

Consolidated Financial Statements of

THE BRICK GROUP INCOME FUND

For the year ended December 31, 2008

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, 2008 and December 31, 2007, and the consolidated statements of (loss) income and comprehensive (loss) 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, 2008 and December 31, 2007, 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.

"Deloitte & Touche LLP"

Chartered Accountants

Edmonton, Canada
March 13, 2009

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The Brick Group Income Fund
Consolidated Balance Sheets
As at December 31, 2008 and December 31, 2007
(thousands of Canadian dollars)

	2008	2007
		Restated (Note 4)
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 14,419	\$ 8,174
Accounts receivable (Note 5)	69,616	72,757
Inventory (Note 6)	207,627	236,703
Prepaid expenses and deposits	4,367	4,472
	296,029	322,106
NET INVESTMENT IN LEASE RECEIVABLES (Note 5)	517	-
MARKETABLE SECURITIES (Note 7)	18,912	24,125
DEFERRED ACQUISITION COSTS	25,382	21,944
CAPITAL ASSETS (Note 8)	146,234	132,766
GOODWILL (Note 9)	108,459	305,349
INTANGIBLE ASSETS AND DEFERRED CHARGES (Note 10)	108,958	160,109
FUTURE INCOME TAXES (Note 14)	48	50
	\$ 704,539	\$ 966,449
LIABILITIES		
CURRENT		
Bank indebtedness (Note 11)	\$ -	\$ 14,637
Accounts payable and accrued liabilities	251,008	224,042
Corporate income taxes payable	-	81
Customers' deposits	53,401	68,862
Unpaid claims reserve	3,099	2,453
	307,508	310,075
DEFERRED SERVICE REVENUE	14	183
DEFERRED LEASE INDUCEMENTS	21,417	18,777
DEFERRED WARRANTY PLAN REVENUE AND UNEARNED INSURANCE REVENUE (Note 13)	133,757	122,872
LONG-TERM DEBT (Note 12)	82,122	81,955
FUTURE INCOME TAXES (Note 14)	20,741	31,768
	565,559	565,630
COMMITMENTS AND CONTINGENCIES (Note 20)		
GUARANTEES (Note 21)		
UNITHOLDERS' EQUITY		
Trust units (Note 15)	528,213	528,213
Deficit	(386,715)	(126,372)
Accumulated other comprehensive loss	(2,518)	(1,022)
	138,980	400,819
	\$ 704,539	\$ 966,449

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 (Loss) Income and Comprehensive (Loss) Income
For the Years Ended December 31, 2008 and December 31, 2007
(thousands of Canadian dollars except unit and per unit amounts)

Consolidated Statements of (Loss) Income	2008	2007
		Restated (Note 4)
SALES AND OPERATING REVENUE	\$ 1,427,113	\$ 1,447,576
COST OF SALES (Note 6)	846,577	866,377
GROSS MARGIN	580,536	581,199
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	511,473	504,605
	69,063	76,594
OTHER INCOME (EXPENSE)		
Investment and other income	175	4,084
Other interest	(3,765)	(3,215)
Interest on long-term debt	(5,588)	(5,388)
Amortization (Note 18)	(29,102)	(26,921)
Goodwill and intangible asset impairment (Note 9)	(241,471)	-
	(279,751)	(31,440)
(LOSS) INCOME BEFORE INCOME TAXES	(210,688)	45,154
INCOME TAX (EXPENSE) RECOVERY (NOTE 14)		
Current	(325)	(893)
Future	10,257	(28,728)
	9,932	(29,621)
NET (LOSS) INCOME	\$ (200,756)	\$ 15,533
Basic and diluted net (loss) income per unit	\$ (3.71)	\$ 0.29
Basic and diluted average number of units outstanding	54,171,133	54,171,133

Consolidated Statements of Comprehensive (Loss) Income

NET (LOSS) INCOME	\$ (200,756)	\$ 15,533
Other comprehensive loss, net of income taxes		
Net decrease in unrealized fair value of available for sale securities	(1,607)	(330)
Net change in cash flow hedge (Note 22c)	111	(692)
Other comprehensive loss	(1,496)	(1,022)
COMPREHENSIVE (LOSS) INCOME	\$ (202,252)	\$ 14,511

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, 2008 and December 31, 2007
(thousands of Canadian dollars)

	2008	2007
		Restated (Note 4)
Trust units	\$ 528,213	\$ 528,213
Deficit		
Balance at beginning of year	(126,372)	(76,900)
Net (loss) income	(200,756)	15,533
Distributions declared (Note 16)	(59,587)	(65,005)
Balance at end of year	(386,715)	(126,372)
Accumulated other comprehensive loss on available for sale securities		
Balance at beginning of year	(330)	-
Adjustment to market value on January 1, 2007 (net of income taxes of \$592) (Note 2)	-	899
Unrealized loss arising during the year (Note 7)	(2,700)	(429)
Income taxes on unrealized loss arising during the year	873	148
Reclassification of realized losses (gains) to net income	325	(1,483)
Income taxes on reclassification of realized (losses) gains to net income	(105)	535
Balance at end of year	(1,937)	(330)
Accumulated other comprehensive loss on cash flow hedge (Note 22c)		
Balance at beginning of year	(692)	-
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)	111	88
Balance at end of year	(581)	(692)
Total accumulated other comprehensive loss	(2,518)	(1,022)
Total deficit and accumulated other comprehensive loss	(389,233)	(127,394)
Total unitholders' equity	\$ 138,980	\$ 400,819

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, 2008 and December 31, 2007
(thousands of Canadian dollars)

	2008	2007
		Restated (Note 4)
OPERATING ACTIVITIES		
Net (loss) income	\$ (200,756)	\$ 15,533
Add (deduct) items not affecting cash		
Amortization (Note 18)	29,252	27,009
Amortization of deferred lease inducements	(1,679)	(1,314)
Amortization of deferred warranty revenue	(38,742)	(27,742)
Amortization of deferred acquisition costs	6,623	4,065
Amortization of financing fee and transaction costs	167	133
Future income taxes	(10,257)	28,728
Reclassification from other comprehensive loss related to hedging activity	111	88
Amortization of preferred share premiums	187	213
Gain on sale of capital assets	(11)	(1,738)
Loss (gain) on sale of marketable securities	1,171	(1,483)
Goodwill and intangible asset impairment (Note 9)	241,471	-
Cash paid related to hedging activity	-	(780)
Cash received for leasehold inducements	4,319	6,505
Cash paid for deferred acquisition costs	(10,061)	(9,597)
Cash received on warranty and insurance sales	49,627	50,186
	71,422	89,806
Changes in non-cash operating working capital items (Note 19)	44,148	(19,359)
	115,570	70,447
FINANCING ACTIVITIES		
(Decrease) increase in bank indebtedness	(14,637)	4,570
Distributions paid (Note 16)	(64,546)	(65,005)
Repayment of term credit facility (Note 12)	-	(70,000)
Issuance of senior secured bonds, net of transaction costs (Note 12)	-	81,822
Monthly mortgage principal repayments	-	(239)
Mortgage retirement principal repayments (Note 12)	-	(9,291)
	(79,183)	(58,143)
INVESTING ACTIVITIES		
Additions to capital assets	(35,709)	(22,162)
Change in accounts payable and accrued liabilities related to capital assets	4,517	(2,379)
Additions to marketable securities	(1,707)	(6,312)
Additions to intangible assets	(556)	(1,470)
Proceeds from sale of marketable securities	3,187	8,815
Proceeds on disposal of capital assets	126	2,928
	(30,142)	(20,580)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR		
	6,245	(8,276)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	8,174	16,450
CASH AND CASH EQUIVALENTS, END OF YEAR		
	\$ 14,419	\$ 8,174
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest and dividends received	\$ 1,236	\$ 1,465
Interest paid	\$ 7,708	\$ 5,984
Income taxes paid	\$ 1,266	\$ 1,678

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, 2008 and December 31, 2007
(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 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, United Furniture 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. 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.

