

Interim Consolidated Financial Statements of

THE BRICK GROUP INCOME FUND

*For the three months ended March 31, 2007
(Unaudited)*

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The Brick Group Income Fund
Interim Consolidated Balance Sheets
(thousands of Canadian dollars)
(unaudited)

	March 31, 2007	December 31, 2006
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 5,330	\$ 16,450
Accounts receivable	59,916	72,040
Inventory	199,344	211,159
Prepaid expenses and deposits	2,941	3,652
	267,531	303,301
MARKETABLE SECURITIES	27,923	25,818
DEFERRED ACQUISITION COSTS	17,671	16,412
CAPITAL ASSETS (Note 4)	131,044	131,182
GOODWILL	305,349	305,349
INTANGIBLE ASSETS AND DEFERRED CHARGES (Note 5)	164,083	165,955
FUTURE INCOME TAXES	101	750
	\$ 913,702	\$ 948,767
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 26,674	\$ 9,762
Accounts payable and accrued liabilities	181,774	202,065
Corporate income taxes payable	440	829
Customers' deposits	58,641	83,589
Unpaid claims reserve	3,320	3,336
Current portion of long-term debt (Note 6)	-	79,530
	270,849	379,111
DEFERRED SERVICE REVENUE	606	499
DEFERRED LEASE INDUCEMENTS	13,567	13,586
DEFERRED WARRANTY PLAN REVENUE AND UNEARNED INSURANCE REVENUE	105,249	100,428
LONG-TERM DEBT (Note 6)	82,305	-
FUTURE INCOME TAXES	3,100	3,830
	475,676	497,454
UNITHOLDERS' EQUITY		
Trust units	528,213	528,213
Deficit	(90,419)	(76,900)
Accumulated other comprehensive income	232	-
	438,026	451,313
	\$ 913,702	\$ 948,767

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

The Brick Group Income Fund
Interim Consolidated Statements of Income and Comprehensive Income
(thousands of Canadian dollars except unit and per unit amounts)
(unaudited)

Interim Consolidated Statements of Income	March 31, 2007	March 31, 2006
	(3 months)	(3 months)
SALES AND OPERATING REVENUE	\$ 327,440	\$ 297,731
COST OF SALES	196,475	179,433
GROSS MARGIN	130,965	118,298
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	120,597	109,051
	10,368	9,247
OTHER INCOME (EXPENSE)		
Investment and other income	399	465
Interest on other debt	(1,258)	(325)
Interest on long-term debt	(791)	(919)
Amortization	(6,602)	(6,576)
	(8,252)	(7,355)
INCOME BEFORE INCOME TAXES	2,116	1,892
INCOME TAX (EXPENSE) RECOVERY		
Current	(57)	(788)
Future	673	1,110
	616	322
NET INCOME	2,732	2,214
Basic and diluted net income per unit	\$ 0.05	\$ 0.04
Basic and diluted average number of units outstanding	54,171,133	54,171,133

Interim Consolidated Statement of Comprehensive Income

NET INCOME	\$ 2,732	\$ -
Other Comprehensive Income, net of income taxes		
Net change in unrealized gains on available-for-sale securities	1,007	-
Net change in cash flow hedge (Note 10)	(775)	-
Other Comprehensive Income	232	-
COMPREHENSIVE INCOME	\$ 2,964	\$ -

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

The Brick Group Income Fund
Interim Consolidated Statements of Changes in Unitholders' Equity
(thousands of Canadian dollars)
(unaudited)

