Date: August 8, 2006

Management's Discussion and Analysis of Consolidated Financial Position and Results of Operations for the three and six month periods ended June 30, 2006.

The Brick Group Income Fund assumes the reader of this document has access to, and has read The Brick Group Income Fund's 2005 Annual Management's Discussion and Analysis (the "2005 Annual MD&A"). Additional information about The Brick Group Income Fund can also be found in The Brick Group Income Fund's Annual Information Form dated March 21, 2006 (the "March 2006 AIF"). The 2005 Annual MD&A and the March 2006 AIF can be downloaded in portable document format (PDF) from the SEDAR web site for Canadian regulatory filings at www.sedar.com or from www.thebrickgroup.ca. To request a printed copy, you may contact The Brick Group Income Fund at investor@thebrick.com.

The information in this Management's Discussion and Analysis ("MD&A") is supplemental to, and should be read in conjunction with the unaudited interim consolidated financial statements of The Brick Group Income Fund for the six months ended June 30, 2006. These financial statements can be found 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.

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.

In MD&A reports prior to our 2005 Annual MD&A, the net contribution attributable to our consumer credit department, which arranges purchase financing primarily through third party credit providers, was allocated to the financial services segment. Management now views and manages the consumer credit department as a support function within retail operations. Consequently, net contribution attributable to this function is included in the retail segment and all comparative figures for the retail and financial services segments presented in the tables in this MD&A have been restated accordingly.

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.

TABLE OF CONTENTS

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"). United Furniture owns Trans Global Warranty Corp. ("TGW") and its subsidiaries Trans Global Insurance Company ("TGI") and Trans Global Life Insurance Company ("TGLI"). 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 and Business Strategy

The Brick Group's goal is to provide a long-term balanced growth of distributable cash through demographic and geographic diversity.

The Brick Group's strategy as a dominant force in the furniture, mattress, home electronics, and appliance business throughout Canada is to grow same store sales, and continue to enhance profitability with the introduction of new products and initiatives. In combination with its core strategy, The Brick Group also leverages its customer base by offering warranty and insurance coverage made available through the Brick Group's financial services segment.

The Brick Group plans to increase profitability by optimizing existing synergies and controlling costs. Growth is also expected to arise from penetrating different channels and markets, and strategic acquisitions.

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 June 30, 2006, The Brick Group operated 192 retail stores (including its 22 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 also 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.

In MD&A reports prior to our 2005 Annual MD&A, the net contribution attributable to our consumer credit department, which arranges purchase financing primarily through third party credit providers, was allocated to the financial services segment. Management now views and manages the consumer credit department as a support function within retail operations. Consequently, net contribution attributable to this function is included in the retail segment and all comparative figures for the retail and financial services segments presented in the tables in this MD&A have been restated accordingly.

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.

The purchase accounting adjustments are described in detail under the heading Purchase Accounting Adjustments in the 2005 Annual MD&A.

For simplicity, beginning with the first quarter of 2006, the Analysis of Operating and Financial Results presented in the MD&A will refer 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.

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 will not change and will continue to exclude the effects of purchase accounting.

In "The Summary of Quarterly Results", results for periods after July 20, 2004 will continue to be presented as adjusted until eight quarters of reported results have passed which will occur in the third quarter of 2006.

SECOND QUARTER HIGHLIGHTS

Distributions

- Through the end of June 2006, and for the 23rd consecutive month since becoming an income fund, we have continued to meet all of our distribution commitments.
- Our distributable cash payout ratio for the last twelve months ended June 30th, 2006 was 92.7%.

Consolidated Sales

- Consolidated sales and operating revenue increased by $19.9 million to $313.1 million. This represents a 6.8% increase over the same quarter a year ago, which had growth of 3.5%. This increase was due to:
  - Retail sales increase of $17.1 million driven by:
    - Consolidated same store sales increase of 4.1% compared to a 1.4% increase in the same quarter of 2005.

    - Sales from new stores including 1 Brick store, 1 Brick Superstore, 3 Brick Clearance Centres, 14 Brick Mattress Stores, and 5 United Furniture stores.
  - Financial services revenue increase of $2.8 million from $5.7 million to $8.5 million. When adjusted to eliminate the impact of purchase accounting, financial services second quarter revenues increased $2.0 million from $9.8 million to $11.8 million driven by:
    - Organic growth which provided approximately 41% of this increase.
    - Third party insurance business, new in 2005, which provided the balance of this increase.
- The Brick banner's same store sales, which include The Brick, The Brick Superstore and The Brick Mattress Store, increased by 3.0% and overall sales increased by 5.0%.
- United Furniture same store sales increased by 18.1% and overall sales increased by 22.3%.

Franchise Locations

- Total sales revenue at franchise stores increased by 55.0% compared to the same quarter last year. This increase was driven primarily by the addition of 7 new franchise locations opened since the end of the second quarter of 2005.

Consolidated Profitability

- Consolidated gross margins improved to 40.6% from 39.0% in the same quarter a year ago.
- Consolidated Selling, General and Administrative ("SG&A") expenses increased by $12.5 million to $111.2 million. SG&A as a percentage of sales increased to 35.5% from 33.7% in the same quarter a year ago.
- Consolidated EBITDA increased to $16.4 million from $15.8 million in the same quarter a year ago. When adjusted to eliminate the impact of purchase price accounting, consolidated EBITDA increased to $19.4 million from $19.2 million over last year.
- The retail segment EBITDA decreased $1.3 million while the financial services segment EBITDA increased $1.9 million over the same quarter a year ago.
- EBITDA for the retail segment was positively impacted by the following:
  - Growth in same store sales and new stores.
  - A recovery of SG&A expense of $1.5 million related to a limited recourse liability whereby the Brick Group accepted default risk on certain Brick card balances owned and underwritten by one of its unrelated external service providers. During the quarter, the contract with the external service provider was renegotiated and the Brick Group was released from this limited recourse liability. The Brick Group no longer accepts recourse liability on any Brick Card balances. There is no expected impact on sales.

  These impacts were partially offset by:
  - Temporary operating inefficiencies related to our distribution centre expansion. These costs are not anticipated to continue into the second half of the year.
  - A restructuring charge of $0.6 million.

Retail Operations

Rebannering Initiative

- We continue to measure the success of the rebannering initiative against our target incremental EBITDA of approximately $4 million in 2006.
- Of this amount, we continue to expect to generate approximately $3 million alone through the reduction of controllable costs, mainly in our advertising line.
- The 20 United Furniture stores that were converted to Brick stores are exceeding their targets. The Brick Superstores and The Brick Mattress Stores are on track to meet their targets.
- During the second quarter, we substantially completed our rebannering initiative.
    - 8 United Furniture stores were rebannered to The Brick, bringing the total to 20.
    - 2 United Furniture stores were closed with one reopened as a Brick Franchise during the quarter and one reopening as a Brick Franchise in third quarter.
    - 1 United Furniture store was closed at the end of its lease term.
- Based on the performance of the rebannering initiative to date, management remains confident in achieving its stated incremental EBITDA.

