

Consolidated Financial Statements of

THE BRICK GROUP INCOME FUND

(As restated on March 16, 2009, see note 2)

For the year ended December 31, 2007

Auditors' Report

To the Unitholders of
The Brick Group Income Fund

We have audited the consolidated balance sheets of The Brick Group Income Fund (the "Fund") as at December 31, 2007 and December 31, 2006, and the consolidated statements of income and comprehensive income, changes in unitholders' equity and cash flow for each of the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and December 31, 2006, and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Our previously issued report dated February 22, 2008 has been withdrawn and these consolidated financial statements have been restated as described in Note 2 to these consolidated financial statements.

"Deloitte & Touche LLP"

Chartered Accountants

Edmonton, Canada

February 22, 2008 (except as to Note 2, which is as of March 16, 2009)

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The Brick Group Income Fund
Consolidated Balance Sheets
As at December 31, 2007 and December 31, 2006
(thousands of Canadian dollars)

	2007		2006
	Restated (Note 2)		
ASSETS			
CURRENT			
Cash and cash equivalents	\$ 8,174	\$	16,450
Accounts receivable (Note 5)	72,757		72,040
Inventory	236,703		211,159
Prepaid expenses and deposits	4,472		3,652
	322,106		303,301
MARKETABLE SECURITIES (Note 6)	24,125		25,818
DEFERRED ACQUISITION COSTS	21,944		16,412
CAPITAL ASSETS (Note 7)	132,766		131,182
GOODWILL	305,349		305,349
INTANGIBLE ASSETS AND DEFERRED CHARGES (Note 8)	160,031		165,955
FUTURE INCOME TAXES (Note 12)	50		750
	\$ 966,371	\$	948,767
LIABILITIES			
CURRENT			
Bank indebtedness (Note 9)	\$ 14,559	\$	9,762
Accounts payable and accrued liabilities	224,042		202,065
Corporate income taxes payable	81		829
Customers' deposits	68,862		83,589
Unpaid claims reserve	2,453		3,336
Current portion of long-term debt (Note 10)	-		79,530
	309,997		379,111
DEFERRED SERVICE REVENUE	183		499
DEFERRED LEASE INDUCEMENTS	18,777		13,586
DEFERRED WARRANTY PLAN REVENUE AND UNEARNED INSURANCE REVENUE (Note 11)	122,872		100,428
LONG-TERM DEBT (Note 10)	81,955		-
FUTURE INCOME TAXES (Note 12)	31,768		3,830
	565,552		497,454
COMMITMENTS AND CONTINGENCIES (Note 18)			
GUARANTEES (Note 19)			
UNITHOLDERS' EQUITY			
Trust units (Note 13)	528,213		528,213
Deficit	(126,372)		(76,900)
Accumulated other comprehensive loss	(1,022)		-
	400,819		451,313
	\$ 966,371	\$	948,767

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

Approved on behalf of the Board of Trustees

"Domenic Ieraci" Trustee

"Ron D. Barbaro" Trustee

The Brick Group Income Fund
Consolidated Statements of Income and Comprehensive Income
For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars except unit and per unit amounts)

Consolidated Statements of Income	2007	2006
	Restated (Note 2)	
SALES AND OPERATING REVENUE	\$ 1,447,576	\$ 1,328,321
COST OF SALES	866,377	799,597
GROSS MARGIN	581,199	528,724
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	504,605	462,525
	76,594	66,199
OTHER INCOME (EXPENSE)		
Investment and other income	4,084	1,761
Other interest	(3,442)	(1,942)
Interest on long-term debt	(5,388)	(4,052)
Amortization (Note 16)	(26,694)	(27,268)
	(31,440)	(31,501)
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	45,154	34,698
INCOME TAX (EXPENSE) RECOVERY (NOTE 12)		
Current	(893)	(1,232)
Future	(28,728)	4,102
	(29,621)	2,870
INCOME BEFORE EXTRAORDINARY ITEM	15,533	37,568
EXTRAORDINARY ITEM NET OF INCOME TAX (Note 22)	-	362
NET INCOME	\$ 15,533	\$ 37,930
Basic and diluted income per unit before extraordinary item	\$ 0.29	\$ 0.69
Basic and diluted net income per unit	\$ 0.29	\$ 0.69
Basic and diluted average number of units outstanding	54,171,133	54,171,133

Consolidated Statements of Comprehensive Income

NET INCOME	\$ 15,533	\$ 37,930
Other Comprehensive Loss, net of income taxes		
Net change in unrealized gains on available for sale securities	(330)	-
Net change in cash flow hedge (Note 20)	(692)	-
Other Comprehensive Loss	(1,022)	-
COMPREHENSIVE INCOME	\$ 14,511	\$ 37,930

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

The Brick Group Income Fund
Consolidated Statements of Changes in Unitholders' Equity
For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars)

	December 31, 2007 Restated (Note 2)	December 31, 2006
Trust units	\$ 528,213	\$ 528,213
Deficit		
Balance at beginning of year	(76,900)	(49,824)
Net income	15,533	37,930
Distributions declared (Note 14)	(65,005)	(65,006)
Balance at end of year	(126,372)	(76,900)
Accumulated other comprehensive loss on available for sale securities		
Balance at beginning of year	-	-
Adjustment to market value on January 1, 2007 (net of income taxes of \$592) (Note 4)	899	-
Unrealized loss arising during the year	(429)	-
Income taxes on unrealized loss arising during the year	148	-
Reclassification of realized gains to net income	(1,483)	-
Income taxes on reclassification of realized gains to net income	535	-
Balance at end of year	(330)	-
Accumulated other comprehensive loss on cash flow hedge (Note 20)		
Balance at beginning of year	-	-
Loss on cash flow hedge of an anticipated transaction (net of income taxes of NIL)	(780)	-
Reclassification of loss on cash flow hedge to net income (net of income taxes of NIL)	88	-
Balance at end of year	(692)	-
Total accumulated other comprehensive loss	(1,022)	-
Total unitholders' equity	\$ 400,819	\$ 451,313

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

The Brick Group Income Fund
Consolidated Statements of Cash Flow
For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars)

	2007		2006
	Restated (Note 2)		
OPERATING ACTIVITIES			
Net income	\$ 15,533	\$	37,930
Add (deduct) items not affecting cash			
Amortization (Note 16)	26,782		27,268
Amortization of deferred lease inducements	(1,314)		(1,109)
Amortization of deferred warranty revenue	(27,742)		(17,942)
Amortization of deferred acquisition costs	4,065		1,915
Amortization of financing fee and transaction costs	360		270
Future income taxes (Note 12)	28,728		(4,102)
Reclassification from other comprehensive loss related to hedging activity	88		-
Amortization of preferred share premiums	213		244
Gain on sale of capital assets	(1,738)		(114)
Gain on expropriation (extraordinary item - Note 22)	-		(362)
Gain on sale of marketable securities	(1,483)		(215)
Cash paid related to hedging activity	(780)		-
Cash received for leasehold inducements	6,505		4,701
Cash paid for deferred acquisition costs	(9,597)		(8,104)
Cash received on warranty and insurance sales	50,186		45,418
	89,806		85,798
Changes in non-cash operating working capital items (Note 17)	(19,359)		(7,252)
	70,447		78,546
FINANCING ACTIVITIES			
Increase in bank indebtedness	4,570		2,891
Distributions paid (Note 14)	(65,005)		(65,006)
Repayment of term credit facility (Note 10)	(70,000)		-
Issuance of senior secured bonds, net of transaction costs (Note 10)	81,822		-
Monthly mortgage principal repayments (Note 10)	(239)		(827)
Mortgage retirement principal repayments (Note 10)	(9,291)		(1,113)
	(58,143)		(64,055)
INVESTING ACTIVITIES			
Additions to capital assets	(22,162)		(31,247)
Change in accounts payable and accrued liabilities related to capital assets	(2,379)		2,008
Additions to marketable securities	(6,312)		(4,578)
Additions to intangible assets	(1,470)		(5,229)
Proceeds from sale of marketable securities	8,815		5,196
Proceeds from expropriation (extraordinary item - Note 22)	-		5,500
Proceeds on disposal of capital assets	2,928		1,108
	(20,580)		(27,242)
DECREASE IN CASH AND CASH EQUIVALENTS			
FOR THE YEAR	(8,276)		(12,751)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,450		29,201
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,174	\$	16,450
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest and dividends received	\$ 1,465	\$	1,416
Interest paid	\$ 5,984	\$	6,162
Income taxes paid	\$ 1,678	\$	1,430

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

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars except unit and per unit amounts)

1. DESCRIPTION OF THE BUSINESS

The Brick Group Income Fund (the “Fund”) is an unincorporated, open ended limited purpose trust created by the Declaration of Trust made as at May 25, 2004, as amended and restated, and governed by the laws of Alberta. The Fund is authorized to issue an unlimited number of Class A Trust Units and Class B Trust Units (the “Trust Units.”) The Fund was created to invest in the retail furniture, mattress, appliance and electronics industry initially through the indirect acquisition on July 20, 2004 of the limited partnership units of The Brick Warehouse LP together with its general partner and subsidiaries (the “Brick LP”). The Fund remained inactive until the acquisition on July 20, 2004.