	March 31, 2007 (3 months)	March 31, 2006 (3 months)
Trust units	\$ 528,213	\$ 528,213
Deficit		
Balance at beginning of period	(76,900)	(49,825)
Net income	2,732	2,214
Distributions declared (Note 7)	(16,251)	(16,251)
Balance at end of period	(90,419)	(63,862)
Accumulated other comprehensive income on available-for-sale securities		
Balance at beginning of period	-	-
Adjustment to market value on January 1, 2007 (net of income taxes of \$592) (Note 3)	899	-
Unrealized gains arising during the period (net of income taxes of \$78)	148	-
Reclassification of realized gains to net income (net of income taxes of \$21)	(40)	-
Balance at end of period	1,007	-
Accumulated other comprehensive loss on cash flow hedge (Note 10)		
Balance at beginning of period	-	-
Loss on cash flow hedge of an anticipated transaction (net of income taxes of NIL)	(780)	-
Reclassification of loss on cash flow hedge to net income (net of income taxes of NIL)	5	-
Balance at end of period	(775)	-
Total accumulated other comprehensive income	232	-
Total unitholders' equity	\$ 438,026	\$ 464,351

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

The Brick Group Income Fund
Interim Consolidated Statements of Cash Flow
(thousands of Canadian dollars)
(unaudited)

	March 31, 2007	March 31, 2006
	(3 months)	(3 months)
OPERATING ACTIVITIES		
Net earnings	\$ 2,732	\$ 2,214
Add (deduct) items not affecting cash		
Amortization	6,602	6,633
Amortization of deferred lease inducements	(268)	(445)
Amortization of deferred warranty revenue	(6,258)	(3,571)
Amortization of deferred acquisition costs	847	305
Future income taxes	(673)	(1,110)
Reclassification from other comprehensive income related to hedging activity	5	-
Income taxes payable related to other comprehensive income	(57)	-
Amortization of preferred share premiums	53	52
(Gain) loss on sale of capital assets	(4)	197
Gain on sale of marketable securities	(61)	(60)
Cash paid related to hedging activity	(780)	-
Cash received for leasehold inducements	249	8
Cash paid for deferred acquisition costs	(2,106)	(1,680)
Cash received on warranty and insurance sales	11,079	9,708
	11,360	12,251
Changes in non-cash operating working capital items (Note 9)	(20,847)	(13,288)
	(9,487)	(1,037)
FINANCING ACTIVITIES		
Increase in bank indebtedness	16,912	661
Distributions paid (Note 7)	(16,251)	(16,251)
Repayment of term credit facility	(70,000)	-
Issuance of senior secured bonds, net of transaction costs (Note 6)	82,305	-
Monthly mortgage principal repayments	(239)	(271)
Mortgage retirement principal repayments (Note 6)	(9,291)	-
	3,436	(15,861)
INVESTING ACTIVITIES		
Additions to capital assets	(4,607)	(8,362)
Additions to marketable securities	(1,052)	(815)
Additions to intangible assets	(8)	(3,127)
Proceeds from sale of marketable securities	571	1,136
Proceeds on disposal of capital assets	27	1,092
	(5,069)	(10,076)
DECREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		
	(11,120)	(26,974)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	16,450	29,201
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 5,330	\$ 2,227
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest and dividends received	\$ 357	\$ 370
Interest paid	\$ 1,573	\$ 1,945
Income taxes paid	\$ 517	\$ 468

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

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
(thousands of Canadian dollars except unit and per unit amounts)
(unaudited)

1. DESCRIPTION OF THE BUSINESS

The Brick Group Income Fund (the “Fund”) is an unincorporated, open ended limited purpose trust created by the Declaration of Trust made as at May 25, 2004, as amended and restated, and governed by the laws of Alberta. The Fund is authorized to issue an unlimited number of Class A and Class B trust units (the “Trust units.”) The Fund was created to invest in the retail furniture, mattress, appliance and electronics industry initially through the indirect acquisition on July 20, 2004 of the limited partnership units of The Brick Warehouse LP together with its general partner and subsidiaries (the “Brick LP”). The Fund remained inactive until the acquisition on July 20, 2004.

