

Interim Consolidated Financial Statements of

**THE BRICK GROUP INCOME
FUND**

Three and six month periods ended June 30, 2006

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

	June 30, 2006	December 31, 2005
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 1,962	\$ 29,201
Accounts receivable	42,833	54,192
Inventory	203,734	193,670
Prepaid expenses and deposits	6,720	7,310
	255,249	284,373
MARKETABLE SECURITIES	26,873	26,465
DEFERRED ACQUISITION COSTS	13,004	10,223
CAPITAL ASSETS (Note 4)	126,046	128,426
GOODWILL	305,349	305,349
INTANGIBLE ASSETS AND DEFERRED CHARGES (Note 5)	167,658	168,466
FUTURE INCOME TAXES	544	598
	\$ 894,723	\$ 923,900
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 16,292	\$ 6,670
Accounts payable and accrued liabilities	181,112	198,466
Corporate income taxes payable	42	776
Customers' deposits	53,240	60,862
Unpaid claims reserve	3,245	3,186
Current portion of long-term debt	8,201	8,253
	262,132	278,213
DEFERRED SERVICE REVENUE	530	593
DEFERRED LEASE INDUCEMENTS	10,534	12,756
DEFERRED WARRANTY PLAN REVENUE AND UNEARNED INSURANCE REVENUE	85,438	72,952
LONG-TERM DEBT	72,790	73,217
FUTURE INCOME TAXES	5,818	7,780
	437,242	445,511
COMMITMENTS AND CONTINGENCIES (Note 8)		
GUARANTEES (Note 9)		
UNITHOLDERS' EQUITY		
Trust units	528,213	528,213
Accumulated distributions declared (Note 6)	(136,657)	(104,155)
Accumulated earnings	65,925	54,331
	457,481	478,389
	\$ 894,723	\$ 923,900

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)

	June 30, 2006 (3 months)	June 30, 2005 (3 months)	June 30, 2006 (6 months)	June 30, 2005 (6 months)
SALES AND OPERATING REVENUE	\$ 313,123	\$ 293,269	\$ 610,854	\$ 547,502
COST OF SALES	185,841	178,930	365,274	333,920
	127,282	114,339	245,580	213,582
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	111,238	98,713	220,289	193,070
	16,044	15,626	25,291	20,512
OTHER EARNINGS (EXPENSES)				
Investment and other income	397	163	862	590
Interest on other debt	(372)	(75)	(640)	(236)
Interest on long-term debt	(978)	(1,298)	(1,897)	(2,539)
Amortization	(6,853)	(6,092)	(13,486)	(12,903)
	(7,806)	(7,302)	(15,161)	(15,088)
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	8,238	8,324	10,130	5,424
INCOME TAXES RECOVERY (EXPENSE)				
Current	(18)	(997)	(806)	(1,998)
Future	798	1,848	1,908	3,412
	780	851	1,102	1,414
EARNINGS BEFORE EXTRAORDINARY ITEM	9,018	9,175	11,232	6,838
EXTRAORDINARY ITEM NET OF TAXES (Note 12)	362	-	362	-
NET EARNINGS	9,380	9,175	11,594	6,838
ACCUMULATED EARNINGS, BEGINNING OF PERIOD	56,545	19,990	54,331	22,327
ACCUMULATED EARNINGS, END OF PERIOD	\$ 65,925	\$ 29,165	\$ 65,925	\$ 29,165
Basic and diluted earnings per unit before extraordinary item	\$ 0.17	\$ 0.17	\$ 0.21	\$ 0.13
Basic and diluted earnings per unit	\$ 0.17	\$ 0.17	\$ 0.21	\$ 0.13
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)

