

*Interim Consolidated Financial Statements of*

**THE BRICK GROUP INCOME  
FUND**

*Three and nine month periods ended September 30, 2006*

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

	September 30, 2006	December 31, 2005
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 3,746	\$ 29,201
Accounts receivable	59,623	54,192
Inventory	211,588	193,670
Prepaid expenses and deposits	5,280	7,310
	<b>280,237</b>	<b>284,373</b>
MARKETABLE SECURITIES	26,745	26,465
DEFERRED ACQUISITION COSTS	14,504	10,223
CAPITAL ASSETS (Note 4)	127,855	128,426
GOODWILL	305,349	305,349
INTANGIBLE ASSETS AND DEFERRED CHARGES (Note 5)	167,084	168,466
FUTURE INCOME TAXES	532	598
	<b>\$ 922,306</b>	<b>\$ 923,900</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank indebtedness	\$ 460	\$ 6,670
Accounts payable and accrued liabilities	213,765	198,466
Corporate income taxes payable	650	776
Customers' deposits	61,270	60,862
Unpaid claims reserve	3,018	3,186
Current portion of long-term debt (Note 6)	80,810	8,253
	<b>359,973</b>	<b>278,213</b>
DEFERRED SERVICE REVENUE	604	593
DEFERRED LEASE INDUCEMENTS	12,234	12,756
DEFERRED WARRANTY PLAN REVENUE AND UNEARNED INSURANCE REVENUE	91,953	72,952
LONG-TERM DEBT (Note 6)	-	73,217
FUTURE INCOME TAXES	4,604	7,780
	<b>469,368</b>	<b>445,511</b>
COMMITMENTS AND CONTINGENCIES (Note 9)		
GUARANTEES (Note 10)		
<b>UNITHOLDERS' EQUITY</b>		
Trust units	528,213	528,213
Accumulated distributions declared	(152,908)	(104,155)
Accumulated earnings	77,633	54,331
	<b>452,938</b>	<b>478,389</b>
	<b>\$ 922,306</b>	<b>\$ 923,900</b>

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

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

	September 30, 2006  (3 months)	September 30, 2005  (3 months)	September 30, 2006  (9 months)	September 30, 2005  (9 months)
SALES AND OPERATING REVENUE	\$ 337,783	\$ 323,356	\$ 948,637	\$ 870,858
COST OF SALES	203,760	197,999	569,034	531,919
GROSS MARGIN	134,023	125,357	379,603	338,939
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	115,130	106,007	335,419	299,077
	18,893	19,350	44,184	39,862
OTHER EARNINGS (EXPENSES)				
Investment and other income	373	251	1,235	841
Interest on other debt	(353)	(101)	(993)	(337)
Interest on long-term debt	(1,081)	(1,041)	(2,978)	(3,580)
Amortization	(7,198)	(5,884)	(20,684)	(18,787)
	(8,259)	(6,775)	(23,420)	(21,863)
EARNINGS BEFORE INCOME TAX AND EXTRAORDINARY ITEM	10,634	12,575	20,764	17,999
INCOME TAX RECOVERY (EXPENSE)				
Current	(128)	(681)	(934)	(2,679)
Future	1,202	(181)	3,110	3,231
	1,074	(862)	2,176	552
EARNINGS BEFORE EXTRAORDINARY ITEM	11,708	11,713	22,940	18,551
EXTRAORDINARY ITEM NET OF TAX (Note 13)	-	-	362	-
NET EARNINGS	11,708	11,713	23,302	18,551
ACCUMULATED EARNINGS, BEGINNING OF PERIOD	65,925	29,165	54,331	22,327
ACCUMULATED EARNINGS, END OF PERIOD	\$ 77,633	\$ 40,878	\$ 77,633	\$ 40,878
Basic and diluted earnings per unit before extraordinary item	\$ 0.22	\$ 0.22	\$ 0.42	\$ 0.34
Basic and diluted net earnings per unit	\$ 0.22	\$ 0.22	\$ 0.42	\$ 0.34
Basic and diluted average number of units outstanding	54,171,133	54,171,133	54,171,133	54,171,133

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 except unit and per unit amounts)  
(unaudited)