The business of the Fund includes the operations of The Brick Warehouse LP, United Furniture Warehouse LP, First Oceans Trading Corporation, Trans Global Warranty Corp., Trans Global Insurance Company and Trans Global Life Insurance Company whose principal business activities are retail sales of furniture, mattresses, appliances and electronics, and the marketing of warranty plans and retail credit insurance plans.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements (the “financial statements”) have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), and include the accounts of the Fund and its wholly owned subsidiaries, including The Brick Trust, The Brick Warehouse LP, United Furniture Warehouse LP, First Oceans Trading Corporation, and Trans Global Warranty Corp. and its subsidiaries: Trans Global Life Insurance Company and Trans Global Insurance Company. All intercompany transactions and balances have been appropriately eliminated. These financial statements do not contain all disclosures required by GAAP for annual financial statements and, accordingly, the financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2006.

These financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements for the year ended December 31, 2006, except as described in Note 3.

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
(thousands of Canadian dollars except unit and per unit amounts)
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3. CHANGES IN ACCOUNTING POLICIES

Commencing January 1, 2007, the Fund adopted the following new CICA accounting standards:

- Section 3855 - Financial Instruments - Recognition and Measurement*
- Section 3865 – Hedges*
- Section 1530 - Comprehensive Income*
- Section 3251 – Equity*
- Section 3861 – Financial Instruments - Disclosure and Presentation*

These sections establish standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, as well as the use and application of hedge accounting. Section 1530 establishes standards for the reporting and presentation of comprehensive income. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with GAAP, are recognized in comprehensive income, but excluded from net income.

According to these new standards, all financial assets and financial liabilities must be classified into one of the categories outlined in the following table:

Category	Applies to	Definition
Held for trading	Financial assets and financial liabilities	Includes: <ul style="list-style-type: none"> • Financial instruments acquired for purpose of trading or as part of a trading portfolio • All derivatives that are not designated in hedging relationships • Financial instruments which we designate as trading
Held to maturity	Financial assets	A financial asset with fixed payments and maturity that the entity has the intent and ability to hold to maturity
Loans and receivables	Financial assets	A financial asset that is not a debt security, resulting from the delivery of assets in exchange for a promise to pay
Available for sale	Financial assets	Includes: <ul style="list-style-type: none"> • Non-derivative financial assets designated as available for sale • Financial assets not classified in another category
Other financial liabilities	Financial liabilities	A financial liability not classified as held for trading

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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CHANGES IN ACCOUNTING POLICIES (continued)

These standards have been applied retroactively without restatement. The related accounting policies adopted by the Fund and the resulting financial statements impact are discussed below.

All financial instruments are initially recognized on the balance sheet at their fair value. Subsequent to their initial recognition, all financial instruments continue to be measured at their fair value except for held to maturity investments, loans and receivables, and other financial liabilities which must be measured at amortized cost using the effective interest method.

Held for Trading

Changes in the fair value of financial assets and liabilities that are classified as held for trading are recorded in net income. The only financial instruments the Fund has classified as held for trading are its cash and cash equivalents. For cash and cash equivalents, fair value is assumed to equal book value.

Held to Maturity

The Fund does not currently have any securities designated as held-to-maturity.

Loans and Receivables

The Fund has classified its accounts receivable as loans and receivables.

Available-For- Sale

The Fund has classified all of its marketable securities at January 1, 2007 as available-for-sale.

Available-for-sale securities are measured at fair value with unrealized gains and losses recorded in other comprehensive income, net of income taxes, until the security is either sold, or if an unrealized loss is considered other than temporary, the unrealized loss is reclassified to net income and presented within investment and other income. The fair values of our available-for-sale securities are determined from quoted market prices. Available-for-sale equity securities which do not have a quoted market price must be recorded at cost. The Fund does not currently hold any investment securities for which a quoted market price is unavailable.

Available-for-sale securities are subject to a regular review for losses that are other than temporary. Available-for-sale securities are written down to fair value through income whenever it is necessary to reflect an other-than-temporary impairment.