	June 30, 2006 (3 months)	June 30, 2005 (3 months)	June 30, 2006 (6 months)	June 30, 2005 (6 months)
OPERATING ACTIVITIES				
Net earnings	\$ 9,380	\$ 9,175	\$ 11,594	\$ 6,838
Add (deduct) items not affecting cash				
Amortization	6,853	6,092	13,486	12,903
Amortization of deferred lease inducements	(128)	(68)	(573)	(110)
Amortization of deferred warranty revenue	(4,205)	(2,244)	(7,776)	(4,164)
Amortization of deferred acquisition costs	415	20	720	20
Future income taxes	(798)	(1,848)	(1,908)	(3,412)
Amortization of preferred share premiums	53	59	105	92
Loss (gain) on sale of capital assets	(342)	36	(145)	(91)
Loss (gain) on expropriation (extraordinary item - Note 12)	(362)	-	(362)	-
Loss (gain) on sale of marketable securities	(94)	(115)	(154)	(109)
Cash received for leasehold inducements	1,105	1,296	1,113	1,296
Cash paid for deferred acquisition costs	(1,821)	(1,870)	(3,501)	(3,407)
Cash received on warranty and insurance sales	10,554	10,792	20,262	20,293
	20,610	21,325	32,861	30,149
Changes in non-cash operating working capital items (Note 7)	(10,541)	4,344	(23,829)	(1,973)
	10,069	25,669	9,032	28,176
FINANCING ACTIVITIES				
Financing fees	-	-	(505)	-
Distributions paid (Note 6)	(16,251)	(16,251)	(32,502)	(37,485)
Promissory note payments	-	-	-	(2,177)
Mortgage principal payments	(208)	(181)	(479)	(351)
	(16,459)	(16,432)	(33,486)	(40,013)
INVESTING ACTIVITIES				
Additions to capital assets	(7,153)	(6,447)	(15,515)	(9,163)
Additions to marketable securities	(1,219)	(981)	(2,034)	(2,378)
Additions to intangible assets	-	-	(3,127)	(83)
Proceeds from sale of marketable securities	539	2,348	1,675	3,684
Proceeds from expropriation (extraordinary item - Note 12)	5,500	-	5,500	-
Proceeds on disposal of capital assets	2	13	1,094	159
	(2,331)	(5,067)	(12,407)	(7,781)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD				
	(8,721)	4,170	(36,861)	(19,618)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	(5,609)	(13,705)	22,531	10,083
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ (14,330)	\$ (9,535)	\$ (14,330)	\$ 9,535
CASH AND CASH EQUIVALENTS IS COMPRISED OF:				
Cash and cash equivalents, end of period	1,962	\$ 8,171	\$ 1,962	\$ 8,171
Bank indebtedness, end of period	(16,292)	(17,706)	(16,292)	(17,706)
CASH AND CASH EQUIVALENTS NET OF BANK INDEBTEDNESS, END OF PERIOD	\$ (14,330)	\$ (9,535)	\$ (14,330)	\$ (9,535)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest and dividends received	\$ 989	\$ 624	\$ 1,359	\$ 947
Interest paid	\$ 1,497	\$ 1,396	\$ 3,442	\$ 2,809
Income taxes paid	\$ 146	\$ 184	\$ 614	\$ 1,688

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 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 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 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 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 period or the prior period presented.

Definite Life Intangible Assets – Distribution Centre Pre-Opening Costs

During the six month period ended June 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.

The AcSB has recently 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 are expected to be effective for fiscal years beginning on or after October 1, 2006, and will require retroactive restatement. As a result, effective January 1, 2007, the Fund may be required to retroactively restate its financial statements to eliminate the deferral of pre-opening costs. As at June 30, 2006, the Fund had deferred pre-opening costs of \$7,131.

THE BRICK GROUP INCOME FUND
Notes to the Interim Consolidated Financial Statements
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4. CAPITAL ASSETS

	June 30, 2006			December 31, 2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 12,192	\$ -	\$ 12,192	\$ 15,249
Buildings	29,555	2,936	26,619	29,460
Automotive equipment	403	294	109	135
Equipment	44,200	9,278	34,921	29,002
Software and development costs	3,152	1,886	1,266	1,015
Leasehold Improvements	66,557	15,619	50,939	53,565
	\$156,059	\$ 30,013	\$ 126,046	\$ 128,426

Amortization of capital assets for the three and six month periods ended June 30, 2006 was \$4,879 and \$9,046 respectively (Three and six months ended June 30, 2005: \$3,771 and \$7,978 respectively).

Included in capital assets is construction in progress of \$2,908 not subject to amortization at June 30, 2006 (December 31, 2005: \$14,247).

5. INTANGIBLE ASSETS AND DEFERRED CHARGES

	June 30, 2006			December 31, 2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Definite Life:				
Information systems	15,157	4,508	10,649	11,806
Leasehold interests	8,414	2,932	5,482	6,196
Pre-opening costs	10,722	3,591	7,131	5,441
Non-competitive agreements	5,164	2,137	3,027	3,564
Customer relationships	5,100	4,731	369	681
Customer contracts	6,450	6,450	-	158
Financing fees	585	136	449	69
Indefinite life:				
Brand	140,551	-	140,551	140,551
	\$ 192,143	\$ 24,485	\$ 167,658	\$ 168,466

THE BRICK GROUP INCOME FUND
Notes to the Interim Consolidated Financial Statements
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INTANGIBLE ASSETS AND DEFERRED CHARGES (continued)

Amortization of intangible assets and deferred charges for the three and six month periods ended June 30, 2006 was \$1,974 and \$4,440 respectively (Three and six months ended June 30, 2005: \$2,321 and \$4,925 respectively).

During the three and six month periods ended June 30, 2006, the Fund capitalized \$163 and \$2,848 respectively of pre-opening costs related to the opening of a new distribution centre.

6. 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 six month period ended June 30, 2006, are as follows:

Period	Record Date	Payment Date	Per Unit	Amount
Class A units				
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
Class B units				
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
				\$ 32,502

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

During the six month period ended June 30, 2006, the Fund paid cash distributions to unit holders of \$32,502. Distributions paid in the first six months of 2005 of \$37,485 included a special distribution of \$4,983 declared in December 2004.

