

Date: March 19, 2007

Management's Discussion and Analysis of Consolidated Financial Position and Results of Operations for the quarter and the year ended December 31, 2006.

The information in this Management's Discussion and Analysis ("MD&A") is supplemental to, and should be read in conjunction with the audited consolidated financial statements and the Annual Information Form of The Brick Group Income Fund for the year ended December 31, 2006. These financial statements and the Annual Information Form can be found on SEDAR at www.sedar.com or www.thebrickgroup.ca. The Brick Group Income Fund's financial statements are prepared in accordance with accounting principles generally accepted in Canada (GAAP). The Brick Group Income Fund's reporting currency is the Canadian dollar. Per unit amounts are calculated using the weighted average number of units outstanding for the applicable period. Additional information about The Brick Group Income Fund can also be found on SEDAR at www.sedar.com and at www.thebrickgroup.ca.

Franchise sales figures and franchise same store sales figures as discussed in this MD&A refer to results that have not been audited. Sales at franchise stores are not included in The Brick Group Income Fund's consolidated sales figures or corporate same store sales figures.

This MD&A contains forward-looking statements. Please see "Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements. This discussion also makes reference to certain non-GAAP measures to assist in assessing The Brick Group Income Fund's financial performance. Non-GAAP earnings measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

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1. BUSINESS OVERVIEW

The Brick Group Income Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Alberta. The Brick Group Income 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, the “Brick LP”). The Brick LP owns among other things, 100% of the outstanding limited partnership units of United Furniture Warehouse LP (“United Furniture”) and First Oceans Trading Corporation. United Furniture owns Trans Global Warranty Corp. and its subsidiaries Trans Global Insurance Company and Trans Global Life Insurance Company. The Brick Group Income Fund and all of its subsidiaries and partnerships will collectively be referred to as the “Brick Group” in this MD&A.

Our Vision

To provide long-term balanced growth of distributable cash to our unit holders

Core Strategy

To drive long-term profitable growth through our furniture, mattress, electronics, and appliance business throughout Canada

Competitive Points of Leverage

Leadership in our price value position

Superior buying power

Retail store/Internet sales base

Distribution centre infrastructure

Commercial and franchise sales group

Financial services

Cost-effective supply chain

Keys to Success

Continue to build loyalty/advocacy with existing/potential customers

Optimize strong relationships with current/future suppliers

Foster an environment that respects valued employees and recognizes excellence

Bottom Line

To be Canada’s Brand of choice in furniture/mattresses/electronics/appliances

Retail Operations

The Brick Group is one of Canada's largest volume retailers of household furniture, mattresses, appliances and home electronics. The Brick Group’s strategy is centered on strengthening its competitive position and increasing its market share through organic growth within its retail banners, The Brick, United Furniture, The Brick Superstore, and The Brick Mattress Store.

The Brick Group, through its first three banners listed above, targets the following three principal markets: the middle-income consumer, the lower-income consumer, and the middle to upper middle income consumer respectively.

The Brick Mattress Store banner, which was designed to compete with independent national bedding chains, features mid to high end product lines including national brands and exclusive specialty products.

In addition, through its corporate sales division, the Brick Group services the subdivision, condominium and high-rise builder market. As at December 31, 2006, The Brick Group operated 201 retail stores (including its 26 franchise locations) in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Prince Edward Island, Nova Scotia and the Yukon Territory.

Financial Services

The Brick Group operates a financial services segment that offers extended product warranties, credit insurance on balances that arise from retail purchase financing made available to retail customers through third party credit providers, and credit and property insurance policies to third parties. Financial services are a stable and significant contributor to EBITDA, and a solid and growing source of cash flow. This segment should continue to grow as the underlying retail operations expand across Canada and third party clients are developed.

Reported and Adjusted Results

The July 20, 2004 indirect acquisition of the Brick LP by The Brick Group Income Fund was accounted for using the purchase method of accounting which requires that assets and liabilities acquired be measured at their fair values at the acquisition date. The purchase accounting adjustments required to measure the assets and liabilities acquired at their fair values have no impact on the cash position or cash flow generated by the Brick Group and therefore have no impact on the ability of the Brick Group to distribute cash to the unitholders of the Brick Group.

For simplicity, beginning with the first quarter of 2006, the Analysis of Operating and Financial Results presented in the MD&A has referred to results as reported in our annual and interim financial statements. This change in presentation was not possible prior to the first quarter of 2006 as this is the first quarter for which prior year quarterly and year-to-date comparative results include the effects of purchase accounting.

Prior MD&A's included discussions of adjusted results which are derived by excluding the impact of purchase accounting adjustments from the amounts reported under Canadian GAAP. The impact of these purchase accounting adjustments reduces non-cash related revenues and increases non-cash related expenses recorded on the income statement. This impact will diminish over future periods.

The purchase accounting adjustments are described in detail under the heading Purchase Accounting Adjustments.

Management believes the adjusted results to be important measures as they facilitate comparison to past performance of the business acquired by the Brick Group. To provide continuity, management will continue to provide adjusted results as supplementary information throughout this MD&A where management believes unadjusted results may be misleading. As well, a complete table of results on an adjusted basis is provided as supplementary information under the section heading "Non-GAAP Financial Measures".

The adjusted results do not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other issuers.

The calculation of distributable cash continues to exclude the effects of purchase accounting.

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2. HIGHLIGHTS

(000's of \$ except %, and store amounts)	For the three months ended December 31				For the year ended December 31			
	2006	2005	\$ Increase (Decrease)	% Increase (Decrease)	2006	2005	\$ Increase (Decrease)	% Increase (Decrease)
Retail Segment - Sales and operating revenue	\$ 369,403	\$ 335,927	\$ 33,476	10.0%	\$ 1,291,804	\$ 1,189,224	\$ 102,580	8.6%
Financial Services Segment - Sales and operating revenue	10,281	7,620	2,661	34.9%	36,517	25,181	11,336	45.0%
Consolidated - Sales and operating revenue	379,684	343,547	36,137	10.5%	1,328,321	1,214,405	113,916	9.4%
Same Store Sales	6.2%	-1.6%			6.1%	-1.4%		
Franchise Sales	31,155	19,295	11,860	61.5%	93,180	57,604	35,576	61.8%
Retail Segment - EBITDA	16,987	16,627 *	360	2.2%	46,553	47,010	(457)	-1.0%
Financial Services Segment - EBITDA	5,554	4,818	736	15.3%	21,407	15,138	6,269	41.4%
Consolidated - EBITDA	22,541	21,445	1,096	5.1%	67,960	62,148	5,812	9.4%
Retail Segment - Net Earnings	8,380	7,216	1,164	16.1%	13,656	15,734	(2,078)	-13.2%
Financial Services Segment - Net Earnings	6,248	6,237	11	0.2%	24,274	16,270	8,004	49.2%
Consolidated - Net Earnings	14,628	13,453	1,175	8.7%	37,930	32,004	5,926	18.5%
EBITDA - Adjusted	25,347	24,819	528	2.1%	79,538	75,896	3,642	4.8%
Payout Ratio for the period ended December 31	74.4%	71.5%			96.7%	99.5%		
Stores at period end	201	194			201	194		

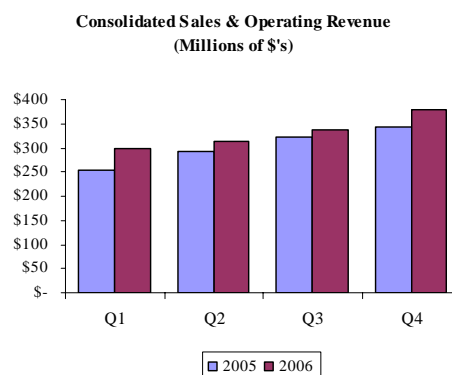
* In the 2005 Annual MD&A, these figures contained an error. Corrected figures are presented in this MD&A.

Distributable Cash and Payout Ratio

- Through the end of December 2006, and for the 29th consecutive month since becoming an income fund, we have continued to meet all of our distribution commitments.
- Our distributable cash payout ratio for the twelve months ended December 31, 2006 was 96.7%.
- Under our alternative view of distributable cash, the payout ratio for the twelve months ended December 31, 2006 was 91.4%.

Consolidated Sales and Operating Revenue

- In the fourth quarter consolidated sales and operating revenue increased by \$36.1 million to \$379.7 million compared to prior year fourth quarter. This represents a 10.5% increase over 2005.
- Our 2006 December sales exceeded all previous December sales records.



Same Store Sales

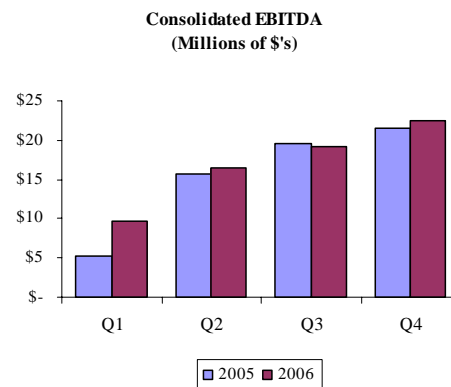
- 2006 fourth quarter same store sales grew by 6.2% over the same quarter in 2005 and 2006 annual same store sales grew 6.1% over 2005.

Franchise Sales

- Sales at franchise stores in the fourth quarter increased by 61.5% to \$31 million compared to prior year, continuing the trend seen in the previous three quarters of 2006 due to 6 new franchise stores added since December 31, 2005.

Consolidated EBITDA and Adjusted EBITDA

- Fourth quarter consolidated EBITDA increased 5.1% or \$1.1 million over 2005. 2006 annual consolidated EBITDA increased 9.4% or \$5.8 million over 2005.
- Adjusted EBITDA for the fourth quarter of 2006 was \$25.3 million, an increase of 2.1% or \$0.5 million over 2005.
- Adjusted EBITDA for 2006 was \$79.5 million as compared to \$75.9 million in 2005.



Consolidated Net Earnings

- Fourth quarter consolidated net earnings of \$14.6 million was 8.7% or \$1.2 million higher than in 2005.

Operations

- Management is pleased with the success of the rebanner initiative. As at December 31, 2006, we have exceeded our \$4 million incremental EBITDA target for the year for those locations impacted.
- In the fourth quarter, we opened:
 - o 3 Brick stores in the following locations: Lachenaie and Gatineau in Quebec, and Calgary, Alberta, and closed 2 United Furniture stores and rebannered 1 to a Brick store.
 - o 2 Brick Mattress Stores located in Spruce Grove and Ft. Saskatchewan in Alberta.
 - o 1 Brick Franchise in Thompson, Manitoba.
 - o 1 Brick Clearance Center in Edmonton, Alberta.
- We ended the year with 175 corporate stores and 26 franchise locations.
- In the fourth quarter, we completed a 153,000 square foot expansion of our distribution centre in Burnaby, which now totals 397,000 square feet. This completed the Brick group distribution

centre infrastructure build-out which increased our distribution centre square footage by 30% or 516,000 square feet.

3. CONSOLIDATED OPERATING AND FINANCIAL RESULTS

(000's of \$ except %, per unit and store amounts)	For the three months ended December 31				For the year ended December 31			
	2006	2005	\$ Increase (Decrease)	% Increase (Decrease)	2006	2005	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 379,684	\$ 343,547	\$ 36,137	10.5%	\$ 1,328,321	\$ 1,214,405	\$ 113,916	9.4%
Cost of sales	(230,563)	(207,586)	22,977	11.1%	(799,597)	(739,505)	60,092	8.1%
Gross margin	149,121	135,961	13,160	9.7%	528,724	474,900	53,824	11.3%
<i>Gross margin as a percentage of sales and operating revenue</i>	39.3%	39.6%			39.8%	39.1%		
Selling, general and administrative expenses (SG&A)	(127,106)	(114,762)	12,344	10.8%	(462,525)	(413,839)	48,686	11.8%
Investment and other income	526	246	280	113.8%	1,761	1,087	674	62.0%
EBITDA	22,541	21,445	1,096	5.1%	67,960	62,148	5,812	9.4%
<i>EBITDA as a percentage of sales and operating revenue</i>	5.9%	6.2%			5.1%	5.1%		
Interest expense on long-term and other debt	(1,753)	(1,316)	437	33.2%	(5,724)	(5,233)	491	9.4%
Income tax recovery	694	901	(207)	-23.0%	2,870	1,453	1,417	97.5%
Amortization	(6,854)	(7,577)	(723)	-9.5%	(27,538)	(26,364)	1,174	4.5%
Earnings before extraordinary item	14,628	13,453	1,175	8.7%	37,568	32,004	5,564	17.4%
Extraordinary item net of taxes	-	-	-	-	362	-	362	-
Net earnings	\$ 14,628	\$ 13,453	1,175	8.7%	\$ 37,930	\$ 32,004	5,926	18.5%
Basic and diluted net earnings per unit	\$ 0.27	\$ 0.25	0.02	8.1%	\$ 0.69	\$ 0.59	0.10	17.4%
Stores at period end	201	194			201	194		
<u>Adjusted results (purchase accounting adjustments removed):</u>								
Sales and operating revenue	\$ 382,568	\$ 347,356	\$ 35,212	10.1%	\$ 1,341,342	\$ 1,230,264	\$ 111,078	9.0%
EBITDA	25,347	24,819	528	2.1%	79,538	75,896	3,642	4.8%
<i>EBITDA as a percentage of sales and operating revenue</i>	6.6%	7.1%			5.9%	6.2%		
Net Earnings	18,392	17,983	409	2.3%	56,196	51,183	5,013	9.8%
Payout ratio	74.4%	71.5%			96.7%	99.5%		

Consolidated Sales and Operating Revenue

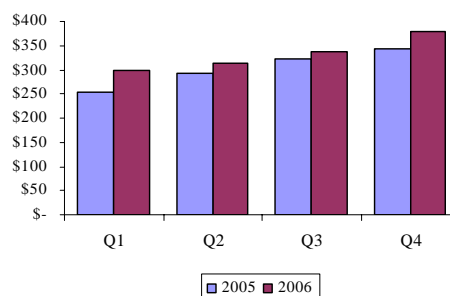
Fourth Quarter:

- Consolidated sales and operating revenue increased by \$36.1 million to \$379.7 million, a 10.5% increase when compared to the same quarter a year ago.
- Retail sales increased by \$33.5 million and financial services revenue increased by \$2.6 million.