The business of the Fund includes the operations of The Brick Warehouse LP, First Oceans Trading Corporation, Trans Global Warranty Corp., Trans Global Insurance Company and Trans Global Life Insurance Company whose principal business activities are retail sales of furniture, mattresses, appliances and electronics, and the marketing of warranty plans and retail credit insurance plans.

2. RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS’

In the course of preparing the Fund’s 2008 consolidated financial statements, the Fund determined that the future income tax expense and liability recognized in fiscal 2007 as a result of the enactment of the SIFT tax (Note 12), was overstated by \$10,580. This error resulted from a miscalculation of the SIFT tax due to the omission of certain information regarding differences between the accounting values and tax bases of certain assets and liabilities held by the Fund.

As a result of the correction of this error, future income tax expense decreased by \$10,580 and net income increased by \$10,580 on the 2007 consolidated statement of income and comprehensive income. On the 2007 consolidated balance sheet, the liability for future income taxes decreased by \$10,580 and the deficit in unitholders’ equity decreased by \$10,580. On the 2007 consolidated statement of changes in unitholders’ equity, net income increased by \$10,580 and deficit decreased by \$10,580. There was no impact to the consolidated statement of cash flow. The impact on basic and diluted net income per unit for the year ended December 31, 2007 was an increase of \$0.20 per unit.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars except unit and per unit amounts)

3. ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), and reflect the following significant accounting policies:

Basis of presentation

These consolidated financial statements include the Fund and its wholly owned subsidiaries, including The Brick Trust, The Brick Warehouse LP, United Furniture Warehouse LP, First Oceans Trading Corporation, and Trans Global Warranty Corp. and its subsidiaries: Trans Global Life Insurance Company and Trans Global Insurance Company. All inter-company transactions and balances have been appropriately eliminated.

Accounting policies related to revenue recognition

Sales revenue

Sales of products and services to customers are recorded when the product is delivered to the customer or when services are performed. Delivery revenues are recorded upon delivery of the product. Any payments received in advance of delivery are deferred and recorded as customer deposits.

Substantially all retail purchases on approved credit are financed by independent credit providers who provide financing directly to the customer. These credit providers make payment to the Fund directly to facilitate the retail purchase for the customer. The Fund also offers standard terms of repayment on accounts receivable that arise from credit sales to corporate or commercial customers. All sales on approved credit include specified repayment dates.

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

Deferred service revenue

Certain manufacturers’ warranty obligations that are assumed by the Fund are recorded as deferred service revenue. This service revenue is recognized over the term of the manufacturers’ warranty using the straight-line method.

Franchise operations

The Fund grants franchises to independent operators in return for a nominal initial fee and a percentage of gross monthly revenues (“Continuing Fees”). In return, under our franchise agreements, the Fund supplies inventory for amounts representing landed cost plus a mark-up. The Fund records the initial fee as income when the store commences

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

operations and the Continuing Fees monthly when earned. The sales to franchises, net of costs, are included in sales and operating revenue.

During the year ended December 31, 2007, revenue of \$4,365 (2006: \$3,407) was generated from 33 (2006: 26) franchises.

Deferred warranty plan revenue and deferred acquisition costs

Warranty plan sales are deferred at the time of sale and are recognized as income over the term of the warranty plan commencing upon the expiration of the manufacturer's warranty period.

Costs incurred on warranty sales, including premium taxes, are recorded as deferred acquisition costs. These costs are amortized to income on the same basis that revenue is recognized.

Insurance

Insurance premiums are recognized as revenue over the life of the policy in a pattern matching that of the estimated future claims expense.

Other accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term investments, with original maturities at the date of acquisition of 90 days or less, and are recorded at fair value.

Inventory

Inventory is valued at the lower of cost, determined using the first-in, first-out method, and net realizable value.

Incentives received from vendors

Incentives received from a vendor are presumed to be a reduction in the prices of the vendor's products and are accounted for as a reduction in the related inventory and cost of sales. Incentives received for a direct reimbursement of costs incurred to sell the vendor's products, such as marketing and advertising funds, are recorded as a reduction of those related costs in the consolidated statements of income, provided certain conditions are met.

Marketable securities

For the year ended December 31, 2007, bonds required to be held as deposits by the regulatory authority overseeing insurance companies in the province of New Brunswick

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

have been classified as held to maturity, and are carried on the consolidated balance sheet at amortized cost using the effective interest method. All other marketable securities have been classified as available for sale, and are carried on the consolidated balance sheet at fair value.

Prior to January 1, 2007, investments in common shares were recorded at cost. Bonds and preferred shares were recorded at amortized cost, such that any premium or discount on acquisition was amortized on the straight-line basis to the date of maturity for bonds, and the next call date for preferred shares.

Translation of foreign currencies

Transactions in foreign currencies are translated to Canadian dollars at rates of exchange at the time of such transactions. Monetary assets and liabilities are translated at current rates of exchange. Gains or losses resulting from the translation adjustments are included in income.

Capital assets

Capital assets are recorded at cost. Software and development costs include software, wages and operating costs directly related to the purchase and installation of major systems. Amortization is provided using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

Buildings	10 to 20 years
Automotive equipment	7 years
Equipment	3 to 15 years
Software and development costs	5 years

Leasehold improvements are amortized over the lesser of their estimated economic life or the lease term, representing the initial lease term and including renewal periods only where renewal has been determined to be reasonably assured (“Lease Term”).

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate their carrying amount may not be recoverable. An impairment loss is recognized when carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of impairment loss is the excess of the carrying value of the asset over its fair value.

Deferred lease inducements

Lease inducements applicable to lease contracts are deferred and amortized as a reduction of selling, general and administrative expenses over the Lease Term using the straight-line method.

ACCOUNTING POLICIES (continued)

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars except unit and per unit amounts)

Total rent to be paid over the Lease Term is amortized on a straight-line basis over the Lease Term. Accordingly, reasonably assured rent escalations (or step-rent increases) are amortized over the Lease Term, and free rent periods are allocated a portion of rent expenses.

Goodwill and indefinite life intangible assets

Goodwill and intangible assets with indefinite lives are recorded at cost and are not amortized. Management reviews these assets for impairment in the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that the asset may be impaired. In the event that the carrying amount of goodwill or the indefinite life intangible assets exceeds fair value, an impairment loss would be recognized.

The Fund uses the discounted cash flow method as well as a market comparable approach for determining the fair value of its intangible indefinite life assets. For the years ended December 31, 2007 and December 31, 2006, the Fund has assessed the fair value of its goodwill and indefinite life intangible assets and determined that no impairment in carrying value exists.

Finite life intangible assets

Intangible assets with finite lives are recorded at cost and are amortized over the estimated useful lives of the assets using the straight-line method. Estimated useful lives are as follows:

Information systems	5 to 7 years
Non-competitive agreements	5 years

Leasehold interests are amortized over the remaining Lease Term.

Customer relationships are amortized in accordance with the expected future cash inflows from the relationships.

