

**XS Cargo Income Fund**  
**Interim Consolidated Financial Statements**  
Unaudited  
*June 30, 2005*

## XS Cargo Income Fund Consolidated Balance Sheet

June 30, 2005  
(Unaudited)

### Assets

#### Current

Cash	5,950,883
Rebate and other receivables	62,000
Inventory	13,358,317
Deposits on inventory	2,232,602
Prepaid expenses and deposits	446,661

**22,050,463**

**Property and equipment** (Note 4)

**2,338,809**

**Intangible assets** (Note 5)

**8,506,000**

**Goodwill** (Note 3)

**102,440,975**

**135,336,247**

### Liabilities

#### Current

Accounts payable and accrued liabilities	2,879,617
Due to Vendor (Note 6)	724,675
Distributions payable to unitholders (Note 9)	846,902
Distributions payable to non-controlling interest (Note 10)	815,304

5,266,498

Term loan (Note 7)

15,000,000

**20,266,498**

**Unamortized lease inducements** (Note 8)

**87,001**

**20,353,499**

**Non-controlling interest** (Note 10)

**58,685,954**

**79,039,453**

### Unitholders' Equity

**Fund Units** (Note 9)

**56,396,400**

**Cumulative earnings**

Net earnings for the period	747,296
Distributions declared	(846,902)

**56,296,794**

**135,336,247**

The accompanying notes are an integral part of these financial statements

**XS Cargo Income Fund**  
**Consolidated Statement of Earnings and Cumulative Earnings**  
For the period from April 6, 2005, including operations from  
May 17, 2005 (date of commencement of business operations) to June 30, 2005

*(Unaudited)*

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<b>Sales</b>	<b>11,755,952</b>
<b>Cost of sales</b>	<b>7,328,286</b>
<b>Gross margin</b>	<b>4,427,666</b>
<b>Expenses</b>	
Administrative and operating	2,663,932
Amortization of property and equipment	60,030
Amortization of intangible assets	149,000
	<b>2,872,962</b>
<b>Earnings before the undernoted</b>	<b>1,554,704</b>
<b>Other expenses</b>	
Interest on term loan	85,676
Foreign exchange loss	2,304
	<b>87,980</b>
<b>Earnings before non-controlling interest</b>	<b>1,466,724</b>
<b>Non-controlling interest (Note 10)</b>	<b>719,428</b>
<b>Net earnings for the period</b>	<b>747,296</b>
<b>Basic and diluted earnings per unit (Note 16)</b>	<b>0.122</b>

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*The accompanying notes are an integral part of these financial statements*

## XS Cargo Income Fund

### Consolidated Statement of Cash Flows

For the period from April 6, 2005, including operations from  
May 17, 2005 (date of commencement of business operations) to June 30, 2005

(Unaudited)

#### Cash provided by (used for) the following activities

##### Operating activities

Net earnings for the period	747,296
Items not affecting cash	
Non-controlling interest	719,428
Amortization of property and equipment	60,030
Amortization of intangible assets	149,000
Unit-based compensation (Note 13)	117,330
Leasehold inducements received	87,001
	<u>1,880,085</u>
Net change in non-cash working capital	<u>4,212,164</u>
	<u>6,092,249</u>

##### Financing activities

Repayment of amounts due to Vendor	(180,180)
Net proceeds from the issuance of Units	56,396,400
Proceeds from term loan	15,000,000
	<u>71,216,220</u>

##### Investing activities

Purchases of property and equipment	(25,281)
Business acquisition – net of cash acquired (Note 3)	(71,332,305)
	<u>(71,357,586)</u>

**Increase in cash and cash equivalents** 5,950,883

**Cash and cash equivalents, end of period** 5,950,883

#### Supplementary cash flow information:

Interest paid 85,676

The accompanying notes are an integral part of these financial statements

**XS Cargo Income Fund**  
**Notes to the Interim Consolidated Financial Statements**

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Unaudited

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**1. The Fund**

XS Cargo Income Fund (the “Fund”) is an unincorporated open-ended trust established under the laws of the Province of Alberta pursuant to the Fund Declaration of Trust dated April 6, 2005. The Fund has been created to invest in the broadline closeout retail business, through an indirect acquisition of the controlling interest of XS Cargo Limited Partnership (“XS Cargo LP”) and its general partner (“GP”) (collectively “XS Cargo”), and such other investments as the Trustees may determine. Income tax obligations related to the distributions of the Fund are obligations of the Unitholder.

