$76) was credited to contributed surplus.

22. CAPITAL STRUCTURE

The Company's objective when managing capital is to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk. The Company includes in its definition of capital: equity, long-term debt, convertible debentures, convertible debenture conversion features, non-controlling interest put options and call liability, share based payment obligations, non-property obligations under lease liabilities, and unearned rebates, net of cash.

The Company manages the capital structure and makes adjustments to it by taking into account changing economic conditions, operating performance and growth opportunities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends it pays, purchase shares for cancellation pursuant to a normal course issuer bid, issue new shares, issue new debt or replace existing debt with different characteristics, issue convertible debentures, issue share options, expand the revolver, increase or decrease its non-property lease liabilities, pursue alternative structuring of acquisitions, trigger call options on certain acquisition obligations, negotiate unearned rebates, or settle certain acquisition obligations using a greater amount of cash, or shares.

The Company monitors capital on a number of bases, including an interest coverage ratio, total debt to Adjusted EBITDA ratios, return on invested capital, a debt to capital ratio, a current ratio, diluted earnings per share and dividends per share. Total debt to Adjusted EBITDA is calculated as the Company's total debt and non-property lease liabilities but excluding convertible debentures divided by Adjusted EBITDA. Return on invested capital is the ratio of Adjusted EBITDA to average invested capital. Adjusted EBITDA is a non-GAAP financial measure, whose nearest GAAP measure is Cash Flow from Operations.

The Company's strategy has been to maintain a strong statement of financial position including its cash position and financial flexibility while maintaining consistent dividends in order to capitalize on growth opportunities. In addition, the Company believes that, from time to time, the market price of the shares may not fully reflect the underlying value of the shares and that at such times the purchase of shares would be in the best interest of BGS. Such purchases increase the proportionate ownership interest of all remaining shareholders.

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The Company grows, in part, through the acquisition or start-up of collision and glass repair and replacement businesses, or other businesses. Sources of capital that the Company has been successful at accessing in the past include public and private equity placements, convertible debt offerings, the use of equity securities to directly pay for a portion of acquisitions, capital available through strategic alliances with trading partners, non-property lease financing, seller financing and both senior and subordinate debt facilities or deferring possible future purchase price payments using contingent consideration and call or put options.

23. RELATED PARTY TRANSACTIONS

In certain circumstances the Company has entered into property lease arrangements where an employee of the Company is the landlord. In most cases, the Company assumes these property lease arrangements initially in connection with an acquisition. The property leases for these locations do not contain any significant non-standard terms and conditions that would not normally exist in an arm's length relationship, and the Company has determined that the terms and conditions of the leases are representative of fair market rent values.

The following are the lease payment amounts for facilities under lease with related parties:

Landlord	Affiliated Person(s)	Location	Lease Expires	December 31, 2022	December 31, 2021
Gerber Building No. 1 Ptnrp	Tim O'Day	South Elgin, IL	2023	102	100

24. SEGMENTED REPORTING

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

Sales	Year ended December 31,	
	2022	2021
Canada	\$ 194,415	\$ 148,467
United States	2,237,903	1,724,203
	\$ 2,432,318	\$ 1,872,670

Reportable Assets	December 31,	
	2022	2021
As at		
Canada	\$ 213,392	\$ 233,024
United States	1,604,254	1,551,919
	\$ 1,817,646	\$ 1,784,943

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BGSI's revenues are largely derived from the insurers of its customers, who are generally automobile owners. Formal relationships with insurance companies such as Direct Repair Programs ("DRPs") play an important role in generating sales volumes for the Company. Although automobile owners still have the freedom of choice of repair provider, insurance companies may educate the owner on the benefits of choosing a repairer in their DRP network. Of the top five insurance companies that BGSI deals with, which in aggregate account for approximately 54% (2021 – 49%) of total sales, one insurance company represents approximately 18% (2021 – 14%) of the Company's total sales, while a second insurance company represents approximately 11% (2021 – 10%).

25. COMPENSATION OF KEY MANAGEMENT

	For the years ended December 31,	
	2022	2021
Salaries and short-term employee benefits	\$ 5,264	\$ 4,136
Post-employment benefits	—	86
Long-term incentive plan	2,263	2,217
Share options	399	352
	\$ 7,926	\$ 6,791

Key management includes BGSI's Directors as well as the most senior officers of the Company and Subsidiary Companies.

26. SHARE-BASED COMPENSATION

Certain members of the management team of the Company, as well as the Board of Directors of the Company participate in share-based compensation plans. These plans are cash-settled, with compensation expense determined based on the fair value of the associated liability at the end of the reporting period until the awards are settled.

Long-term incentive plan

On January 1, 2020, January 1, 2021, and January 1, 2022, Performance Share Unit awards were granted to certain executive officers for the 2020, 2021 and 2022 grant years. Performance Share Units are tied to share value from date of grant to the date of vesting and will be paid out in cash over a three-year period, subject to the terms of the plan. Performance Share Units represent the right to receive payments linked to BGSI's share value, conditional upon the achievement of one or more objective performance goals. The dividend rate declared by BGSI on issued and outstanding shares of the Company is also applied to the Performance Share Units. The dividend amount on the Performance Share Units is converted into additional Performance Share Units based on the market value of the Company's shares at the time of the dividend. These additional Performance Share Units vest at the same time as the Performance Share Units that the dividend rate was applied on.

The 2020, 2021, and 2022 awards granted include non-market performance conditions. The impact of market and non-market performance conditions is recognized through the adjustment of the award that is expected to vest. At the end of each reporting period, BGSI re-assesses its estimates of the number of Performance Share Units that are expected to vest and recognizes the impact of the revision to compensation expense in earnings over the vesting period.