In situations where the Fund opens new stores, in a region in which it did not previously have a presence, store pre-opening costs that do not qualify as part of the cost of a capital asset are capitalized and deferred until the store is ready to commence commercial operations. These deferred pre-opening expenditures are amortized on a straight-line basis over a period of five years and are included in intangible assets and deferred charges (Note 8). In situations where the Fund opens new stores in a region in which it has an existing presence, store pre-opening costs are expensed in the first full month of operations.

Pre-opening costs related to distribution centres in existing regions, are deferred and amortized on a straight-line basis over a period of five years.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

Finite life intangible assets are tested for recoverability whenever events or changes in circumstances indicate that a carrying amount may not be recoverable. An impairment loss is recognized when carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition.

Unpaid claims reserve

Warranty repairs are recorded as claims expense at the time the customer reports a claim. Unpaid claims consist of a provision for unpaid reported claims. Unpaid claims are based on estimates that may differ from actual claims paid.

Actuarial liabilities for insurance claims consist of an accrual for the future settlement of claims, both reported and unreported, that have occurred on or before the balance sheet date. The actuarial liability is based on assumptions of loss emergence, payment rates, interest and expected expenses associated with the payments of such claims. The accrual includes appropriate provisions for risk and uncertainty.

Employee future benefits

The Fund maintains defined contribution plans for its salaried, commission and hourly employees. Contributions of \$1,452 were made to these plans during the year ended December 31, 2007 (2006: \$1,293).

Long-term incentive plan

The Fund offers a long-term incentive compensation plan (“LTIP”), which provides benefits to certain senior management and key employees based on the amount, if any, by which annual distributable cash exceeds certain annual distributable cash targets. Bonuses, in the form of units of the Fund, are provided to eligible employees annually where the annual distributable cash of the Fund exceeds threshold amounts. If distributable cash per unit exceeds threshold amounts, a percentage of the excess distributable cash (the participation rate) is contributed by the Fund to a long-term incentive pool.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

A trustee uses this pool of funds to purchase units of the Fund (“Fund Units”) in the open market and holds the Fund Units until such time as ownership vests to each participant. One-third of the Fund Units purchased for each participant vest on the date of grant and an additional one-third vest on each of the first and second anniversaries of such date. LTIP participants are entitled to receive distributions on all Fund Units held for their account prior to the applicable vesting date. In the event a participant resigns or is terminated for cause prior to the applicable vesting date, the unvested Fund Units are forfeited and revert to the exclusive benefit of the Fund. The trustee, as soon as practicable, disposes of such Fund Units on the open market and pays the proceeds of disposition, plus any distributions accrued thereon, to the Fund.

For the fiscal year ended December 31, 2007, LTIP of \$1,284 (2006: \$225) was earned and payable to the long-term incentive pool. With respect to the LTIP earned in the 2006 fiscal year, 20,168 Fund Units were purchased during 2007.

The LTIP entitlement is recorded as selling, general and administrative expenses.

Income taxes

Currently, the Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). The mutual fund trust is subject to tax in each taxation year on the amount of its income for the year, including net realized taxable capital gains, less amounts paid or payable to the Unitholders for the year. The Fund intends to allocate to the Unitholders all of its income and net realized capital gains for the year, including those amounts derived from the partnerships, namely The Brick Warehouse LP and United Furniture Warehouse LP. On June 22, 2007, Bill C-52 was enacted, and significantly modifies the income tax rules applicable to the taxation of a Specified Investment Flow-Through Entity or “SIFT” (the “SIFT tax”). The Fund is expected to qualify as a SIFT. This legislation is discussed further under Note 12, Income Taxes.

Income taxes for the Fund, as well as its subsidiaries, including Trans Global Warranty Corp., Trans Global Life Insurance Company and Trans Global Insurance Company, are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at their carrying values. Income tax assets are also recognized from tax losses provided these benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

Earnings per unit

Basic and diluted earnings per unit are calculated using the weighted average number of Trust units outstanding during the period.

Variable interest entities

Variable interest entities are entities that are subject to control on a basis other than ownership of voting interests. Under GAAP, the Fund consolidates variable interest entities in circumstances where the Fund absorbs the majority of the variable interest entities' variability. The Fund currently does not have any variable interest entities.

Use of estimates

The preparation of financial statements, in conformity with 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for such items as provisions for sales returns and allowances, unpaid claims, amortization periods of capital assets and finite life intangibles, accruals for vendor incentives, fair value of marketable securities, inventory obsolescence provision, allowance for doubtful accounts, test of impairment for capital assets, goodwill and indefinite life intangibles, valuation of future income taxes and purchase price allocation. Although management reviews its estimates on an ongoing basis, actual results may differ from these estimates.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars except unit and per unit amounts)

4. RECENTLY ADOPTED AND PENDING ACCOUNTING POLICIES

Commencing January 1, 2007, the Fund adopted the following new Canadian Institute of Chartered Accountants (“CICA”) accounting standards:

Section 3855 - Financial Instruments - Recognition and Measurement

Section 3865 - Hedges

Section 1530 - Comprehensive Income

Section 3251 - Equity

Section 3861 - Financial Instruments - Disclosure and Presentation

These sections establish standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, as well as the use and application of hedge accounting. Section 1530 establishes standards for the reporting and presentation of comprehensive income. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with GAAP, are recognized in comprehensive income, but excluded from net income.

According to these new standards, all financial assets and financial liabilities must be classified into one of the categories outlined in the following table:

Category	Applies to	Definition
Held for trading	Financial assets and financial liabilities	Includes: <ul style="list-style-type: none"> • Financial instruments acquired for purpose of trading or as part of a trading portfolio • All derivatives that are not designated in hedging relationships • Financial instruments which are designated as trading
Held to maturity	Financial assets	A financial asset with fixed payments and maturity that the entity has the intent and ability to hold to maturity
Loans and receivables	Financial assets	A financial asset that is not a debt security, resulting from the delivery of assets in exchange for a promise to pay
Available for sale	Financial assets	Includes: <ul style="list-style-type: none"> • Non-derivative financial assets designated as available for sale • Financial assets not classified in another category
Other financial liabilities	Financial liabilities	A financial liability not classified as held for trading

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars except unit and per unit amounts)

RECENTLY ADOPTED AND PENDING ACCOUNTING POLICIES (continued)

The related accounting policies adopted by the Fund and the resulting financial statement impacts are discussed below.

These standards have been applied retrospectively without restatement. There was no impact on the Fund's opening consolidated deficit as at January 1, 2007, or on consolidated net income for the year ended December 31, 2007, as a result of the new standards.

All financial instruments are initially recognized on the consolidated balance sheet at their fair value. Subsequent to their initial recognition, all financial instruments continue to be measured at their fair value except for held to maturity investments, loans and receivables, and other financial liabilities which must be measured at amortized cost using the effective interest method.

Held for Trading

Changes in the fair value of financial assets and liabilities that are classified as held for trading are recorded in net income. The only financial instruments the Fund has classified as held for trading are its cash and cash equivalents. For cash and cash equivalents, fair value is assumed to equal book value. Gains, losses, and transaction costs related to held for trading assets and liabilities are recognized immediately in consolidated income.

Held to Maturity

The Fund has classified certain Government of Canada bonds held by Trans Global Insurance Company and Trans Global Life Insurance Company, as held to maturity. These bonds are required to be held as deposits by the regulatory authority overseeing insurance companies in the province of New Brunswick. Transaction costs related to held to maturity assets are included in their amortized cost. Gains or losses related to held to maturity assets are recognized immediately in consolidated income when the asset is derecognized or impaired.

Loans and Receivables

The Fund has classified its accounts receivable as loans and receivables. Impairment write-downs, foreign exchange translation adjustments, and transaction costs related to loans and receivables are recognized immediately in consolidated income. Gains and losses are recognized in income when the asset is derecognized.