	September 30, 2006 (3 months)	September 30, 2005 (3 months)	September 30, 2006 (9 months)	September 30, 2005 (9 months)
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 11,708	\$ 11,713	\$ 23,302	\$ 18,551
Add (deduct) items not affecting cash				
Amortization	7,198	5,884	20,684	18,787
Amortization of deferred lease inducements	(387)	(55)	(960)	(165)
Amortization of deferred warranty revenue	(4,785)	(2,510)	(12,561)	(6,674)
Amortization of deferred acquisition costs	533	76	1,253	96
Future income taxes	(1,202)	181	(3,110)	(3,231)
Amortization of preferred share premiums	64	56	169	148
Loss (gain) on sale of capital assets	31	18	(114)	(91)
Loss (gain) on expropriation (extraordinary item - Note 13)	-	-	(362)	-
(Gain) loss on sale of marketable securities	(10)	19	(164)	(72)
Cash received for leasehold inducements	2,087	1,028	3,200	2,324
Cash paid for deferred acquisition costs	(2,033)	(1,861)	(5,534)	(5,268)
Cash received on warranty and insurance sales	11,300	11,246	31,562	31,539
	<b>24,504</b>	<b>25,795</b>	<b>57,365</b>	<b>55,944</b>
Changes in non-cash operating working capital items (Note 8)	17,934	19,660	(5,895)	17,687
	<b>42,438</b>	<b>45,455</b>	<b>51,470</b>	<b>73,631</b>
<b>FINANCING ACTIVITIES</b>				
Financing fees paid	(73)	-	(578)	-
Distributions paid (Note 7)	(16,251)	(16,253)	(48,753)	(53,738)
Promissory note payments	-	-	-	(2,177)
Mortgage principal payments	(181)	(183)	(660)	(534)
	<b>(16,505)</b>	<b>(16,436)</b>	<b>(49,991)</b>	<b>(56,449)</b>
<b>INVESTING ACTIVITIES</b>				
Additions to capital assets	(6,935)	(7,946)	(22,450)	(17,109)
Additions to marketable securities	(452)	(4,063)	(2,486)	(6,441)
Additions to intangible assets	(1,470)	(530)	(4,597)	(613)
Proceeds from sale of marketable securities	526	1,153	2,201	4,837
Proceeds from expropriation (extraordinary item - Note 13)	-	-	5,500	-
Proceeds on disposal of capital assets	14	-	1,108	159
	<b>(8,317)</b>	<b>(11,386)</b>	<b>(20,724)</b>	<b>(19,167)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
<b>FOR THE PERIOD</b>	<b>17,616</b>	<b>17,633</b>	<b>(19,245)</b>	<b>(1,985)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>(14,330)</b>	<b>(9,535)</b>	<b>22,531</b>	<b>10,083</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 3,286</b>	<b>\$ 8,098</b>	<b>\$ 3,286</b>	<b>\$ 8,098</b>
<b>CASH AND CASH EQUIVALENTS IS COMPRISED OF:</b>				
Cash and cash equivalents, end of period	3,746	\$ 8,098	\$ 3,746	\$ 8,098
Bank indebtedness, end of period	(460)	-	(460)	-
<b>CASH AND CASH EQUIVALENTS NET OF BANK</b>				
<b>INDEBTEDNESS, END OF PERIOD</b>	<b>\$ 3,286</b>	<b>\$ 8,098</b>	<b>\$ 3,286</b>	<b>\$ 8,098</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>				
Interest and dividends received	\$ 1,020	\$ 356	\$ 2,379	\$ 990
Interest paid	\$ 886	\$ 1,162	\$ 4,328	\$ 3,971
Income taxes paid	\$ 297	\$ 224	\$ 911	\$ 1,912

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)

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**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 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, 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 and property 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 Brick Group Income Fund and its wholly owned subsidiaries, including The Brick Trust, The Brick Warehouse LP, United Furniture Warehouse LP, 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, 2005.

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, 2005, except as described in Note 3.

**3. CHANGES IN AND ADOPTION OF ACCOUNTING POLICIES**

*Section 3831 – Non-Monetary Transactions*

In June 2005, the Accounting Standards Board (AcSB) issued Handbook Section 3831, Non-Monetary Transactions, replacing Section 3830 of the same title. The new accounting standard, effective for non-monetary transactions initiated in periods beginning on or after January 1, 2006, requires all non-monetary transactions be measured at fair value unless certain conditions are satisfied.