Stores by Banner

- In the second quarter, we opened 2 Brick Mattress Stores in the Greater Toronto Area and closed an unprofitable legacy Brick Mattresses for Less store in Edmonton. In the table shown below, there are 2 remaining Brick Mattresses for Less stores, located in Edmonton, included in the count of Brick corporate stores.

The following chart illustrates the Brick Group's store count continuity from March 31, 2006 to June 30, 2006.

Store Count Continuity

	At March 31, 2006	Rebannered	Opened / Closed	At June 30, 2006
Corporate Stores				
Brick	77	8	-1	84
Brick Clearance Centres	10	0	0	10
Superstore (previously HomeShow)	3	0	0	3
Mattress Store (previously Sleep Better)	12	0	2	14
UFW	70	-11	0	59
Corporate Store Subtotal	172	-3	1	170
Franchise Stores				
Brick Franchise	20	1	0	21
UFW Franchise	1	0	0	1
Franchise Subtotal	21	1	0	22
Total Corporate and Franchise Stores	**193**	**-2**	**1**	**192**

- Our new 300,000 square foot distribution center in Calgary commenced operations in June, 2006.

Financial Services

- Financial services sales and operating revenue of $8.5 million increased from $5.7 million, a 48.4% increase, as compared to the same quarter a year ago. When adjusted to eliminate the impact of purchase accounting, the second quarter revenue amount of $11.8 million increased from $9.8 million, a 21.4% increase over the adjusted amount from the same quarter last year.
- Financial services EBITDA increased by 62.0% from $3.1 million to $5.0 million over the same quarter in 2005. When adjusted to eliminate the impact of purchase accounting, financial services EBITDA increased 20.5% from $6.2 million to $7.5 million over the adjusted amount for the same quarter last year.

ANALYSIS OF OPERATING AND FINANCIAL RESULTS

The results of operations in the following discussion encompass the consolidated results of the Brick Group for the second quarter and for the six months ended June 30, 2006 along with prior year comparative information.

Results of Operations

Second Quarter Results

(000's of $ except %, per unit and store amounts)	For the three months ending June 30	
	2006	**2005**
Sales and operating revenue	**$ 313,123**	$ 293,269
Cost of sales	**(185,841)**	(178,930)
Gross margin	**127,282**	114,339
Gross margin as a percentage of sales and operating revenue	***40.6%***	*39.0%*
Selling, general and administrative expenses (SG&A)	**(111,238)**	(98,713)
Investment and other income	**397**	163
EBITDA	**16,441**	15,789
EBITDA as a percentage of sales and operating revenue	***5.3%***	*5.4%*
Interest expense on long-term and other debt	**(1,350)**	(1,373)
Income tax recovery	**780**	851
Amortization	**(6,853)**	(6,092)
Net income before extraordinary item	**9,018**	9,175
Extraordinary item net of taxes	**362**	-
Net income	**$ 9,380**	$ 9,175
Basic and diluted net income per unit	**$ 0.17**	$ 0.17
Stores at period end	**192**	172
Adjusted results (purchase accounting adjustments removed):		
Sales and operating revenue	**$ 316,510**	$ 297,328
EBITDA	**19,371**	19,243
EBITDA as a percentage of sales and operating revenue	***6.1%***	*6.5%*
Net Income	**16,320**	14,615

Financial Position

(000's of $)	As at June 30			
	2006		2005	
Total assets	$	894,723	$	856,396
Total long-term liabilities		175,110		143,331

SECOND QUARTER RESULTS

The sections below outline key operating information on a consolidated basis, followed by a look at the major operating segment details for the retail segment and the financial services segment.

Sales and Operating Revenue

Consolidated sales & operating revenue increased by $19.9 million to $313.1 million, a 6.8% increase when compared to the same quarter a year ago.

Retail sales increased by $17.1 million and financial services revenue increased by $2.8 million.

Gross Margin

Gross Margin increased by $12.9 million or 11.3% when compared to the same quarter in 2005.

As a percentage of sales, gross margin improved to 40.6% from 39.0% in the same quarter a year ago. This improvement in the consolidated gross margin percentage is attributable to improved margins in the retail segment as management has focused on adjusting the mix of furniture merchandise to optimize gross margins. As well, advertising and promotional offers have been weighted with more exposure towards furniture. Increased sales at the United Furniture stores and the addition of The Brick Mattress Stores have also contributed to the improved margins as these locations only sell furniture and mattresses. Our upholstery and mattress goods sales growth have continued to outperform expectations.

Selling, General and Administrative Costs

SG&A was $111.2 million compared to $98.7 million in the same quarter last year. Compared to the same quarter last year, SG&A as a percentage of sales and operating revenue increased to 35.5% from 33.7%. The increased SG&A expense is the result of new store and distribution centre occupancy costs, costs of temporary inefficiencies related to the build out of our distribution center infrastructure, and restructuring charges.

Also included in SG&A is a recovery of $1.5 million related to a limited recourse liability whereby the Brick Group accepted default risk on certain Brick card balances owned and underwritten by one of its unrelated external service providers. During the quarter, the contract with the external service provider was renegotiated and the Brick Group was released from this limited recourse liability. The Brick Group no longer accepts recourse liability on any Brick Card balances. There is no expected impact on sales.

EBITDA

Consolidated EBITDA increased to $16.4 million from $15.8 million in the same quarter a year ago. When adjusted to eliminate the impact of purchase price accounting, consolidated EBITDA increased to $19.4 million from $19.2 million over last year.

Retail segment EBITDA of $11.4 million was down $1.3 million from the same quarter last year.

Financial segment EBITDA of $5.0 million was up $1.9 million from the same quarter last year.

Net Income

Consolidated net income for the second quarter of $9.4 million decreased from $9.2 million in the same quarter last year. The retail segment net income of $3.6 million was down $2.1 million from the same quarter last year. The financial segment net income of $5.8 million increased $2.3 million from the same quarter in the prior year.

The consolidated net income for the second quarter includes an extraordinary gain in the amount of $0.4 million from the disposal of land together with a store that was located in Calgary, Alberta. This disposal was the result of an expropriation by the City of Calgary. The Brick Group continues to operate in Calgary through its other retail locations in the city.

For a discussion on current income tax expense, please refer to the section under the heading of "Distributable Cash and Distributable Cash per unit".

As a percentage of sales, net income in the second quarter decreased by 0.2 ppts to 2.9% from 3.1% in the same quarter a year ago.

Assets

Total assets of $895 million were $39 million higher than the $856 million reported for June 30, 2005. This increase is due primarily to increases in inventory of $36 million driven by expansion of the retail business over the past year, as the number of stores in operation increased to 192 at June 30, 2006, compared to 172 at June 30, 2005. In addition to growing sales, other events impacting inventory levels included:

- The United Furniture rebannering initiative, as increases to appliance and electronics inventory were required for those United Furniture stores being rebannered as Brick stores.
- An increase in the amount of inventory being purchased from Asia for which longer lead times are required.