Year ended December 31, 2006:

- Consolidated sales and operating revenue increased by \$113.9 million to \$1,328.3 million, a 9.4% increase when compared to 2005.
- Retail sales increased by \$102.6 million and financial services revenue increased by \$11.3 million.

Consolidated Sales & Operating Revenue
(Millions of \$'s)



Consolidated Gross Margin

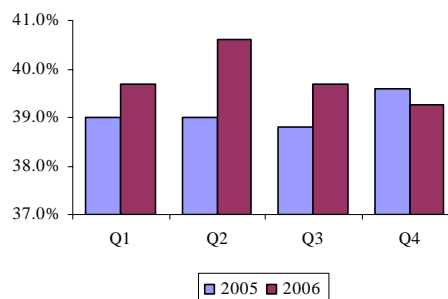
Fourth Quarter:

- Consolidated gross margin increased by \$13.2 million or 9.7% when compared to the same quarter in 2005.
- As a percentage of sales, consolidated gross margin decreased to 39.3% from 39.6%.

Year ended December 31, 2006:

- Consolidated gross margin increased by \$53.8 million or 11.3% when compared to 2005.
- As a percentage of sales, consolidated gross margin improved to 39.8% from 39.1%.

Consolidated Gross Margin
(As % of Consolidated Sales and Operating Revenue)

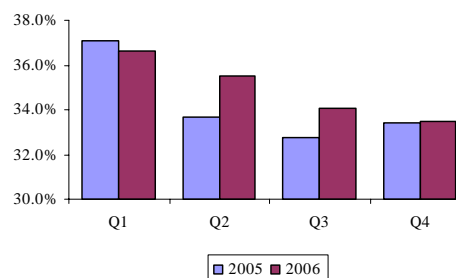


Selling, General and Administrative Expenses

Fourth Quarter:

- SG&A was \$127.1 million compared to \$114.8 million in the same quarter last year. Compared to the same quarter last year, SG&A as a percentage of sales and operating revenue was unchanged.
- Essentially all of the Brick Group's SG&A expenses occur in the retail segment.

Consolidated SG&A
(As % of Consolidated Sales and Operating Revenue)



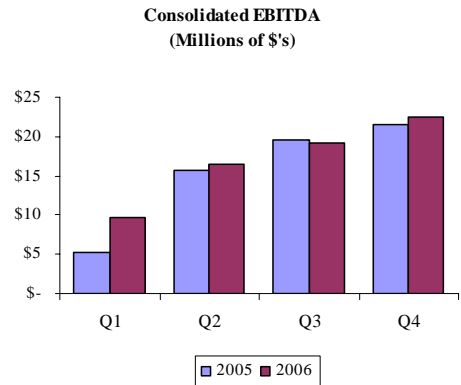
Year ended December 31, 2006:

- SG&A was \$462.5 million, compared to \$413.8 million in 2005. Compared to 2005, SG&A as a percentage of sales and operating revenue increased to 34.8% from 34.1%.

Consolidated EBITDA

Fourth Quarter:

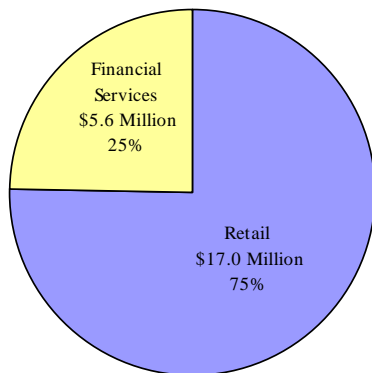
- Consolidated EBITDA increased to \$22.5 million from \$21.4 million in the same quarter a year ago.
- Retail segment EBITDA of \$17.0 million was up \$0.4 million from the same quarter last year.
- Financial segment EBITDA of \$5.5 million was up \$0.7 million from the same quarter last year.



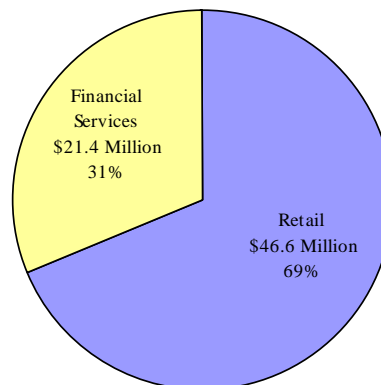
Year ended December 31, 2006:

- Consolidated EBITDA increased to \$68.0 million from \$62.1 million earned in 2005, an increase of 9.4%.
- Retail segment EBITDA of \$46.6 million decreased \$0.4 million compared to 2005.
- Financial services segment EBITDA of \$21.4 million increased \$6.3 million over 2005.

**Consolidated EBITDA by Segment
(Three Months Ended December 31, 2006)**



**Consolidated EBITDA by Segment
(Year Ended December 31, 2006)**



Consolidated Net Earnings

Fourth Quarter:

- Consolidated net earnings for the fourth quarter of \$14.6 million were up \$1.2 million or 8.7% when compared to the same quarter last year. The retail segment net earnings of \$8.4 million were up \$1.2 million from the same quarter last year, an increase of 16.1%. The financial services segment net earnings of \$6.2 million were unchanged when compared to the same quarter in 2005.
- Consolidated net earnings as a percentage of sales and operating revenue at 3.9% was flat compared to the same quarter a year ago.

Year ended December 31, 2006:

- Consolidated net earnings for the year increased by \$5.9 million, or 18.5% to \$37.9 million, from \$32.0 million in 2005. The retail segment net earnings of \$13.6 million were down \$2.1 million from the net earnings of \$15.7 in 2005. The financial services segment net earnings of \$24.3 million increased \$8.0 million from \$16.3 million in 2005.
- As a percentage of sales, net earnings in 2006 increased 0.2 ppts to 2.8% from 2.6% in 2005.

4. SUMMARY OF QUARTERLY RESULTS

The table below highlights the variability of quarterly results and the impact of seasonality on quarterly results. The first quarter of the year is typically the slowest period for the Brick Group, with results improving throughout the year. The third and fourth quarters are traditionally the Brick Group's strongest quarters due to seasonality.

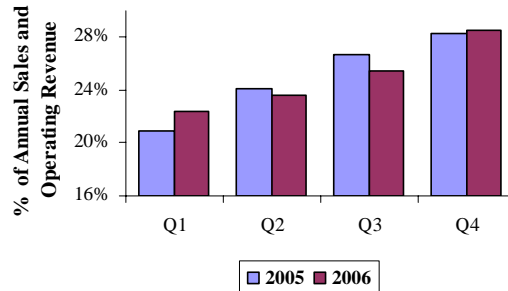
(000's of \$)	October 1 to December 31, 2006	July 1 to September 30, 2006	April 1 to June 30, 2006	January 1 to March 31, 2006
Sales and operating revenue:	\$ 379,684	\$ 337,783	\$ 313,123	\$ 297,731
EBITDA:	\$ 22,541	\$ 19,266	\$ 16,441	\$ 9,712
Net earnings: ⁽¹⁾	\$ 14,628	\$ 11,708	\$ 9,380	\$ 2,214
Basic and diluted net earnings per unit ⁽¹⁾	0.27	0.22	0.17	0.04
Distributable cash	21,834	18,587	16,748	10,083
Cash distributions declared	16,253	16,251	16,251	16,251

(000's of \$)	October 1 to December 31, 2005	July 1 to September 30, 2005	April 1 to June 30, 2005	January 1 to March 31, 2005
Sales and operating revenue:	\$ 343,547	\$ 323,356	\$ 293,269	\$ 254,233
EBITDA	\$ 21,445	\$ 19,601	\$ 15,789	\$ 5,313
Net earnings:	\$ 13,453	\$ 11,713	\$ 9,175	\$ (2,337)
Basic and diluted net earnings (loss) per unit	0.25	0.22	0.17	(0.04)
Distributable cash	22,740	20,543	16,182	5,851
Cash distributions declared	16,253	16,251	16,251	16,251

(1) For the quarter ended June 30, 2006, reported earnings before extraordinary item were \$9,018 and basic and diluted net earnings per unit before extraordinary item were \$0.17.

Sales and Operating Revenue Seasonality by Quarter

The impact of seasonality on our sales typically results in our quarterly sales increasing throughout the year.



5. SEGMENTED INFORMATION – RETAIL OPERATIONS

(000's of \$)	Three months ended December 31				Twelve months ended December 31			
	2006	2005	\$ Increase (Decrease)	% Increase (Decrease)	2006	2005	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 369,403	\$ 335,927	\$ 33,476	10.0%	\$ 1,291,804	\$ 1,189,224	\$ 102,580	8.6%
EBITDA	16,987	16,627 *	360	2.2%	46,553	47,010	(457)	-1.0%
<i>Adjusted results (purchase accounting adjustments removed):</i>								
Sales and operating revenue	\$ 369,403	\$ 335,927	\$ 33,476	10.0%	\$ 1,291,803	\$ 1,189,224	\$ 102,579	8.6%
EBITDA	17,593	17,033 *	560	3.3%	48,421	48,875	(454)	-0.9%

* In the 2005 Annual MD&A, these figures contained an error. Corrected figures are presented in this MD&A.

Sales and Operating Revenue

Fourth Quarter:

- Sales and operating revenue from the retail segment increased by \$33.5 million or 10.0% compared to the same quarter a year ago, benefiting from new store openings and increased same store sales.
- Our 2006 December sales exceeded all previous December sales records.
- Overall consolidated same store sales increased by 6.2%.
 - o We experienced positive same store sales growth of 10.2% in the Western region.
 - o In the Eastern region, we experienced positive same store sales growth of 3.0%, continuing the trend of improvement in that region noted in our third quarter MD&A. Management was pleased with Quebec's contribution to the growth in Eastern region same store sales.

Year ended December 31, 2006:

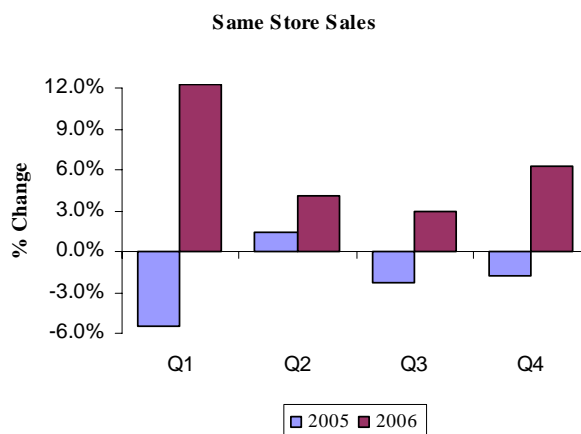
- Sales and operating revenue from the retail segment increased by \$102.6 million or 8.6% compared to 2005.
- Overall consolidated same store sales increased by 6.1%. Same store sales growth was 9.9% in the Western region and 0.2% in the Eastern region.
- Throughout the year, management focused on improving performance in the Eastern Region, particularly in Quebec, where we experienced marked improvement in sales during the latter half of the year.
- For the year, sales in all parts of the country benefited from clearance sales related to the rebanner initiative in the first quarter, strong promotional calendars in the second and third quarters, and record December sales.

Same Store Sales

- Comparable same store sales are calculated to include merchandise sales for new stores open 14 full calendar months and sales from all relocated and rebannered stores, but excludes stores where significant cannibalization has occurred. On this basis, year to date same store sales as discussed in this MD&A reflect 92.1% of the total sales occurring at all stores that have been open 14 full calendar months.

- Same store sales is not an earnings measure recognized by GAAP, and does not have a standardized meaning prescribed by GAAP. Therefore, same store sales as discussed in this MD&A may not be comparable to similar measures presented by other issuers.
- In this MD&A, references to same store sales in Western Canada include corporate stores situated in Manitoba, Saskatchewan, Alberta and British Columbia. References to same store sales in Eastern Canada include corporate stores located in Ontario and Quebec.