The Fund commenced business operations on May 17, 2005, when it completed an initial public offering (the “IPO”) of 6,106,000 trust units (“Fund Units”), at a price of \$10 per unit, for aggregate gross proceeds of \$61,060,000. Concurrent with the closing of the IPO, the Fund acquired a 51% indirect interest in XS Cargo LP (note 3) and XS Cargo LP acquired the net assets (the “Acquired Business”) of Famous Brands (Edmonton) Inc. (the “Vendor”). XS Cargo LP operates 23 closeout retail stores in Alberta, British Columbia, Manitoba, Saskatchewan and Ontario.

**2. Accounting policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and may not include all necessary disclosures required by generally accepted accounting principles for annual financial statements. The financial statements include the following significant accounting policies:

***Cash and cash equivalents***

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less at acquisition.

***Inventory***

Inventory is valued at the lower of cost, determined using the average cost basis, and net realizable value.

***Vendor volume rebate***

The Fund receives a volume rebate from a particular vendor, which is accrued based on purchases from that vendor and included in rebate and other receivables. The portion of the rebate related to goods that the Fund has subsequently sold is recorded as a reduction of cost of sales and the portion related to goods that remain in inventory is recorded as a reduction of inventory costs.

***Deposits on inventory***

On certain purchases the Fund pays either a deposit or the balance in full prior to taking possession of the goods. Such payments are recorded as deposits on inventory until the Fund takes possession of the goods, at which time the balance is transferred to inventory.

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***Property and equipment***

Property and equipment are recorded at cost. Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives. The Fund will test its property and equipment for impairment when events and circumstances warrant such a review. Amortization rates are set forth below:

	Method	Rate
Leasehold improvements	straight-line	Shorter of lease term and 5 years
Office, computer and mobile equipment	straight-line	20 %
Signs	straight-line	20 %

***Goodwill***

Goodwill represents the excess of the cost of an acquired business over the estimated fair value of the identifiable net assets acquired. Goodwill is not amortized, but is tested at least annually for impairment. The Fund analyzes its business as one reporting unit because all of the components of the reporting unit have similar economic characteristics. The Fund uses a discounted cash flow model to assess the fair value of the reporting unit annually. If the carrying value of the reporting unit exceeds its fair value, the fair value is allocated to the assets and liabilities of the reporting unit and the resulting difference between the carrying value and fair value of goodwill is recorded as an impairment loss is reported in income of the current period.

***Intangible assets***

Intangible assets acquired at the time of the IPO represent management's estimate of the fair value of the XS Cargo brand name and trademark, supplier contract, technology, non-competition agreements and the value attributed to property leases at less than market rates. The intangible assets related to the brand name and trademark, supplier agreement and technology have indefinite lives and are not amortized. The intangible assets related to the non-competition agreements are amortized on a straight-line basis over the 3 year term of the agreements and the amount attributable to property leases is amortized over the remaining term of the lease. The Fund will assess the carrying value of the intangible assets when events or circumstances warrant such a review. An impairment loss is recorded when it is determined that the carrying amount of the assets is not recoverable and exceeds the fair value.

***Future income taxes***

The Fund complies with the Income Tax Act (Canada) to qualify as a mutual fund trust. A mutual fund trust is subject to tax in each taxation year on the amount of its income for the year, including the net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to the unitholders for the year. The Fund intends to allocate all of its income and net realized capital gains, including those amounts derived from XS Cargo LP, so that the Fund will not generally be liable for income tax and as such, corporate income taxes have not been provided for in the Fund.

***Revenue recognition***

Revenue from retail sales is recognized at the point of sale.

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***Lease inducements***

Lease inducements are received from certain of the Fund's landlords, primarily in the form of rent-free periods. Lease inducements are recorded as a liability when received and are amortized as a reduction of rent expense over the terms of the related leases.

***Foreign currency translation***

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the balance sheet date. Translation gains and losses are included in current earnings.