The Brick Group Income Fund
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For the Years Ended December 31, 2007 and December 31, 2006
(thousands of Canadian dollars except unit and per unit amounts)

RECENTLY ADOPTED AND PENDING ACCOUNTING POLICIES (continued)

Available For Sale

The Fund has classified all of its marketable securities at January 1, 2007 as available for sale. Available for sale securities are measured at fair value with unrealized gains and losses recorded in other comprehensive income, net of income taxes, until the security is either sold, or if an unrealized loss is considered other-than-temporary, the unrealized loss is reclassified to net income and presented within investment and other income. The fair values of our available for sale securities are determined from quoted market prices. Available for sale equity securities which do not have a quoted market price must be recorded at cost. The Fund does not currently hold any investment securities for which a quoted market price is unavailable.

Available for sale securities are subject to a regular review for losses that are other-than-temporary. Available for sale securities are written down to fair value through income whenever it is necessary to reflect an other-than-temporary impairment.

The Fund accounts for the purchase and sale of marketable securities using settlement date accounting for purposes of both the consolidated balance sheet and the consolidated statement of income. Transaction costs related to the Fund's available for sale securities will continue to be included in their carrying values.

At January 1, 2007, the Fund adjusted the marketable securities included on its consolidated balance sheet to their fair values. The amount of this adjustment, net of income taxes and together with the balance of deferred realized gains, was recorded as a component of the opening balance of accumulated other comprehensive income as summarized in the following table.

	As at
	January 1, 2007
	<u>Increase (decrease)</u>
Available for sale securities	\$ 1,451
Future income tax assets	(646)
Future income tax liabilities	54
Other liabilities	40
<u>Accumulated other comprehensive income</u>	<u>\$ 899</u>

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RECENTLY ADOPTED AND PENDING ACCOUNTING POLICIES (continued)

Other Financial Liabilities

For the Fund, the other financial liabilities classification includes bank indebtedness, accounts payable and accrued liabilities, and long-term debt. Transaction costs are included in the amortized cost of the other financial liabilities.

Gains and losses from items in this category are recognized in net income in the period that the liability is derecognized. Foreign exchange translation adjustments are recognized immediately in net income. For the Fund, foreign exchange translation adjustments related to accounts payable in U.S. dollars are included in net income within cost of sales.

In accordance with the provisions of these new standards, the Fund has netted deferred financing charges against the carrying value of long-term debt and is amortizing these deferred financing charges using the effective interest method over the remaining term of the debt. Previously, the deferred financing charges were amortized on a straight-line basis over the term of the debt. Consequently, unamortized deferred financing charges of \$1,123 as at December 31, 2007 (December 31, 2006: \$377), which were previously recorded in intangible assets and deferred charges, have been reclassified against the long-term debt and bank indebtedness. For the year ended December 31, 2007, amortization of the deferred financing charges in the amount of \$360 (2006: \$270), has been recorded in net income and presented as interest expense. Prior to adoption of these new standards, amortization of the deferred financing charges was presented as amortization expense.

Derivatives and Hedge Accounting

All derivatives, including embedded derivatives that must be separately accounted for, are now recorded at fair value in the consolidated balance sheet with realized and unrealized gains recorded in net income unless the derivative is part of a designated effective hedging relationship in which case gains or losses from the derivative are offset against gains or losses on the hedged item.

At the inception of a hedging relationship, the Fund documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. The Fund also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the cash flows of the hedged items.

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RECENTLY ADOPTED AND PENDING ACCOUNTING POLICIES (continued)

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Any gains or losses in fair value relating to the ineffective portion are recognized immediately in the income statement. Amounts accumulated in other comprehensive income are reclassified to net income in the period in which the hedged item affects net income.

Derivatives that are not designated as part of a hedging relationship are classified as held for trading. All gains and losses from changes in fair value of derivatives held for trading are recognized in the income statement. The Fund regularly enters into U.S. dollar forward exchange contracts which meet the definition of derivative contracts and are not part of a designated hedging relationship. The fair value of these contracts represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors.

Management performed a review for embedded derivatives and none were identified. In accordance with the new standard, the review considered any contracts entered into on or after January 1, 2003.

There were no significant changes to the Fund's risk management policies as a result of the new accounting standards.

Comprehensive Income

The consolidated statement of comprehensive income now forms part of the Fund's consolidated financial statements and displays current period net income and other comprehensive income. Accumulated other comprehensive income is now a separate component of unitholders' equity. The consolidated statement of comprehensive income reflects changes in accumulated other comprehensive income, comprised of changes in unrealized gains and losses on available for sale securities as well as changes in the fair value of derivatives designated as cash flow hedges, to the extent they are effective.

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RECENTLY ADOPTED AND PENDING ACCOUNTING POLICIES (continued)

Revised Section 1506 – Accounting Changes

In July 2006, the Canadian Accounting Standards Board (“AcSB”) issued revised CICA Handbook Section 1506, Accounting Changes. The main features of the revised standard are:

- Voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information.
- Changes in accounting policy are applied retrospectively unless doing so is impracticable (as defined in the Section 1506).
- Prior period errors are corrected retrospectively.
- New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors.

This revised Section was adopted by the Fund for its fiscal year beginning on January 1, 2007 and had no impact on its financial position or results of operations.

Pending Changes to Accounting Policies

Section 3031 – Inventories

In June 2007, the CICA issued Section 3031, Inventories, which will replace existing Section 3030 with the same title. The new Section, effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, establishes that inventories should be measured at the lower of cost and net realizable value, with guidance on the determination of cost. The Fund currently measures inventories at the lower of cost and net realizable value and therefore, does not expect the new Section to have any impact on its financial position or results of operations. Under this new Section, the Fund will be required to disclose the amount of inventory expensed during a period, and also the amount of inventory pledged as security for liabilities. The Fund will adopt this new Section for its fiscal year beginning January 1, 2008.

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PENDING CHANGES TO ACCOUNTING POLICIES (continued)

Section 1535 – Capital Disclosures

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

Section 3064 – Goodwill and Intangible Assets

In February 2008, the CICA issued new Handbook Section 3064, Goodwill and Intangible Assets, replacing Handbook Section 3062, Goodwill and Other Intangible Assets. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Fund will adopt the new standards for its fiscal year beginning January 1, 2009. Standards concerning goodwill are unchanged from the standards included in the previous Handbook Section 3062. The new section provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. Accordingly, for its fiscal year beginning January 1, 2009, the Fund will adjust the opening balance of each affected component of equity for the earliest prior period presented, and the other comparative amounts disclosed for each prior period presented, as if the pre-opening costs had not been deferred. As at December 31, 2007, the Fund had deferred pre-opening costs of \$5,732 (December 31, 2006: \$8,403). These pre-opening costs relate mainly to the expansion of the Fund's operations into Quebec in 2004, and to the expansion of its distribution centre infrastructure in 2006.

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PENDING CHANGES TO ACCOUNTING POLICIES (continued)

Section 3862 – Financial Instruments - Disclosures

Section 3863 – Financial Instruments - Presentation

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

Section 3862, like Section 3861, is based on the fundamental principle that entities should provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments to the entity's financial position and performance. Section 3862 places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. Concurrent with the release of Section 3862, the AcSB also issued Section 3863, Financial Instruments — Presentation, which carries forward unchanged the presentation requirements of Section 3861. Section 3863 provides a companion standard to Section 3862 for entities subject to the latter. The Fund will adopt these standards for its fiscal year beginning January 1, 2008.

International Financial Reporting Standards

In March 2007, the CICA announced that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) effective January 1, 2011. IFRS will require increased financial statement disclosure. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The Fund is currently assessing the impact IFRS will have on its financial statements.

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5. **ACCOUNTS RECEIVABLE**

	2007		2006
Accounts receivable - trade	\$ 43,752	\$	49,273
Vendor rebates	19,302		17,160
Franchise	1,479		924
Tenant inducements	2,491		1,528
Other	5,733		3,155
	\$ 72,757	\$	72,040

Vendor Rebates

The Brick LP has entered into agreements with specific vendors that require the vendor to pay a rebate provided a certain specified cumulative level of purchases is achieved over a certain period of time. The Brick LP recognizes the rebate amounts based on anticipated purchase volumes and historical results. For the year ended December 31, 2007, accrued vendor rebates of \$283 have been recognized in income for which full requirements for entitlement have not yet been met (2006: \$496).