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The fair value of each outstanding Performance Share Unit is estimated based on the fair market value of the Company’s shares at the grant date, subsequently adjusted for additional shares granted based on the reinvestment of notional dividends and the market value of the shares at the end of each reporting period. The associated compensation expense is recognized over the vesting period, factoring in the probability of the performance criteria being met during that period.

On January 1, 2021, and January 1, 2022, Restricted Share Units were granted to certain executive officers for the 2021 and 2022 grant years. Restricted Share Units are valued by reference to share value from date of grant to the date of vesting and will be paid out in cash over a three-year period, subject to the terms of the plan. The dividend rate declared by BGSJ on issued and outstanding shares of the Company is also applied to the Restricted Share Units. The dividend amount on the Restricted Share Units is converted into additional Restricted Share Units based on the market value of the Company’s shares at the time of the dividend. These additional Restricted Share Units vest at the same time as the Restricted Share Units that the dividend rate was applied on.

Directors Deferred Share Unit Plan

A Directors Deferred Share Unit Plan (“DSUP”) is administered through BGSJ and requires independent Directors to receive at least 60% of their Director compensation in the form of deferred shares, which are essentially notional shares of BGSJ and are redeemable for cash on termination. Directors may elect to receive up to 100% of their Director compensation in the form of deferred shares. The number of deferred shares to which a Director is entitled will be adjusted for the payment of dividends.

The fair value of each outstanding Director Deferred Share Unit is estimated based on the fair market value of BGSJ’s shares at the grant date, subsequently adjusted for additional shares granted based on the reinvestment of notional dividends and the market value of the shares at the end of each reporting period.

27. EMPLOYEE EXPENSES

	For the years ended December 31,	
	2022	2021
Salaries and short-term employee benefits	\$ 949,879	\$ 723,003
Post-employment benefits	—	86
Long-term incentive plan	2,600	2,721
Share options	399	352
	\$ 952,878	\$ 726,162

During the year ended December 31, 2021, the Company was eligible for the Canada Emergency Wage Subsidy (“CEWS”). The total estimated CEWS for the year ended December 31, 2021 of \$9,822 was recorded, with \$4,018 recorded as a reduction to cost of sales and \$5,804 recorded as a reduction to operating expenses. At December 31, 2021, the Company had \$3,347 accrued for amounts to be received under the CEWS program in Accounts Receivable.

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28. DEFINED CONTRIBUTION PENSION PLANS

The Company has defined contribution pension plans for certain employees. The Company matches U.S. employee contributions at rates up to 6.0% of the employees' salary. The expense and payments for the year were \$5,017 (2021 - \$4,329).

29. EARNINGS PER SHARE

	Year ended December 31,	
	2022	2021
Net earnings	\$ 40,962	\$ 23,540
Basic weighted average number of shares	21,472,194	21,472,194
Average number of shares outstanding - diluted basis	21,472,194	21,472,194
Basic earnings per share	\$ 1.91	\$ 1.10
Diluted earnings per share	\$ 1.91	\$ 1.10

Stock options are instruments that could have potentially diluted basic earnings per share for the years ended December 31, 2022, but were not included in the calculation of diluted earnings per share because they were anti-dilutive for the period.

30. STOCK OPTION PLAN

During the first quarter of 2021, the Company instituted a stock option plan for senior management, which was approved by shareholders on May 12, 2021. The Company's stock option plan allows for the granting of options up to an amount of 250,000 Common shares under this plan. Each tranche of the options vests equally over two, three, four and five year periods. The term of an option shall be determined and approved by the People, Culture and Compensation Committee; provided that the term shall be no longer than ten years from the grant date.

On March 31, 2021 the Company issued 13,831 options under the stock option plan with a grant date fair value of C\$56.99 per option and an exercise price of C\$219.21 per option. None of the options are exercisable at period end. Issue costs of \$105 were incurred with respect to the stock option plan.

On March 31, 2022 the Company issued 18,878 options under the stock option plan with a grant date fair value of C\$47.08 per option and an exercise price of C\$164.68 per option. None of the options are exercisable at period end. Issue costs of \$nil were incurred with respect to the 2022 options issued under the stock option plan.

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31. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	For the years ended December 31,	
	2022	2021
Accounts receivable	\$ (37,641)	\$ (10,397)
Inventory	(11,649)	(30,821)
Prepaid expenses	(7,062)	(8,760)
Accounts payable and accrued liabilities	52,965	37,407
Income taxes, net	1,865	(1,504)
	\$ (1,522)	\$ (14,075)

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

As at	December 31, 2021	Cash Flows	Non-cash changes				December 31, 2022
			Acquisition	Other items	Fair value changes	Foreign exchange	
Long-term debt	\$ 442,073	(101,779)	3,875	15,901	—	101	\$ 360,171
Lease liabilities	543,347	(117,045)	18,179	177,355	—	(3,910)	617,926
Dividends	2,439	(9,545)	—	9,499	—	(63)	2,330
	\$ 987,859	(228,369)	22,054	202,755	—	(3,872)	\$ 980,427

As at	December 31, 2020	Cash Flows	Non-cash changes				December 31, 2021
			Acquisition	Other items	Fair value changes	Foreign exchange	
Long-term debt	\$ 180,228	237,122	14,570	10,160	—	(7)	\$ 442,073
Lease liabilities	419,311	(102,996)	140,273	86,560	—	199	543,347
Dividends	2,364	(9,653)	—	9,692	—	36	2,439
Issue costs	—	(105)	—	—	—	—	—
	\$ 601,903	124,368	154,843	106,412	—	228	\$ 987,859