***Variable interest entities***

The Fund has adopted new guidance issued by the Canadian Institute of Chartered Accountants relating to the consolidation of variable interest entities. Under this guidance, the Fund must identify entities in which it has a variable interest by either contract, ownership or other pecuniary interests. Where the Fund is the primary beneficiary of an entity in which it has a variable interest, that entity is consolidated. As disclosed in note 15, the Fund has a variable interest in one company, but has determined that it is not the primary beneficiary of that entity.

***Unit-based compensation***

Under the terms of an employment agreement, XS Cargo LP may issue a maximum of 6,944 additional XS Cargo LP Exchangeable LP Units and 4,789 additional XS Cargo LP Subordinated LP Units per annum to the Fund's Chief Financial Officer as performance based compensation, on approval of the Chief Executive Officer and the Fund's Governance and Compensation Committee. Compensation expense, which is included in administrative and operating expenses, is measured at the estimated fair value of the units awarded on the grant date.

***Measurement uncertainty***

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. For example, amortization is based on the estimated useful lives of property and equipment and inventory is recorded after an evaluation as to the net realizable value and is appropriately reduced if net realizable value is estimated to be below cost. As well, freight costs are allocated to inventory based on a percentage of the freight paid in the year in comparison to the total purchases made in the year. This percentage is then applied to the ending inventory balance.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

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**3. Issuance of Units and business acquisition**

On May 17, 2005, the Fund completed the IPO for aggregate proceeds of \$61,060,000. The cost of the issuance of Units was \$4,663,600 resulting in net proceeds of \$56,396,400. The Fund used the net proceeds from the IPO to acquire an indirect 51% interest in XS Cargo LP, represented by 6,106,000 Ordinary LP Units. XS Cargo LP combined these Funds with proceeds from new credit facilities (note7) to acquire 100% of the net business assets of the Vendor.

The acquisition of the Fund's interest in the Acquired Business has been accounted for using the purchase method and has been allocated to the assets acquired and liabilities assumed, as follows:

Property and equipment	2,373,558
Goodwill	102,440,975
Intangible assets	8,655,000
	113,469,533
Net working capital	16,591,367
	130,060,900
Consideration, being cash from IPO and new credit facilities	71,396,400
XS Cargo LP Exchangeable LP Units	34,719,700
XS Cargo LP Subordinated LP Units	23,944,800
	130,060,900
Total consideration	130,060,900

Included in net working capital is cash acquired of \$64,095.

The Fund is in the process of finalizing its estimate of the costs of issuance and the fair value of assets acquired and the liabilities assumed. Working capital amounts as at May 17, 2005 have been estimated and, pursuant to the purchase agreement with the Vendor, the purchase price will be adjusted to reflect the actual amount of working capital purchased when it is determined. The Fund expects to complete this process by December 31, 2005.

**4. Property and equipment**

	<i>June 30, 2005</i>	
	<i>Accumulated Cost</i>	<i>Amortization Net book value</i>
Leasehold improvements	251,140	6,322
Office, computer and mobile equipment	2,010,516	50,258
Signs	137,183	3,450
	2,398,839	60,030
		2,338,809

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**5. Intangible assets**

			<i>June 30, 2005</i>
	<i>Accumulated Cost</i>	<i>Amortization</i>	<i>Net book value</i>
<b>Indefinite life</b>			
Brand name and trademark	690,000	-	690,000
Supplier contract	3,385,000	-	3,385,000
Databases of sales and purchasing history	430,000	-	430,000
	4,505,000	-	4,505,000
<b>Limited life</b>			
Operating lease agreements	1,600,000	42,750	1,557,250
Non-competition agreements	2,550,000	106,250	2,443,750
	4,150,000	149,000	4,001,000
	8,655,000	149,000	8,506,000

**6. Due to Vendor**

The balance due to Vendor arose as a result of differences between the estimated working capital that would be purchased by the Fund as of May 17, 2005 and the actual amount of working capital purchased as well as amounts owing to reimburse the Vendor for issuance costs paid on the Fund's behalf. The actual amount of working capital is to be determined and the balance due to Vendor paid by December 31, 2005. The amount due to Vendor is not interest bearing.