THE BRICK GROUP INCOME FUND
Notes to the Interim Consolidated Financial Statements
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7. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	June 30, 2006 (3 months)	June 30, 2005 (3 months)	June 30, 2006 (6 months)	June 30, 2005 (6 months)
Cash provided by (used in)				
Accounts receivable	\$ (1,420)	\$ (3,779)	\$ 11,359	\$ (6,128)
Inventory	(7,576)	(3,045)	(10,064)	792
Prepaid expenses and deposits	460	(900)	590	(1,468)
Accounts payable and accrued liabilities - trade	(2,717)	10,154	(17,354)	(4,033)
Corporate income taxes payable and receivable	(951)	486	(734)	(17)
Customers' deposits	1,598	698	(7,622)	8,494
Deferred service revenue	11	434	(63)	(173)
Unpaid claims reserve	54	296	59	560
	\$ (10,541)	\$ 4,344	\$ (23,829)	\$ (1,973)

8. COMMITMENTS AND CONTINGENCIES

Operating leases

Property leases for new product 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 end of term under lease arrangements are as follows:

Remainder of 2006	\$ 30,778
2007	63,430
2008	59,419
2009	56,549
2010	53,439
2011 - 2025	393,828
	\$ 657,443

Contingency

Subsequent to June 30, 2006, the Fund was named in a claim related to a specific, third party sponsored, sales promotion offered at United Furniture stores in British Columbia during 2004. The plaintiff is seeking an order certifying the action as a class proceeding. Management is assessing the likely outcome of the claim.

THE BRICK GROUP INCOME FUND
Notes to the Interim Consolidated Financial Statements
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9. 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 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 SG&A expense on the Fund's income statement for the three month period ended June 30, 2006.

10. 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 or accounts receivable.

As at June 30, 2006, foreign exchange contracts with a notional maturity amount of \$15,490 CAD were outstanding, with a weighted average term to maturity of 25 days and an unrealized gain of \$128 CAD.

THE BRICK GROUP INCOME FUND
Notes to the Interim Consolidated Financial Statements
(thousands of Canadian dollars except unit and per unit amounts)
(unaudited)

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 financial statements for the year ended December 31, 2005. All inter-company transactions and balances 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)

	June 30, 2006			June 30, 2005		
	(3 months)			(3 months)		
	Retail	Financial Services	Total	Retail	Financial Services	Total
Sales and operating revenue	\$304,668	\$ 8,455	\$313,123	\$287,573	\$ 5,696	\$293,269
Net earnings before extraordinary item	3,238	5,780	9,018	5,668	3,507	9,175
Interest expense	1,350	-	1,350	1,373	-	1,373
Interest income	-	29	29	12	39	51
Amortization of capital assets	4,878	1	4,879	3,770	1	3,771
Income tax recovery	-	780	780	-	851	851
Goodwill	\$305,349	\$ -	\$305,349	\$305,349	\$ -	\$305,349
Total assets	850,455	44,268	894,723	813,063	43,333	856,396
Capital expenditures	\$ 7,150	\$ 3	\$ 7,153	\$ 6,446	\$ 1	\$ 6,447

	June 30, 2006			June 30, 2005		
	(6 months)			(6 months)		
	Retail	Financial Services	Total	Retail	Financial Services	Total
Sales and operating revenue	\$594,198	\$ 16,656	\$610,854	\$536,424	\$ 11,078	\$547,502
Net earnings before extraordinary item	121	11,111	11,232	306	6,532	6,838
Interest expense	2,537	-	2,537	2,775	-	2,775
Interest income	17	57	74	22	95	117
Amortization of capital assets	9,044	2	9,046	7,976	2	7,978
Income tax recovery	-	1,102	1,102	-	1,414	1,414
Goodwill	\$305,349	\$ -	\$305,349	\$305,349	\$ -	\$305,349
Total assets	850,455	44,268	894,723	813,063	43,333	856,396
Capital expenditures	\$ 15,512	\$ 3	\$ 15,515	\$ 9,162	\$ 1	\$ 9,163

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 consumer credit department had been included in the Financial Services segment. Segmented information for the three and six month periods ended June 30, 2005 has been restated accordingly.

THE BRICK GROUP INCOME FUND
Notes to the Interim Consolidated Financial Statements
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12. EXTRAORDINARY ITEM NET OF TAXES

During the three month period ended June 30, 2006, 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.

13. RELATED PARTY TRANSACTIONS

Included in selling, general and administrative expenses is rent expense of \$212 and \$425 for the three and six month periods ended June 30, 2006 respectively, paid to a joint venture partially owned by an officer of the Fund (Three and six months ended June 30, 2005: \$212 and \$425 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.

14. 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, depreciation and amortization, and interest expense remain relatively steady throughout the year.