**THE BRICK GROUP INCOME FUND**  
**Notes to the Interim Consolidated Financial Statements**  
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**CHANGES IN AND ADOPTION OF ACCOUNTING POLICIES (continued)**

The Fund has determined that there is no impact on the financial statements resulting from the adoption of Section 3831.

*Implicit Variable Interests Under AcG-15*

In October 2005, the Emerging Issues Committee of the CICA (the “EIC”) issued Abstract No. 157, Implicit Variable Interests under AcG-15 (EIC-157), to address whether a company has an implicit variable interest in a VIE or potential VIE when specific conditions exist. An implicit variable interest acts the same as an explicit variable interest except it involves the absorbing and/or receiving of variability indirectly from the entity (rather than directly). The identification of an implicit variable interest is a matter of judgment that depends on the relevant facts and circumstances. EIC-157 became effective in the first quarter of 2006.

The Fund has determined that adoption of EIC-157 under AcG-15 does not have any effect on its financial position, results of operations or cash flows in the current periods or the prior periods presented.

*Definite Life Intangible Assets – Distribution Centre Pre-Opening Costs*

During the nine month period ended September 30, 2006, the Fund began an expansion of its distribution centre infrastructure in an existing region with the opening of a new distribution centre. Accordingly, the Fund has adopted the following policy with regard to pre-opening costs associated with distribution centres in existing regions. Pre-opening costs related to distribution centres will be deferred and amortized on a straight-line basis over a period of five years.

In December 2005, the AcSB issued Exposure Draft *Internally Developed Intangible Assets*. If approved, the revised standards will limit the deferral of certain expenditures, including pre-opening costs. The revised standards were expected to be effective for fiscal years beginning on or after October 1, 2006, and would require retroactive restatement. As a result, effective January 1, 2007, the Fund may have been required to retroactively restate its financial statements to eliminate the deferral of pre-opening costs. In June 2006, the AcSB decided to reconsider the scope of the revised standards and consequently, the effective date of the revised standards will not be earlier than the latter part of 2007. As at September 30, 2006, the Fund had deferred pre-opening costs of \$7,835.

**THE BRICK GROUP INCOME FUND**  
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**4. CAPITAL ASSETS**

	September 30, 2006			December 31, 2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 12,192	\$ -	\$ 12,192	\$ 15,249
Buildings	29,561	3,304	26,257	29,460
Automotive equipment	393	301	92	135
Equipment	45,021	10,934	34,087	29,002
Software and development costs	4,412	2,121	2,291	1,015
Leasehold improvements	71,341	18,405	52,936	53,565
	<b>\$ 162,920</b>	<b>\$ 35,065</b>	<b>\$ 127,855</b>	<b>\$ 128,426</b>

Amortization of capital assets for the three and nine month periods ended September 30, 2006 was \$5,081 and \$14,127 respectively (Three and nine months ended September 30, 2005: \$3,810 and \$11,788 respectively).

Included in capital assets is construction in progress of \$3,051 not subject to amortization at September 30, 2006 (December 31, 2005: \$14,247).

**5. INTANGIBLE ASSETS AND DEFERRED CHARGES**

	September 30, 2006			December 31, 2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Definite Life:				
Information systems	15,157	5,087	10,070	11,806
Leasehold interests	8,414	3,272	5,142	6,196
Pre-opening costs	12,180	4,345	7,835	5,441
Non-competitive agreements	5,164	2,401	2,763	3,564
Customer relationships	5,100	4,828	272	681
Customer contracts	6,450	6,450	-	158
Financing fees	658	207	451	69
Indefinite life:				
Brand	140,551	-	140,551	140,551
	<b>\$ 193,674</b>	<b>\$ 26,590</b>	<b>\$ 167,084</b>	<b>\$ 168,466</b>

**THE BRICK GROUP INCOME FUND**  
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**INTANGIBLE ASSETS AND DEFERRED CHARGES (continued)**

Amortization of intangible assets and deferred charges for the three and nine month periods ended September 30, 2006 was \$2,117 and \$6,557 respectively (Three and nine months ended September 30, 2005: \$2,074 and \$6,999 respectively).

During the three and nine month periods ended September 30, 2006, the Fund capitalized \$1,457 and \$4,305 respectively of pre-opening costs related to the opening of new distribution centres.

**6. LONG TERM DEBT**

The Fund's \$70,000 Term Credit Facility is repayable in full on July 20, 2007 and, accordingly, is included in current liabilities. The Fund intends to refinance this long term debt through the placement of a series of long term notes.