**7. Credit Facilities**

**Term Loan**

Term loan consists of a committed \$15,000,000 non-revolving term loan facility. The term loan is collateralized by a first charge on all present and after acquired personal property and an assignment of inventory. Interest on the term facility is charged at the lender's Canadian prime rate or U.S. base rate plus 0.25% to 0.75% or the banker's acceptance rate plus 1.75% to 2.25%, depending on the Fund's senior debt to EBITDA ratio. The credit facility includes limits on incurring additional indebtedness or granting encumbrances without the consent of the lender and is subject to the maintenance of senior debt to EBITDA, current assets to current liabilities and fixed charge coverage ratios and minimum equity.

The term loan was drawn in the form of prime rate loans on May 17, 2005 concurrent with the acquisition described in note 3. During the period, interest was charged at a rate of prime plus 0.25% and totaled \$85,676. The term loan matures and the principal amount is due on May 17, 2006 and includes two options to renew for an additional year, with a maximum term to May 17, 2008 based on approval by the lender.

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**Operating Loan**

The Fund has available under its credit facilities a \$7,500,000 demand revolving loan. Under the terms of the credit facility agreement, the operating loan is collateralized along with the term loan as described above. Interest on the operating loan will vary between the lender's prime rate and the lender's prime rate plus 0.25% depending on the Fund's ratio of senior debt to EBITDA.

No amounts have been drawn on the operating loan during the period.

**8. Unamortized lease inducements**

	<i><b>June 30, 2005</b></i>
Cost	89,741
Accumulated amortization	(2,740)
	87,001

Lease inducements received are non-cash transactions in the form of rent-free periods and, as such, have been added back as a non-cash item in operating activities on the statement of cash flows.

**9. Unitholders' Equity**

**Fund Units**

During the period, the following units were issued and are outstanding at the end of the period:

	<i><b>Number of Units #</b></i>	<i><b>Issue Costs \$</b></i>	<i><b>Net Capital Contributions \$</b></i>
Fund Units	6,106,000	4,663,600	56,396,400
	6,106,000	4,663,600	56,396,400

An unlimited number of Fund Units may be created and issued pursuant to the Declaration of Trust. Each Fund Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains or other amounts and in the net assets of the Fund in the event of a termination or winding up of the Fund. All Fund Units have equal voting rights or privileges.

**Distributions payable to Unitholders**

Distributions to Unitholders are determined based on earnings before amortization, but reduced by capital expenditures. Distributions totaling \$0.1387 per Fund Unit (\$846,902) were declared by the Fund for the period ended June 30, 2005.

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**10. Non-controlling interest**

	<i>XS Cargo LP Exchangeable LP Units #</i>	<i>XS Cargo LP Subordinated LP Units #</i>	<i>Total #</i>
Issued on Closing of IPO (note 3)	3,471,970	2,394,480	5,866,450
Issued subsequent to IPO – unit-based compensation – (note 13)	6,944	4,789	11,733
	<u>3,478,914</u>	<u>2,399,269</u>	<u>5,878,183</u>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Issued on Closing of IPO (note 3)	34,719,700	23,944,800	58,664,500
Issued subsequent to IPO – unit-based compensation – (note 13)	69,440	47,890	117,330
	<u>34,789,140</u>	<u>23,992,690</u>	<u>58,781,830</u>
Non-controlling interest – earnings	425,790	293,638	719,428
<u>Distributions declared</u>	<u>(482,525)</u>	<u>(332,779)</u>	<u>(815,304)</u>
	<u>34,732,405</u>	<u>23,953,549</u>	<u>58,685,954</u>

**XS Cargo LP Exchangeable LP Units (“Exchangeable LP Units”)**

The Exchangeable LP Units issued by XS Cargo LP have economic and voting rights equivalent to the Fund Units (note 9), except in connection with the exchangeability terms as described below. They are exchangeable directly or indirectly, on a one-for-one basis for Fund Units at the option of the holder, under the terms of the Exchange Agreement. The Exchangeable LP Units are not required to be exchanged for Fund Units before transferring to third parties. As a result, they have been treated as non-controlling interest, in accordance with the CICA Emerging Issues Committee Abstract # 151.

Each Exchangeable LP Unit entitles the holder to receive distributions from XS Cargo LP pro rata with distributions made by XS Cargo LP on Fund Units.