Same Store Sales Change versus prior year		
	Fourth Quarter	Full Year
The Brick Banner		
Western Canada	10.2%	9.9%
Eastern Canada	3.0%	0.2%
The Brick Total	6.4%	4.7%
United Furniture	4.1%	22.7%
Total Corporate Stores	6.2%	6.1%
Franchise Stores	5.7%	5.3%
Total Corporate Stores & Franchise Stores	6.2%	6.1%



The Brick, The Brick Superstore and The Brick Mattress Store

Fourth Quarter:

- Collectively, The Brick, The Brick Superstores and The Brick Mattress Stores had total sales growth of 13.9% over the same quarter last year driven by:
 - o Same store sales growth of 6.4%.
 - o Sales from 10 new stores.
- Management was pleased with same store sales growth of 3.0% in the Eastern Region, which benefited from targeted promotional activity.

Year ended December 31, 2006:

- Collectively, The Brick, The Brick Superstore and The Brick Mattress Store had total sales growth of 10.4% over 2005 driven by:
 - o Same store sales growth of 4.7%.
 - o Sales from new stores added to this group as summarized in the table, “Store Count Continuity – Full Year 2006”.
- The Brick banner same store sales growth of 4.7% is a direct result of the strength of our core operations.

-
- Clearance sales related to the rebanner initiative drove some of the increase in sales during the first quarter but were not a driving factor during the remainder of the year.

United Furniture Warehouse

Fourth Quarter:

- For United Furniture, same store sales growth was 4.1% while total sales growth was 2.5% reflecting the reduced number of stores in this group.
 - o At December 31, 2006, due to rebanner, there were 9 less United Furniture stores in this group than at December 31, 2005.
- For the 54 remaining United Furniture stores, management is pleased with the performance at the majority of these stores. However, management continues to evaluate rebanner opportunities in areas where opportunities to improve performance present themselves.

Year ended December 31, 2006:

- For United Furniture, same store sales growth was 22.7% while total sales growth was 22.3% reflecting the reduced number of stores in this group.
- Clearance sales related to the rebanner initiative drove some of the increase in sales during the first quarter but were not a driving factor during the remainder of the year.

Franchise Sales

Fourth Quarter:

- Sales at franchise stores increased by 61.5% to \$31 million.

Year ended December 31, 2006:

- Sales at franchise stores increased by 61.8% to \$93 million.
- For the quarter and the year, these increases were driven primarily by the addition of 6 franchise stores since the end of 2005, bringing the total number of franchise stores in operation at December 31, 2006 to 26.

Gross Margin

Fourth Quarter:

- For the quarter ended December 31, 2006, gross margin was \$12.6 million higher than in the same quarter a year ago and was flat as a percentage of sales and operating revenue.

Year ended December 31, 2006:

- For the year ended December 31, 2006, gross margin as a percentage of sales improved by 0.6 pts and, was \$47.4 million higher than in 2005.
- In the first quarter, negative impacts on gross margin from the significant amount of clearance sales were offset by increased sales at the United Furniture stores and the addition of Brick Mattress Stores as these locations only sell furniture and mattresses.

-
- In the third and fourth quarters, we continued to see a contribution to improved margins from those United Furniture stores converted to Brick stores where margin improvement has exceeded management's expectations.
 - Throughout most of the year, margins were impacted favourably by:
 - o Advertising and promotional offers weighted towards furniture.
 - o Adjustments in the mix of furniture merchandise to promote higher margin goods.
 - o Mattress sales growth that outperformed expectations.
 - o The strength of the Canadian dollar against the U.S. dollar, as compared to the prior year.

Selling, General and Administrative Expenses

Fourth Quarter:

- For the quarter ended December 31, 2006, SG&A expenses were \$12.2 million higher than in the same quarter a year ago. SG&A was impacted by costs associated with increased sales as well as increased fixed costs associated with new stores and the distribution centre build out. Occupancy, pre opening costs, and compensation accounted for the majority of the fixed cost increase in the quarter over the same period a year ago.
- SG&A, as a percentage of sales and operating revenue, showed improvement over the previous two quarters and was flat when compared to the same quarter of 2005.
- As we completed our final distribution centre expansion during the fourth quarter, management continued to work towards understanding and affecting the main contributors to those cost inefficiencies discussed in our third quarter MD&A. We made some progress towards controlling cost inefficiencies driven by the build out of our distribution centre infrastructure, specifically those related to hourly labour, while also continuing to work against delivery cost inefficiencies, where opportunity for improvement still remains.
- We are pleased with the improving trend in management of our SG&A expenses reflected within our fourth quarter results.

Year ended December 31, 2006:

- For the year ended December 31, 2006, SG&A expenses were \$47.8 million higher than in 2005. While the bulk of this increase was driven by the growth of the business, incremental costs as discussed in our third quarter MD&A were incurred related to the build out of our new delivery and distribution centre infrastructure which includes the opening of the Mississauga distribution centre in the first quarter, the opening of the Calgary distribution centre in the second quarter, and the expansion of the Burnaby distribution centre in the fourth quarter.
- As a percentage of sales, SG&A for the year was 1.0 ppts higher than in 2005, with the majority of this variance attributable to the second and third quarters.

EBITDA

Fourth Quarter:

- EBITDA in the retail segment of \$17.0 million was \$0.4 million or 2.2% higher than in the same quarter last year.

-
- EBITDA for the retail segment was impacted by the following:
 - o Total sales growth of \$33.6 million, or 10.0%, drove an increase in gross margin of \$12.6 million.
 - o An increase in SG&A expenses of \$12.2 million as discussed above under the heading, “Selling, General and Administrative Expenses”.

Year ended December 31, 2006:

- EBITDA in the retail segment of \$46.6 million was \$0.4 million or 1.0% lower than in 2005.
- EBITDA for the retail segment was impacted by the following:
 - o Growth in same store sales, new stores, and a 0.6 ppts gross margin improvement drove an increase in gross margin of \$47.4 million.
 - o An increase in SG&A expenses of \$47.8 million as discussed above under the heading, “Selling, General and Administrative Expenses”.

Operations

Rebanning Initiative

- Management is pleased with the success of the rebanning initiative. As at December 31, 2006, we have exceeded our \$4 million incremental EBITDA target for the year for those locations impacted by the initiative.
- 23 United Furniture locations have been converted to Brick stores. All stores are exceeding their sales targets and 15 are exceeding their EBITDA targets.
- For the United Furniture stores converted to Brick stores, sales at these stores have increased by over 150%, which is in large part driven by the addition of appliances and electronics and the strength of furniture and mattress sales.
- The Brick Superstores and The Brick Mattress Stores combined came in on target and realized the anticipated advertising cost savings, of which the majority was attributable to the HomeShow stores rebannered as Brick Superstores.
- All store conversions planned under the rebanning initiative have been completed. However, management continues to evaluate further rebanning of United Furniture stores, as an option where opportunities present themselves.

Store Continuity

Fourth Quarter:

- In the fourth quarter, we opened:
 - o 3 Brick stores in the following locations: Lachenaie and Gatineau in Quebec, and Calgary, Alberta, and closed 2 United Furniture stores and rebannered 1 to a Brick store
 - o 2 Brick Mattress Stores located in Spruce Grove and Ft. Saskatchewan in Alberta
 - o 1 Brick Franchise in Thompson, Manitoba
 - o 1 Brick Clearance Center in Edmonton, Alberta

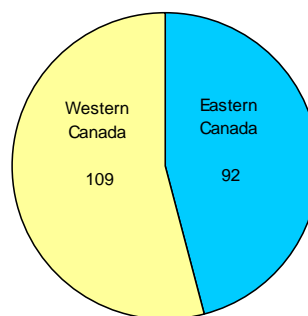
- The following chart illustrates the Brick Group's store count continuity from September 30, 2006 to December 31, 2006.

Store Count Continuity - Q4 2006				
	At Sept. 30, 2006	Rebanned	Opened / Closed	At Dec. 31, 2006
Corporate Stores				
Brick	84	1	3	88
Brick Clearance Centres	10	0	1	11
Superstore	3	0	0	3
Mattress Store	17	0	2	19
UFW	57	-1	-2	54
Corporate Subtotal	171	0	4	175
Franchise Stores				
Brick Franchise	24	0	1	25
UFW Franchise	1	0	0	1
Franchise Subtotal	25	0	1	26
Total Corporate & Franchise Stores	196	0	5	201

Year ended December 31, 2006:

- During the year, we opened:
 - o 4 Brick stores, closed 1 legacy Brick Mattresses for Less store included in the count of Brick stores, and closed 5 poor performing United Furniture stores.
 - o 6 Brick Mattress Stores.
 - o 2 Brick Franchises.
 - o 1 Brick Clearance Center.

Store Count at December 31, 2006



The following chart illustrates the Brick Group's store count continuity for the 2006 fiscal year.

Store Count Continuity – Full Year 2006				
	At Dec 31, 2005	Rebanned	Opened / Closed	At Dec 31, 2006
Corporate Stores				
Brick	65	20	3	88
Brick Clearance Centres	9	1	1	11
Superstore	3	0	0	3
Mattress Store	11	2	6	19
UFW	86	-27	-5	54
Corporate Subtotal	174	-4	5	175
Franchise Stores				
Brick Franchise	19	4	2	25
UFW Franchise	1	0	0	1
Franchise Subtotal	20	4	2	26
Total Corporate & Franchise Stores	194	0	7	201

Distribution Centre Continuity

Year ended December 31, 2006:

- The build out of our distribution centre infrastructure was a key initiative for the Brick Group in 2006, and is critical to not only supporting our current sales but also our projected sales growth in future years. In 2006, the Brick Group increased its distribution centre square footage by 30% or 516,000 square feet as shown in the table below.

Distribution Centre Continuity			
Facility	2006 (sq. ft.)	2005 (sq. ft.)	Increase (sq. ft.)
Montreal	300,000	300,000	-
Mississauga ¹	859,000	730,000	129,000
Winnipeg	65,000	65,000	-
Edmonton	300,000	300,000	-
Calgary ²	300,000	-	300,000
Burnaby ³	397,000	310,000	87,000
Total square footage	2,221,000	1,705,000	516,000

⁽¹⁾ Our new 859,000 square foot distribution centre in Mississauga commenced operations in February 2006. As a result of this opening, three locations were closed including the Rexdale distribution centre for a net increase of 129,000 square feet.

⁽²⁾ Our new 300,000 square foot distribution centre in Calgary commenced operations in June, 2006.

⁽³⁾ In October 2006, we completed a 153,000 square foot expansion of our distribution centre in Burnaby, which now totals 397,000 square feet. In preparation for this expansion, we closed the 66,000 square foot UFW distribution centre in Coquitlam.

6. SEGMENTED INFORMATION – FINANCIAL SERVICES

The financial services segment offers extended product warranties, credit insurance on balances that arise from retail purchase financing made available to retail customers through third party credit providers, and credit and property insurance policies to third parties.

Our Warranty Business

The Brick Group commenced providing warranties to its customers in 1985. These warranties, underwritten by Trans Global Warranty Corp. (TGW), are offered on all appliances, electronics and upholstered and leather furniture to provide coverage extending beyond the manufacturers warranty period by up to four years. With new technologies emerging, and some products being un-repairable, customers realize the value and peace of mind warranties provide when making a major purchase for their homes. Warranties are sold to customers when they are making their original purchase and take effect after the manufacturers warranty period, which is typically one year, has expired. The warranty contracts provide both repair and replacement service depending upon the problem with the product.

The Brick Group's accounting policy for revenue recognition in connection with the warranty business requires that warranty contract premiums be recorded as deferred revenues and recognized into income over the term of the warranty coverage provided. Warranty contracts sold by the financial services segment provide coverage for periods subsequent to expiration of the manufacturer's warranty coverage period, which typically is one year. Consequently, earned warranty revenues recognized in the current period relate to warranty contracts sold in previous years.

Our Insurance Business

The Brick Group offers holders of the Brick and United Furniture credit cards (collectively, the "Brick Card"), credit insurance on their Brick Card balances with coverage that includes life, dismemberment, disability, critical illness, involuntary unemployment, property, and family leave of absence.

These credit insurance policies are underwritten by Trans Global Insurance Company (TGI) and its sister company, Trans Global Life Insurance Company (TGLI), both subsidiaries of TGW. TGI and TGLI commenced operations in November of 1999, and are licensed as insurance companies in all provinces.

These companies, TGI and TGLI, also commenced providing credit insurance to a third party in the first quarter of 2005.

Also in the first quarter of 2005, TGI commenced providing property insurance to a third party which provides coverage against theft of property.

Management expects to grow the insurance business by focusing primarily on credit insurance provided to holders of the Brick Card, while also developing and underwriting specialty insurance products tailored to the specific needs of third parties.

The Brick Group's accounting policy for revenue and expense recognition in connection with insurance policies requires that premiums written and policy acquisition costs incurred in an

accounting period be recognized over the term of the related coverage. The majority of insurance premiums written relate to coverage provided on a month-to-month basis. However, in 2005, as noted above, the financial services segment also began to provide multi-year property insurance to a third party. Unearned revenues include the portion of premiums written on multi-year coverage policies that relate to the unexpired term of coverage.