Liabilities

Long term liabilities increased $32 million to $175 million from $143 million at June 30, 2005. This increase is due primarily to an increase in deferred warranty plan revenue and unearned insurance revenue of $29.6 million, and an increase in deferred lease inducements of $6.7 million offset by a decrease in long term debt of $1.7 million and a decrease in future income taxes of $2.7 million. 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. Accounts payable and accrued liabilities have increased $31 million to $181 million from $150 million at June 30, 2005 driven mainly by increased inventory levels.

Retail Segment Second Quarter Results

The Brick, The Brick Superstore, The Brick Mattress Store and United Furniture

(000's of $)	Three months ended June 30	
	2006	2005
Sales and operating revenue	$ 304,668	$ 287,573
EBITDA	11,441	12,703
Adjusted results (purchase accounting adjustments removed):		
Sales and operating revenue	$ 304,668	$ 287,573
EBITDA	11,907	13,050

Retail sales and operating revenue

Sales and operating revenue from the retail segment increased by $17.1 million or 5.9% compared to the same quarter a year ago.

Overall consolidated same store sales increased by 4.1%. We experienced positive same store sales growth in the Western region and a decline in the Eastern region, which reflects softer economic conditions in the manufacturing sector and an increased competitive square footage in Ontario, specifically in the Greater Toronto Area.

A strong promotional calendar across Canada during the second quarter exceeded expectations and positively contributed towards the increased sales in the second quarter.

Management has focused on improving performance in the East, particularly in Quebec. We have seen a positive impact from the advertising campaign launched in the second quarter, including increased traffic in the stores which has led to higher sales and profitability.

Franchise Locations

Total sales revenue at franchise stores increased by 55.0% compared to the same quarter last year. This increase was driven primarily by the addition of 7 new franchise locations opened since the end of the second quarter of 2005.

The Brick, The Brick Superstore and The Brick Mattress Store

Collectively, The Brick, The Brick Superstores and The Brick Mattress Stores had total sales growth of 5.0% over the same quarter last year driven by same store sales growth of 3.0% and sales from new stores, including 1 Brick store, 1 Brick Superstore, 3 Brick Clearance Centres, and 14 Brick Mattress Stores.

The Brick banner same store sales growth of 3.0% was positively impacted by the success of our sales promotions held during the quarter.

The Brick Superstores are benefiting from the rebannering initiative with improved margins and profitability.

Clearance sales were not a driving factor in the second quarter.

United Furniture Warehouse

For United Furniture, total sales growth over the same quarter last year of 22.3% was the result of same store sales growth of 18.1% and, the impact of 5 new United Furniture stores.

Clearance sales were not a driving factor in the second quarter.

At June 30, 2006 there were 59 United Furniture stores in operation versus 83 stores at June 30, 2005.

Rebannering Initiative

- We continue to measure the success of the rebannering initiative against our target incremental EBITDA of approximately $4 million in 2006.
- Of this amount, we continue to expect to generate approximately $3 million alone through the reduction of controllable costs, mainly in our advertising line.
- The 20 United Furniture stores that were converted to Brick Stores are exceeding their targets. The Brick Superstores and The Brick Mattress Stores are on track to meet their targets.
- During the second quarter, we substantially completed our rebannering initiative.
  - 8 United Furniture stores were rebannered to The Brick, bringing the total to 20.
  - 2 United Furniture stores were closed with one reopened as a Brick franchise during the quarter and one reopening as a Brick franchise in third quarter.
  - 1 United Furniture store closed at the end of the lease term according to schedule.
- Based on the performance of the rebannering initiative to date, management remains confident in achieving its stated incremental EBITDA.

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. As a result, as at June 30, 2006, The Brick Superstore sales have been excluded, due to cannibalization from our third The Brick Superstore location opened in August 2005. Specific stores in Montreal have also been excluded due to cannibalization resulting from the opening of the Marche Central store in May 2005. On this basis, same store sales as discussed in this MD&A reflects 91.3% 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.

The following is a summary of the Brick Group's same store sales performance for the second quarter and year to date.

Same Store Sales Change versus prior year		
	Second Quarter	**Year to Date**
The Brick Banner		
Western Canada	8.7%	12.2%
Eastern Canada	-2.1%	-0.3%
Eastern and Western Canada Combined	3.0%	5.5%
United Furniture	18.1%	35.3%
Total Corporate Stores	4.1%	7.9%
Franchise Stores	0.3%	7.2%
Total Corporate & Franchise Stores	3.9%	7.9%

EBITDA – Retail Segment

EBITDA in the retail segment decreased by $1.3 million or 9.9% from the same quarter last year.

EBITDA for the retail segment was positively impacted by the following:

- Growth in same store sales and new stores.
- A recovery of SG&A expense of $1.5 million related to a limited recourse liability whereby the Brick Group accepted default risk on certain Brick card balances owned and underwritten by one of its unrelated external service providers. During the quarter, the contract with the external service provider was renegotiated and the Brick Group was released from this limited recourse liability. The Brick Group no longer accepts recourse liability on any Brick Card balances. There is no expected impact on sales.

These impacts were offset by:

- Temporary operating inefficiencies related to our distribution centre expansion. These costs are not anticipated to continue into the second half of the year.
- A restructuring charge of $0.6 million.

Financial Services Segment Second Quarter Results

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.

The Brick Group's accounting policy for revenue and expense recognition in connection with the warranty business requires that warranty contract revenues be recorded as deferred revenues when written 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.

The majority of warranty contracts sold by United Furniture are underwritten by a third party with no recourse and as a result, commissions received by United Furniture are brought into income in the same period as the sale and are included as part of the retail sales and operating revenue rather than as part of the financial services segment.

The Brick Group's accounting policy for revenue and expense recognition in connection with insurance policies requires that premiums written 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. In 2005, the financial service 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.

Financial Services

(000's of $)	Three months ended June 30	
	2006	2005
Sales and operating revenue	$ 8,455	$ 5,696
EBITDA	5,000	3,086
Adjusted results (purchase accounting adjustments removed):		
Sales and operating revenue	$ 11,842	$ 9,755
EBITDA	7,464	6,193

Financial Services sales and operating revenue

Sales and operating revenue from the financial services segment increased by $2.8 million or 48.4% compared to the same quarter a year ago.

When adjusted to eliminate the impact of purchase accounting, the second quarter revenue of $11.8 million increased 21.4% over the adjusted amount for the same quarter last year. Organic growth accounted for approximately 41% of this increase in sales and operating revenue, whereas sales to third party insurance companies provided the balance of the increase.

EBITDA - Financial Services Segment

The financial services segment EBITDA was $5.0 million in the quarter compared to $3.1 million in the same quarter last year, an increase of 62.0%.

When adjusted to eliminate the impact of purchase accounting, the second quarter EBITDA of $7.5 million increased 20.5% over the adjusted amount for the same quarter last year.