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6. MARKETABLE SECURITIES

Marketable securities are held by the Fund's subsidiary Trans Global Warranty Corp. and its subsidiaries, Trans Global Insurance Company and Trans Global Life Insurance Company, as a source of financing of future claim payments.

For the year ended December 31, 2007, bonds required to be held as deposits by the regulatory authority overseeing insurance companies in the province of New Brunswick, have been classified as held to maturity and are carried at amortized cost using the effective interest method. All other marketable securities have been classified as available for sale and are carried at fair value, which is based on closing bid prices quoted on recognized stock exchanges.

For the year ended December 31, 2006, marketable securities were carried at cost or amortized cost (Note 3 and Note 4).

Preferred shares are comprised primarily of shares of Canadian financial institutions. Common share and income trust unit investments are comprised of companies traded on the Toronto Stock Exchange ("TSX"). Exchange traded funds are comprised of funds traded on the New York and TSX exchanges.

	2007		2006	
Marketable Securities Carried at Amortized Cost	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Bonds	\$ 115	\$ 115	\$ 119	\$ 119
Preferred shares	-	-	20,951	21,529
	115	115	21,070	21,648
Marketable Securities Carried at Fair Value	Fair Value	Amortized Cost	Cost	Fair Value
Preferred shares	19,884	20,262	-	-
Trust units	612	623	1,711	1,751
Common shares	2,798	2,748	3,037	3,870
Exchange traded funds	716	778	-	-
	24,010	24,411	4,748	5,621
	\$ 24,125	\$ 24,526	\$ 25,818	\$ 27,269

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MARKETABLE SECURITIES (continued)

The unrealized loss of \$429 recorded as part of other comprehensive income is comprised of unrealized losses of \$1,104, and unrealized gains of \$675, arising during the year ended December 31, 2007. These unrealized losses relate primarily to the preferred shares which become redeemable at the redemption amount on their respective redemption dates. Accordingly, management has assessed these unrealized losses as temporary, and has not reclassified these unrealized losses to net income.

The average annual effective rate of return based on amortized cost over the periods to the next call date of the preferred shares is 3.84% (2006: 3.67%). The preferred shares' next call dates and the bond maturity dates are as follows:

	<u>1 - 3 Years</u>	<u>4 - 6 Years</u>	<u>> 6 Years</u>	<u>Total</u>
Amortized cost	\$ 16,742	\$ 3,052	\$ 583	\$ 20,377
Unamortized discount (premium)	109	(108)	(4)	(3)
Redemption amount	\$ 16,851	\$ 2,944	\$ 579	\$ 20,374

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7. CAPITAL ASSETS

	December 31, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 11,954	\$ -	\$ 11,954	\$ 12,192	\$ -	\$ 12,192
Buildings	29,160	5,030	24,130	29,657	3,677	25,980
Automotive equipment	385	324	61	393	310	83
Equipment	52,466	20,520	31,946	42,340	12,458	29,882
Software and development costs	8,165	4,831	3,334	8,088	3,353	4,735
Leasehold improvements	89,904	28,563	61,341	78,743	20,433	58,310
	\$ 192,034	\$ 59,268	\$ 132,766	\$ 171,413	\$ 40,231	\$ 131,182

Amortization expense for capital assets for the year ended December 31, 2007 was \$19,388 (2006: \$19,597).

Included in capital assets is construction in progress of \$3,513 not subject to amortization at December 31, 2007 (2006: \$2,489).

During 2006, \$2,762 of capital assets, related to store construction costs that were fully funded by a landlord, were transferred to the landlord for non-cash proceeds. Concurrent with the transfer, the Fund entered into an agreement to lease these premises from the landlord.

8. INTANGIBLE ASSETS AND DEFERRED CHARGES

	December 31, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Finite Life:						
Information systems	\$ 15,158	\$ 7,977	\$ 7,181	\$ 15,157	\$ 5,665	\$ 9,492
Leasehold interests	8,414	4,791	3,623	8,414	3,604	4,810
Pre-opening costs	12,149	6,417	5,732	12,180	3,777	8,403
Non-competitive agreements	5,164	3,690	1,474	5,164	2,666	2,498
Customer relationships	5,100	5,042	58	5,100	4,899	201
Retail financing fees	1,500	88	1,412	-	-	-
Indefinite life:						
Brand	140,551	-	140,551	140,551	-	140,551
	\$ 188,036	\$ 28,005	\$ 160,031	\$ 186,566	\$ 20,611	\$ 165,955

Amortization expense for intangible assets and deferred charges for the year ended December 31, 2007 was \$7,394 (2006: \$7,671), including \$88 that is amortization of retail financing fees included in cost of sales in the consolidated statements of income (Note 16).

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9. BANK INDEBTEDNESS

As at December 31, 2007, bank indebtedness of \$14,559 (2006: \$9,762) is comprised of draws under the Operating Credit Facility including the swing line overdraft of \$14,637 (2006: \$10,139) less deferred financing charges of \$78 (2006: \$377).

Credit Facilities

The Fund has a \$50,000 Operating Credit Facility and a \$50,000 Acquisition Credit Facility that are repayable in full on July 2, 2008. In addition, there is a separate Commercial Letter of Credit Facility for \$5,000 that expires July 2, 2008. On February 13, 2006, these credit facilities replaced a \$65,000 Revolving Credit Facility set to mature July 20, 2007. An existing \$70,000 Term Credit Facility set to mature July 20, 2007 was repaid in full on March 14, 2007 (Note 10).

Operating Credit Facility

The amount available under the \$50,000 Operating Credit Facility is subject to limits based on margining requirements. Under the terms of the credit facilities, the Fund can obtain advances by way of Canada prime rate loans, U.S. Base Rate loans, LIBOR loans and Bankers' Acceptances. At December 31, 2007, \$15,512 was drawn under the \$50,000 Operating Credit Facility (2006: \$11,014) comprised of \$14,637 drawn by way of Canadian prime rate loans at an interest rate of 6.25% (2006: \$10,139 at a rate of 6.25%), and \$875 related to Standby Letters of Credit (2006: \$875), leaving \$34,488 (2006: \$38,986) of available undrawn credit.

Standby Letters of Credit are also discussed in Note 19(a).

Acquisition Credit Facility

The \$50,000 Acquisition Credit Facility was fully available at December 31, 2007. Under the terms of the credit facilities, the Fund can obtain advances by way of Canada prime rate loans, U.S. Base Rate loans, LIBOR loans and Bankers' Acceptances.

At December 31, 2007 and 2006, no amounts were drawn under the \$50,000 Acquisition Credit Facility.

Term Credit Facility

At December 31, 2006, \$70,000 was drawn under the Term Credit Facility bearing interest at a blended rate of 5.58% (Note 10). On March 14, 2007, the Term Credit Facility was refinanced on a long-term basis. This refinancing is discussed further in Note 10.

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BANK INDEBTEDNESS (continued)

Commercial Letter of Credit Facility

Drawings under the Commercial Letter of Credit Facility are available by way of commercial letters of credit. At December 31, 2007, \$8 (2006: \$581) was drawn under the Commercial Letter of Credit Facility (Note 19(a)) leaving \$4,992 (2006: \$4,419) available undrawn credit.

The Operating, Acquisition, Term, and Commercial Letter of Credit Facilities are secured by a first fixed floating charge on the assets of the Fund, except for specified permitted encumbrances. The provisions under these facilities provide for restrictions on the operations and activities of the Fund. Generally, the most significant restrictions relate to permitted investments as well as the maintenance of certain financial covenants. As at December 31, 2007, the Fund is in compliance with all of its financial covenants.