**XS Cargo LP Subordinated LP Units (“Subordinated LP Units”)**

The Subordinated LP Units have economic and voting rights equivalent to the Fund Units (note 9), except in connection with the subordination terms as described below. As a result, they have been treated as non-controlling interest, in accordance with the CICA Emerging Issues Committee Abstract #151.

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Distributions are to be made monthly on the Fund Units (note 9) and Exchangeable LP Units equal to \$0.09375 per Unit to the extent cash is available to make cash distributions. Distributions on the Subordinated LP Units are subordinated and are made quarterly in an amount equal to the amount distributed on Fund Units and Exchangeable LP Units and to the extent cash is available to make such distributions.

The Subordinated LP Units will be automatically exchanged for Exchangeable LP Units on a one-for-one basis and the subordination provisions will apply until the end of any fiscal year ending on or after December 31, 2006 if, for that fiscal year the Fund has earned EBITDA (earnings before interest, taxes, depreciation and amortization) of at least \$14.432 million and the Fund has paid distributions of at least \$1.125 per Fund Unit for such fiscal year.

**Fund Special Voting Units**

	<i>Number</i>	<i>Amount</i>
	<i>#</i>	<i>\$</i>
Issued on Closing of IPO (note 3)	5,866,450	-
Issued subsequent to IPO – unit- based compensation – (note 13)	11,733	-
	<hr/>	<hr/>
	5,878,183	-

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Fund Special Voting Units are non-participating and are used solely for providing voting rights to persons holding Exchangeable LP Units and Subordinated LP Units. Fund Special Voting Units are not transferable separately from Exchangeable LP Units and Subordinated LP Units to which they relate. The Fund Special Voting Units are not entitled to any beneficial interest in any distribution from the Fund or in the net assets of the Fund in the event of a termination or winding up of the Fund. Each Fund Unit and Fund Special Voting Unit entitles the holder thereof to one vote at all meetings of the Unitholders.

If the Exchangeable LP Units or the Subordinated LP Units are purchased in accordance with the Exchange Agreement, a like number of Fund Special Voting Units will be redeemed by the Fund for a nominal amount. The Fund issued 5,866,450 Fund Special Voting Units relating to the 3,471,970 Exchangeable LP Units and 2,394,480 Subordinated LP units that were issued at the time of the IPO.

**Distributions payable to non-controlling interest**

Distributions to non-controlling interest are determined based on earnings, before amortization, but reduced by capital expenditures. Distributions totaling \$0.1387 per Exchangeable LP Unit (\$482,525) and Subordinated LP Unit (\$332,779) were declared by the Fund for the period ended June 30, 2005.

**11. Commitments**

The Fund occupies the premises of its stores, warehouses and office under lease agreements requiring basic monthly rents for the periods indicated and in aggregate as follows:

Remaining 6 months ending December 31, 2005	
Years ending December 31,	1,400,866
2006	2,909,793
2007	2,388,045
2008	2,141,382
2009	1,904,740
2010	1,169,106
Thereafter	2,765,732
<b>Total</b>	<b>14,679,664</b>

In addition, as described in note 7, the principal balance on the Fund's committed term loan is due on May 17, 2006, but the Fund has two options to request a one-year extension, with a maximum term to May 17, 2008 based on approval of the lender.

**12. Long-term incentive plan**

The Fund has adopted a long-term incentive plan (the "Plan") to provide key senior management, officers and directors of the Fund with compensation opportunities that will enhance the ability of the Fund to attract, retain and motivate key personnel and reward these key employees for significant performance and associated per unit cash flow growth. Fund bonuses, in the form of the Units of the Fund, will be provided to eligible employees on an annual basis where the distributable cash of the Fund exceeds certain specified threshold amounts.

If the distributable cash flow per unit exceeds the base distribution, a percentage of the distributable cash (the participation rate) is contributed by the Fund into a long-term incentive pool. The funds in the pool are used to purchase units of the Fund in the open market, to be provided to eligible employees as bonus compensation. Threshold amounts and participation rates are as follows:

<b>Excess percentage</b>	<b>Proportion of excess percentage paid to plan Trustee</b>
5% or less	Nil
Greater than 5% and up to 10%	10% of any excess over 5%
Greater than 10% and up to 20%	10% of any excess over 5%, plus 20% of any excess over 10%
Greater than 20%	10% of any excess over 5%, plus 20% of any excess over 10%, plus 25% of any excess over 20%

No amounts have been accrued to the Plan during the period.