Uncertainties and risks

Factors impacting the Fund’s operating results include the recent economic downturn and a recessionary economic outlook with a high degree of uncertainty for the retail sector. In consideration of these factors, the Fund announced on November 19, 2008 a reduction to its monthly distributions from \$0.10 per unit to \$0.05 per unit for all trust units. Subsequent to year end, on February 18, 2009, the Fund announced that, as a result of continued deterioration in economic conditions and uncertainty regarding the 2009 outlook for the retail sector, it had suspended its monthly distribution payments for all trust units.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

Through these measures, and with the Fund's existing financial resources, management is working to effectively manage its operations in order to maintain sufficient liquidity, and compliance with financial covenants. However, uncertainty regarding the length of the recession, and the potential for a further deterioration in the level of sales in the retail sector precludes the Fund from making any assurances as to the successfulness of these efforts.

Subsequent to year end, on March 13, 2009, the Fund's Credit Facilities agreement and senior notes trust indenture were amended (Note 27). These amendments serve to mitigate the risk of default with respect to financial covenants, and were assessed by the Fund to be prudent and proactive in light of the economic downturn and its impact on the retail sector.

Management believes that progress is being made in implementing the Fund's plans and strategies to manage through the economic downturn. While there is no assurance as to their outcome or success, the Fund continues to aggressively pursue strategies to further reduce operating costs and improve operating results, cash flows, and the level of debt to ensure compliance with financial covenants.

The Fund's results for fiscal 2009 and future periods are subject to numerous uncertainties. The possibility exists that unforeseen events, such as, higher interest rates, a protracted period of economic downturn, further weakness or deterioration in the retail sector and in consumer confidence, or a combination of these or other factors, may affect fiscal 2009 and future operating results and cash flows negatively. As well, further write-downs of assets, in particular goodwill and intangible assets, may be required as a result of the outcome of these uncertainties.

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 offers instalment payment plans to retail customers as discussed under the heading *Net investment in lease*. The Fund also offers both standard and extended terms of repayment on accounts receivable that arise from credit sales and instalment sales to corporate or commercial customers. All sales on approved credit include specified repayment dates.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

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 nominal mark-up. The Fund records the initial fee as income when the store commences operations and the Continuing Fees monthly when earned. The sales to franchises, net of costs, are included in sales and operating revenue in the consolidated statements of income.

During the year ended December 31, 2008, revenue of \$5,824 including initial fees of \$315 (2007: \$4,365 including initial fees of \$148) was generated from 47 (2007: 33) 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.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

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.

Net investment in lease

The Fund offers instalment financing plans (“Brickline”) of twelve or twenty four months to qualifying retail customers. Interest income related to Brickline instalment financing is recognized in a manner that produces a constant rate of return on the investment in these instalment accounts receivable. For purposes of presentation in the consolidated balance sheet, the investment in Brickline instalment accounts receivable is composed of gross minimum instalment payments net of unearned interest income (Note 5).

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

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.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

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.

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.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

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 goodwill and indefinite life intangible assets. For the year ended December 31, 2008, the Fund has assessed the fair value of its goodwill and indefinite life intangible assets and determined that carrying value exceeds current fair value. Accordingly, the Fund has recognized an impairment charge in its consolidated statement of income for the year ended December 31, 2008 (Note 9).

For the year ended December 31, 2007, no impairment charges were recognized as the fair value of indefinite life intangible assets and goodwill exceeded their carrying values.

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 10). 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, 2008 and December 31, 2007
(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 \$1,718 were made to these plans during the year ended December 31, 2008 (2007: \$1,452).

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, 2008 and December 31, 2007
(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, 2008, LTIP of \$NIL (2007: \$1,284) was earned and payable to the long-term incentive pool. With respect to the LTIP earned in the 2007 fiscal year, 129,532 Fund Units were purchased during 2008 (20,168 Fund Units were purchased during 2007 with respect to the LTIP earned in 2006).

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 14, 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, 2008 and December 31, 2007
(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 materially differ from these estimates.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

Financial instruments – recognition and measurement

All financial assets and financial liabilities are 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, 2008 and December 31, 2007
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

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 due to their short term nature. 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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ACCOUNTING POLICIES (continued)

Available For Sale

The Fund has classified all of its marketable securities 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 are included in their carrying values.

At January 1, 2007, on adoption of the new financial instrument standards, 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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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, other than deferred financing charges related to the Fund's bank indebtedness (Note 11), are included in the amortized cost of the other financial liabilities. Deferred financing charges related to the Fund's bank indebtedness are included in intangible assets and deferred charges on the consolidated balance sheets. Amortization of deferred financing charges related to the bank indebtedness is included in amortization expense on the consolidated statements of income.

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.

The Fund includes deferred financing charges in 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. At December 31, 2008, unamortized deferred financing charges of \$878 (2007: \$1,045), are included in the carrying value of long-term debt. For the year ended December 31, 2008, amortization of the deferred financing charges in the amount of \$167 (2007: \$133) has been recorded in net income and presented as interest 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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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.

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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3. RECENTLY ADOPTED AND PENDING ACCOUNTING POLICIES

Commencing January 1, 2008, the Fund adopted the following new Canadian Institute of Chartered Accountants (“CICA”) accounting standards:

Section 1535 – Capital Disclosures

In December 2006, the Canadian Accounting Standards Board (“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 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. This new standard was adopted by the Fund for its fiscal year beginning on January 1, 2008 (Note 24) and had no impact on its financial position or results of operations.

Section 3031 – Inventories

In June 2007, the CICA issued Section 3031 - Inventories, which replaced existing Section 3030 with the same title. The new Section establishes that inventories should be measured at the lower of cost and net realizable value, and also provides guidance on the issues of cost determination and inventory related disclosures. This new standard was adopted by the Fund for its fiscal year starting on January 1, 2008 (Note 6). The adoption of this new standard had no impact on the Fund’s financial position or results of operations other than the following. Costs associated with the movement of inventory from distribution centres to stores, which had previously been included in selling, general and administrative expenses, is now included within cost of sales. For the year ended December 31, 2008, the amount of these costs was \$3,326.