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10. LONG-TERM DEBT

On March 14, 2007, the Term Credit Facility was refinanced on a long-term basis. The debt was refinanced through the private placement of senior secured notes with an aggregate principal amount of \$83,000. These notes, issued to six institutional investors, have a term of seven years and pay a semi-annual coupon of 6.431%. Interest only payments are required on September 14th and March 14th of each year until maturity on March 14, 2014, at which time the notes are repayable in full. The effective interest rate is 6.979% and includes interest payments together with hedge (Note 20) and transaction costs. The proceeds were used to repay the \$70,000 Term Credit Facility, the two remaining outstanding mortgages (\$9,530 at December 31, 2006) and to fund general operations. The notes are secured by substantially all of the Fund's assets, and rank pari passu with the Fund's other credit facilities.

	December 31, 2007	December 31, 2006
Demand mortgage payable in monthly installments of \$51 including interest at prime plus 0.65%, secured by land and buildings with a net book value of \$20,736.	\$ -	\$ 6,548
Mortgage payable in monthly installments of \$24 including interest at 6.83%, due August 1, 2007, secured by land and buildings with a net book value of \$4,424.	-	2,982
Term credit facility	-	70,000
Senior secured notes, net of unamortized transaction costs of \$1,045, with an aggregate principal amount of \$83,000 repayable in full at maturity, bearing interest at a fixed annual rate of 6.431% and requiring interest only payments on September 14 th and March 14 th of each year until maturity on March 14, 2014.	81,955	-
	81,955	79,530
Less: principal amounts included in current liabilities	-	(79,530)
	\$ 81,955	\$ -

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11. DEFERRED WARRANTY PLAN AND UNEARNED INSURANCE REVENUE

Deferred warranty plan and unearned insurance revenue will be recorded as earned revenue until the year 2017 as follows:

2008	\$ 37,943
2009	39,326
2010	27,394
2011	13,736
2012	3,965
2013 to 2017	508
	<hr/>
	\$ 122,872

12. INCOME TAXES

Bill C-52, enacted on June 22, 2007, significantly modifies the income tax rules applicable to the taxation of SIFTs, (the "SIFT tax"). The Fund in its current form is expected to qualify as a SIFT and certain income of, and distributions by, the Fund will be taxable in 2011.

For entities remaining within normal growth limits announced by the Department of Finance (Canada) on December 15, 2006, ("Normal Growth Limits"), the SIFT tax will take effect on January 1, 2011. After January 1, 2011, current income taxes related to the SIFT tax will reduce net income and the amount of cash available to the Fund for distribution to the unitholders by an equal amount.

The enactment of this legislation resulted in the recognition of a \$30,250 long-term future income tax liability with a corresponding \$30,250 future income tax expense, based on temporary differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. The long-term liability is calculated using the rates that will be applicable in 2011 and subsequent years under existing legislation and the Fund's current corporate structure. The effective tax rate of the long-term future income tax liability is 28%.

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INCOME TAXES (continued)

The long-term future income tax liability related to the SIFT tax, on temporary differences between the accounting and tax bases of the Fund's existing assets and liabilities at December 31, 2007 is as follows:

	2007	2007
	Restated	As previously
	(Note 2)	reported
Inventory	\$ 46	\$ -
Leasehold improvements	-	2,235
Equipment	-	2,109
Building	4,474	4,550
Future rent obligation	(4,386)	-
Finite life intangible assets	535	2,515
Indefinite life intangible asset: Brand	28,712	25,768
Goodwill	869	3,653
Total related to SIFT tax	<u>\$ 30,250</u>	<u>\$ 40,830</u>

The Fund expects that it will realize its future income tax assets and liabilities in the normal course of operations except for Brand and Goodwill, which are indefinite life non-amortizing assets.

Provided that the Fund remains within the Normal Growth Limits, the future income tax liabilities associated with Brand and Goodwill would only be realized upon the taxable disposition of these assets on or after January 1, 2011. The amount of tax payable could, however, differ from the amount of the future income tax liability associated with these assets and would be impacted by the structure of any transaction.

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INCOME TAXES (continued)

The following is a reconciliation of income taxes, calculated at the Canadian combined federal and provincial income tax rate, to the income tax provision included in the consolidated statement of income:

	2007 Restated (Note 2)	2007 As previously reported	2006
Income before income taxes and extraordinary item	\$ 45,154	\$ 45,154	\$ 34,698
Non - taxable dividends	(1,125)	(1,125)	(836)
Tax reserves available for which no benefit has been recognized	18,656	18,656	23,181
Income allocated to unitholders	(65,005)	(65,005)	(65,006)
	<u>\$ (2,320)</u>	<u>\$ (2,320)</u>	<u>\$ (7,963)</u>
Recovery of income taxes at the statutory rate of 34.1% (2006 - 34.5%)	\$ 791	\$ 791	\$ 2,747
Increase related to:			
Enactment of SIFT Tax - future	(30,250)	(40,830)	-
Other	(162)	(162)	123
	<u>(29,621)</u>	<u>\$ (40,201)</u>	<u>\$ 2,870</u>
Classified as:			
Current (expense)	\$ (893)	\$ (893)	\$ (1,232)
Future (expense) recovery	(28,728)	(39,308)	4,102
	<u>\$ (29,621)</u>	<u>\$ (40,201)</u>	<u>\$ 2,870</u>

Future income taxes are recognized for consequences attributed to estimated differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases as follows:

	2007 Restated (Note 2)	2007 As previously reported	2006
Future income tax assets			
Marketable securities and other assets	\$ 15	\$ 15	\$ 750
Unpaid claims	35	35	-
Future income tax assets - net	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 750</u>
Future income tax liabilities			
Total related to enactment SIFT tax - future	(30,250)	\$ (40,830)	\$ -
Marketable securities	-	-	(54)
Deferred acquisition costs	427	427	1,135
Deferred warranty revenue	(1,840)	(1,840)	(4,758)
Customer relationships	(20)	(20)	(68)
Other	(85)	(85)	(85)
Future income tax liabilities - net	<u>\$ (31,768)</u>	<u>\$ (42,348)</u>	<u>\$ (3,830)</u>
Classified as:			
Long-term asset	\$ 50	\$ 50	\$ -
Long-term liability	(31,768)	(42,348)	(3,830)
	<u>\$ (31,718)</u>	<u>\$ (42,298)</u>	<u>\$ (3,830)</u>

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13. **TRUST UNITS**

The Declaration of Trust provides that an unlimited number of units may be issued.

Issued

		2007	2006
	Number of Units	Amount	Amount
Class A Trust Units			
Issued on initial public offering	27,200,000	\$ 272,000	\$ 272,000
Issued as consideration for purchase of the Brick LP	15,724,016	157,240	157,240
	42,924,016	429,240	429,240
Issuance costs		(18,482)	(18,482)
		410,758	410,758
Special non-cash distribution		4,984	4,984
	42,924,016	415,742	415,742
Class B Trust Units			
Issued as consideration for purchase of the Brick LP	11,247,117	112,471	112,471
	54,171,133	\$ 528,213	\$ 528,213

Class A Trust Units

Each unit is transferable and represents an equal undivided interest in any distributions of the Fund and in the net assets of the Fund. All units have equal rights and privileges, are not subject to future calls and assessments and entitle the holders thereof to one vote for each unit held at all meetings of the Unitholders.

Class B Trust Units

The Class B Trust Units have the same risks and privileges as the Class A Trust Units subject to certain subordination and escrow arrangements. Class B Trust Units are exchangeable on a one-for-one basis for Class A Trust Units after the subordination period described below.

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TRUST UNITS (continued)

Escrow Arrangements

Pursuant to an escrow agreement, the Class B Trust Units (collectively, the “Escrowed units”) have been deposited in escrow with a third party escrow agent. The escrow will terminate and the Escrowed units will be released upon termination of the subordination applicable to the Escrowed units (described below). Distributions on the Class B Trust Units are subordinated in favour of the Class A Trust Units. Distributions on the Class B Trust Units will only be paid at the end of a fiscal quarter to the extent that: (i) the Fund has paid a distribution of at least \$0.10 per Class A Trust Unit in respect of the most recent month, and (ii) any deficiency in such distributions to holders of Class A Trust Units during the preceding 15 months has been satisfied.