**7. ACCUMULATED 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 nine month period ended September 30, 2006, are as follows:

<b>Period</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Per Unit</b>	<b>Amount</b>
<b>Class A units</b>				
January 2006	January 31, 2006	February 15, 2006	\$ 0.1000	\$ 4,292
February 2006	February 28, 2006	March 15, 2006	0.1000	4,292
March 2006	March 31, 2006	April 17, 2006	0.1000	4,292
April 2006	April 28, 2006	May 15, 2006	0.1000	4,292
May 2006	May 31, 2006	June 15, 2006	0.1000	4,292
June 2006	June 30, 2006	July 17, 2006	0.1000	4,292
July 2006	July 31, 2006	August 15, 2006	0.1000	4,292
August 2006	August 31, 2006	September 15, 2006	0.1000	4,292
September 2006	September 30, 2006	October 16, 2006	0.1000	4,292
<b>Class B units</b>				
January 1 - March 31, 2006	March 31, 2006	April 17, 2006	0.3000	3,375
April 1 - June 30, 2006	June 30, 2006	July 17, 2006	0.3000	3,375
July 1 - September 30, 2006	September 30, 2006	October 16, 2006	0.3000	3,375
				\$ 48,753

**THE BRICK GROUP INCOME FUND**  
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**ACCUMULATED DISTRIBUTIONS DECLARED (continued)**

Declared cash distributions of \$7,667 are included in accounts payable and accrued liabilities at September 30, 2006 (December 31, 2005 - \$7,669).

During the nine month period ended September 30, 2006, the Fund paid cash distributions to unit holders of \$48,753. Distributions paid in the first nine months of 2005 of \$53,738 included a special distribution of \$4,983 declared in December 2004.

**8. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS**

	September 30, 2006 (3 months)	September 30, 2005 (3 months)	September 30, 2006 (9 months)	September 30, 2005 (9 months)
Cash provided by (used in)				
Accounts receivable	\$ (16,790)	\$ (4,776)	\$ (5,431)	\$ (10,904)
Inventory	(7,854)	(7,186)	(17,918)	(6,394)
Prepaid expenses and deposits	1,440	2,930	2,030	1,462
Accounts payable and accrued liabilities	32,653	28,492	15,299	24,459
Corporate income taxes payable	608	676	(126)	659
Customers' deposits	8,030	(1,133)	408	7,361
Deferred service revenue	74	(83)	11	(256)
Unpaid claims reserve	(227)	740	(168)	1,300
	\$ 17,934	\$ 19,660	\$ (5,895)	\$ 17,687

**9. COMMITMENTS AND CONTINGENCIES**

*Operating leases*

Property leases for new distribution centres have caused the Fund's minimum lease payments to increase.

Minimum lease payments over the remainder of 2006, the next four years, and thereafter to the end of term under lease arrangements are as follows:

Remainder of 2006	\$ 15,407
2007	67,660
2008	64,660
2009	61,984
2010	59,556
2011 - 2025	458,952
	\$ 728,250

**THE BRICK GROUP INCOME FUND**  
**Notes to the Interim Consolidated Financial Statements**  
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**COMMITMENTS AND CONTINGENCIES (continued)**

*Contingency*

The Fund has been named in two claims related to a specific, third party sponsored, sales promotion offered at United Furniture stores during 2004. The plaintiffs are seeking an order certifying the actions as a class proceeding. Management is assessing the likely outcome of the claims.

**10. GUARANTEES**

*Limited recourse liability*

Prior to June 1, 2006 the Fund was exposed to risks of default on Brick Card balances owned and underwritten by an unrelated external service provider. This limited recourse liability related only to the unique situation whereby the service provider initially declined to accept the customer's credit application, but subsequently accepted the application upon the Fund's authorization. During the second quarter, the Fund renegotiated its contract with the service provider and was released from this limited recourse liability. As at June 30, 2006, the limited recourse liability in the amount of \$1,523 was removed from the Fund's balance sheet and an equal amount was recognized as a recovery of Selling, General and Administrative expenses on the Fund's consolidated statement of earnings for the three month period then ended.