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, 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

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RECENTLY ADOPTED AND PENDING ACCOUNTING POLICIES (continued)

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.

These new standards were adopted by the Fund for its fiscal year beginning on January 1, 2008 (Notes 7, 12, and 22) and had no impact on its financial position or results of operations.

Pending Changes to Accounting Policy

Section 1582 – Business Combinations

In January 2009, the CICA issued new Handbook Section 1582, Business Combinations, replacing the existing Handbook Section 1581, Business Combinations. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3, “Business Combinations” (January 2008). The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. If an entity applies this Section before January 1, 2011, it shall disclose that fact and apply Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, at the same time. The Fund does not expect the new Section to have any impact on its financial position or results of operations. The Fund plans to adopt this new Section for its fiscal year beginning January 1, 2011.

Section 1601 – Consolidated Financial Statements,

In January 2009, the CICA issued new Handbook Section 1601, Consolidated Financial Statements. This Section, together with new Handbook Section 1602, Non-controlling interests, replaces existing Section 1600, Consolidated Financial Statements, and establishes standards for the preparation of consolidated financial statements. The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582, Business Combinations, and Section 1602, Non-Controlling Interests. The Fund does not expect the new Section to have any impact on its financial position or results of operations. The Fund plans to adopt this new Section for its fiscal year beginning January 1, 2011.

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RECENTLY ADOPTED AND PENDING ACCOUNTING POLICIES (continued)

Section 1602 – Non-controlling interests

In January 2009, the CICA issued new Handbook Section 1602, Non-Controlling Interests. This new Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, “Consolidated and Separate Financial Statements” (January 2008). This Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582, Business Combinations, and Section 1601, Consolidated Financial Statements. The Fund does not expect the new Section to have any impact on its financial position or results of operations. The Fund plans to adopt this new Section for its fiscal year beginning January 1, 2011.

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, no amortization in respect of pre-opening costs will be recorded during the year ending December 31, 2009, or thereafter. As well, 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, 2008, the Fund had deferred pre-opening costs of \$3,089 (2007: \$5,732). 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.

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. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure.

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RECENTLY ADOPTED AND PENDING ACCOUNTING POLICIES (continued)

During the year ended December 31, 2008, the Fund commenced its IFRS implementation project to assess the potential impacts of the transition to IFRS and developed a detailed project plan to ensure compliance with the new standards. The Fund has completed the initial phase of the implementation project including a detailed diagnostic analysis which includes a high-level impact assessment to identify key areas that may be impacted by the adoption of IFRS. Areas identified which may have the most significant impact on the Fund include, development of opening balances in the consolidated balance sheet, measurement of capital assets, asset impairment measurements, and leases. The initial phase of the analysis resulted in the prioritization of areas to be evaluated in the next phase of the project plan, component evaluation. This phase, which is currently in progress, includes the analysis of accounting policy alternatives available under IFRS as well as the determination of changes required to existing information systems and business processes. In this phase the Fund will continue to assess the impact of the adoption of IFRS on our results of operations, financial position and financial statement disclosures.

As well, the Fund continues to assess the impact of the conversion on internal controls over financial reporting and disclosure controls and procedures, investor relations, human resources, contractual relations, and other areas that could potentially be impacted.

4. RESTATEMENT OF COMPARATIVE FIGURES

In the course of preparing the Fund's 2008 consolidated financial statements, the Fund determined that the future income tax expense and liability recognised in fiscal 2007 as a result of the enactment of the SIFT tax (Note 14), 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 tax expense 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.

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5. ACCOUNTS RECEIVABLE

	2008	2007
Accounts receivable - trade	\$ 29,073	\$ 30,083
Franchise	17,051	15,139
Net investment in lease - current	991	9
Vendor rebates	9,912	19,302
Corporate income taxes	1,665	851
Tenant inducements	3,207	2,491
Other	7,717	4,882
	\$ 69,616	\$ 72,757

Net investment in lease

The Fund's net investment in Brickline instalment accounts receivable includes the following:

	2008	2007
Gross minimum lease payments receivable	\$ 1,846	\$ 12
Less: Unearned interest income	(338)	(3)
Net investments in lease	\$ 1,508	\$ 9
Reported as:		
Current	\$ 991	\$ 9
Noncurrent	517	-
	\$ 1,508	\$ 9

The interest income of \$204 (2007: \$NIL) earned with respect to the Brickline instalment accounts receivable is included in other interest on the consolidated statement of loss for the year ended December 31, 2008.

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, 2008, accrued vendor rebates of \$NIL have been recognized in income for which full requirements for entitlement have not yet been met (2007: \$283).

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6. INVENTORY

The amount of inventory recognized as an expense during the year was \$824,553 (2007: \$850,100). This amount is presented within cost of sales on the consolidated statements of (loss) income. The entire carrying amount of inventory is pledged as security for the Fund's liabilities relating to its credit facilities, (which include the Operating Credit Facility, the Acquisition Credit Facility and the Commercial Letter of Credit Facility) and its long-term debt, which ranks *pari passu* with the credit facilities.

7. 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.

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.

	2008			2007		
Marketable Securities Carried at Amortized Cost	Amortized Cost	Fair Value	Unrealized (Loss) Gain	Amortized Cost	Fair Value	Unrealized (Loss) Gain
Bonds	\$ 110	\$ 110	\$ -	\$ 115	\$ 115	\$ -
Marketable Securities Carried at Fair Value	Fair Value	Amortized Cost	Unrealized (Loss) Gain	Fair Value	Amortized Cost	Unrealized (Loss) Gain
Preferred shares	16,359	17,906	(1,547)	19,884	20,262	(378)
Trust units	401	623	(222)	612	623	(11)
Common shares	1,600	2,270	(670)	2,798	2,748	50
Exchange traded funds	442	778	(336)	716	778	(62)
	18,802	21,577	(2,775)	24,010	24,411	(401)
	\$ 18,912	\$ 21,687	\$ (2,775)	\$ 24,125	\$ 24,526	\$ (401)

The unrealized loss of \$2,700 (2007: \$429) recorded as part of other comprehensive income is comprised of unrealized losses of \$3,830 (2007: \$1,624), and unrealized gains of \$1,130 (2007: \$1,195), arising during the year ended December 31, 2008.

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MARKETABLE SECURITIES (continued)

Management routinely reviews the Fund's portfolios to assess whether unrealized losses are other-than-temporary. The majority of the unrealized losses relate to the preferred shares which become redeemable at face value on their respective redemption dates. For the trust units and exchange traded funds, management routinely monitors and reviews the performance of, and outlook for, these securities with the Fund's investment advisors. The common share portfolio is managed according to a scoring model such that underperforming securities are routinely removed from the portfolio. Accordingly, except as discussed below, management has assessed these unrealized losses as not other-than-temporary, and has not reclassified these unrealized losses to net income.