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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CHANGES IN ACCOUNTING POLICIES (continued)

The Fund accounts for the purchase and sale of marketable securities using settlement date accounting for purposes of both the consolidated balance sheet and the consolidated statement of income. Transaction costs related to the Fund's available-for-sale securities will continue to be included in their carrying values.

At January 1, 2007, the Fund adjusted the marketable securities included on its consolidated balance sheet to their fair values. The amount of this adjustment, net of income taxes and together with the balance of deferred realized gains, was recorded as a component of the opening balance of accumulated other comprehensive income as summarized in the following table.

	As at January 1, 2007
	Increase (decrease)
Available-for-sale securities	1,452
Future income tax assets	(647)
Future income tax liabilities	55
Other liabilities	40
<u>Accumulated other comprehensive income</u>	<u>899</u>

There was no impact on the Fund's opening consolidated deficit as at January 1, 2007, or on consolidated net income for the three month period ended March 31, 2007, as a result of the new standards.

Other Financial Liabilities

For the Fund, the other financial liabilities classification includes bank indebtedness, accounts payable and accrued liabilities, and the current and long-term portions of our long-term debt.

Gains and losses from items in this category are recognized in net income in the period that the liability is derecognized. Foreign exchange translation adjustments are recognized immediately in net income. For the Fund, foreign exchange translation adjustments related to accounts payable in U.S. dollars are included in net income within cost of sales.

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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CHANGES IN ACCOUNTING POLICIES (continued)

In accordance with the provisions of these new standards, the Fund has netted deferred financing charges against the carrying value of long-term debt and is amortizing these deferred financing charges using the effective interest method over the remaining term of the debt. Previously, the deferred financing charges were amortized on a straight line basis over the term of the debt. Consequently, unamortized deferred financing charges of \$998 as at March 31, 2007 (December 31, 2006 - \$377), which were previously recorded in intangible assets and deferred charges, have been reclassified against the long-term debt and bank indebtedness. For the three month period ended March 31, 2007, amortization of the deferred financing charges in the amount of \$74 (2006 - \$57), is recorded in net income and presented as interest expense. Prior to adoption of these new standards, amortization of the deferred financing charges was presented as amortization expense.

Derivatives and Hedge Accounting

All derivatives, including embedded derivatives that must be separately accounted for, are now recorded at fair value in the consolidated balance sheet with realized and unrealized gains recorded in net income unless the derivative is part of a designated effective hedging relationship in which case gains or losses from the derivative are offset against gains or losses on the hedged item.

At the inception of a hedging relationship, the Fund documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. The Fund also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the cash flows of the hedged items.

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Any gains or losses in fair value relating to the ineffective portion are recognized immediately in the income statement. Amounts accumulated in other comprehensive income are reclassified to net income in the period in which the hedged item affects net income.

Derivatives that are not designated as part of a hedging relationship are classified as held for trading. All gains and losses from changes in fair value of derivatives held for trading are recognized in the income statement. The Fund regularly enters into U.S. dollar forward exchange contracts which meet the definition of derivative contracts and are not part of a designated hedging relationship. The fair value of these contracts represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors.

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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CHANGES IN ACCOUNTING POLICIES (continued)

Management performed a review for embedded derivatives and none were found. In accordance with the new standard, the review considered any contracts entered into on or after January 1, 2003.

There were no significant changes to the Fund's risk management policies as a result of the new accounting standards.

Comprehensive Income

The consolidated statement of comprehensive income now forms part of the Fund's financial statements and displays current period net income and other comprehensive income. Accumulated other comprehensive income is now a separate component of unitholders' equity. The consolidated statement of comprehensive income reflects changes in accumulated other comprehensive income, comprised of changes in unrealized gains and losses on available-for-sale securities as well as changes in the fair value of derivatives designated as cash flow hedges, to the extent they are effective.