Distributions on the Class A Trust Units and Class B Trust Units are cumulative, such that the amount of any deficiency in such distributions to holders of Class A Trust Units and Class B Trust Units will accumulate for 15 months. Payments of deficiencies, if any, on Class A Trust Units will be made in priority to distributions on the Class B Trust Units. Any deficiency in respect of a distribution on any Trust units not satisfied within 15 months of the date it arose will cease to be payable.

The subordination provisions of the Class B Trust Units will only apply until the earlier of: (i) December 31, 2006 if, for the fiscal year of the Brick LP ended on such date, the Brick LP has earned adjusted EBITDA (as defined in the Escrow agreement) of at least \$82,848 (the “EBITDA Target”) and the Fund has paid distributions of at least \$1.20 per Trust unit for such fiscal year (the “Distribution Target”), and (ii) the end of any fiscal year of the Brick LP following December 31, 2006 in respect of which the Brick LP has earned adjusted EBITDA of at least the EBITDA Target and the Fund has paid distributions per Trust unit of at least the Distribution Target for such year.

The EBITDA Target was exceeded for the year ended December 31, 2007. Effective upon the Board of Trustees’ approval of the Fund’s 2007 annual audited financial statements, the subordination in respect of the Class B Trust Units terminates. As a result, cash available to make distributions will be paid monthly to the holders of Class A Trust Units and holders of Class B Trust Units pro rata. The Class B Trust Units will become exchangeable for Class A Trust Units of the Fund on a one-for-one basis at the option of the holder.

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TRUST UNITS (continued)

Redeemable rights

Class A Trust Units are redeemable at any time at the option of the holder at amounts related to market prices at the time, subject to a maximum of \$50 in cash redemptions by the Fund in a particular month. This limitation may be waived at the discretion of the Trustees of the Fund. Redemptions in excess of this amount, assuming no waiving of the limitation, shall be paid by way of a distribution in specie of a pro rata number of notes in securities held by the Fund.

Class B Trust Units are redeemable at any time on demand by the holders thereof in the same manner and on the same terms as the Class A Trust Units, except that, if the redemption occurs at any time during the subordination period the redemption price will be adjusted to reflect the number of Class A Trust Units to which the Class B Trust Unitholders would have been entitled to as at the relevant determination date and will be paid by an unsecured subordinated note.

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14. DISTRIBUTIONS DECLARED

Distributions are declared each month to the Class A Trust Unitholders of record on the last business day of each month, and quarterly to the Class B Trust Unitholders of record on the last business day of each fiscal quarter.

The determination to declare and make payable distributions from the Fund is, subject to the terms of the Fund's Declaration of Trust, at the discretion of the Board of Trustees of the Fund and, until declared payable by the Board of Trustees of the Fund, the Fund has no contractual requirement to pay cash distributions to unitholders of the Fund.

Distributions declared during the period ended December 31, 2007, are as follows:

Period	Record Date	Payment Date	Per Unit	Amount
Class A units				
January 2007	January 31, 2007	February 15, 2007	\$ 0.1000	\$ 4,292
February 2007	February 28, 2007	March 15, 2007	0.1000	4,292
March 2007	March 30, 2007	April 16, 2007	0.1000	4,292
April 2007	April 30, 2007	May 15, 2007	0.1000	4,292
May 2007	May 31, 2007	June 15, 2007	0.1000	4,292
June 2007	June 29, 2007	July 16, 2007	0.1000	4,292
July 2007	July 31, 2007	August 15, 2007	0.1000	4,292
August 2007	August 31, 2007	September 17, 2007	0.1000	4,292
September 2007	September 28, 2007	October 15, 2007	0.1000	4,292
October 2007	October 31, 2007	November 15, 2007	0.1000	4,292
November 2007	November 30, 2007	December 17, 2007	0.1000	4,292
December 2007	December 31, 2007	January 15, 2008	0.1000	4,293
				51,505
Class B units				
January 1 - March 31, 2007	March 30, 2007	April 16, 2007	0.3000	3,375
April 1 - June 30, 2007	June 29, 2007	July 16, 2007	0.3000	3,375
July 1 - September 30, 2007	September 28, 2007	October 15, 2007	0.3000	3,375
October 1 - December 31, 2007	December 31, 2007	January 15, 2008	0.3000	3,375
				13,500
			\$	65,005

For the year ended December 31, 2006, total distributions of \$65,006 were declared, comprised of \$51,506 on behalf of the Class A Trust Units and \$13,500 on behalf of the Class B Trust Units.

Declared cash distributions of \$7,668 are included in accounts payable and accrued liabilities at December 31, 2007 (December 31, 2006: \$7,669).

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15. RELATED PARTY TRANSACTIONS

Included in selling, general and administrative expenses is rent expense of \$1,026 for the year ended December 31, 2007 (2006: \$850), paid to a joint venture partially owned by an officer of the Fund. These transactions are in the normal course of operations and are measured based on commercial rates established and agreed to by the related parties.

Included in accounts receivable at December 31, 2007 is \$400 (2006: \$265) for loans made to employees. These loans relate to employee relocation.

16. AMORTIZATION

	2007	2006
Amortization of capital assets (Note 7)	\$ 19,388	\$ 19,597
Amortization of intangible assets and deferred charges (Note 8)	7,306	7,671
	26,694	27,268
Amortization of deferred retail financing fees (Note 8)	88	-
	\$ 26,782	\$ 27,268

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17. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2007	2006
Cash (used in) provided by		
Accounts receivable	\$ (717)	\$ (17,848)
Inventory	(25,544)	(17,489)
Prepaid expenses and deposits	(820)	3,658
Accounts payable and accrued liabilities	22,017	3,599
Corporate income taxes payable	(748)	53
Customers' deposits	(14,727)	22,727
Deferred service revenue	(316)	(94)
Unpaid claims reserve	(883)	150
	(21,738)	(5,244)
Accounts payable and accrued liabilities related to capital assets	2,379	(2,008)
	\$ (19,359)	\$ (7,252)

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18. COMMITMENTS AND CONTINGENCIES

Operating leases

The Fund is the lessee under a series of long-term operating leases for stores, equipment and vehicles. Minimum payments over the next five years and thereafter to end of term under the lease arrangements are as follows:

2008	\$	72,752
2009		71,726
2010		68,514
2011		66,325
2012		62,292
2013 - 2025		407,659
	\$	<u>749,268</u>

Contingencies

As a result of legislative amendments to the Alberta Corporate Tax Act effective May 24, 2006, Trans Global Warranty Corp. has commenced remitting premium taxes in Alberta. Prior to this date, Trans Global Warranty Corp. was not required to remit provincial premium tax related to the sale of protection plans in any province other than Ontario. The Alberta tax authorities have assessed Trans Global Warranty Corp. for premium taxes related to sales from 1987 to 2004. As at December 31, 2007 the estimated potential liability related to these assessments is \$6,081 (\$5,786 net of income taxes). Trans Global Warranty Corp. is disputing these assessments and is defending its position with the Alberta tax authorities. In the opinion of management, the relevant provincial legislation supports this filing position and no accrual has been recorded. No other provinces have assessed Trans Global Warranty Corp. for premium taxes.

If Trans Global Warranty Corp. is required to remit premium taxes related to the sale of protection plans in Alberta before May 24, 2006, or is required to remit premium taxes related to its sales in any province other than Ontario, the estimated potential total liability as at December 31, 2007 is \$11,465 (\$10,272 net of income taxes). No provision has been made in these consolidated financial statements for any such taxes as the outcome of this contingency is not determinable.

The Fund has been named in three claims related to a specific, third party sponsored, sales promotion offered at United Furniture stores during 2004. The plaintiffs are seeking an order certifying the actions as a class proceeding, and determining which action will take carriage. The likely outcome of the claims is not determinable.

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COMMITMENTS AND CONTINGENCIES (continued)

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

In the normal course of business, the Fund is subject to a number of claims and legal actions that may be made by customers, suppliers and others in respect of which either an adequate provision has been made or for which no material liability is expected.

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19. GUARANTEES

In the normal course of business, the Fund, including its subsidiaries, enters into agreements that may involve providing certain guarantees or indemnifications to third parties and others, which extend over the term of the agreement. These include, but are not limited to, residual value guarantees on operating leases, letters of credit and indemnifications that are customary for the type of transaction. The terms of these agreements will vary based upon the contract. Management does not expect the potential amount of these counterparty payments to have a material effect on the Fund's financial position or operating results.