TGI and TGLI retain reserves for anticipated claims based on independent actuarial and audit opinions. TGI and TGLI also derive income from the investments made utilizing the funds in the reserves.

Financial Services Operating Results

(000's of \$)	Three months ended December 31				Twelve months ended December 31			
	2006	2005	\$ Increase (Decrease)	% Increase (Decrease)	2006	2005	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 10,281	\$ 7,620	\$ 2,661	34.9%	\$ 36,517	\$ 25,181	\$ 11,336	45.0%
EBITDA	5,554	4,818 *	736	15.3%	21,407	15,138	6,269	41.4%
<u>Adjusted results (purchase accounting adjustments removed):</u>								
Sales and operating revenue	\$ 13,165	\$ 11,429	\$ 1,736	15.2%	\$ 49,539	\$ 41,040	\$ 8,499	20.7%
EBITDA	7,754	7,786 *	(32)	-0.4%	31,117	27,021	4,096	15.2%

* In the 2005 Annual MD&A, these figures contained an error. Corrected figures are presented in this MD&A.

Sales and Operating Revenue

Fourth Quarter:

- Sales and operating revenue from the financial services segment increased by \$2.6 million or 34.9% compared to the same quarter a year ago.
- Organic growth accounted for approximately 37% of this increase in sales and operating revenue, whereas sales of insurance to third parties provided the balance of the increase.

Year ended December 31, 2006:

- Sales and operating revenue from the financial segment increased by \$11.3 million or 45.0% compared to the same period a year ago.
- Organic growth accounted for approximately 34% of the increase in sales and operating revenue, whereas sales of insurance to third parties provided the balance of the increase.
- Organic growth is positively impacted by the increase in sales within all banners. Further to this, the rebanner initiative has had a positive impact on the growth of warranty plans and credit insurance premiums written for those former United Furniture stores rebannered to Brick stores.
- Key drivers to the increase in third party business included:
 - o Timing of the introduction of certain elements of the third party business into 2005.
 - o Expansion of existing elements of our third party business at the end of the second quarter in 2006 that extended our customer base.
 - o Impact of training initiatives introduced in these last two quarters that have positively impacted attachment rates.

EBITDA

Fourth Quarter:

- The financial services segment EBITDA was \$5.5 million in the quarter compared to \$4.4 million in the same quarter last year, an increase of 15.3%.
- The timing and amount of adjustments to the unpaid claims reserve in the current year versus prior year, in addition to an increase in warranty claims costs in the fourth quarter, negatively impacted EBITDA in the quarter as compared to a year ago. Management is reviewing its recent warranty claims experience and assessing potential actions to offset these costs.

Year ended December 31, 2006:

- The financial services segment EBITDA was \$21.4 million in the period compared to \$15.1 million in 2005, an increase of 41.4%.

Operations

- In January of 2007, we obtained a license to sell credit insurance providing life coverage in Quebec and we are now able to offer Brick Card holders in Quebec insurance coverage on their Brick Card balances.
- Key performance indicators for the financial services segment include the amount of premiums written for both the insurance and warranty business, and for the insurance business, the level of credit sales penetration (CSP). CSP is the percentage of all retail customer sales financed using the Brick Card.
- The amount of warranty and insurance premiums written and received by the financial services segment in 2006 were \$68.9 million compared to \$63.2 million in 2005, reflecting an increase of 9.0%.
- CSP for 2006 was 43.1% as compared to 47.1% in 2005. Factors that impact CSP include the extent to which interest deferral plans are offered and promoted. Fees assessed by lenders on deferred Brick Card sales vary with the length of the interest deferral plan. The decline in CSP in 2006 was partly driven by management's rebalancing of several underlying factors to CSP, including the length of deferral plan offered, associated interest costs, attachment rates (which is the percentage of applicants accepting insurance) and impact of credit insurance premiums written on increased Brick Card credit sales. With the appropriate mix of these factors in place, management will work towards driving an increased CSP rate which will ultimately lead to increased premiums and overall profitability.
- With specific reference to Brick Card credit sales, management outsources the administration, risk management and funding of the Brick Card portfolio to two suppliers, HSBC Retail Services Limited and CitiFinancial Retail Services. The Brick Group still retains the customer service responsibility for the Brick Card customers. Outsourcing allows the Brick Group to gain from the efficiencies of the economy of scale afforded by our two credit suppliers. The Brick Group utilizes two suppliers to mitigate its exposure to changes in lenders' policies regarding the levels of acceptable consumer credit risk.

7. FINANCIAL POSITION

(000's of \$)	As at December 31		
	2006	2005	2004
Total assets	\$ 949,144	\$ 923,900	\$ 860,500
Total long-term liabilities	118,343	167,298	129,840

Assets

- Total assets at December 31, 2006 of \$949 million were \$25 million higher than the \$924 million reported at December 31, 2005. This increase is due primarily to increases in inventory of \$17 million, an increase in accounts receivable of \$18 million and an increase in deferred acquisition costs of \$6 million offset by a net decrease of \$13 million in cash and \$4 million in other asset balances. The increase in inventory has been driven by expansion of the retail business over the past year, as the number of stores in operation increased to 201 at December 31, 2006, compared to 194 at December 31, 2005.
- In addition to growing sales, other events impacting inventory levels included:
 - o The United Furniture rebanner initiative, as increases to appliance and electronics inventory were required for those United Furniture stores being rebannered as Brick stores.
 - o An increase in the amount of inventory being purchased from Asia for which longer lead times are required.
- The increase in accounts receivable is attributable mainly to:
 - o An increase in trade accounts receivable of \$8 million that is in line with the increase in retail business.
 - o An increase in accounts receivable under vendor rebate programs of \$8 million due to the general increase in the level of retail business.
- The increase in deferred acquisition costs relates to the financial services segment where costs related directly to the sale of warranty contracts and insurance policies, mainly commissions, are deferred and recognized as expenses in a pattern that matches the revenue recognized from the sale of warranty contracts and insurance policies. As sales in the retail segment grow, deferred acquisition costs in the financial services segment will also grow.

Long-Term Liabilities

- Long-term liabilities decreased \$49 million to \$118 million from \$167 million at December 31, 2005. This decrease is due mainly to a change in the balance sheet classification of our \$70 million Term Credit Facility from long-term to current liabilities.
- On March 14, 2007, the Term Credit Facility was refinanced on a long-term basis. The debt was refinanced through the private placement of senior secured notes with an aggregate principal amount of \$83 million. These notes, issued to six institutional investors, have a term of seven years and pay a semi-annual coupon of 6.431%. 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 Brick Group's assets, and rank *pari passu* with the Brick Group's existing credit facilities.

- In addition to the change in the balance sheet classification of the Term Credit Facility, the balance of the change in liabilities is due to an increase in deferred warranty plan revenue and unearned insurance revenue of \$27 million offset by decreases in future income tax liabilities and long term debt of \$4 million and \$3 million respectively.
- The decrease in the future income tax liability is largely due to the amortization of purchase price accounting adjustments of the deferred warranty revenue and deferred acquisition cost balances at the time of the initial public offering.

8. LIQUIDITY AND CAPITAL RESOURCES

The following table provides a summarized statement of cash flows for three and twelve month periods ended December 31, 2006 and December 31, 2005.

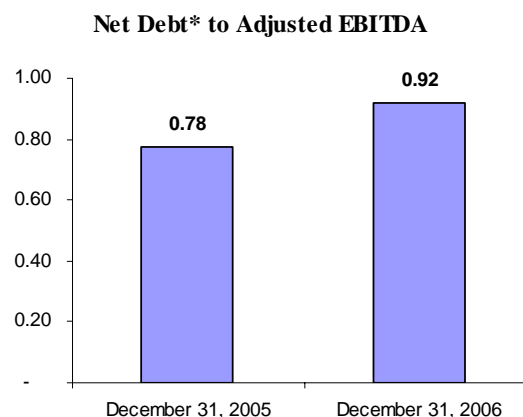
Source (Use) of Cash (000's of \$)	Three months ended December 31			Twelve months ended December 31		
	2006	2005	\$ Increase (Decrease)	2006	2005	\$ Increase (Decrease)
Operating activities						
Retail	\$ 16,584	\$ 22,971	\$ (6,387)	\$ 44,306	\$ 50,470	\$ (6,164)
Financial	11,849	11,716	133	41,492	40,161	1,331
Funds Flow from operations	28,433	34,687	(6,254)	85,798	90,631	(4,833)
Change in non-cash working capital	651	4,810	(4,159)	(5,244)	22,497	(27,741)
	29,084	39,497	(10,413)	80,554	113,128	(32,574)
Financing activities						
Distributions	(16,253)	(16,253)	-	(65,006)	(69,989)	4,983
Other	8,399	6,422	1,977	951	(3,610)	4,561
Investing activities	(8,526)	(8,563)	37	(29,250)	(27,730)	(1,520)
Increase (decrease) in cash	\$ 12,704	\$ 21,103	\$ (8,399)	\$ (12,751)	\$ 11,799	\$ (24,550)

Funds Flow from Operations and Changes in Non-Cash Working Capital

For the quarter ended December 31, 2006, funds flow from operations decreased by approximately \$6.3 million compared to the same quarter in 2005. Receipt of tenant inducements, which were approximately \$6 million higher in the fourth quarter of 2005, account for the majority of this change.

For the year ended December 31, 2006, funds flow from operations was approximately \$4.8 million lower than in 2005. As for the quarter, receipt of tenant inducements, which were approximately \$6 million higher in 2005, account for most of this change.

* Net debt includes long-term debt, the current portion of long-term debt, and bank indebtedness offset by cash and cash equivalents.



For the quarter ended December 31, 2006, changes in non-cash working capital provided \$4.2 million less than in the same quarter of 2005 due mainly to the timing of payments for imported inventory as discussed in the following paragraph.

For the year ended December 31, 2006, changes in non-cash working capital used \$5.2 million in cash in contrast to providing \$22.5 million in cash in 2005. The majority of this variance relates to changes in our accounts payable balances. In 2005, increases in our accounts payable balances provided approximately \$45 million of cash while in 2006, this amount was only \$3 million. In 2006, inventory purchases, especially those sourced from Asia, occurred earlier in the year to ensure improved availability for the 2006 holiday sales season. Consequently, and in contrast to 2005, payments related to these purchases were made prior to year end.

Working capital fluctuates seasonally, largely driven by changes in inventory and accounts payable. In addition to funds flow from operations, the Brick Group will use its \$50 million Operating Facility to fund unit holder distributions, seasonal fluctuations in working capital requirements, debt service requirements, and to fund growth capital expenditures. A separate \$50 million acquisition credit facility is available to fund acquisition requirements and may also be used to fund growth capital expenditures.

Management believes that the Brick Group has sufficient liquidity to meet all its working capital, distributions, and capital needs for the next twelve months.

Financing Activities

Distributions

During the fourth quarter, the Brick Group paid cash distributions to unit holders of \$16.3 million, bringing cash distributions to \$65.0 million (\$1.20 per unit) for the twelve months ended December 31, 2006. Distributions for the twelve months ended December 31, 2005 of \$70.0 million included a special distribution of \$5.0 million declared in December 2004.

Other

The Brick Group made scheduled monthly mortgage principal payments of \$0.2 million during the three months ended December 31, 2006 bringing the total scheduled monthly mortgage principal payments for the year to \$0.8 million.

During the fourth quarter, in anticipation of refinancing its long term debt, the Brick Group paid out the balance of \$1.1 million on a mortgage that matured during the period. This payment is not considered within the definition of debt servicing used in our calculation of distributable cash. For purposes of calculating distributable cash, scheduled payments of interest and principal required to maintain a debt are deducted. However, just as advances of funds under a borrowing agreement would not be considered a component of distributable cash, non-scheduled repayments of borrowings such as maturity payments, or payments made in contemplation of a refinancing, are also not considered a component of distributable cash.

On March 14, 2007, the Brick Group refinanced its \$70 million Term Credit Facility on a long-term basis as discussed in this MD&A under the heading, "Long-Term Liabilities".

The increase in bank indebtedness for the fourth quarter was \$9.7 million (2005 - \$6.7 million), and for the year was \$3.5 million (2005 – decrease of \$0.6 million).

During the year, the Brick Group also paid bank financing fees of \$0.6 million (2005 - \$0.1 million), related to the amendment of its credit facilities agreement in the first quarter of 2006.

In 2005, the Brick Group made scheduled monthly mortgage principal payments of \$0.7 million as well as the final payment on the promissory note due to the vendor of United Furniture Warehouse of \$2.2 million.