Revised Section 1506 – Accounting Changes

In July 2006, the AcSB issued revised Handbook Section 1506, Accounting Changes. The main features of the revised standard are:

- Voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information.
- Changes in accounting policy are applied retrospectively unless doing so is impracticable (as defined in the Section).
- Prior period errors are corrected retrospectively.
- New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors.

The revised Section was adopted by the Fund for its fiscal year beginning on January 1, 2007 and had no impact on its financial position or results of operations.

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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CHANGES IN ACCOUNTING POLICIES (continued)

Pending Changes to Accounting Policy

Exposure Draft - Internally Developed Intangible Assets

In December 2005, the AcSB issued an Exposure Draft on Internally Developed Intangible Assets. If approved, the revised standard will limit the deferral of certain expenditures, including pre-opening costs, and will require retroactive restatement. The revised standard was originally expected to be effective for fiscal years beginning on or after October 1, 2006, however, throughout 2006 the AcSB deliberated further on the scope of this project and its convergence with International Financial Reporting Standards. In December 2006, the AcSB announced that it intends to maintain the original scope of the project but will also issue further proposed amendments for re-exposure in the first quarter of 2007. It is believed that the effective date of the revised standard will not be earlier than the latter part of 2007. As at March 31, 2007, the Fund had deferred pre-opening costs of \$7,748 (December 31, 2006 - \$8,403).

4.

4. CAPITAL ASSETS

	March 31, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 12,192	\$ -	\$ 12,192	\$ 12,192	\$ -	\$ 12,192
Buildings	29,712	4,062	25,650	29,657	3,677	25,980
Automotive equipment	393	316	77	393	310	83
Equipment	43,590	14,303	29,287	42,340	12,458	29,882
Software and development costs	8,088	3,728	4,360	8,088	3,353	4,735
Leasehold improvements	82,011	22,533	59,478	78,743	20,433	58,310
	\$ 175,986	\$ 44,942	\$ 131,044	\$ 171,413	\$ 40,231	\$ 131,182

Amortization of capital assets for the three month period ended March 31, 2007 was \$4,722 (Three month period ended March 31, 2006 - \$4,167).

Included in capital assets is construction in progress of \$4,952 not subject to amortization at March 31, 2007 (December 31, 2006 - \$2,489).

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
(thousands of Canadian dollars except unit and per unit amounts)
(unaudited)

5. INTANGIBLE ASSETS AND DEFERRED CHARGES

	March 31, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Finite Life:						
Information systems	\$ 15,157	\$ 6,243	\$ 8,914	\$ 15,157	\$ 5,665	\$ 9,492
Leasehold interests	8,414	3,926	4,488	8,414	3,604	4,810
Pre-opening costs	12,188	4,440	7,748	12,180	3,777	8,403
Non-competitive agreements	5,164	2,930	2,234	5,164	2,666	2,498
Customer relationships	5,100	4,952	148	5,100	4,899	201
Customer contracts	6,450	6,450	-	6,450	6,450	-
Indefinite life:						
Brand	140,551	-	140,551	140,551	-	140,551
	\$ 193,024	\$ 28,941	\$ 164,083	\$ 193,016	\$ 27,061	\$ 165,955

Amortization of intangible assets and deferred charges for the three month period ended March 31, 2007 was \$1,880 (Three month period ended March 31, 2006 - \$2,409).

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The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
(thousands of Canadian dollars except unit and per unit amounts)
(unaudited)

6. LONG-TERM DEBT

On March 14, 2007, the Term Credit Facility was refinanced on a long-term basis through the private placement of senior secured notes with an aggregate principal amount of \$83,000. These notes, issued to six institutional investors, bear interest at a fixed annual rate of 6.431%. Interest only payments are required on September 14th and March 14th of each year until maturity on March 14, 2014, at which time the notes are repayable in full. The effective interest rate is 6.868% and includes interest payments together with hedge (Note 10) and transaction costs. The proceeds were used to repay the \$70,000 Term Credit Facility, the two remaining outstanding mortgages (\$9,530 at December 31, 2006), and to fund general operations. The notes are secured by substantially all of the Fund's assets, and rank pari passu with the Fund's existing credit facilities.