**XS Cargo Income Fund**  
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**13. Unit-based compensation**

Under the terms of the Acquisition Agreement between the Vendor and Fund, the Fund assumed certain obligations under an employment agreement with the Chief Financial Officer. Under the terms of that agreement, XS Cargo LP issued 6,944 XS Cargo Exchangeable Units and 4,789 Subordinated LP Units to the Chief Financial Officer following the completion of the initial public offering. The unit-based award was recorded as administrative and operating costs in the amount of \$117,330, the estimated fair value of the units on the grant date, and resulted in an increase in non-controlling interest.

**14. Financial instruments**

**Foreign currency risk**

The Fund purchases a significant amount of its inventory from suppliers in the United States. Consequently, the Fund's gross margin is exposed to foreign exchange fluctuations. This exposure is limited because the Fund does not enter into significant future purchase commitments, but wires funds in advance upon placing orders with United States suppliers.

**Interest rate risk**

The Fund's term loan, as described in note 7 bears interest with floating rates over prime or the appropriate bankers' acceptance rate, thus exposing the Fund to interest rate fluctuations.

**Fair value of financial instruments**

The Fund's financial instruments consist of cash, rebate and other receivables, accounts payable and accrued liabilities, distributions payable and term loan. The carrying amounts of cash, rebate and other receivables, accounts payable and accruals, and distributions payable approximate their fair values due to their relatively short terms to maturity. The carrying value of the term loan approximates fair value since the interest rate fluctuates with the prime rate and approximates market rate.

**15. Variable interest entity**

Pursuant to the business acquisition described in note 3, the Fund assumed a vendor supply and volume rebate agreement with Samra Imports Ltd., ("Samra"). Samra imports products from China which it sells to the Fund and other customers. Samra is the Fund's largest supplier accounting for approximately 19% of the Fund's purchases since the commencement of the agreement and the Fund is Samra's largest customer. The purpose of the agreement is to outline the supply terms and to provide the Fund with a rebate based on its significant volume of purchases from Samra. The Fund has determined that Samra is a variable interest entity and that the supply and rebate agreement represents a variable interest in Samra. The Fund has determined, however, that it is not the primary beneficiary under the supply and rebate agreement since the Fund is not entitled to receive a majority of Samra's expected residual returns or absorb a majority of its expected losses.

During the period from May 17, to June 30, 2005, the Fund purchased approximately \$520,000 of inventory from Samra, and as at June 30, 2005 the Fund had made deposits of \$689,089, for inventory that had not yet been delivered. Samra issued the Fund a volume rebate for purchases made from the period May 17 to June 30, 2005 in the amount of \$50,000, which is included in rebate and other receivables as at June 30, 2005.

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**16. Basic and diluted earnings per unit**

The following table outlines the adjustments to the numerator and denominator to calculate the basic and diluted earning per unit:

	<i>Basic Earnings per Unit</i>	<i>Dilution Adjustments</i>	<i>Diluted Earnings per Unit</i>
Net earnings	747,296	719,428(a)	1,466,724
Average Units outstanding	6,106,000	5,878,183(b)	11,984,183
Earnings per Unit	0.122		0.122

(a) Adjustment to add back non-controlling interest if Exchangeable LP Units and Subordinated LP Units are converted to Fund Units

(b) Adjustment to reflect the conversion of Exchangeable LP Units and Subordinated LP Units to Fund Units on a one-for-one basis

**17. Seasonal nature of the business**

The Fund's results for the period are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in sales levels. The business acquired from the Vendor historically experiences a higher level of sales in the fourth calendar quarter due to seasonal shopping patterns. Occupancy-related expenses, certain administrative and operating expenses, amortization, and interest expense remain relatively steady throughout the year.

**18. Segmented information**

Each store constitutes an operating segment in that its performance is monitored by senior management and discreet financial information is available. Since each store sells the same products to the same types of customers and uses similar distribution and sales processes, they have been aggregated for reporting purposes into one segment.