Investing Activities

During the fourth quarter and the year, the Brick Group engaged in the following investment activities:

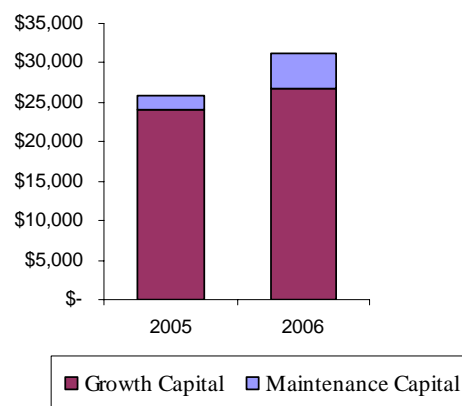
- Invested \$8.8 million in leasehold improvements, equipment, store and distribution centre renovations and expansions, and system improvements bringing the total expenditures in these areas to \$31.2 million for the year.
- Invested \$0.6 million in intangible assets comprised mainly of capitalized distribution centre pre-opening costs for our Burnaby distribution centre bringing the total amount invested in intangible assets for the year to \$5.2 million.
- No amount of proceeds from the disposal of capital assets was received in the fourth quarter. Proceeds on disposal for the year of \$6.6 million include proceeds received from the disposal of warehouse equipment from old distribution centres and from the expropriation of a store in Calgary during the second quarter.
- Purchased \$2.1 million of marketable securities and received proceeds from the sale of marketable securities of \$3.0 million. For the year, additions to marketable securities were \$4.6 million and proceeds from the sale of marketable securities were \$5.2 million.

Capital Expenditures

The Brick Group incurred maintenance capital expenditures for the three months ended December 31, 2006 of \$1.3 million bringing the total for the year to \$4.5 million.

Maintenance capital expenditures include those required to maintain and upgrade existing facilities, major roof replacements, information systems, existing distribution infrastructure and equipment. In general, maintenance capital expenditures are undertaken to maintain existing levels of EBITDA. Management has determined that the appropriate level for maintenance capital expenditures is between \$5.0 million and \$6.5 million. The \$5.0 million to \$6.5 million maintenance capital expenditure range compares to an average of \$5.1 million for years prior to 2005. Maintenance capital expenditures may fluctuate year to year based on the rolling life cycle of building and equipment.

Net Capital Expenditures
Years ending December 31
(Millions of \$'s)



Maintenance capital expenditures were below average in 2006 due to the focus placed on the rebanner initiative and the build out of our distribution centre infrastructure that occurred throughout the year. In 2007, management expects to spend between \$5.0 million and \$6.0 million in maintenance capital expenditures.

Growth capital expenditures for the year were approximately \$32.0 million, mainly for new and relocated stores, distribution centres, and the rebanner initiative. We received \$4.7 million in tenant inducements, bringing our net expenditures on growth capital to \$27.3 million for the year.

Management expects to spend approximately \$15.0 million in growth capital expenditures, net of tenant inducements, in 2007.

As at December 31, 2006 the Brick Group had commitments in place for \$9.1 million of growth capital expenditures.

Financing Resources

At December 31, 2006, \$11.0 million was drawn under the \$50.0 million Operating Credit Facility leaving \$39.0 million available undrawn credit, the full \$70.0 million was drawn under the Term Credit Facility, and \$0.6 million was drawn under the Commercial Letter of Credit Facility leaving \$4.4 million undrawn credit. No amount was drawn on the \$50 million Acquisition Facility. The existing credit facilities are explained in more detail in the Notes to the Financial Statements in the annual consolidated financial statements for The Brick Group Income Fund for the year ended December 31, 2006.

On March 14, 2007, the Brick Group refinanced its \$70 million Term Credit Facility on a long-term basis as discussed in this MD&A under the heading, "Long-term Liabilities".

The \$70 million Term Credit Facility would have become payable in full on its maturity date, July 20, 2007.

The credit agreement governing the credit facilities requires The Brick Group to maintain a maximum ratio of total debt to EBITDA, a minimum fixed charge coverage ratio, and a maximum ratio of adjusted total debt to EBITDAR (defined as EBITDA plus rent). Distributable cash must remain above certain targets. As at December 31, 2006, The Brick Group was in compliance with all covenants governing the credit facilities.

Contractual Commitments

The following table provides an overview of the Brick Group's contractual commitments as at December 31, 2006.

As as December 31, 2006				
(000's of \$)	Total	1 - 3 years	4 - 5 years	After 5 years
Long-term debt	\$ 79,530	\$ 79,530	\$ -	\$ -
Construction Commitments	\$ 9,081	\$ 9,081		
Purchase obligations				
Commercial letters of credit	581	581	-	-
Outstanding purchase orders	129,872	129,872	-	-
Operating leases	740,468	200,721	120,985	418,762
Total contractual obligations	\$ 959,532	\$ 419,785	\$ 120,985	\$ 418,762

Restriction on the Distribution of Capital from TGI and TGLI

Regulatory requirements stipulate that TGI and TGLI must maintain assets equal to their share capital and contributed surplus which totals \$11.0 million for the two companies. TGI and TGLI have cash and marketable securities in excess of the required amount at December 31, 2006.

9. NON-GAAP FINANCIAL MEASURES

Adjusted results, EBITDA, reported EBITDA, adjusted EBITDA, and Distributable Cash are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, adjusted results, EBITDA, adjusted EBITDA, and Distributable Cash may not be comparable to similar measures presented by other issuers. Investors are cautioned that adjusted results, EBITDA, adjusted EBITDA, and Distributable Cash should not be construed as alternatives to net earnings as determined in accordance with GAAP, as indicators of performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

EBITDA

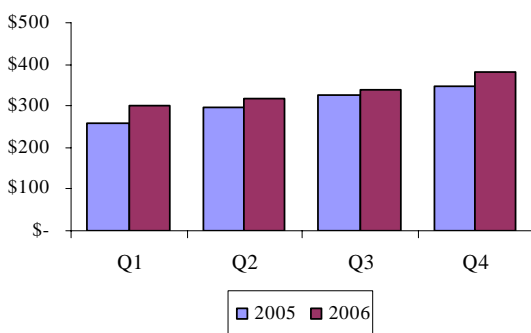
References to "EBITDA" or "reported EBITDA" are to earnings before interest, income taxes and amortization. References to "adjusted EBITDA" are to earnings before interest, income taxes and amortization, adjusted to remove the impact of purchase accounting.

Management of the Brick Group believes that adjusted EBITDA is a useful financial measure as it represents a starting point in the determination of cash available for distribution to unitholders.

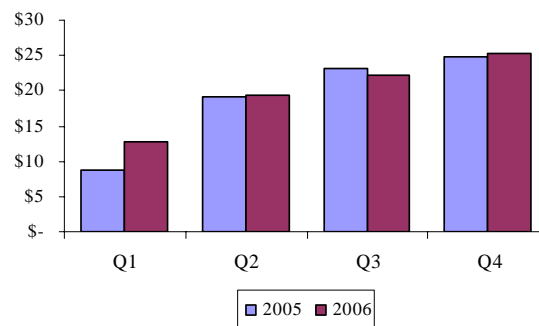
Adjusted Results of Operations

Adjusted Results: (000's of \$ except %, per unit and store amounts)	For the three months ended December 31				For the year ended December 31			
	2006 Adjusted	2005 Adjusted	\$ Increase (Decrease)	% Increase (Decrease)	2006 Adjusted	2005 Adjusted	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 382,568	\$ 347,356	\$ 35,212	10.1%	\$ 1,341,342	\$ 1,230,264	\$ 111,078	9.0%
Cost of sales	(231,285)	(208,540)	22,745	10.9%	(802,865)	(743,481)	59,384	8.0%
Gross margin	151,283	138,816	12,467	9.0%	538,477	486,783	51,694	10.6%
<i>Gross margin as a percentage of sales and operating revenue</i>	39.5%	40.0%			40.1%	39.6%		
Selling, general and administrative expenses (SG&A)	(126,500)	(114,303)	12,197	10.7%	(460,657)	(411,975)	48,682	11.8%
Investment and other income	564	306	258	84.3%	1,717	1,088	629	57.8%
EBITDA	25,347	24,819	528	2.1%	79,538	75,896	3,642	4.8%
<i>EBITDA as a percentage of sales and operating revenue</i>	6.6%	7.1%			5.9%	6.2%		
Interest expense on long-term and other debt	(1,835)	(1,337)	498	37.3%	(6,128)	(5,321)	807	15.2%
Income tax expense	(53)	(211)	(158)	-74.9%	(1,066)	(3,481)	(2,415)	-69.4%
Amortization	(5,067)	(5,288)	(221)	-4.2%	(19,526)	(15,911)	3,615	22.7%
Earnings before extraordinary item	18,392	17,983	409	2.3%	52,817	51,183	1,634	3.2%
Extraordinary item net of taxes	-	-	-	-	3,378	-	3,378	-
Net earnings	\$ 18,392	\$ 17,983	409	2.3%	\$ 56,196	\$ 51,183	5,013	9.8%
Basic and diluted net earnings per unit	\$ 0.34	\$ 0.33	0.01	3.0%	\$ 0.98	\$ 0.94	0.04	4.2%
Stores at period end	201	194			201	194		

Adjusted Sales & Operating Revenue
(Millions of \$'s)



Adjusted EBITDA
(Millions of \$'s)



10. DISTRIBUTABLE CASH AND DISTRIBUTABLE CASH PER UNIT

Distributable cash is used by income funds as a measure of the cash generated and available for distribution to Unitholders. The Brick Group's current measure of reported Distributable Cash represents adjusted EBITDA, adjusted for debt service obligations, maintenance capital expenditures, and income and capital taxes. As this calculation is not prescribed by GAAP, different income funds calculate this measure using alternative methods.

Pursuant to the Declaration of Trust for The Brick Group Income Fund and various partnership agreements, the Brick Group is required to distribute its distributable cash as calculated pursuant to its EBITDA based calculation of Distributable Cash (less reasonable reserves determined by the Trustees of the Brick Group to be prudent and in the best interests of The Brick Group Income Fund). This EBITDA based calculation of Distributable Cash is a primary measure the Trustees

must consider with respect to the distributions related to the subordinated Class B units, as set out below. The Distribution Committee of the Board of Trustees reviews and approves cash distributions on a monthly basis taking into account its reported Distributable Cash as calculated above, the Brick Group's current and prospective performance, seasonality, and other factors it considers prudent.

The Brick Group's goal is to provide a long term and stable base of distributable cash growth while paying a regular monthly cash distribution to its unitholders. The amount of the cash distributions paid are based on actual historical and estimated future performance of the Brick Group and are only partially dependent on the distributable cash calculation of a single period. Consequently, cash distributions for a period will not necessarily equal the amount of distributable cash calculated for that same period. For example, the seasonal nature of the retail business will cause distributions to exceed distributable cash during slower periods of the year. In periods where cash distributions exceed distributable cash, the excess of cash distributions over distributable cash are funded from the Brick Group's cash reserves built up in prior periods or from its operating credit facilities.

Together with Board of Trustees, management has targeted a distributable cash payout ratio in the mid-80s on an annualized basis (based on its EBITDA based calculation of Distributable Cash) before the Brick Group would consider an increase in monthly distributions. The impact of the proposed "Tax Fairness Plan", announced on October 31, 2006, by the Government of Canada (Department of Finance), would necessarily be considered before any changes to distributions are made.

Distributions for the year ended December 31, 2006 resulted in a payout ratio of 96.7% which reflects an improvement of 2.8 ppts over the payout ratio of 99.5% in 2005.

Distributions on the Class A and Class B units are cumulative, such that the amount of any deficiency from the \$0.10 per unit monthly distribution target will accumulate for 15 months. Payments of deficiencies, if any, on Class A units will be made in priority to distributions on the Class B units. Any deficiency in respect of a distribution on any units not satisfied within 15 months of the date it arose will cease to be payable. To date, no such deficiencies exist.

After the subordination in respect of Class B units has ended, cash available to make such distributions will be paid monthly to the holders of Class A units and Class B units pro rata, subject to any adjustments in the exchange ratio or the termination of the subordination arrangements. Readers of this MD&A are encouraged to refer to the March 2007 AIF which provides further information on the Distribution Policy of the Brick Group and the subordination provisions of the Class B units.

The subordination arrangements relating to the Class B units are only entitled to be terminated effective December 31, 2006 if the Brick Group earns EBITDA for fiscal 2006 of at least \$82.848 million, and the Brick Group has paid average monthly distributions of at least \$0.10 per Class A and Class B unit for fiscal 2006.

In accordance with the subordination agreements applicable to the Brick Group's Class B trust units, and based on its financial performance for 2006, the subordination provisions relating to its Class B units will remain in effect for 2007.

In August of 2006, the Canadian Securities Administrators issued Staff Notice 52-306 (Revised) which addresses disclosures surrounding distributable cash. In light of this revised Staff Notice, the Brick Group has made enhancements to its disclosures surrounding distributable cash including the reconciliation of distributable cash to cash flow from operations that follows.

The calculation of Distributable Cash shown below is consistent with all previous quarterly and annual reports in that the impact of purchase accounting is eliminated.