	March 31, 2007	December 31, 2006
Demand mortgage payable in monthly installments of \$51 including interest at prime plus \$0.65%, secured by land and buildings with a net book value of \$20,736.	\$ -	\$ 6,548
Mortgage payable in monthly installments of \$24 including interest at 6.83%, due August 1, 2007, secured by land and buildings with a net book value of \$4,424.	-	2,982
Term credit facility		70,000
Senior secured notes, net of transaction costs of \$695, with an aggregate principal amount of \$83,000 repayable in full at maturity, bearing interest at a fixed annual rate of 6.431% and requiring interest only payments on September 14 th and March 14 th of each year until maturity on March 14, 2014.	82,305	-
	82,305	79,530
Less: principal amounts included in current liabilities	-	(79,530)
	\$ 82,305	\$ -

Principal amounts due in a future year are as follows:

	Prior to Maturity	Maturity Payment	Total
2014	\$ -	\$ 83,000	\$ 83,000

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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7. DISTRIBUTIONS DECLARED

Distributions are declared each month to the Class A Unitholders of record on the last business day of each month, and quarterly to the Class B Unitholders of record on the last business day of each fiscal quarter. Distributions declared during the three month period ended March 31, 2007, are as follows:

Period	Record Date	Payment Date	Per Unit	Amount
Class A units				
January 2007	January 31, 2007	February 15, 2007	\$ 0.1000	\$ 4,292
February 2007	February 28, 2007	March 15, 2007	0.1000	4,292
March 2007	March 30, 2007	April 16, 2007	0.1000	4,292
				12,876
Class B units				
January 1 - March 31, 2007	March 30, 2007	April 16, 2007	0.3000	3,375
				3,375
				\$ 16,251

Declared cash distributions of \$7,667 are included in accounts payable and accrued liabilities at March 31, 2007 (December 31, 2006 - \$7,669).

During the three month period ended March 31, 2007, the Fund paid cash distributions to unit holders of \$16,251 (2006 - \$16,251).

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The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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8. RELATED PARTY TRANSACTIONS

Included in selling, general and administrative expenses is rent expense of \$212 for the three month period ended March 31, 2007 (2006 - \$212), paid to a joint venture partially owned by an officer of the Fund. These transactions are in the normal course of operations and are measured based on commercial rates established and agreed to by the related parties.

9. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	March 31, 2007	March 31, 2006
	(3 months)	(3 months)
Cash provided by (used in)		
Accounts receivable	\$ 12,124	\$ 12,779
Inventory	11,815	(2,488)
Prepaid expenses and deposits	711	130
Accounts payable and accrued liabilities	(20,251)	(14,637)
Corporate income taxes payable	(389)	217
Customers' deposits	(24,948)	(9,220)
Deferred service revenue	107	(74)
Unpaid claims reserve	(16)	5
	\$ (20,847)	\$ (13,288)

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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10. FINANCIAL INSTRUMENTS

Currency risk

The Fund is exposed to foreign currency fluctuations to the extent that approximately 19% of inventory purchases are made in U.S. dollar prices. This risk is offset to the extent that foreign currency costs are included in product costs when setting retail prices.

The Fund enters into U.S dollar forward exchange contracts to minimize a portion of the risk associated with future purchases of U.S. dollar denominated goods and services with an emphasis on those purchases that are expected to be completed the following month. These derivative contracts, not accounted for as hedges, are marked to market and any change in the market value is recorded in income or expense when the change occurs. The fair values of these instruments are recorded in accounts payable and accrued liabilities or accounts receivable.