FIRST HALF HIGHLIGHTS

Consolidated Sales

- Consolidated sales & operating revenue increased by $63.4 million to $610.9 million, an 11.6% increase when compared to the first half of last year. This increase was due to:

  - Retail sales increase of 10.8% or $57.8 million from $536.4 to $594.2 million.
    - Overall consolidated same store sales increased by 7.9%.
  - Financial services revenue increase of 50.4% or $5.6 million from $11.1 million to $16.7 million. When adjusted to eliminate the impact of purchase accounting, financial services revenue increased 23.8% or $4.5 million from $19.1 million to $23.6 million driven by:
    - Organic growth which provided approximately 37% of this increase.
    - Third party insurance business, new in 2005, which provided the balance of this increase.
- The Brick banner's same store sales, which include The Brick, The Brick Superstore and The Brick Mattress Store, increased by 5.5% and overall sales increased by 9.1%.
- United Furniture same store sales increased by 35.3% and overall sales increased by 29.2%. The same store sales increase was partially driven by clearance sales related to the rebannering initiative in the first quarter. Overall sales were impacted by the conversion of United Furniture stores to Brick stores.

Consolidated Profitability

- Consolidated gross margins increased to 40.2% from 39.0% in the same period last year.
- Consolidated SG&A expenses increased by $27.2 million to $220.3 million. SG&A as a percentage of sales increased to 36.1% from 35.3% in the same period last year.
- Consolidated EBITDA increased from $21.1 million to $26.2 million, a $5.1 million or 24% increase over the same period last year.
- Of the increase in consolidated EBITDA, $1.7 million is attributable to the retail segment and $3.4 million is attributable to the financial services segment.
- Consolidated EBITDA as a percentage of sales and operating revenue at 4.3% was up by 0.4 ppts from 3.9% in the first half of 2005.

Franchise Locations

- Total sales revenue at franchise stores increased by 66.6% primarily driven by the addition of 7 new franchise locations opened since the end of the first half of 2005.

Retail Operations

Rebannering Initiative

- During the first half of the year, management has:
  - Rebannered 20 United Furniture stores to The Brick;
  - Rebannered 1 United Furniture store to The Brick Clearance Centre;
  - Closed 3 United Furniture stores and reopened 2 of these as Brick franchises with 1 to be reopened as a Brick franchise in the third quarter;
  - Closed 3 United Furniture stores;
  - Rebannered 3 Home Show locations to The Brick Superstores; and
  - Rebannered 11 Sleep Better locations to The Brick Mattress Store.

Stores by Banner

- In the first half, we opened 3 The Brick Mattress Stores in the Greater Toronto Area and closed an unprofitable legacy Brick Mattresses for Less store in Edmonton. In the table shown below, there are 2 remaining Brick Mattresses for Less stores, located in Edmonton, included in the count of Brick corporate stores.

Store Count Continuity

	At December 31, 2005	Rebannered	Opened / Closed	At June 30, 2006
Corporate Stores				
Brick	65	20	-1	84
Brick Clearance Centres	9	1	0	10
Superstore (previously HomeShow)	3	0	0	3
Mattress Store (previously Sleep Better)	11	0	3	14
UFW	86	-24	-3	59
Corporate Store Subtotal	174	-3	-1	170
Franchise Stores				
Brick Franchise	19	2	0	21
UFW Franchise	1	0	0	1
Franchise Subtotal	20	2	0	22
Total Corporate and Franchise Stores	**194**	**-1**	**-1**	**192**

- Our new 859,000 square foot distribution centre in Mississauga commenced operations in February, 2006.
- Our new 300,000 square foot distribution centre in Calgary commenced operations in June, 2006.

Financial Services

- Financial services sales and operating revenue of $16.7 million increased from $11.1 million, a 50.4% increase, as compared to the same period last year. When adjusted to eliminate the impact of purchase accounting, the first half 2006 revenue of $23.6 million increased from $19.1 million, a 23.8% increase over the adjusted amount from the same period last year.
- Financial services EBITDA increased by 50.9% from $6.6 million to $10.0 million over the same period in 2005. When adjusted to eliminate the impact of purchase accounting, financial services EBITDA increased 20.5% from $12.6 million to $15.1 million over the adjusted amount for the same period last year.

REVIEW OF FIRST HALF RESULTS

	For the six months ending June 30	
(000's of $ except %, per unit and store amounts)	**2006**	**2005**
Sales and operating revenue	**$ 610,854**	$ 547,502
Cost of sales	**(365,274)**	(333,920)
Gross margin	**245,580**	213,582
Gross margin as a percentage of sales and operating revenue	***40.2%***	*39.0%*
Selling, general and administrative expenses (SG&A)	**(220,289)**	(193,070)
Investment and other income	**862**	590
EBITDA	**26,153**	21,102
EBITDA as a percentage of sales and operating revenue	***4.3%***	*3.9%*
Interest expense on long-term and other debt	**(2,537)**	(2,775)
Income tax recovery	**1,102**	1,414
Amortization	**(13,486)**	(12,903)
Net income before extraordinary item	**11,232**	6,838
Extraordinary item net of taxes	**362**	-
Net income	**$ 11,594**	$ 6,838
Basic and diluted net income per unit	**$ 0.21**	$ 0.13
Stores at period end	**192**	172
Adjusted results (purchase accounting adjustments removed):		
Sales and operating revenue	**$ 617,805**	$ 555,495
EBITDA	**32,061**	28,019
EBITDA as a percentage of sales and operating revenue	***5.2%***	*5.0%*
Net Income	**22,630**	16,827

FIRST HALF RESULTS

The sections below outline key operating information on a consolidated basis, followed by a look at the major operating segment details for the retail segment and the financial services segment.

Sales and Operating Revenue

Total sales and operating revenue in the first half of the year was $63.4 million higher than in the same period a year ago reflecting an increase of 11.6%

Retail sales increased by $57.8 million and financial services revenue increased by $5.6 million.

Gross Margin

Gross margin increased by $32.0 million or 15% when compared to the same period in 2005. As a percentage of sales, gross margin improved to 40.2% from 39.0%. In the first quarter, the retail segment margins were down slightly as a result of the significant amount of clearance sales, but were offset by strong margin contribution from the financial services segment. Increased sales at the United Furniture stores and the addition of The Brick Mattress Stores have also contributed to the improved margins as these location only sell furniture and mattresses. In the second quarter, advertising and promotional offers have been weighted with more exposure towards furniture, the mix of furniture merchandise has been adjusted to promote higher margin goods, and mattress sales growth continues to outperform expectations.

Selling, General and Administrative Costs

SG&A was $220.3 million, compared to $193.1 million in the same period last year. Compared to the same period last year, SG&A as a percentage of sales and operating revenue increased to 36.1% from 35.3%.

The increased SG&A expense is the result of new store and distribution centre occupancy costs, costs of temporary inefficiencies related to the build out of our distribution center infrastructure, and restructuring charges.