During the year ended December 31, 2008, the Fund recorded an impairment loss of \$846 (2007: \$NIL) with respect to its holdings of preferred shares of Nortel Networks Corporation. In determining that the decline in value was other-than-temporary, the Fund considered the placing of Nortel on credit watch by ratings agencies, the suspension of dividends on the preferred shares held by the Fund, and the move by Nortel to seek creditor protection under the Companies' Creditors Arrangement Act in Canada.

The average annual effective rate of return based on amortized cost over the periods to the next call date of the preferred shares is 4.27% (2007: 3.84%). The preferred shares' next call dates and the bond maturity dates are as follows:

	1 - 3 Years	4 - 6 Years	> 6 Years	Total
Amortized cost	\$ 14,793	\$ 3,180	\$ 43	\$ 18,016
Unamortized (premium) discount	(103)	(73)	1	(175)
Redemption amount	\$ 14,690	\$ 3,107	\$ 44	\$ 17,841

8. CAPITAL ASSETS

	December 31, 2008			December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 11,954	\$ -	\$ 11,954	\$ 11,954	\$ -	\$ 11,954
Buildings	29,858	6,563	23,295	29,160	5,030	24,130
Automotive equipment	456	286	170	385	324	61
Equipment	68,845	26,019	42,826	52,466	20,520	31,946
Software and development costs	8,165	6,230	1,935	8,165	4,831	3,334
Leasehold improvements	107,146	41,092	66,054	89,904	28,563	61,341
	\$ 226,424	\$ 80,190	\$ 146,234	\$ 192,034	\$ 59,268	\$ 132,766

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CAPITAL ASSETS (continued)

Amortization expense for capital assets for the year ended December 31, 2008 was \$22,126 (2007: \$19,388).

Leasehold improvements and other capital assets relating to certain stores within the retail segment were no longer providing an economic benefit to the Fund and consequently were written-off as of December 31, 2008. A non-recurring charge amounting to \$595 (2007: \$NIL), for these write offs is included in amortization expense on the consolidated statement of loss for the year ended December 31, 2008.

Included in capital assets is construction in progress of \$12,271 not subject to amortization at December 31, 2008 (2007: \$3,513).

9. GOODWILL AND INTANGIBLE ASSET IMPAIRMENT

	Goodwill	Brand	Total
		(Note 10)	
Balance at December 31, 2007	\$ 305,349	\$ 140,551	\$ 445,900
Write down due to impairment	(196,890)	(44,581)	(241,471)
	<u>\$ 108,459</u>	<u>\$ 95,970</u>	<u>\$ 204,429</u>

In the fourth quarter of 2008, the Fund performed its annual goodwill impairment test and determined that the carrying value of goodwill was impaired. Goodwill is tested for impairment at the level of the reporting unit to which goodwill has been allocated. For the Fund, the reporting unit to which all goodwill has been allocated is equivalent to the retail reportable segment (Note 23). Reportable segments may not be combined for purposes of the goodwill impairment test.

The goodwill impairment test is a two-step test which requires, as a first step, that the fair value of a reporting unit be compared to the carrying value of its net assets. If the fair value of the reporting unit exceeds the carrying value of its net assets, it is assumed that goodwill is not impaired and the test is complete. For the Fund, the fair value of the retail reporting unit did not exceed the carrying value of its net assets and consequently, the Fund was required to apply the second step of the test to the retail reporting unit. The fair value of the financial services reporting unit exceeded its carrying value.

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GOODWILL AND INTANGIBLE ASSET IMPAIRMENT (continued)

The second step of the test requires that fair values be determined for the assets and liabilities of the reporting unit, including any recognized and unrecognized intangible assets. Then, the fair value determined in step one of the test is allocated to all the assets and liabilities of the reporting unit, including any recognized and unrecognized intangible assets, based on their fair values, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire it. Any excess is considered to represent the implied fair value of the reporting unit's goodwill.

As a result of the second step of the test, it was determined that the carrying value of the Fund's brand intangible assets, held in the retail segment, exceeded their fair value. Consequently, an impairment write down of \$44,581 with respect to its brands (the "Brick" and "United Furniture Warehouse"), and a related future income tax recovery of \$9,362, were recognized in the retail segment. As well, the implied fair value of goodwill in the retail reporting unit was determined to be less than its carrying value by \$196,890. Accordingly, a total impairment charge of \$241,471 was recognized in the Fund's consolidated statement of loss for the year ended December 31, 2008.

The Fund uses the discounted cash flow method as well as a market comparable approach to assess fair values for its goodwill and brand intangible assets. The assessment of fair value is required to be made as at a point in time and must consider factors, regardless of the degree of volatility affecting those factors, existing at that same point in time. Factors impacting the results of the 2008 test include the recent economic downturn and a recessionary economic outlook with a high degree of uncertainty for the retail sector. As well, the Fund's market capitalization declined significantly in the fourth quarter of 2008 and has remained significantly below the carrying value of the net assets of the Fund. Although market capitalization is only one of the factors considered in determining fair value, the decline in market capitalization reflects the market's assessment of increased risk for the Fund. These factors, together with general concern over credit, liquidity and capital markets issues, are reflected in the risk adjusted discount rates applied in our discounted cash flow models, which are significantly higher than those used in prior years' tests.

The assessment of fair value for purposes of the goodwill and intangible assets impairment test involves assumptions about future conditions for the economy, the length of the recession, capital markets, and specifically, the retail sector. As such, the assessment is subject to a significant degree of measurement uncertainty. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amount of goodwill or brand intangible assets.

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10. INTANGIBLE ASSETS AND DEFERRED CHARGES

	December 31, 2008			December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Finite Life:						
Information systems	\$ 15,158	\$ 10,293	\$ 4,865	\$ 15,158	\$ 7,977	\$ 7,181
Leasehold interests	8,414	5,622	2,792	8,414	4,791	3,623
Pre-opening costs	12,149	9,060	3,089	12,149	6,417	5,732
Non-competitive agreements	5,414	4,690	724	5,164	3,690	1,474
Customer relationships	5,100	5,084	16	5,100	5,042	58
Retail financing fees	1,884	382	1,502	2,012	522	1,490
Indefinite life:						
Brand (Note 9)	95,970	-	95,970	140,551	-	140,551
	\$ 144,089	\$ 35,131	\$ 108,958	\$ 188,548	\$ 28,439	\$ 160,109

Amortization of intangible assets and deferred charges for the year ended December 31, 2008 was \$7,126 (2007: \$7,621), including \$150 (2007: \$88) that is amortization of retail financing fees included in cost of sales in the consolidated statements of (loss) income (Note 18).