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Distributable Cash

(000's of \$ except per unit amounts)	Notes	Three months ended December 31		Twelve months ended December 31	
		2006	2005	2006	2005
Cash flow from operating activities	1	29,084	39,497	80,554	113,128
Changes in non-cash operating working capital items	1, 2	(651)	(4,810)	5,244	(22,497)
Items not affecting cash	3	(1,018)	(3,722)	(6,215)	(12,520)
Cash items	4	(12,787)	(17,512)	(42,015)	(46,107)
Earnings before extraordinary item		14,628	13,453	37,568	32,004
Interest		1,753	1,316	5,724	5,233
Income taxes		(694)	(901)	(2,870)	(1,453)
Amortization		6,854	7,577	27,538	26,364
Reported EBITDA		22,541	21,445	67,960	62,148
Elimination of Purchase Accounting Impact	5	2,806	3,374	11,578	13,748
Adjusted EBITDA		25,347	24,819	79,538	75,896
Debt service obligation	6	(1,920)	(1,497)	(6,551)	(5,948)
Maintenance capital expenditures	7	(1,296)	(396)	(4,504)	(1,766)
Corporate income taxes - current	8	(298)	(186)	(1,232)	(2,865)
Cash available for distribution		21,834	22,740	67,251	65,317
Cash available for distribution per unit		0.40	0.42	1.24	1.21
Cash distributions declared		16,253	16,253	65,006	65,006
Cash distributions declared per unit		0.30	0.30	1.20	1.20
Weighted average units outstanding during the period		54,171,133	54,171,133	54,171,133	54,171,133
Payout ratio for the periods ended December 31		74.4%	71.5%	96.7%	99.5%

- Cash flow from operating activities and changes in non-cash working capital items are as per the Brick Group's financial statements.
- The Brick Group's objective is to maintain a stable monthly distribution to its unitholders. The amount of the monthly distributions are based on actual historical and estimated future performance of The Brick Group. Consequently, periodic fluctuations in non-cash working capital are not considered a use or source of funds available for distribution to unit holders. Changes in non-cash working capital include changes in accounts receivable, inventory, prepaid expenses and deposits, accounts payable and accrued liabilities, corporate income taxes payable, customers' deposits, deferred service revenue, and unpaid claims reserve.
- Items not affecting cash includes amortization of the following items: capital assets, intangible assets, deferred lease inducements, deferred warranty revenue, deferred acquisition costs and preferred share premiums. Also included in this amount are future income taxes and the gain or loss on the sale of capital assets and marketable securities.
- Cash items includes cash received for leasehold inducements and from warranty and insurance sales and cash paid for deferred acquisition costs.
- As discussed in our 2005 Annual MD&A, purchase accounting adjustments relate to the July 20, 2004 indirect acquisition of the Brick LP by The Brick Group Income Fund. These purchase accounting adjustments have no impact on the cash position or cash flow generated by the Brick Group and therefore, have no impact on the ability of the Brick Group to distribute cash to unitholders of the Brick Group. Consequently, purchase accounting adjustments are excluded from cash available for distribution.
- Payments for scheduled debt service obligations represent a first claim on the cash flows of the Brick Group and as such reduce the amount of cash available to residual interest holders. Non-scheduled repayments of principal made in contemplation of a refinancing and advances of funds under a borrowing agreement are not considered components of distributable cash.
- Maintenance capital expenditures include those required to maintain and upgrade existing facilities, major roof replacements, information systems, existing distribution infrastructure and equipment. In general, maintenance capital expenditures are undertaken to maintain existing levels of EBITDA.
- Corporate income taxes represent a priority claim on the cash flows of the Brick Group and as such reduce the amount of cash available to residual interest holders.

An Alternative View of Distributable Cash

As discussed above, as the Distributable Cash calculation is not prescribed by GAAP, different income funds calculate this measure using alternative methods.

The Brick Group's current calculation for distributable cash and payout ratio starts with EBITDA and does not capture the full impact of cash flows generated by our financial services segment, specifically our warranty and certain insurance cash flows. Under GAAP, these cash flows are deferred and taken into income over the term of the extended warranty or insurance period, even though they are received in the current period. In addition, the current EBITDA based calculation includes revenue recognized from the amortization of lease inducements. Management views lease inducements and their corresponding revenue recognition as a financing activity as opposed to a source of cash available for distribution.

Management has not changed its calculation of reported distributable cash and associated payout ratio. However, through this alternative view, we are providing our unitholders a parallel view of our distributable cash that management believes is better aligned with the cash flows generated by the underlying business. As discussed above, our reported EBITDA based calculation of Distributable Cash is a primary measure the Trustees must consider with respect to the distributions related to the subordinated Class B units, as set out below. However, the Brick Group is entitled to distribute an amount greater than the Brick Group's current reported Distributable Cash, utilizing the cash flows generated by our financial services segment as discussed above, if the Trustees of the Brick Group consider such distribution to be prudent and in the best interests of The Brick Group Income Fund. After the subordination in respect of the Class B units has ended, while the Brick Group's current EBITDA based calculation of Distributable Cash is still a factor the Trustees of the Brick Group must consider when determining the amount of cash distributions paid, it will no longer be a primary measure. As such, the Trustees of the Brick Group will consider adopting this alternative view of distributable cash as our reported distributable cash measure in the future, at the time the subordination in respect of the Class B units has ended. Readers of this MD&A are encouraged to refer to the March 2007 AIF which provides further information on the subordination provisions of the Class B units.

The impact of applying this alternative view results in a fourth quarter payout ratio of 68.7%, or 5.7 ppts lower than our reported payout ratio of 74.4%. For the twelve months ended December 31, 2006, the payout ratio under this alternative view was 91.4%, as compared to our reported payout ratio of 96.7% for the same period.

Alternative View	Three months ended December 31		Twelve months ended December 31	
	2006	2005	2006	2005
Cash flow from operating activities	\$ 29,084	\$ 39,497	\$ 80,554	\$ 113,128
Changes in non-cash working capital	(651)	(4,810)	5,244	(22,497)
Funds flow from operations	28,433	34,687	85,798	90,631
Cash received for leasehold inducements	(1,501)	(8,108)	(4,701)	(10,432)
Increase in claims exposure	(1,817)	(1,554)	(4,645)	(5,921)
Principal payments	(167)	(181)	(827)	(715)
Maintenance capital expenditures	(1,296)	(396)	(4,504)	(1,766)
Distributable Cash	23,652	24,448	71,121	71,797
Distributions	(16,253)	(16,253)	(65,006)	(65,006)
Excess (Shortfall)	7,399	8,195	6,115	6,791
Payout ratio	68.7%	66.5%	91.4%	90.5%

Changes in Non-Cash Working Capital

The Brick Group's goal is to pay a stable monthly cash distribution to its unitholders. The amount of the monthly cash distributions are based on actual historical and estimated future performance of The Brick Group. Consequently, periodic fluctuations in non-cash working capital are not considered a use or source of funds available for distribution to unit holders.

Funds Flow From Operations

Funds flow from operations is equal to cash from operating activities before changes in non-cash operating working capital items as presented in our consolidated financial statements.

Cash Received for Leasehold Inducements

Management considers cash received for leasehold inducements to be a source of financing for growth capital expenditures as opposed to a source of cash available for distribution. Therefore, in the alternative view, cash received for leasehold inducements is deducted in calculating Distributable Cash.

Increase in Claims Exposure

The Brick Group's financial services segment sells warranties, as well as certain insurance products, where the customer is provided with warranty or insurance protection for an extended period of time. Cash collected from these sales is included in Funds Flow from operations. Claims and other expenses that will be incurred in the future related to these sales result in a future liability or claims exposure for the Brick Group.

The alternate view calculation deducts an amount from Funds Flow from operations to address the increase in claims exposure (i.e. future warranty and certain insurance claims) of the warranty and insurance portfolios (i.e. unexpired warranty and insurance contracts). In general, any change in claims exposure is driven by two main factors, including a change in the size of the portfolios as well as changes in estimated future claims rates.

In determining the total claims exposure associated with these portfolios, management looks at each type of warranty and insurance product offered and the associated historical claims rates as an indicator of future claims rates. These estimates for future claims rates are applied to the portfolios.

Principal Payments

As interest expense is already deducted in deriving Funds Flow from operations, scheduled principal payments are deducted in the alternative view to ensure all debt servicing is considered.

Maintenance Capital Expenditures

This amount is the same as that which is currently deducted in the reported calculation of Distributable Cash.

Distributions For The Period

Distributions remained unchanged in the fourth quarter of 2006. For the quarter and the year ended December 31, 2006, the Brick Group met all distribution targets of \$0.10 per unit per month for Class A and Class B units. Total cash distributions were \$16.3 million for the quarter and \$65.0 million for the year, as detailed in the table below:

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
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
October 2006	October 31, 2006	November 15, 2006	0.1000	4,292
November 2006	November 30, 2006	December 15, 2006	0.1000	4,292
December 2006	December 31, 2006	January 15, 2007	0.1000	4,293
				51,505
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
July 1 - September 30, 2006	September 30, 2006	October 16, 2006	0.3000	3,375
October 1 - December 31, 2006	December 31, 2006	January 15, 2007	0.3000	3,376
				13,501
				\$ 65,006

Distributions are declared monthly 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.

11. OUTSTANDING UNIT DATA

At December 31, 2006 and March 19, 2007, the Brick Group had 42,924,016 Class A and 11,247,117 Class B units outstanding. William H. Comrie holds a 39.80% interest in the Brick Group through 10,314,866 Class A trust units (19.04%) and 11,247,117 Class B units (20.76%).

12. OUTLOOK

Throughout 2006 we remained focused on our two major strategic initiatives, rebannered and the build out of our distribution infrastructure. These two initiatives were a significant undertaking for 2006 and involved rebannered 41 stores and building a net additional 500,000 square feet of state-of-the-art distribution space.

With these initiatives addressed, we saw 2006 as a successful year. We aligned our business model and set the foundation for future growth, leaving us well positioned for 2007. Our commitment in 2007 is to drive down costs and increase EBITDA.

We continue to have many levers to drive down costs and increase EBITDA. Within the retail segment, these include:

- Building the Core...Organic growth through same store sales
- Capital Development ...New builds, relocations and renovations, and select rebannered
- Franchise Expansion ...New Franchise locations
- Corporate Growth Sales...Expansion into hospitality and health care markets.

Within our financial services segment, these include:

- Organic Growth...Brick Card credit insurance penetration, warranty attachment rates
- Third party Client Development...New Third Party business

Rebanning Initiative

As we noted throughout our MD&A, we are very pleased with results on the rebannered initiative. We have exceeded our \$4.0 million incremental EBITDA target for the year for those locations impacted by the initiative. All store conversions planned under the rebannered initiative have been completed. However, management continues to evaluate further rebannered of United Furniture stores, as an option where opportunities present themselves. For the first half of 2007, management has identified a limited number of additional United Furniture locations that may be converted to Brick stores.

Store Count Continuity

The following chart illustrates our 2007 store count projections:

Store Count Continuity - 2007 Projection			
	At December 31, 2006	Opening / Closing	At December 31, 2007
Corporate Stores			
Brick	88	3	91
Brick Clearance Centres	11		11
Superstore	3		3
Mattress Store	19	12	31
UFW	54		54
Corporate Subtotal	175	15	190
Franchise Stores			
Brick Franchise	25	6	31
UFW Franchise	1		1
Franchise Subtotal	26	6	32
Total Corporate & Franchise Stores	201	21	222

Distribution Infrastructure

In 2006, we opened two new state of the art distribution centres, one in Mississauga and one in Calgary, as well as expanded our Burnaby distribution centre. Our expanded capacity is critical not only in supporting our current sales levels but also our projected sales growth in future years.

Our focus in 2007 will be to leverage the increased capacity, and to manage down costs by driving efficiencies related to the delivery and distribution infrastructure.

Capital Expenditures

In 2007, management expects to spend between \$5.0 million and \$6.0 million in maintenance capital expenditures and approximately \$15.0 million in growth capital expenditures, net of tenant inducements. The decreased spending in 2007 growth capital reflects that the distribution centres and rebannered efforts are completed, and management's focus is on no new material infrastructure and on managing costs down.

Franchise Locations

We had 26 franchised locations at the end of December 31, 2006. Management continues its commitment to grow this segment of the business, which requires no direct capital investment from the Brick Group. Management plans to open 6 new franchises in 2007.

Financial Services Segment

The financial services segment continues to be a growing part of our business and provides stable cash flows through sales of credit insurance and product warranties. Our rebannered initiative will further provide opportunities for growth in this segment, as the addition of appliances and home

electronics in rebannered United Furniture stores will create an opportunity to sell product warranties.

Beyond this organic growth, management will continue to focus on growing our financial services segment through the addition of third party clients to the portfolio of accounts. However, management does not anticipate the same level of growth that was experienced in 2006, driven by the partial year impact of new third party business in 2005.

We believe that our geographic and economic diversifications will allow us to remain competitive in the short and long term Canadian economy.

Management remains focused on our mission to drive sales, grow profitability, and ultimately maintain sustainable and stable levels of distributions.

13. CRITICAL ASSUMPTIONS

Off-Balance Sheet Arrangements

Prior to June 1, 2006 the Brick Group 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 Brick Group's authorization. During the second quarter, the Brick Group renewed 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 \$1.5 million was removed from the Brick Group's balance sheet and an equal amount was recognized as a recovery of SG&A expenses on the Brick Group's consolidated statement of earnings for the three month period ended June 30, 2006.