Also included in SG&A is a recovery of $1.5 million related to a limited recourse liability whereby the Brick Group accepted default risk on certain Brick card balances owned and underwritten by one of its unrelated external service providers. During the second quarter, the contract with the external service provider was renegotiated and the Brick Group was released from this limited recourse liability. The Brick Group no longer accepts recourse liability on any Brick Card balances. There is no expected impact on sales.

EBITDA

Consolidated EBITDA increased to $26.2 million from $21.1 million over the same period a year ago. When adjusted to eliminate the impact of purchase price accounting, consolidated EBITDA increased to $32.1 million from $28.0 million over last year.

Retail segment EBITDA of $16.1 million increased $1.7 million compared to the same period last year.

Financial services segment EBITDA of $10.0 million increased $3.4 million compared to the same period last year.

Net Income

Consolidated net income for the first six months increased by $4.8 to $11.6 million from $6.8 million in the same period last year. The retail segment net income of $0.5 million was up $0.2 million from the net income of $0.3 in same period last year. The financial services segment net income of $11.1 million increased $4.6 million from $6.5 million in the same period a year ago.

The consolidated net income for the first half includes an extraordinary gain in the amount of $0.4 million from the disposal of land together with a store that was located in Calgary, Alberta. This disposal was the result of an expropriation by the City of Calgary. The Brick Group continues to operate in Calgary through its other retail locations in the city.

For a discussion on current income tax expense, please refer to the section under the heading of "Distributable Cash and Distributable Cash per unit".

As a percentage of sales, net income in the first half increased 0.6 ppts to 1.8% from 1.2% in the same period a year ago.

<u>Retail Segment First Half Results</u>

(000's of $)	Six months ended June 30	
	2006	**2005**
Sales and operating revenue	$ 594,198	$ 536,424
EBITDA	16,143	14,467
Adjusted results (purchase accounting adjustments removed):		
Sales and operating revenue	$ 594,198	$ 536,424
EBITDA	16,940	15,467

Retail Sales and Operating Revenue

Sales and operating revenue from the retail segment increased by $57.8 million or 10.8% compared to the same period a year ago.

Overall consolidated same store sales increased by 7.9%. Same store sales growth was positive in the Western region and flat in the Eastern region. The Eastern region reflects softer economic conditions in the manufacturing sector and an increased competitive square footage in Ontario, specifically in the Greater Toronto Area.

Clearance sales related to the rebannering initiative drove sales in the first quarter and a strong promotional calendar across Canada contributed towards increased sales in the second quarter.

Management has been focused on improving performance in the East, particularly in Quebec. We have seen a positive impact from the advertising campaign launched in the second quarter, including increased traffic in the stores which has led to higher sales and profitability.

Franchise Locations

Total sales revenue at franchise stores increased by 66.6% primarily driven by the addition of 7 new franchise locations opened since the end of the first half of 2005.

The Brick, The Brick Superstore and The Brick Mattress Store

Collectively, The Brick, The Brick Superstore and The Brick Mattress Store had total sales growth of 9.1% over the same period last year driven by same store sales growth of 5.5% and sales from new stores, including 1 Brick store, 1 Brick Superstore, 3 Brick Clearance Centres, and 14 Brick Mattress Stores.

The Brick banner same store sales growth of 5.5% is a direct result of the strength of our core operations.

The Brick Superstore is benefiting from the rebannering initiative with improved margins and profitability.

Clearance sales drove some of the increase in sales during the first quarter but were not a driving factor in the second quarter.

United Furniture Warehouse

For United Furniture, total sales growth over the same period last year of 29.2% was the result of same store sales growth of 35.3%, the impact of 5 new United Furniture stores, and the impact of the rebannering initiative.

Clearance sales drove some of the increase in sales during the first quarter but were not a driving factor in the second quarter.

At June 30, 2006 there were 59 United Furniture stores in operation versus 83 stores at June 30, 2005.

Rebannering Initiative

- During the first half of the year, management has:
    - Rebannered 20 United Furniture stores to The Brick;
    - Rebannered 1 United Furniture store to The Brick Clearance Centre;
    - Closed 3 United Furniture stores and reopened 2 of these as Brick franchises with 1 to be reopened as a Brick franchise in the third quarter;
    - Closed 3 United Furniture stores;
    - Rebannered 3 Home Show locations to The Brick Superstores; and
    - Rebannered 11 Sleep Better locations to The Brick Mattress Store.

- Management is pleased with the synergies gained in advertising and the sales being generated from the rebannered stores. For those locations specifically impacted by the rebannering initiative, we continue to anticipate incremental EBITDA of approximately $4 million in 2006.
- Of this $4 million, we continue to expect to generate approximately $3 million alone through the reduction of controllable costs, mainly in our advertising line. As anticipated, these savings are on track to be realized in the second half of the year.

EBITDA – Retail Segment

EBITDA in the retail segment increased by $1.7 million or 11.6% from the same period last year.

EBITDA for the retail segment was impacted by the following:

Growth in same store sales and new stores.

- First quarter close out and clearance sales associated with the rebannering initiative.
- A recovery of SG&A expense of $1.5 million related to a limited recourse liability whereby the Brick Group accepted default risk on certain Brick card balances owned and underwritten by one of its unrelated external service providers. During the second quarter the contract with the external service provider was renegotiated and the Brick Group was released from this limited recourse liability. The Brick Group no longer accepts recourse liability on any Brick Card balances. There is no expected impact on sales.

These impacts were partially offset by:

- Temporary operating inefficiencies related to our distribution centre expansion. These costs are not anticipated to continue into the second half of the year.
- A restructuring charge of $0.8 million

Financial Services Segment First Half Results

Financial Services

(000's of $)	Six months ended June 30	
	2006	2005
Sales and operating revenue	$ 16,656	$ 11,078
EBITDA	10,010	6,635
Adjusted results (purchase accounting adjustments removed):		
Sales and operating revenue	$ 23,607	$ 19,071
EBITDA	15,121	12,552

Financial Services Sales and Operating Revenue

Sales and operating revenue from the financial segment increased by $5.6 million or 50.4% compared to the same period a year ago.

When adjusted to eliminate the impact of purchase accounting, the first half revenue of $23.6 million increased 23.8% over the adjusted amount for the same period last year. Organic growth accounted for 37% of the increase in sales and operating revenue, whereas sales to third party insurance companies provided the balance of the increase.

EBITDA - Financial Services Segment

The financial services segment EBITDA was $10.0 million in the period compared to $6.6 million in the same period last year, or an increase of 50.9%.

When adjusted to eliminate the impact of purchase accounting, the first half EBITDA of $15.1 million increased 20.5% over the adjusted amount for the same period last year.

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.