11. BANK INDEBTEDNESS

Credit Facilities

The Fund's credit facilities, (the Operating Credit Facility, Acquisition Credit Facility, and the Commercial Letter of Credit Facility), provide the Fund with \$100,000 of available operating credit. On April 22, 2008, the Fund renewed its \$100,000 credit facilities, set to expire on July 2, 2008, with its existing syndicate of lenders for a three-year term. The terms of the credit facilities remain substantially unchanged. To better align the credit facilities with the needs of the Fund, the Operating Credit Facility was increased to \$60,000 (previously \$50,000), and the Acquisition Credit Facility was reduced to \$40,000 (previously \$50,000). The new credit agreement also provides for an additional \$25,000 in financing, subject to certain conditions being met. The \$5,000 Commercial Letter of Credit Facility was also renewed for a three-year term. At December 31, 2008 and 2007, the Fund's credit facilities were fully margined and available.

Subsequent to December 31, 2008, on March 13, 2009, the Fund amended its credit facilities agreement (Note 27).

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BANK INDEBTEDNESS (continued)

Operating Credit Facility

The amount available under the \$60,000 (2007: \$50,000) Operating Credit Facility is subject to limits based on margining requirements and was fully margined and available at December 31, 2008 and 2007. Under the terms of the Operating 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, 2008, no amount was drawn under the \$60,000 Operating Credit Facility and Standby Letters of Credit totalling \$807 were outstanding, leaving \$59,193 of available undrawn credit.

At December 31, 2007, \$14,637 was drawn under the \$50,000 Operating Credit Facility by way of Canadian prime rate loans at an interest rate of 6.25%, and Standby Letters of Credit totalling \$875 were outstanding, leaving \$34,488 of available undrawn credit.

Standby Letters of Credit are also discussed in Note 21(a).

Acquisition Credit Facility

The amount available under the \$40,000 (2007: \$50,000) Acquisition Credit Facility is subject to limits based on cumulative capital expenditures and was fully available at December 31, 2008 and 2007. Under the terms of the Acquisition 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, 2008 and 2007, no amounts were drawn under the Acquisition Credit Facility.

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, 2008, \$NIL (2007: \$8) was drawn under the Commercial Letter of Credit Facility (Note 21(a)) leaving \$5,000 (2007: \$4,992) available undrawn credit.

The Fund's 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 (Note 24). As at December 31, 2008, the Fund was in compliance with all of its financial covenants.

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12. LONG-TERM DEBT

On March 14, 2007, a term credit facility was refinanced on a long-term basis through the private placement of senior secured notes with an aggregate principal amount of \$83,000. These notes, issued to six institutional investors, bear interest at a fixed annual rate 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 22 (c)) and transaction costs. The proceeds were used to repay the \$70,000 term credit facility, two mortgages totalling \$9,530, and to fund general operations.

	2008	2007
Senior secured notes, net of unamortized transaction costs of \$878 (2007: \$1,045), with an aggregate principal amount of \$83,000.	\$ 82,122	\$ 81,955

The senior secured notes are secured by substantially all of the Fund's assets, and rank pari passu with the Fund's credit facilities which include the Operating Credit Facility, the Acquisition Credit Facility, and the Commercial Letter of Credit Facility. The operating credit facilities are secured by a first fixed and floating charge on the assets of the Fund.

Subsequent to December 31, 2008, on March 13, 2009, the Fund amended the trust indenture governing its senior secured notes (Note 27).

13. DEFERRED WARRANTY PLAN AND UNEARNED INSURANCE REVENUE

Deferred warranty plan and unearned insurance revenue will be recorded as earned revenue until the year 2018 as follows:

2009	\$ 47,455
2010	41,305
2011	26,129
2012	13,571
2013	4,506
2014 to 2018	791
	\$ 133,757

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14. 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.

For the year ended December 31, 2007, the enactment of this legislation resulted in the initial recognition of a \$30,250 (as restated – Note 4) long-term future income tax liability with a corresponding \$30,250 (as restated – Note 4) future income tax expense, based on temporary differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. For the year ended December 31, 2008, the long-term future income tax liability was reduced to \$20,430, and a corresponding future income tax recovery of \$9,820 was recognized. This future income tax recovery relates primarily to the write down of brand intangible assets.

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% (2007: 28%).

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, 2008 and 2007 is as follows:

	2008	2007 Restated (Note 4)	2007 As previously reported
Inventory	\$ 237	\$ 46	\$ -
Leasehold improvements	-	-	2,235
Equipment	-	-	2,109
Building	4,470	4,474	4,550
Future rent obligation	(5,500)	(4,386)	-
Finite life intangible assets	600	535	2,515
Indefinite life intangible asset: Brand	19,406	28,712	25,768
Goodwill	1,217	869	3,653
Total future liability related to SIFT tax	<u>\$ 20,430</u>	<u>\$ 30,250</u>	<u>\$ 40,830</u>

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INCOME TAXES (continued)

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.

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:

	2008	2007 Restated (Note 4)	2007 previously reported
(Loss) income before income taxes	\$ (210,688)	\$ 45,154	\$ 45,154
Non - taxable dividends	(1,025)	(1,125)	(1,125)
Goodwill and brand impairment	241,471	-	-
Tax reserves available for which no benefit has been recognized	29,181	18,656	18,656
Income allocated to unitholders	(59,587)	(65,005)	(65,005)
	\$ (648)	\$ (2,320)	\$ (2,320)
Recovery of income taxes at the statutory rate of 31.8% (2007 - 34.1%)	\$ 206	\$ 791	\$ 791
Decrease (increase) related to:			
SIFT Tax - future	9,820	(30,250)	(40,830)
Other	(94)	(162)	(162)
	\$ 9,932	\$ (29,621)	\$ (40,201)
Classified as:			
Current (expense)	\$ (324)	\$ (893)	\$ (893)
Future (expense) recovery	10,256	(28,728)	(39,308)
	\$ 9,932	\$ (29,621)	\$ (40,201)

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INCOME TAXES (continued)

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:

	2008	2007 Restated (Note 4)	2007 As previously reported
Future income tax assets			
Marketable securities and other assets	\$ 1	\$ 15	\$ 15
Unpaid Claims	47	35	35
Future income tax assets - net	\$ 48	\$ 50	\$ 50
Future income tax liabilities			
SIFT tax - future	(20,430)	(30,250)	(40,830)
Deferred acquisition costs	64	427	427
Deferred warranty revenue	(285)	(1,840)	(1,840)
Customer relationships	(5)	(20)	(20)
Other	(85)	(85)	(85)
Future income tax liabilities - net	\$ (20,741)	\$ (31,768)	\$ (42,348)
Classified as:			
Long-term asset	\$ 48	\$ 50	\$ 50
Long-term liability	(20,741)	(31,768)	(42,348)
	\$ (20,693)	\$ (31,718)	\$ (42,298)

15. TRUST UNITS

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

Issued

	2008 Number of Units	2008 Amount	2007 Amount
Class A Trust Units			
	42,924,016	\$ 415,742	\$ 415,742
Class B units exchanged on a one-for-one basis to Class A units	11,247,117	112,471	-
	54,171,133	528,213	415,742
Class B Trust Units			
	11,247,117	112,471	112,471
Class B units exchanged on a one-for-one basis to Class A units	(11,247,117)	(112,471)	-
	-	-	112,471
	54,171,133	\$ 528,213	\$ 528,213

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TRUST UNITS (continued)

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.