For further information on off-balance sheet arrangements, see notes 17 and 18 of the audited consolidated financial statements of The Brick Group Income Fund for the year ended December 31, 2006.

Related Party Transactions

Included in SG&A expenses is rent expense of \$0.2 million and \$0.8 million for the three and twelve month periods ended December 31, 2006 respectively, paid to a joint venture partially owned by an officer of the Brick Group (Three and twelve months ended December 31, 2005: \$0.2 million and \$0.8 million 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.

Critical Accounting Estimates

The preparation of financial statements, in conformity with Canadian GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Allowance for Doubtful Accounts Methodology

The Brick Group expects that a certain portion of required customer payments will not be made and maintains an allowance for these doubtful accounts. This requires an assessment and estimation of the credit worthiness of customers, the timing of collections, and the amounts that will be received. This allowance is based on management's estimation of the likelihood of recovering the accounts receivable.

During the first quarter of 2006, management reviewed its methodology for the estimation of allowance for doubtful accounts receivable. As a result of this review, the methodology used to calculate the allowance was changed from the methodology used at December 31, 2005. The revised methodology, which management believes is more objective, includes identification of collection risk relative to the age of accounts receivables as well as identification of collection risk on a specific account basis. Previously, the risk of collection was based on more general assessments related to sales levels and overall historical collection rates. During the first quarter of 2006, the allowance for doubtful accounts increased by \$0.5 million. During the second quarter of 2006, as discussed above in the section on off-balance sheet arrangements, the Brick Group was released from its limited recourse liability. This liability had been accrued in the Brick Group's financial statements in the form of an allowance for doubtful accounts. Consequently, during the second quarter, the Brick Group reduced the allowance for doubtful accounts by \$1.5 million.

Unpaid Claims Reserve

The unpaid claims reserve consists of a reserve for unpaid warranty and unpaid insurance claims as at the balance sheet date.

For warranty claims, the unpaid claims reserve includes an estimate of all reported claims that remain unsettled as at the balance sheet date. The unpaid claims reserve for warranty claims is based on assumptions and estimates of the cost of repairs and expected expenses associated with the payment of such claims.

For insurance claims, the unpaid claims reserve includes an estimate of both reported and unreported claims that remain unsettled as at the balance sheet date. The unpaid claims reserve for insurance claims is based on assumptions and estimates of loss emergence, payment rates, interest and expected expenses associated with the payment of such claims.

Management believes that the unpaid claims reserve includes appropriate provisions for risk that arises from the uncertainty inherent in the aforementioned assumptions and estimates.

Sales Revenue

The Brick Group records a provision for sales returns and price guarantees based on historical experience and actual experience subsequent to year-end.

Vendor Rebates

Certain vendor rebates and other supplier discounts are included in income as a reduction in cost of goods sold. Volume rebates are recorded based on annualized expected purchase volumes where applicable. All other rebates and discounts are recorded when the related expense is incurred.

Fair Value of Marketable Securities

Investments are written down when there is a decline in value that is other than temporary. Reversal of any such write down is not allowed. Whether a particular decline in value is other than temporary is an estimate requiring the use of judgment

Inventory Obsolescence

Inventory is valued at the lower of cost, determined using the first-in, first-out method, and net realizable value. Whether net realizable value will exceed cost requires the use of estimation and judgment about future sales.

Capital Assets

Capital assets are recorded at cost. Capital assets are amortization using the straight-line method over their estimated useful lives. The carrying value of capital assets is evaluated whenever significant circumstances indicate impairment in value may have occurred. An impairment in value is considered to exist when the carrying value of a capital asset exceeds its net recoverable amount.

Goodwill and Indefinite Life Intangible Assets

Goodwill and intangible assets with indefinite lives are recorded at cost and are not amortized. Management reviews assets for impairment in the fourth quarter of every year, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Indefinite life intangible assets are written down if their carrying value exceeds their fair value.

Finite Life Intangible Assets

Intangible assets with finite lives are recorded at cost and are amortized over their estimated useful lives using the straight-line method. Individual finite life intangible assets are tested for recoverability whenever events or changes in circumstances indicate that a carrying amount may not be recoverable. An impairment is recognized when the carrying amount is not recoverable and exceeds its fair value.

Income Tax

Income tax provisions, including current and future income tax assets and liabilities, may require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to the Brick Group's specific situation. Current and future income taxes are only provided for the taxable entities owned by the Brick Group. Any changes in future income tax assets and liabilities are charged to income in the period.

On October 31, 2006, the Government of Canada (Department of Finance) announced the "Tax Fairness Plan" whereby the income tax rules applicable to certain publicly traded income trusts and partnerships will be modified. The trusts within the Brick Group Income Fund's structure would be impacted by the proposed legislation announced, and if enacted, would result in the distributions being taxed in a manner similar to the income earned (and distributed) in a corporation. The plan, if enacted as announced, would not become effective until 2011 taxation year for trusts, such as the Brick Group Income Fund, that were publicly traded prior to November 1, 2006. The Fund is

currently considering these proposals and the possible impact they will have on the Fund and its unitholders, but is unable to make an estimate at this time.

If the legislation is enacted, the tax status of the trusts would change and this would result in recording future income tax assets and liabilities at the substantively enacted tax rates in respect of temporary differences that are expected to reverse after the date those tax changes take effect.

Valuation on Acquisition Date

Valuation of acquired assets and liabilities on the acquisition date required the use of estimates to determine the purchase price allocation. Estimates were made of the fair values of capital assets, intangible assets, goodwill and other assets and liabilities acquired. In certain circumstances, such as the valuation of intangible assets and capital assets, management also relied on independent third party estimates.

Materiality

In preparing this MD&A and the information contained herein, management considers the likelihood that a reasonable investor would be influenced to buy or not buy, or to sell or hold units of The Brick Group if such information were omitted or misstated. This concept of materiality is consistent with the notion of materiality applied to financial statements and contained in the Canadian Institute of Chartered Accountants Handbook.

Financial Instruments and Other Instruments

The Brick Group is exposed to financial risks that arise from fluctuation in interest rates and foreign exchange rates and the degree of volatility of these rates.

The Brick Group is exposed to foreign currency fluctuations to the extent that approximately 19% of inventory purchases are made in U.S. dollar prices. The Brick Group enters into foreign exchange contracts in U.S. dollars. These contracts are used 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 are 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 December 31, 2006, the Brick Group did not have any foreign exchange contracts outstanding.

Changes in and Adoption of Accounting Policies

Accounting Standards Adopted in the Current Year

Section 3831 – Non-Monetary Transactions

Effective January 1, 2006 the Brick Group adopted the recommendations of CICA 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 has determined that there is no impact on its financial statements resulting from the adoption of Section 3831.

Accounting Standards to be Adopted in Future Year

In April 2005, the Accounting Standards Board (“AcSB”) of the Canadian Institute of Chartered Accountants (“CICA”) issued the following new Handbook Sections:

Section 1530 - Comprehensive Income

Section 3251 - Equity

Section 3855 - Financial Instruments, Recognition and Measurement

Section 3865 - Hedges

The mandatory effective date for the new Sections 1530, 3251, 3855 and 3865 is for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. The Brick Group will adopt these standards for its fiscal year beginning January 1, 2007.

Section 1530 - Comprehensive Income

Establishes standards for reporting and display of comprehensive income. It defines other comprehensive income to include revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. The section does not address issues of recognition or measurement for comprehensive income and its components. For its fiscal year beginning January 1, 2007, the Brick Group will begin to report other comprehensive income. For the Brick Group, the main component of other comprehensive income is expected to be unrealized gains and losses from changes in the fair value of its marketable securities which will be classified as available for sale.

Section 3251 - Equity

Establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in this section are in addition to those of Section 1530 and recommend that an enterprise should present separately the following components of equity: retained earnings, accumulated and other comprehensive income, the total for retained earnings and accumulated other comprehensive income, contributed surplus, share capital and reserves. For its fiscal year beginning January 1, 2007, the Brick Group will begin to report accumulated other comprehensive income as a component of equity.

Section 3855 – Financial Instruments, Recognition and Measurement

Requires that all financial instruments, including derivatives are to be included on a company’s balance sheet and measured, either at their fair value or, in limited circumstances where fair value may not be considered most relevant, at cost or amortized cost. The standard also specifies when gains and losses that result from changes in fair values are to be recognized in the income statement. As at January 1, 2007, the Brick Group will adjust the marketable securities included on its balance sheet to their fair values, which may differ materially from their carrying values at December 31, 2006. This adjustment will be recorded as the opening balance of accumulated other comprehensive income. Subsequent unrealized gains and losses from changes in the fair value of marketable securities will be recorded in other comprehensive income.

Section 3865 - Hedges

Extends existing requirements for hedge accounting and comprehensively specifies how hedge accounting should be performed. The Brick Group does not currently use hedge accounting. The Brick Group does not expect that this new standard will have a material impact on its financial position or results of operations.

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 applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2007, with earlier adoption permitted. The impact of this revised standard on the Brick Group will be dependant upon changes to accounting policies and accounting estimates, or corrections of errors, if any, that may occur in the future.

Section 1535 – Capital Disclosures

In December 2006, the AcSB issued a new accounting standard on disclosures about capital, to converge with recent amendments to International Financial Reporting Standard IAS 1, Presentation of Financial Statements. Section 1535, Capital Disclosures, must be implemented no later than the first reporting period in the first fiscal year beginning on or after October 1, 2007. Earlier adoption is permitted. Section 1535 requires an entity to disclose information about its objectives, policies and processes for managing capital, as well as its compliance with any externally imposed capital requirements. Rather than providing a definition for capital, the Section requires entities to describe and provide quantitative data about what they manage as capital. The Brick Group plans to adopt this new standard beginning with its 2008 fiscal year and does not expect that this new standard will have a material impact on its financial position or results of operations.

Section 3862 – Financial Instruments - Disclosures

In December 2006, the AcSB issued a new accounting standard on disclosures about financial instruments. Section 3862, Financial Instruments — Disclosures, improves upon the disclosure requirements in Section 3861, Financial Instruments — Disclosure and Presentation, and converges with International Financial Reporting Standard IFRS 7, Financial Instruments: Disclosures. Section 3862 must be implemented no later than the first reporting period in the first fiscal year beginning on or after October 1, 2007, but was made available in time for voluntary early implementation concurrent with adoption of the suite of financial instruments standards issued in 2005 (and effective for reporting periods beginning on or after October 1, 2006). Entities choosing not to early adopt the new disclosure requirements will continue to comply with the existing disclosure requirements in Section 3861.

Section 3862, like Section 3861, is based on the fundamental principle that entities should provide disclosures in their financial statements that enable users to evaluate the significance of financial

instruments for the entity's financial position and performance. However, Section 3862 places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. Concurrent with the release of Section 3862, the AcSB also issued Section 3863, Financial Instruments — Presentation, which carries forward unchanged the presentation requirements of Section 3861. Section 3863 provides a companion standard to Section 3862 for entities subject to the latter. The Brick Group plans to adopt this new standard beginning with its 2008 fiscal year and does not expect that this new standard will have a material impact on its financial position or results of operations.

Exposure Draft – Internally Developed Intangible Assets

In December 2005, the AcSB issued an Exposure Draft on *Internally Developed Intangible Assets*. If approved, the revised standards will limit the deferral of certain expenditures, including pre-opening costs, and will require retroactive restatement. The revised standards were 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 standards will not be earlier than the latter part of 2007. As at December 31, 2006, the Brick Group had deferred pre-opening costs of \$8.4 million (2005 - \$5.4 million).

14. PURCHASE ACCOUNTING ADJUSTMENTS

Deferred Warranty Plan Revenue

Warranty contract revenues are recorded as unearned revenues at the time of sale and are recognized into income over the term of the warranty contract which commences upon the expiration of the manufacturer's warranty period. Unamortized proceeds from contracts in force at the acquisition date would normally have been recognized into income over the remaining term of the contract life. At the acquisition date, the fair value of the liability associated with those existing warranty contracts was \$49.9 million less than the book value of deferred warranty revenue.

The approach used to determine the fair value of the liability was to assess the amount a third party would require as consideration in exchange for assuming the existing warranty liabilities at the acquisition date. This involved estimating the anticipated cost of future claims associated with the existing book of business at the acquisition date and allowing for a reasonable profit for the third party in addition to those claims costs the third party would expect to incur. The difference between the two values is deferred profit that would have been recognized over the remaining life of the warranty contracts.

The application of purchase accounting at July 20, 2004 results in a \$49.9 million reduction of the deferred warranty contract revenue credit on the balance sheet. The reduced amount is not reflective of the on-going warranty operations as the terms of the contracts in force at July 20, 2004 did not change due to the application of purchase price accounting. The purchase accounting adjustment will decrease sales and operating revenue over the terms of the contracts to which the deferred warranty contract revenue on the balance sheet at July 20, 2004 relates. It is estimated this adjustment will no longer have a significant impact after 2009.