Adjusted Results of Operations

Adjusted Second Quarter Results

	For the three months ending June 30	
(000's of $ except %, per unit and store amounts)	**2006 Adjusted**	**2005 Adjusted**
Sales and operating revenue	**$ 316,510**	$ 297,328
Cost of sales	**(186,689)**	(179,948)
Gross margin	**129,821**	117,380
Gross margin as a percentage of sales and operating revenue	***41.0%***	*39.5%*
Selling, general and administrative expenses (SG&A)	**(110,772)**	(98,233)
Investment and other income	**322**	96
EBITDA	**19,371**	19,243
EBITDA as a percentage of sales and operating revenue	***6.1%***	*6.5%*
Interest expense on long-term and other debt	**(1,457)**	(1,395)
Income tax expense	**(176)**	(457)
Amortization	**(4,796)**	(2,776)
Net income before extraordinary item	**12,942**	14,615
Extraordinary item net of taxes	**3,378**	-
Net income	**$ 16,320**	$ 14,615
Basic and diluted net income per unit	**$ 0.24**	$ 0.27
Stores at period end	**192**	172

Adjusted First Half Results

	For the six months ending June 30	
(000's of $ except %, per unit and store amounts)	**2006 Adjusted**	**2005 Adjusted**
Sales and operating revenue	**$ 617,805**	$ 555,495
Cost of sales	**(367,022)**	(335,925)
Gross margin	**250,783**	219,570
Gross margin as a percentage of sales and operating revenue	***40.6%***	*39.5%*
Selling, general and administrative expenses (SG&A)	**(219,492)**	(192,124)
Investment and other income	**770**	573
EBITDA	**32,061**	28,019
EBITDA as a percentage of sales and operating revenue	***5.2%***	*5.0%*
Interest expense on long-term and other debt	**(2,752)**	(2,820)
Income tax expense	**(876)**	(1,206)
Amortization	**(9,181)**	(7,166)
Net income before extraordinary item	**19,252**	16,827
Extraordinary item net of taxes	**3,378**	-
Net income	**$ 22,630**	$ 16,827
	-	-
Basic and diluted net income per unit	**$ 0.36**	$ 0.31
Stores at period end	**192**	172

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.

Distributable Cash and Distributable Cash per unit

Distributable Cash represents adjusted EBITDA, adjusted for debt service obligations, maintenance capital expenditures, and income and capital taxes.

Second Quarter Distributable Cash

For the three months ended June 30, 2006, the Brick Group distributed $0.30 per unit compared with Distributable Cash per unit of $0.31 generated as calculated below. 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.

(000's of $ except per unit amounts)	**Three months ended June 30, 2006**	**Three months ended June 30, 2005**
Reported EBITDA	$ 16,441	$ 15,789
Elimination of Purchase Accounting Impact	2,930	3,454
Adjusted EBITDA	19,371	19,243
Less:		
Debt service obligation	(1,558)	(1,576)
Maintenance capital expenditures	(1,047)	(488)
Corporate income taxes - current	(18)	(997)
Cash available for distributions	16,748	16,182
Cash available for distributions per unit	0.31	0.30
Cash distributions declared	16,251	16,251
Cash distributions declared per unit	0.30	0.30
Weighted average units outstanding during the period	54,171,133	54,171,133
Payout ratio for the three months ended June 30, 2006	97.0%	100.4%
Payout ratio for the last twelve months ended June 30, 2006	92.7%	N/A

The current quarter payout ratio of 97.0% reflects an improvement of 3.4 ppts over the second quarter 2005 payout ratio of 100.4%. The seasonal nature of the retail business will cause the payout ratio to exceed 100% during slower periods of the year.

Our distributable cash payout ratio for the last twelve months ended June 30th, 2006 was 92.7%.

Half Year Distributable Cash

(000's of $ except per unit amounts)	Six months ended June 30, 2006	Six months ended June 30, 2005
Reported EBITDA	$ 26,153	$ 21,102
Elimination of Purchase Accounting Impact	5,908	6,917
Adjusted EBITDA	32,061	28,019
Less:		
Debt service obligation	(3,016)	(3,171)
Maintenance capital expenditures	(1,408)	(840)
Corporate income taxes - current	(806)	(1,998)
Cash available for distributions	26,831	22,010
Cash available for distributions per unit	0.50	0.41
Cash distributions declared	32,502	32,502
Cash distributions declared per unit	0.60	0.60
Weighted average units outstanding during the period	54,171,133	54,171,133
Payout ratio for the six months ended June 30, 2006	121.1%	147.7%

Distributions for the six months ended June 30, 2006 resulted in a payout ratio of 121.1% which reflects an improvement of 26.6 ppts over the payout ratio of 147.7% for the same period 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 2006 AIF which provides further information on the Distribution Policy of the Brick Group and the subordination provisions of the Class B units.

An Alternative View of Distributable Cash

Distributable cash is used by income funds as a measure of the cash generated and available for distribution to Unitholders. As this 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.

The impact of applying this alternative view results in a second quarter payout ratio of 94.0%, or 3.0 ppts lower than our reported payout ratio of 97.0%. For the last twelve months ended June 30, 2006, the payout ratio under this alternative view was 86.6%, as compared to our reported payout ratio of 92.7% for the same period. Management will continue to provide this alternative view of our Distributable Cash throughout the coming year.

Alternative View	**Three months ended June 30, 2006**	**Six months ended June 30, 2006**
Funds flow from operations	**$ 20,610**	**$ 32,861**
Cash received for leasehold inducements	(1,105)	(1,113)
Increase in claims exposure	(958)	(1,867)
Principal payments	(208)	(479)
Maintenance capital expenditures	(1,047)	(1,408)
Distributable Cash	**17,292**	**27,994**
Distributions	(16,251)	(32,502)
Excess (Shortfall)	1,041	(4,508)
Payout ratio for the period ended June 30, 2006	**94.0%**	**116.1%**
Payout ratio for the last twelve months ended June 30, 2006	**86.6%**	**86.6%**

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, 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 second quarter of 2006. The Brick Group utilizes cash flow from operations in addition to its Operating Credit Facility to fund unit holder distributions.

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

Second Quarter Distributions

The Brick Group's goal is to provide a long term and stable base of distributable cash growth. For the quarter ended June 30, 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 for the quarter were $16.3 million as detailed in the table below:

Period	Record date	Payment date	Distributions Per unit $	Distributions Amount (000's) $
Class A units				
April 2006	April 28, 2006	May 15, 2006	0.1000	4,292
May 2006	May 31, 2006	June 15, 2006	0.1000	4,292
June 2006	June 30, 2006	July 17, 2006	0.1000	4,292
Class B units				
April to June 2006	June 30, 2006	July 17, 2006	0.3000	3,375
Total cash distributions				**$16,251**

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. The seasonal nature of the retail business will cause distributions to exceed distributable cash during slower periods of the year.

The Distribution Committee of the Board of Trustees reviews and approves cash distributions on a monthly basis, taking into account the Brick Group's current and prospective performance. The factors considered in making decisions relating to distributions include cash amounts to service debt obligations, maintenance and growth capital expenditures, seasonality, and other items considered to be prudent.

Together with our Distribution Committee of the Board of Trustees, management has targeted a distributable cash payout ratio in the mid-80s on an annualized basis before the Brick Group would consider an increase in monthly distributions.