Upon the termination of the subordination of the Class B units in March, 2008, the Class B units became exchangeable at the option of the holder (William H. Comrie) to Class A units on a one-for-one basis. Effective December 8, 2008, all of the Class B units (11,247,117 units) were exchanged on a one-for one basis to Class A units. After the conversion, there are now 54,171,133 Class A units outstanding.

Escrow Arrangements

Prior to the termination of the subordination provisions and pursuant to an escrow agreement, the Class B Trust Units (collectively, the "Escrowed units") had been deposited in escrow with a third party escrow agent. This escrow arrangement was terminated and the Escrowed units were released upon termination of the subordination applicable to the Escrowed units.

The subordination arrangements relating to the Class B Trust Units were entitled to be terminated effective December 31, 2007 if the Fund earned adjusted EBITDA for fiscal 2007 of at least \$82,848 and paid average monthly distributions of at least \$0.10 per Class A Trust Unit and Class B Trust Unit for fiscal 2007. For the year ended December 31, 2007, the Fund met these requirements.

Accordingly, 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 was terminated. As a result, the Class B Trust Units became exchangeable for Class A Trust Units of the Fund on a one-for-one basis at the option of the holder and, beginning with the month of April 2008, cash available to make distributions has been paid monthly to the holders of Class A Trust Units and holders of Class B Trust Units pro rata. Effective December 8, 2008, all of the Class B Trust Units were exchanged for Class A Trust Units.

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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.

16. DISTRIBUTIONS DECLARED

Distributions are declared each month to the Class A and Class B Unitholders of record on the last business day of each month. Prior to April 2008, distributions were declared quarterly to the Class B Unitholder of record on the last business day of each fiscal quarter.

Effective March 18, 2008, the subordination provisions in respect of the Class B units were terminated. Accordingly, beginning with April 2008, the Class B units became entitled to receive distributions prorata with the Class A units on a monthly basis (Note 15).

Upon the termination of the subordination of the Class B units in March, 2008, the Class B units became exchangeable at the option of the holder (William H. Comrie) to Class A units on a one-for-one basis. Effective December 8, 2008, all of the Class B units (11,247,117 units) were exchanged on a one-for one basis to Class A units. After the conversion, there are now 54,171,133 Class A units outstanding.

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.

On November 19, 2008, the Fund reduced monthly distributions from \$0.10 per unit to \$0.05 per unit for all trust units.

Subsequent to year end, the Fund announced the suspension of monthly distribution payments for all trust units (Note 27).

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DISTRIBUTIONS DECLARED (continued)

Distributions declared and paid during the year ended December 31, 2008, are as follows:

Period	Record Date	Payment Date	Per Unit	Declared Amount	Paid Amount
Class A units					
December 2007	December 31, 2007	January 15, 2008	\$ 0.1000	\$ -	\$ 4,293
January 2008	January 31, 2008	February 15, 2008	0.1000	4,292	4,292
February 2008	February 29, 2008	March 17, 2008	0.1000	4,292	4,292
March 2008	March 31, 2008	April 15, 2008	0.1000	4,292	4,292
April 2008	April 30, 2008	May 15, 2008	0.1000	4,292	4,292
May 2008	May 30, 2008	June 16, 2008	0.1000	4,292	4,292
June 2008	June 30, 2008	July 15, 2008	0.1000	4,292	4,292
July 2008	July 31, 2008	August 15, 2008	0.1000	4,292	4,292
August 2008	August 29, 2008	September 15, 2008	0.1000	4,292	4,292
September 2008	September 30, 2008	October 15, 2008	0.1000	4,292	4,292
October 2008	October 31, 2008	November 17, 2008	0.1000	4,292	4,292
November 2008	November 28, 2008	December 15, 2008	0.0500	2,146	2,146
December 2008	December 31, 2008	January 15, 2009	0.0500	2,709	-
				47,775	49,359
Class B units					
Oct. 1 - Dec. 31, 2007	December 31, 2007	January 15, 2008	0.3000	-	3,375
Jan. 1 - Mar. 31, 2008	March 31, 2008	April 15, 2008	0.3000	3,374	3,374
April 2008	April 30, 2008	May 15, 2008	0.1000	1,125	1,125
May 2008	May 30, 2008	June 16, 2008	0.1000	1,125	1,125
June 2008	June 30, 2008	July 15, 2008	0.1000	1,125	1,125
July 2008	July 31, 2008	August 15, 2008	0.1000	1,125	1,125
August 2008	August 29, 2008	September 15, 2008	0.1000	1,125	1,125
September 2008	September 30, 2008	October 15, 2008	0.1000	1,125	1,125
October 2008	October 31, 2008	November 17, 2008	0.1000	1,125	1,125
November 2008	November 28, 2008	December 15, 2008	0.0500	563	563
December 2008	December 31, 2008	January 15, 2009	-	-	-
				11,812	15,187
				\$ 59,587	\$ 64,546

For the year ended December 31, 2007, total distributions of \$65,005 were declared and paid, comprised of \$51,505 on behalf of the Class A Trust Units and \$13,500 on behalf of the Class B Trust Units.

Declared cash distributions of \$2,709 are included in accounts payable and accrued liabilities at December 31, 2008 (2007: \$7,668).

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17. RELATED PARTY TRANSACTIONS

Included in selling, general and administrative expenses is rent expense of \$975 for the year ended December 31, 2008 (2007: \$850), paid to a joint venture partially owned by an officer of the Fund.

In May 2008, certain employees of the Fund became owners of a Brick franchise. During the year ended December 31, 2008, the Fund sold inventory of \$2,106 to this franchise.

During the year, the Fund entered into franchise agreements for six Brick stores with a director serving on the boards of Trans Global Insurance Company, and Trans Global Life Insurance Company. During the year ended December 31, 2008, the Fund sold inventory of \$2,481 to these franchises.

The above 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, 2008 is \$400 (2007: \$400) for loans made to employees. These loans relate to employee relocation.

18. AMORTIZATION

	2008	2007
Amortization of capital assets (Note 8)	\$ 22,126	\$ 19,388
Amortization of intangible assets and deferred charges (Note 10)	6,976	7,533
	29,102	26,921
Amortization of deferred retail financing fees (Note 10)	150	88
	\$ 29,252	\$ 27,009

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19. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2008	2007
Cash provided (used in) by		
Accounts receivable	\$ 3,141	\$ (717)
Inventory	29,076	(25,544)
Prepaid expenses and deposits	105	(820)
Accounts payable and accrued liabilities	26,966	22,017
Corporate income taxes payable	(81)	(748)
Customers' deposits	(15,461)	(14,727)
Unpaid claims reserve	646	(883)
Deferred service revenue	(169)	(316)
	44,223	(21,738)
Lease receivables, long-term portion	(517)	-
Accounts payable and accrued liabilities related to distributions	4,959	-
Accounts payable and accrued liabilities related to capital assets	(4,517)	2,379
	\$ 44,148	\$ (19,359)

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20. 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:

2009	\$78,452
2010	77,578
2011	75,263
2012	71,122
2013	66,839
2014 - 2028	408,244
	<hr/>
	\$777,498
	<hr/>

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, 2008 the estimated potential liability related to these assessments is \$7,357 (\$6,911 net of income taxes) (2007: \$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, 2008 is \$13,153 (\$11,739 net of income taxes) (2007: \$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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21. 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 \$807 at December 31, 2008 (2007: \$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 (2007: \$5,000) related to overseas product purchases. At December 31, 2008, \$NIL (2007: \$8) was drawn under this facility leaving undrawn credit available of \$5,000 (2007: \$4,992).