**11. FINANCIAL INSTRUMENTS**

*Currency risk*

The Fund is exposed to foreign currency fluctuations to the extent that approximately 15% to 20% 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 foreign exchange contracts in U.S. dollars. These contracts are to minimize a portion of the risk associated with future purchases of foreign currency 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 changes in the market value are recorded in income or expense when the changes occur. The fair values of these instruments are recorded in accounts payable and accrued liabilities or accounts receivable.

As at September 30, 2006, foreign exchange contracts with a notional maturity amount of \$6,694 CAD were outstanding, with a weighted average term to maturity of 10 days and an unrealized gain of \$11 CAD.

**THE BRICK GROUP INCOME FUND**  
**Notes to the Interim Consolidated Financial Statements**  
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**12. 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 Fund 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 products 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, 2005, except as described in Note 3. All inter-company transactions and balances have been appropriately eliminated.

**THE BRICK GROUP INCOME FUND**  
**Notes to the Interim Consolidated Financial Statements**  
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**SEGMENTED INFORMATION (continued)**

	September 30, 2006			September 30, 2005		
	(3 months)			(3 months)		
	Retail	Financial Services	Total	Retail	Financial Services	Total
Sales and operating revenue	\$328,203	\$ 9,580	\$337,783	\$316,873	\$ 6,483	\$323,356
Earnings before extraordinary item	4,793	6,915	11,708	8,211	3,502	11,713
Interest expense	1,434	-	1,434	1,142	-	1,142
Interest income	17	32	49	6	55	61
Amortization of capital assets	5,081	-	5,081	3,809	1	3,810
Income tax recovery (expense)	-	1,074	1,074	-	(862)	(862)
Goodwill	\$305,349	\$ -	\$305,349	\$305,349	\$ -	\$305,349
Total assets	\$873,529	\$ 48,777	\$922,306	\$826,032	\$ 46,620	\$872,652
Capital expenditures	\$ 6,935	\$ -	\$ 6,935	\$ 7,946	\$ -	\$ 7,946

	September 30, 2006			September 30, 2005		
	(9 months)			(9 months)		
	Retail	Financial Services	Total	Retail	Financial Services	Total
Sales and operating revenue	\$922,401	\$ 26,236	\$948,637	\$853,297	\$ 17,561	\$870,858
Earnings before extraordinary item	4,914	18,026	22,940	8,518	10,033	18,551
Interest expense	3,971	-	3,971	3,917	-	3,917
Interest income	34	89	123	28	151	179
Amortization of capital assets	14,125	2	14,127	11,786	2	11,788
Income tax recovery	-	2,176	2,176	-	552	552
Goodwill	\$305,349	\$ -	\$305,349	\$305,349	\$ -	\$305,349
Total assets	\$873,529	\$ 48,777	\$922,306	\$826,032	\$ 46,620	\$872,652
Capital expenditures	\$ 22,447	\$ 3	\$ 22,450	\$ 17,108	\$ 1	\$ 17,109

**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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**SEGMENTED INFORMATION (continued)**

The Fund's consumer credit department arranges retail purchase financing through unrelated external service providers. Management views and manages the consumer credit department as a support function within retail operations. Previously, net earnings from the consumer credit department had been included in the Financial Services segment. Segmented information for the three and nine month periods ended September 30, 2005 has been restated accordingly.

**13. EXTRAORDINARY ITEM NET OF INCOME TAX**

During the second quarter, the Fund recorded the disposal of land together with a store that was owned by the Fund and located in Calgary, Alberta. This disposal was the result of an expropriation by the City of Calgary. The Fund recognized a gain on this disposal of \$362. The Fund continues to operate in Calgary through its other retail locations in the city.

**14. RELATED PARTY TRANSACTIONS**

Included in selling, general and administrative expenses is rent expense of \$212 and \$637 for the three and nine month periods ended September 30, 2006 respectively, paid to a joint venture partially owned by an officer of the Fund (Three and nine months ended September 30, 2005: \$212 and \$637 respectively). These transactions are in the normal course of operations and are measured based on commercial rates established and agreed to by the related parties.

**15. SUBSEQUENT EVENTS**

On October 31, 2006 the Canadian Minister of Finance announced proposed new tax measures, that if passed into legislation, would result in the taxation of distributions made by the Fund beginning in the year 2011. Management will consider the proposed measures as more legislative details are released in order to assess the impact on the Fund and its unitholders.

**16. SEASONAL NATURE OF THE BUSINESS**

The Fund's results for the period 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, amortization, and interest expense remain relatively steady throughout the year.