As previously disclosed, the Brick Group may from time to time finance its cash distributions from drawings upon its existing cash flow or its Operating Facility in order to permit the payment of equal monthly distributions on units of the Brick Group.

OUTSTANDING UNIT DATA

At June 30, 2006 and August 8, 2006, 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%).

LIQUIDITY AND CAPITAL RESOURCES

The following table shows the statement of cash flows for three and six month periods ended June 30, 2006 and June 30, 2005:

Liquidity

Source (Use) of Cash (000's of $)	Three months ended June 30, 2006	Three months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005
Operating activities				
Retail	**$ 10,726**	$ 12,896	**$ 14,002**	$ 13,988
Financial	**9,884**	8,429	**18,859**	16,161
Funds Flow from Operations	**20,610**	21,325	**32,861**	30,149
Change in non-cash working capital	**(10,541)**	4,344	**(23,829)**	(1,973)
	10,069	25,669	**9,032**	28,176
Financing				
Distributions	**(16,251)**	(16,251)	**(32,502)**	(37,485)
Other	**(208)**	(181)	**(984)**	(2,528)
Investing	**(2,331)**	(5,067)	**(12,407)**	(7,781)
Increase (decrease) in cash	**$ (8,721)**	$ 4,170	**$ (36,861)**	$ (19,618)

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

Cash generated from operating activities was relatively flat quarter over quarter. For the six months ended June 30, cash from operating activities improved to $32.9 million in 2006 from $30.1 million in 2005 driven mainly by higher net earnings this year.

Non-cash working capital consumed $10.5 million during the second quarter. In the same quarter a year ago non-cash working capital generated $4.3 million. For the six months ended June 30, working capital needs consumed $23.8 million in 2006 compared to $2.0 million in 2005 and was impacted mainly by an increase in inventory and a reduction in customer deposits received during holiday season sales promotions held in the last week of December 2005 and applied to sales delivered during the first quarter of 2006.

Working capital fluctuates seasonally, largely driven by changes in inventory and accounts payable. Working capital needs are the highest in the first quarter of the year, with the position typically strengthening throughout the year.

The Brick Group will utilize cash flow from operating activities in addition to 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.

As previously indicated, 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 second quarter, the Brick Group paid cash distributions to unit holders of $16.3 million, bringing cash distributions to $32.5 million ($0.60 per unit) for the six months ended June 30, 2006. Distributions in the first half of 2005 of $37.5 million included a special distribution of $5.0 million declared in December 2004.

Other
The Brick Group made mortgage principal payments of $0.2 million during the three months ended June 30, 2006 bringing the total mortgage principal payments for the six months ended June 30, 2006 to $0.5 million. During the first six months of 2006, the Brick Group also paid bank financing fees of $0.5 million. The first six months of 2005 included mortgage principal payments as well as the final payments on the promissory note due to the vendor of United Furniture Warehouse.

Investing Activities

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

- Invested $7.1 million in leasehold improvements and equipment for the new Calgary and Burnaby distribution centres, store renovations and expansions, and system improvements bringing the total expenditures in these areas to $15.5 million for the six months ended June 30, 2006.
- Made no investments in intangible assets, leaving the amount invested in intangible assets for the six months ended June 30, 2006, at $3.1 million.
- Received proceeds on disposal of capital assets for the quarter of $5.5 million related to the disposal of land and a building expropriated by the City of Calgary. Proceeds on disposal for the six months ended June 30, 2006 of $6.6 million include proceeds received from the disposal of warehouse equipment from old distribution centres.
- Purchased $1.2 million of marketable securities and received proceeds from the sale of marketable securities of $0.5 million. For the six months ended June 30, 2006, additions to marketable securities were $2.0 million and proceeds from the sale of marketable securities were $1.6 million.

Contractual Commitment

The contractual commitment estimates, other than those for operating leases, are substantially the same as those disclosed in the 2005 Annual MD&A. At June 30, 2006, operating lease contractual commitments are approximately $146.0 million higher than reported at December 31, 2005 due to property leases for new distribution centres commencing operations during 2006.

Capital Expenditures

The Brick Group incurred maintenance capital expenditures for the three months ended June 30, 2006 of $1.0 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 2006 is between $5.0 million and $6.5 million. This includes plans for a renovation of the corporate office, but limited spending on the pre-existing distribution infrastructure as a result of our new and expanded distribution centres.

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.

Growth capital expenditures for the 2006 year is expected to reach approximately $35 million, net of tenant inducements, mainly for new and relocated stores, distribution centres, and the rebannering initiative. As at June 30, 2006, the Brick Group has commitments in place for $4.2 million, net of tenant inducements, of growth capital expenditures.

Financing Resources

At the end of the second quarter, $13.4 million was drawn under the $50.0 million Operating Credit Facility leaving $36.6 million available undrawn credit, the full $70.0 million was drawn under the Term Credit Facility, and $0.5 million was drawn under the Commercial Letter of Credit Facility leaving $4.5 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, 2005.

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 June 30, 2006, The Brick Group was in compliance with all covenants governing the credit facilities.

Additional detail on The Brick Group's credit facilities is included in the 2005 Annual MD&A.

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 million for the two companies. TGI and TGLI have cash and marketable securities in excess of the required amount at June 30, 2006.

SUMMARY OF QUARTERLY RESULTS

Adjusted for the periods after July 20, 2004 to maintain comparability

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 $)	April 1 to June 30, 2006	January 1 to March 31, 2006	October 1 to Dec. 31, 2005	July 1 to Sept. 30, 2005
Sales and operating revenue:				
As Reported	$ 313,123	$ 297,731	$ 343,547	$ 323,356
Purchase Accounting Impact	3,387	3,564	3,809	4,056
Adjusted	316,510	301,295	347,356	327,412
EBITDA:				
As Reported	$ 16,441	$ 9,712	$ 21,445	$ 19,601
Purchase Accounting Impact	2,930	2,978	3,374	3,456
Adjusted	19,371	12,690	24,819	23,057
Net earnings:				
As Reported (1)	$ 9,380	$ 2,214	$ 13,453	$ 11,713
Purchase Accounting Impact	6,940	4,096	4,530	4,659
Adjusted	16,320	6,310	17,983	16,372
Basic and diluted net earnings per unit (1)	0.17	0.12	0.33	0.30
Distributable cash	16,748	10,083	22,740	20,543
Cash distributions declared	16,251	16,251	16,253	16,251
Special non-cash distributions	-	-	-	-

(000's of $)	April 1 to June 30, 2005	January 1 to March 31, 2005	October 1 to Dec. 31, 2004	July 1 to Sept. 30, 2004
Sales and operating revenue:				
As Reported	$ 293,269	$ 254,233	$ 343,341	$ 331,153
Purchase Accounting Impact	4,059	3,934	3,667	3,156
Adjusted	297,328	258,167	347,008	334,309
EBITDA				
As Reported	$ 15,789	$ 5,313	$ 23,189	$ 20,266
Purchase Accounting Impact	3,454	3,463	3,188	2,780
Adjusted	19,243	8,776	26,377	23,046
Net earnings:				
As Reported	$ 9,175	$ (2,337)	$ 16,503	$ 8,934
Purchase Accounting Impact	5,440	4,549	5,091	9,867
Adjusted	14,615	2,212	21,594	18,801
Basic and diluted net earnings per unit	0.17	0.04	0.40	0.35
Distributable cash (2)	16,182	5,851	20,981	17,988
Cash distributions declared (2)	16,251	16,251	21,234	12,931
Special non-cash distributions	-	-	4,984	-

(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.