(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) *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, 2008, is \$1,867 (2007: \$1,727). As at December 31, 2008, 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.

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GUARANTEES (continued)

(d) *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, 2008, the Fund has accrued a provision for price guarantees relating to sales recognized prior to year end based on historical experience of \$559 (2007: \$447).

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22. FINANCIAL INSTRUMENTS

Classification and Fair Value of Financial Instruments

As at December 31, 2008 and 2007, the classification of the Fund's financial instruments, as well as their carrying amounts and fair values, are shown in the tables below.

	Held for Trading	Available for Sale	Held to Maturity (amortized cost)	Loans and Receivables (amortized cost)	Other Financial Liabilities (amortized cost)	Total Carrying Amount	Fair Value
December 31, 2008	(fair value)	(fair value)					
Financial Assets							
Cash and cash equivalents	\$ 14,419	\$ -	\$ -	\$ -	\$ -	\$ 14,419	\$ 14,419
Accounts receivable	-	-	-	69,616	-	69,616	69,616
Marketable securities	-	18,802	110	-	-	18,912	18,912
Financial Liabilities							
Bank indebtedness	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	-	-	-	251,008	251,008	251,008
Long-term debt	-	-	-	-	82,122	82,122	70,588

	Held for Trading	Available for Sale	Held to Maturity (amortized cost)	Loans and Receivables (amortized cost)	Other Financial Liabilities (amortized cost)	Total Carrying Amount	Fair Value
December 31, 2007	(fair value)	(fair value)					
Financial Assets							
Cash and cash equivalents	\$ 8,174	\$ -	\$ -	\$ -	\$ -	\$ 8,174	\$ 8,174
Accounts receivable	-	-	-	72,757	-	72,757	72,757
Marketable securities	-	24,010	115	-	-	24,125	24,125
Financial Liabilities							
Bank indebtedness	\$ -	\$ -	\$ -	\$ -	\$ 14,637	\$ 14,637	\$ 14,637
Accounts payable and accrued liabilities	-	-	-	-	224,042	224,042	224,042
Long-term debt	-	-	-	-	81,955	81,955	80,121

For the Fund, fair value is equal to carrying value for all its financial instruments other than long-term debt.

The fair value of the senior secured notes which comprise long-term debt has been determined using present value techniques commonly used to price such securities, and reflects the yield on a Government of Canada benchmark bond with a similar maturity, plus a credit spread. The credit spread is based on debt with similar risk and other characteristics.

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FINANCIAL INSTRUMENTS (continued)

The yield used to value the long-term debt at December 31, 2008 was based on a benchmark yield of 1.70% plus a credit spread of 8.50% for an all-in yield of 10.20% (2007: benchmark yield of 3.88% plus a credit spread of 3.25% for an all-in yield of 7.13%).

For the long-term debt, fair value is calculated based on its aggregate principal amount of \$83,000. This amount differs from the carrying value of \$82,122 (2007: \$81,955) which is net of unamortized transaction costs at December 31, 2008 of \$878 (2007: \$1,045). The amortization of these transaction costs, using the effective interest method over the term to maturity, is included in interest on long-term debt in the consolidated statements of income. The calculation of fair value does not include consideration of amounts potentially payable if the senior secured notes are redeemed prior to maturity.

Risk Management

The Fund is exposed to various risks associated with its financial instruments. These risks are categorized as credit risk, liquidity risk, and market risk. The significant risks for the Fund's financial instruments are discussed below.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Generally, the carrying amount on the consolidated balance sheet of the Fund's financial assets exposed to credit risk represent the Fund's maximum exposure to credit risk. No additional credit risk disclosure is provided, unless the maximum potential loss exposed to credit risk for certain financial assets differs significantly from their carrying amount. The Fund's main credit risk exposure is from its accounts receivable and cash and cash equivalents. For the Fund, accounts receivable are comprised mainly of amounts related to its commercial sales division, to its franchise operations, and to vendor rebate programs.

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FINANCIAL INSTRUMENTS (continued)

For our commercial accounts receivable, credit risk is mitigated through customer agreements specifying payment terms and credit limits. For our franchise accounts receivable, personal guarantees are obtained. For our net investment in lease, credit risk is mitigated through customer agreements specifying payment terms and credit limits. As well, liens are placed against the goods and the Fund may repossess goods for non-payment. Credit risk is also limited due to the large number of customers and their dispersion across geographic areas, and market sectors i.e.) retail, commercial, and franchise. Accordingly, the Fund believes it has no significant concentrations of credit risk related to its accounts receivable and net investment in lease balances. In addition, accounts receivable and net investment in lease are managed and analyzed on an ongoing basis to control the Fund's exposure to bad debts.

During the year ended December 31, 2008, the Fund recorded an expense for bad debts of \$1,979 (2007: \$1,510). The accounts receivable balance includes \$3,561 that is past due for more than 60 days as at December 31, 2008 (2007: \$2,575). The Fund's allowance for doubtful accounts, established through on-going monitoring of the accounts, was \$3,674 as at December 31, 2008 (2007: \$3,234).

At December 31, 2008, there are no financial assets that the Fund deems to be impaired or that are past due according to their terms and conditions, for which allowances have not been recorded.

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. Accordingly, fluctuations in the availability and cost of credit may have an impact on the Funds retail sales.

The Fund manages credit risk for its cash and cash equivalents by maintaining bank accounts with major Canadian banks and investing only in highly rated Canadian and U.S. securities that are traded on active markets and are capable of prompt liquidation.

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FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity risk management is to maintain sufficient amounts of cash and cash equivalents, and authorized credit facilities, to fulfill obligations associated with financial liabilities. To manage liquidity risk, the Fund prepares budgets and cash forecasts, and monitors its performance against these. Management also monitors cash and working capital efficiency given current sales levels and seasonal variability. The financial services segment contributes a steady cash flow and provides a balance to the seasonal nature of the retail segment operations.

The Fund's accounts payable and accrued liabilities are all current and due within 75 days of the balance sheet date. The Fund's future obligations under operating leases are discussed in Note 20. The Fund's long-term debt is due March 14, 2014.