(a) *Letters of credit and guarantees*

The Fund has Standby Letters of Credit outstanding in the amount of \$875 at December 31, 2007 (2006: \$875) related to general operating matters. No funds have been advanced on these Standby Letters of Credit.

The Fund has a Commercial Letter of Credit Facility in the amount of \$5,000 (2006: \$ 5,000) related to overseas product purchases. At December 31, 2007, \$8 (2006: \$581) was drawn under this facility leaving undrawn credit available of \$4,992 (2006: \$4,419).

(b) *Indemnifications*

The Fund has agreed to indemnify its Trustees, Directors and Officers for certain events or occurrences while the Trustee, Director or Officer is or was serving at the Fund's request in such capacity. The maximum potential amount of future payments is unlimited. The Fund has Trustee, Director and Officer liability insurance coverage that limits its exposure.

(c) *Limited recourse liability*

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

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GUARANTEES (continued)

(d) *Residual values*

The Fund has guaranteed a portion of the residual values of certain assets under operating leases to the benefit of the lessor. If the fair value of the assets, at the end of their respective Lease Terms, is less than the residual value guaranteed, then the Fund must, under certain conditions, compensate the lessor for all or a portion of the shortfall. The maximum exposure in respect of this guarantee at December 31, 2007, is \$1,727 (2006: \$1,562). As at December 31, 2007, the Fund has not recorded a liability related to this arrangement as it does not expect to make payments pertaining to the guaranteed residual values.

(e) *Price guarantees*

The Fund has guaranteed to meet or beat any publicly advertised price of its merchandise sold if the customer provides valid proof either at the time of purchase, or within 90 days after delivery. As at December 31, 2007, the Fund has accrued a provision for price guarantees relating to sales recognized prior to year end based on historical experience of \$447 (2006: \$199).

(f) *Performance guarantee*

Under the terms of a credit card services contract, the Fund had guaranteed the performance of a portfolio of Brick Card balances owned and underwritten by an unrelated external service provider. In conjunction with the amendment and renewal of this contract on June 30, 2007, this guarantee was removed. At December 31, 2007, the Fund has no performance guarantee exposure related to credit card services contracts.

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20. **FINANCIAL INSTRUMENTS**

Risk management

The Fund is exposed to financial risks that arise from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The Fund may, from time to time, use financial instruments to reduce those risks.

The majority of the Fund's retail sales are funded through cash, traditional credit cards and private label credit cards carried on a non-recourse basis by third parties.

(a) *Credit risk*

The Fund is exposed to credit risk from accounts receivable that arise upon sales to corporate customers. This risk is mitigated by performing credit assessments and implementing credit limits for each customer. The risk is also limited due to the large number of customers and their dispersion across geographic areas.

(b) *Interest rate risk*

The Fund is exposed to interest rate risk on the floating-rate credit facilities as disclosed in Note 9.

The revenue of the Fund depends, in part, in supplying financing alternatives to its customers through third party credit providers. The terms of these financing products are affected by changes in interest rates.

During the first quarter of 2007, in conjunction with the private placement of senior secured notes with an aggregate principal amount of \$83,000 (Note 10), the Fund entered into a bond forward contract to hedge its exposure to changes in the market interest rate.

This hedge has been accounted for as a cash flow hedge. The loss resulting upon settlement of the bond forward contract has been recorded in other comprehensive income and will be reclassified to net income over the life of the senior secured notes and included in interest expense on long-term debt. The senior secured notes mature on March 14, 2014.

Should the senior secured notes be repaid prior to maturity, the balance of the bond forward settlement amount remaining in accumulated other comprehensive income will be reclassified to net income and included in interest expense on long-term debt.

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FINANCIAL INSTRUMENTS (continued)

For the Fund, as at and for the twelve months ended December 31, 2007, accumulated other comprehensive income arising from this cash flow hedge was a loss of \$692 (net of income taxes of NIL), comprised of a loss on the hedge of \$780, and a reclassification to net income of \$88. No amount was reclassified to net income due to hedge ineffectiveness. The reclassification from accumulated other comprehensive income to net income over the next twelve months as a result of this cash flow hedge will be approximately \$111.

(c) *Currency risk*

The Fund is exposed to foreign currency fluctuations to the extent that approximately 18 to 20% of inventory purchases are made in U.S. dollar prices. This risk is offset to the extent that foreign currency costs are included in product costs when setting retail prices.

The Fund enters into foreign exchange contracts in U.S. dollars. These contracts are to minimize a portion of the risk associated with future purchases of foreign currency denominated goods and services with an emphasis on those purchases that are expected to be completed the following month. These derivative contracts, not accounted for as hedges, are marked to market, and any changes in the market value are recorded in income or expense when the changes occur. The fair values of these instruments are recorded in accounts payable and accrued liabilities or accounts receivable.

As at December 31, 2007 and 2006, no foreign exchange contracts were outstanding.

(d) *Market price risk*

The Fund is exposed to fluctuations in the market prices of its marketable securities. This risk is managed by the Fund's investment policies. The Fund's investments in marketable securities are disclosed in Note 6.

(e) *Fair value*

The carrying values of financial instruments approximate their fair values.

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21. SEGMENTED INFORMATION

The Fund's reportable segments are strategic business units that offer different products and services. The Fund has two operating segments: Retail and Financial Services.

The Fund operates retail stores concentrating on the sales of furniture, mattresses, appliances and electronics. Retail customers are offered credit through the Brick Card which is funded and billed by unrelated external service providers.

Financial Services are primarily engaged in providing extended warranty services on products sold to customers of The Brick and credit insurance on balances that arise from customers' use of their Brick Card. Credit balances are insured against the cardholder's loss of life, property or source of income, thereby providing protection to many customers who do not carry other similar insurance policies. The Financial Services segment also offers property and credit insurance product to third parties.

The reportable segments reflect the basis on which management measures performance and makes decisions regarding the allocation of resources.

The accounting policies of the segments are the same as those described in the significant accounting policies in Note 3 and Note 4.

All inter-company transactions and balances, including inter-company revenues of \$8,730 (2006: \$13,021) have been appropriately eliminated.

	For the year ended December 31, 2007			For the year ended December 31, 2006		
	Retail	Financial Services	Total	Retail	Financial Services	Total
Sales and operating revenue	\$ 1,398,543	\$ 49,033	\$ 1,447,576	\$ 1,291,804	\$ 36,517	\$ 1,328,321
Net (loss) income before extraordinary item	(13,154)	28,687	15,533	13,294	24,274	37,568
Interest expense	8,830	-	8,830	5,994	-	5,994
Interest income	94	177	271	147	121	268
Amortization of capital assets	19,385	3	19,388	19,593	4	19,597
Income tax (expense) recovery	(30,250)	629	(29,621)	-	2,870	2,870
Goodwill	\$ 305,349	\$ -	\$ 305,349	\$ 305,349	\$ -	\$ 305,349
Total assets	\$ 911,244	\$ 55,127	\$ 966,371	\$ 899,886	\$ 48,881	\$ 948,767
Capital expenditures	\$ 22,155	\$ 7	\$ 22,162	\$ 31,244	\$ 3	\$ 31,247

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22. EXTRAORDINARY ITEM NET OF INCOME TAX

During 2006, the Fund recorded the disposal of land together with a store that was owned by the Fund and located in Calgary, Alberta. This disposal was the result of an expropriation by the City of Calgary. The Fund recognized a gain on this disposal of \$362. The Fund continues to operate in Calgary through its other retail locations in the city.

23. SEASONAL NATURE OF THE BUSINESS

The Fund's results for any quarter are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in sales levels. The Fund's subsidiaries historically experience a higher level of sales during the third and fourth quarters, while the first and second quarters experience lower sales levels due to seasonal shopping patterns. Occupancy-related expenses, certain general and administrative expenses, depreciation and amortization, and interest expense remain relatively steady throughout the year.

24. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.