(2) In the quarter July 1, 2004 to September 30, 2004, distributable cash and cash distributions declared are for the period from commencement of operations, July 20, 2004, to September 30, 2004.

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 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 expense on the Brick Group's income statement for the three month period ended June 30, 2006.

For further information on off-balance sheet arrangements, see notes 19 and 20 of the audited consolidated financial statements of The Brick Group Income Fund for the year ended December 31, 2005.

RELATED PARTY TRANSACTIONS

Included in SG&A is rent expense of $0.2 million and $0.4 million for the three and six month periods ended June 30, 2006 respectively, paid to a joint venture partially owned by an officer of the Brick Group (Three and six months ended June 30, 2005: $0.2 million and $0.4 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.

The critical accounting estimates are substantially the same as those disclosed in the 2005 Annual MD&A, except as below.

Allowance for Doubtful Accounts Methodology

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.

CHANGES IN AND ADOPTION OF ACCOUNTING POLICIES

The accounting policies are the same as those disclosed in note 3 of the audited consolidated financial statements of The Brick Group Income Fund for the year ending December 31, 2005 as discussed below.

Section 3831 – Non-Monetary Transactions

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

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

Implicit Variable Interests Under AcG-15

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

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

Definite life intangible assets – Distribution Centre pre-opening costs

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

The AcSB has recently issued Exposure Draft *Internally Developed Intangible Assets.* If approved, the revised standards will limit the deferral of certain expenditures, including pre-opening costs. The revised standards are expected to be effective for fiscal years beginning on or after October 1, 2006, and will require retroactive restatement. As a result, effective January 1, 2007, the Brick Group may be required to retroactively restate its financial statements to eliminate the deferral of pre-opening costs. As at June 30, 2006, the Brick Group had deferred pre-opening costs of $7.1 million.

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 15% to 20% 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 or accounts receivable.

As at June 30, 2006, foreign exchange contracts with a notional maturity amount of $15.5 million CAD were outstanding, with a weighted average term to maturity of 25 days and an unrealized gain of $0.1 million CAD.

RISK FACTORS

The Brick Group's risk factors are substantially the same as those disclosed in the 2005 Annual MD&A and in its March 2006 AIF.

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

OUTLOOK

For the balance of the year, and consistent with our first quarter, management remains primarily focused on executing against its rebannering initiative associated with leveraging the strength of The Brick banner and driving incremental EBITDA. In addition, we continue to manage against our ongoing strategic growth initiatives, including the build out of our distribution infrastructure, the build out of our Quebec market presence, and the growth of our franchise operations and financial services segment.

Rebannering Initiative

As noted throughout our MD&A, we are pleased with our results to date on the rebannering initiative. Management remains committed to driving incremental EBITDA of $4 million for those locations specifically impacted by the rebannering actions.

We continue to anticipate realizing these EBITDA gains primarily in the second half of the year.

Store Count Continuity

The following chart illustrates our store count continuity for the period June 30, 2006 to December 31, 2006.

Store Count Continuity

	At June 30, 2006	Rebannering to be completed	Opening / Closing	2006 Projection
Corporate Stores				
Brick	84	-1	3	86
Brick Clearance Centres	10	0	0	10
Superstore (previously HomeShow)	3	0	0	3
Mattress Store (previously Sleep Better)	14	2	5	21
UFW	59	-2	-1	56
Corporate Store Subtotal	170	-1	7	176
Franchise Stores				
Brick Franchise	21	2	5	28
UFW Franchise	1	0	0	1
Franchise Subtotal	22	2	5	29
Total Corporate and Franchise Stores	**192**	**1**	**12**	**205**

Due primarily to timing, management has revised its projection of new Brick Mattress Stores to open during 2006 from 27 stores, as stated in our first quarter 2006 MD&A, to 21 stores.

Distribution Infrastructure

In 2006, we will continue to consolidate, modernize and expand upon our existing distribution centre infrastructure.

As a result of both the opening of the Mississauga and Calgary distribution centres in this first half of the year, we incurred unforeseen costs in the second quarter due to temporary operating inefficiencies related to our distribution centre expansion. We noted an improvement of such costs in the latter part of the second quarter as they related to Mississauga and do not anticipate material cost inefficiencies to continue into the third quarter.

We are also expanding our distribution centre in Burnaby, British Columbia, which is scheduled to open in August 2006.

These initiatives coincide well with our rebannering initiative as we move towards simplifying the way we do business and increasing efficiencies for the longer term. Concurrent with the build out of our distribution centres in Mississauga, Calgary and Burnaby, we will be working to rationalize our line haul routes to drive costs down as we support our store network.

The Quebec Market

We will continue to expand upon our presence in the Quebec market with 2 new stores in 2006. We will leverage our existing advertising spend as well as our distribution centre infrastructure. In the first quarter of 2006, we adapted our advertising strategy to a more local, 'made in Quebec' approach, and we are pleased to note that we have experienced a positive impact on our same store sales growth trending since the changes were made. Management will continue to review and evaluate our advertising strategy in this market.

Franchise Locations

We remain on track to have 29 franchised locations by December 31, 2006. Two of the United Furniture stores will be converted to Brick franchises. Management continues its commitment to grow this segment of the business, which requires no capital investment from the Brick Group.

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 rebannering initiative will further provide opportunities for growth in this segment, through the rebannering of certain United Furniture locations. The addition of appliances and home electronics 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.

Economic Environment

There is growing concern over the softening of the Canadian economy, primarily in the east. There has been a downward trend in new home starts and resales due to rising interest rates and utility costs. However, the effects of these rising costs, due to inflationary pressure, are being moderated by low unemployment rates and real wages rising at an above average pace. As well, the strong Canadian dollar has contributed to a reduction in the cost of imported goods. The Brick and United Furniture continue to benefit from the continued growth in the Western Canadian economy with just over one half of its stores located in the West. Management believes that the geographic and economic diversification of the Brick Group will allow it to remain competitive both in the short and longer term Canadian economy.

Management remains focused on our mission to drive sales, grow profitability, and to ultimately maintain sustainable and stable levels of distributions. We believe our rebannering initiative, the build out of our distribution centre infrastructure, our support of the financial services segment, our ongoing development of the franchise business, and our ongoing focus on our cost structure, are all aligned with the interests of our unitholders and our mission.

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 rebannering 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.