The Fund did not have any U.S. dollar forward exchange contracts outstanding at March 31, 2007 (March 31, 2006 – U.S. dollar forward exchange contracts with a notional maturity amount of \$2,261 CAD were outstanding with a weighted average term to maturity of 6 days and an unrealized gain of \$74 CAD).

Hedge accounting

During the three months ended March 31, 2007, in conjunction with an anticipated transaction which was the private placement of senior secured notes with an aggregate principal amount of \$83,000, the Fund entered into a bond forward contract to hedge its exposure to changes in the market interest rate.

This hedge has been accounted for as a cash flow hedge.

For the hedge described above, the loss resulting upon settlement of the bond forward contract has been recorded in other comprehensive income and will be reclassified to net income over the life of the senior secured notes and included in interest expense on long-term debt. The senior secured notes mature on March 14, 2014.

Should the senior secured notes be repaid prior to maturity, the balance of the bond forward settlement amount remaining in accumulated other comprehensive income will be reclassified to net income and included in interest expense on long-term debt.

The Brick Group Income Fund
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FINANCIAL INSTRUMENTS (continued)

For the Fund, as at and for the three months ended March 31, 2007, accumulated other comprehensive income arising from this cash flow hedge was a loss of \$775 (net of income taxes of NIL), comprised of a loss on the hedge of \$780, and a reclassification to net income of \$5. No amount was reclassified to net income due to hedge ineffectiveness. The reclassification from accumulated other comprehensive income to net income over the next twelve months as a result of this cash flow hedge will be \$112.

11. SEGMENTED INFORMATION

The Fund's reportable segments are strategic business units that offer different products and services. The Fund has two operating segments: Retail and Financial Services.

The Fund operates retail stores concentrating on the sales of furniture, mattresses, appliances and electronics. Retail customers are offered credit through the Brick Card which is funded and billed by unrelated external service providers.

Financial Services are primarily engaged in providing extended warranty services on products sold to customers of The Brick and credit insurance on balances that arise from customers' use of their Brick Card. Credit balances are insured against the cardholder's loss of life, property or source of income, thereby providing protection to many customers who do not carry other similar insurance policies. The Financial Services segment also offers property and credit insurance product to third parties.

The reportable segments reflect the basis on which management measures performance and makes decisions regarding the allocation of resources.

The accounting policies of the segments are the same as those described in the most recently prepared annual consolidated financial statements for the year ended December 31, 2006. All inter-company transactions and balances, including inter-company revenues of \$1,358, have been appropriately eliminated.

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
(thousands of Canadian dollars except unit and per unit amounts)
(unaudited)

SEGMENTED INFORMATION (continued)

	March 31, 2007 (3 months)			March 31, 2006 (3 months)		
	Retail	Financial Services	Total	Retail	Financial Services	Total
Sales and operating revenue	\$ 315,922	\$ 11,518	\$ 327,440	\$ 289,530	\$ 8,201	\$ 297,731
Net (loss) income	(4,108)	6,840	2,732	(3,117)	5,331	2,214
Interest expense	2,049	-	2,049	1,244	-	1,244
Interest income	24	31	55	17	28	45
Amortization of capital assets	4,721	1	4,722	4,166	1	4,167
Income tax recovery	-	616	616	-	322	322
Goodwill	\$ 305,349	\$ -	\$ 305,349	\$ 305,349	\$ -	\$ 305,349
Total assets	\$ 862,570	\$ 51,132	\$ 913,702	\$ 846,930	\$ 44,264	\$ 891,194
Capital expenditures	\$ 4,607	\$ -	\$ 4,607	\$ 8,362	\$ -	\$ 8,362

12. SEASONAL NATURE OF THE BUSINESS

The Fund's results for any quarter are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in sales levels. The Fund's subsidiaries historically experience a higher level of sales during the third and fourth quarters, while the first and second quarters experience lower sales levels due to seasonal shopping patterns. Occupancy-related expenses, certain general and administrative expenses, depreciation and amortization, and interest expense remain relatively steady throughout the year.