In order to present comparative and informative information for the warranty operations, the effect of this purchase accounting adjustment has been presented and an adjusted sales and operating revenue number calculated. This allows the current period to be compared to the prior period, in which there was no purchase accounting adjustment impact.

Deferred Acquisition Costs

Deferred acquisition costs are direct costs associated with the sale of a warranty contract, such as commissions paid to sales staff. GAAP requires that costs directly related to the acquisition of a contract and that would have not been incurred but for the acquisition of that contract be deferred and charged to expense in proportion to the revenue recognized. The deferral of such acquisition costs allows for the matching of expenses with the associated revenues. Deferred acquisition costs are amortized over the term of the warranty period on the same basis as the associated revenues are recognized.

As purchase accounting requires all items to be measured at fair value, the deferred acquisition costs on the balance sheet had to be reduced by \$12.5 million on the acquisition date. This purchase accounting adjustment will decrease cost of sales over the terms of the contracts to which the deferred acquisition costs on the balance sheet at July 20, 2004 were associated. The decrease in cost of sales due to this purchase price adjustment will affect net income until approximately 2009.

Deferred Lease Inducements

Lease inducements applicable to real estate leases are recorded initially as deferred credits on the balance sheet of the Brick Group. The benefits of these lease inducements are recognized as a reduction of SG&A expense over the term of the lease. At acquisition date, purchase accounting adjustments reduced the carrying value of these deferred lease inducements by \$17.8 million.

The effect of reducing this deferred credit balance is that SG&A expense recognized in post-acquisition periods will be higher over the life of these lease agreements by the amount of this purchase accounting adjustment. Thus, it becomes difficult to compare SG&A expense from the current period with periods prior to acquisition that is not affected by this purchase accounting adjustment. To facilitate a comparison between periods, an adjusted amount has been calculated to exclude the effects of purchase accounting from post-acquisition periods.

Marketable Securities

Purchase accounting required that the carrying values of marketable securities on hand at July 20, 2004 be adjusted to their fair values. This resulted in a net increase in the carrying value of these marketable securities of \$0.4 million. As the marketable securities held at July 20, 2004 are sold this purchase accounting adjustment is decreased. The decrease in this purchase accounting adjustment is recognized as a reduction (increase) in the gain (loss) recognized on disposal of these marketable securities and is included as part of other income on the income statement.

Long-Term Debt

The carrying value of long-term debt also had to be adjusted to fair value at the acquisition date. This resulted in an increase of \$0.7 million in the carrying value of the debt. As the term of the debt decreases, the purchase accounting adjustment diminishes. This is reflected through a reduction of interest expense on long-term debt on the income statement.

Future Income Taxes

The organizational structure of the Brick Group includes various legal entities including partnerships, trusts and corporations. Partnerships are not considered to be taxpayers in Canada, therefore, partnerships do not record a tax expense in their financial statements. The trusts within the organizational structure of the Brick Group are mandated to distribute all of their taxable income to their beneficiaries and, as a result, will also not record a tax expense in their financial statements. Therefore, differences between the book value of assets and liabilities of the partnerships and trusts and their underlying tax basis do not give rise to future income tax assets and liabilities in the consolidated financial statements of the Brick Group. Only such differences related to assets and liabilities of the corporations within the structure give rise to future income tax assets, liabilities and expenses. The significant operations of the Brick Group that are carried on through corporate structures are the warranty and insurance businesses.

At the acquisition date the assets and liabilities owned by the warranty and insurance businesses were adjusted to their fair value. Deferred acquisition costs and customer contracts were the assets, and deferred warranty revenue was the liability, which were revalued at amounts that were different than their carrying values. The re-valuation of these items had the effect of creating an additional future tax liability of \$15.7 million, which will be recognized as a recovery of future income tax in the income statement over the next five years.

Capital and Intangible Assets

The carrying value of capital assets was increased by \$46.8 million at the acquisition date to reflect the fair value of those assets, and intangible assets subject to amortization, were increased by \$39.1 million. These increases in value cause amortization expense to be significantly higher in the current and future periods as compared to periods prior to the acquisition.

As discussed above, as a result of purchase accounting adjustments, revenues and expenses reported in the Brick Group's financial statements for periods subsequent to July 20, 2004 are not comparable to revenues and expenses presented for periods prior to July 20, 2004 in this MD&A.

15. RISK FACTORS

Careful consideration should be given to the following risk factors. These descriptions of risks are not the only ones facing the Brick Group. Additional risks and uncertainties not presently known to the Brick Group, or that the Brick Group deems immaterial, may also impair the operations of the Brick Group. If any of such risks actually occur, the business, financial condition, liquidity, and results of operations of the Brick Group could be materially adversely affected and the ability of the Brick Group to make distribution its Class A and Class B units could be adversely affected.

Readers of this MD&A are also encouraged to refer to the Brick Group's Annual Information Form which provides further information on the risk factors facing the Brick Group.

General Economic Conditions

The health of the Canadian economy as a whole, and the regional markets in which the Brick Group operates, has represented, and is currently expected to continue to represent, the principal determinant of the Brick Group's profitability and cash flows from operations. Accordingly, the Brick Group's financial results are sensitive to interest rates, domestic product growth, consumer confidence, housing starts, availability of consumer credit and the level of unemployment.

Competition

The Brick Group faces competition in all regions in which its operations are located and in each of its product categories. This competition may restrict the Brick Group's ability to maintain or raise prices and margins or result in the loss of market share.

Third Party Credit Providers

The success of the Brick Group depends, in part, on its relationship with its third party credit providers. The Brick Group relies on two third party credit suppliers in supplying financing alternatives to its customers. There can be no assurance that the Brick Group will be able to continue to secure financing products for its customers on terms similar to current terms or at all. Significant changes in the financing terms offered to the Brick Group's customers, the unavailability of such products, the deterioration in the Brick Group's relationships with either of its two third party credit providers, or the loss of one or both of these providers could have a material adverse effect on the Brick Group's business, financial condition, liquidity and results of operations.

Extended Warranty Programs

The Brick Group offers self-insured extended warranty contracts on certain of the products it sells. The liability for these contracts is based on a number of factors, including historical trends in product failure rates, expected material and labour costs necessary to provide the services, and the frequency and severity of repair costs. The Brick Group's warranty portfolio is exposed to the risk that a particular underlying technology is inherently flawed, which would result in the failure of multiple models produced by various manufacturers. As well, the cost of the Brick Group's warranty business could increase if manufacturers reduce the availability of parts necessary to repair products, raise part prices or significantly increase their own warranty periods. The accounting for self-insured extended warranty contracts requires the Brick Group to make assumptions and apply judgment when estimating these factors. If actual results are not consistent with the assumptions and judgments used to calculate the Brick Group's extended service contract liability, the Brick Group may be exposed to losses that could have a material adverse effect on the Brick Group's financial condition, liquidity and results of operations.

Premium Tax Contingency

As a result of legislative amendments to the Alberta Corporate Tax Act effective May 24, 2006, Trans Global Warranty Corp. will commence remitting premium taxes in Alberta. Prior to this date, Trans Global Warranty Corp. was not required to remit provincial premium tax related to the sale of protection plans in any other province other than Ontario. The Alberta tax authorities have assessed Trans Global Warranty Corp. for premium taxes related to sales from 1987 to 2004. As at

December 31, 2006 the estimated potential liability related to these assessments is \$6.2 million (\$5.9 million - net of income taxes). Trans Global Warranty Corp. is disputing these assessments and is defending its position with the Alberta tax authorities. In the opinion of management, the relevant provincial legislation supports this filing position and no accrual has been recorded. No other provinces have assessed Trans Global Warranty Corp. for premium taxes. If Trans Global Warranty Corp. is required to remit premium taxes related to the sale of protection plans in Alberta before May 24, 2006, or is required to remit premium taxes related its sales in any province other than Ontario, the estimated potential total liability due to non-remittance of premium taxes as at December 31, 2006 is \$7.5 million (\$6.8 million net of income taxes). No provision has been made in these consolidated financial statements for any such taxes as the outcome of this contingency is not determinable.

Commodity and Capital Taxes

Entities within the Brick Group, and their predecessor entities, may be subject to audits from federal and provincial tax authorities regarding commodity and capital taxes. These audits may give rise to assessments related to tax filing positions the Brick Group or its predecessors have taken. While management of the Brick Group believes that the filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. Management of the Brick Group regularly reviews the potential for adverse outcomes and the adequacy of provisions relating to these matters.

Income Taxes

On October 31, 2006, the Government of Canada (Department of Finance) announced the “Tax Fairness Plan” whereby the income tax rules applicable to certain publicly traded income trusts and partnerships will be modified. The trusts within the Brick Group’s structure would be impacted by the proposed legislation announced, and if enacted, would result in the distributions being taxed in a manner similar to the income earned (and distributed) in a corporation. The plan, if adopted and enacted as announced, would not become effective until 2011 taxation year for trusts such as the Brick Group that were publicly traded prior to November 1, 2006. The Brick Group is currently considering these proposals and the possible impact they will have on the Brick Group and its unitholders, but is unable to make an estimate at this time.

Key Personnel

The success of the Brick Group depends, in part, on the retention of senior management. There can be no assurance that the Brick Group would be able to find qualified replacements for the individuals who make up its senior management team if their services were no longer available. The loss of services of one or more members of the senior management team could adversely affect the Brick Group’s ability to effectively pursue its business strategy. The Brick Group does not maintain key-man life insurance for any of its employees.

Management Information Systems

Management relies heavily on management information systems to analyze operating performance on a regular basis. Additionally, the Brick Group depends on its management information systems in all areas of its operations, including supply chain management, inventory control, point of sales

systems and after-sales service. If these systems fail or become obsolete, the Brick Group may be adversely affected.

Legal Claims

In the normal course of business, the Brick Group is subject to a number of claims and legal actions that may be made by customers, suppliers and others in respect of which either an adequate provision has been made in the Brick Group's financial statements (in the event management believes the Brick Group will incur liability for such claim or legal action), or for which no material liability is expected. If management's assessment of its liability for any such claim is incorrect and the Brick Group is unsuccessful in defending its position, the amount of the judgment or penalty would become an expense in the period such claim was resolved.

Performance Guarantee

Under the terms of a credit card services contract, the Brick Group has guaranteed the performance of a portfolio of Brick Card balances owned and underwritten by an unrelated external service provider. The guarantee sets out minimum performance benchmarks, measured on an annual basis, for certain features of the portfolio such as term, interest rate, losses, early payout, and fraud. If these benchmarks are not met, the service provider has the right to propose and negotiate amendments to the discount rates charged. Should the service provider and the Brick Group not succeed in agreeing to a change to the discount rates, the agreement would terminate, and the guarantee would require a payment to be made by the Brick Group. The estimated maximum exposure in respect of this guarantee at December 31, 2006, is \$4.5 million (2005 - \$0.1 million).

Cash Distributions

Although the Brick Group intends to distribute the interest and cash distributions received less expenses and amounts, if any, paid by the Brick Group in connection with the redemption of the Units, there can be no assurance regarding the amounts of income to be generated by the Brick Group's businesses or ultimately distributed to the Brick Group. The ability of the Brick Group to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the Brick LP, and will be subject to various factors including each of its subsidiaries financial performance, its obligations under applicable credit facilities, fluctuations in its working capital, the sustainability of its margins and its capital expenditure requirements. The market value of the Units may deteriorate if the Brick Group is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

16. CONTROLS AND PROCEDURES

As at December 31, 2006, an evaluation was carried out of the effectiveness of the Brick Group's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have certified that the design and operating effectiveness of those disclosure controls and procedures were effective.

Also, at December 31, 2006, an evaluation was carried out of the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting.

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have certified that the design of internal controls over financial reporting was effective.

These evaluations were conducted in accordance with the requirements of Multilateral Instrument 52-109 of the Canadian Securities Administrators.

There were no changes in the Brick Group's internal controls over financial reporting that occurred during the year ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect the Brick Group's internal controls over financial reporting.

17. NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements, within the meaning of applicable securities laws, including (but not limited to) statements about the Brick Group's profitability, the Brick Group's objectives and strategies, outlook for the Brick Group's business or the Canadian economy, the Brick Group's rebanner initiatives, targeted and expected financial results, and new products and services, and similar statements concerning anticipated future events, results, circumstances, performance or expectations, which reflect the Brick Group's current expectations and are based on information currently available to management. The words "may", "will", "should", "believe", "expect", "plan", "anticipate", "intend", "estimate", "predict", "potential", "target", "continue" or the negative of these terms, or other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking matters. These statements speak only as of the date of this MD&A. In particular, this MD&A contains forward-looking statements pertaining to Distributable Cash and distributions per unit. The actual results could differ materially from those anticipated in these forward-looking statements.

Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Brick Group to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to, fluctuations in interest rates and currency values, changes in economic and political conditions, legislative and regulatory developments, legal developments, the level of competition in the Brick Group's markets, the occurrence of weather related and other natural catastrophes, the ability to attract and retain key personnel, the ability to complete and integrate acquisitions, changes in tax laws, and those risks and uncertainties detailed in the section entitled "Risk Factors". The preceding list is not an exhaustive list of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Brick Group undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.