The Fund's Operating Credit Facility is available to fund unitholder distributions, seasonal fluctuations in working capital requirements, debt service requirements, and to fund growth capital expenditures. The Fund's Acquisition Credit Facility is available to fund acquisition requirements and may also be used to fund growth capital expenditures.

The Fund's credit facilities are further discussed in Note 11 and Note 27.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is exposed to cash flow risk on the floating-rate credit facilities, and to fair value risk on the long-term debt, due to fluctuations in interest rates.

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FINANCIAL INSTRUMENTS (continued)

As well, the Fund's revenues depend, in part, on supplying financing alternatives to its customers through third party credit providers. The terms of these financing alternatives are affected by changes in interest rates. Therefore, interest rate fluctuations may impact the Fund's financing costs for retail sales financed using these alternatives, and may also impact the Fund's revenues where customers' buying decisions are impacted by their ability or desire to use these financing alternatives.

Hedge accounting

During the first quarter of 2007, in conjunction with an anticipated transaction which was the private placement of senior secured notes with an aggregate principal amount of \$83,000 (Note 12), 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 (loss) 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 (loss) income will be reclassified to net income and included in interest expense on long-term debt.

For the year ended December 31, 2008, other comprehensive income arising from this cash flow hedge was \$111 comprised of a reclassification to net income of \$111 (2007: other comprehensive loss of \$692 comprised of the initial 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 loss to net income over the next twelve months as a result of this cash flow hedge will be approximately \$111.

Sensitivity of bank indebtedness to interest rates

Net income is sensitive to the impact of a change in interest rates on the average balance of bank indebtedness during a period. For the year ended December 31, 2008, the Fund's average bank indebtedness was \$33,786. Accordingly, a difference during the period of one percentage point in the applicable interest rate would have impacted consolidated net income for the year by \$338.

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FINANCIAL INSTRUMENTS (continued)

Currency risk

The Fund is exposed to foreign currency fluctuations to the extent that approximately 22% 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. Accordingly, the Fund does not believe it has significant foreign currency risk with respect to its inventory purchases made in U.S. dollar prices.

From time to time, the Fund enters into forward foreign exchange contracts in U.S. dollars. These forward contracts are used to minimize a portion of the risk associated with future purchases of foreign currency denominated goods and services with an emphasis on those purchases that are expected to be completed the following month. These derivative contracts, 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, 2008 and 2007, no foreign exchange contracts were outstanding.

The Fund is also exposed to foreign currency fluctuations to the extent it has invested in marketable securities denominated in a foreign currency. Certain exchange traded funds (“ETFs”) held in the Fund’s portfolio of marketable securities are denominated in U.S. dollars and therefore have exposure to currency fluctuations. The carrying amount of ETFs denominated in U.S. dollars at December 31, 2008 was \$240 (2007: \$368).

Other price risk

The Fund is exposed to fluctuations in the market prices of its marketable securities that are classified as available for sale. Changes in the fair value of marketable securities classified as available for sale are recorded, net of income taxes, in other comprehensive (loss) income. This risk is managed by the Fund’s investment policies.

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FINANCIAL INSTRUMENTS (continued)

Preferred shares

The fair value of the Fund's portfolio of preferred shares is exposed to fluctuations in market prices and also to changes in interest rates. Generally, because the preferred shares held by the Fund pay a fixed dividend, the market price of these shares varies inversely with changes in market interest rates. Market prices for preferred shares with call dates further in the future will generally be more sensitive to interest rate changes. The preferred shares' next call dates are as follows:

	<u>1 - 3 Years</u>	<u>4 - 6 Years</u>	<u>> 6 Years</u>	<u>Total</u>
Amortized cost	\$ 14,793	\$ 3,180	\$ 43	\$ 18,016
Unamortized (premium) discount	(103)	(73)	1	(175)
Redemption amount	\$ 14,690	\$ 3,107	\$ 44	\$ 17,841

Common shares

Historically, the beta of the Fund's portfolio of common shares has been close to 1.00. Beta is a commonly used measure of the volatility of a portfolio in relation to the rest of the financial market. Accordingly, changes in the fair value of the Fund's common share portfolio could reasonably be expected to track closely changes in the Toronto Stock Exchange ("TSX") S&P TSE 60 Total Return Index, such that a 5% change in this index is likely to result in a 5% change in the fair value of this portfolio. The beta of our common stock portfolio at December 31, 2008 was 0.94.

Trust units and exchange traded funds

The fair value of the Fund's portfolio of trust units and ETFs is exposed to fluctuations in market prices for these securities and can reasonably be expected to follow the fluctuations of general level of market prices for similar securities.

The Fund's investments in marketable securities are disclosed in Note 7.

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23. 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 is economically dependant on the retail segment as the majority of its revenues are derived from sales to customers of the retail segment. The Financial Services segment also offers property and credit insurance products 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 2 and Note 3.

All inter-company transactions and balances, including inter-company revenues of \$12,920 for the year ended December 31, 2008 (2007: \$9,973) have been appropriately eliminated.

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SEGMENTED INFORMATION (continued)

	December 31, 2008			
	Retail	Financial Services	Intersegment Eliminations	Consolidated
External sales and operating revenue	\$ 1,365,203	\$ 61,910	\$ -	\$ 1,427,113
Intersegment revenues	9,789	3,131	(12,920)	-
Total sales and operating revenue	1,374,992	65,041	(12,920)	1,427,113
Cost of sales	824,899	37,595	(15,917)	846,577
Gross margin	550,093	27,446	2,997	580,536
Selling, general and administrative expenses	503,147	2,438	5,888	511,473
Investment and other income	10,055	3,893	(13,773)	175
Intersegment license fee income (expense) (1)	22,017	(22,017)	-	-
EBITDA*	79,018	6,884	(16,664)	69,238
Interest expense	13,157	9,969	(13,773)	9,353
Amortization of capital assets (Note 8)	22,123	3	-	22,126
Amortization of intangible assets and deferred charges (Note 10)	6,976	-	-	6,976
Goodwill and intangible asset impairment (Note 9)	241,471	-	-	241,471
Loss before income taxes	(204,709)	(3,088)	(2,891)	(210,688)
Income tax recovery	9,784	148	-	9,932
Net loss (2)	(194,925)	(2,940)	(2,891)	(200,756)
Total intersegment eliminations	(36,032)	33,141	2,891	-
Net (loss) income - consolidated	\$ (230,957)	\$ 30,201	\$ -	\$ (200,756)
EBITDA*	\$ 79,018	\$ 6,884	\$ (16,664)	\$ 69,238
Total intersegment eliminations	(40,055)	23,391	16,664	-
Consolidated EBITDA*	\$ 38,963	\$ 30,275	\$ -	\$ 69,238
OTHER INFORMATION				
Interest income	\$ 245	\$ 142	\$ -	\$ 387
Goodwill	\$ 108,459	\$ -	\$ -	\$ 108,459
Total assets	\$ 651,892	\$ 52,647	\$ -	\$ 704,539
Capital expenditures	\$ 35,709	\$ -	\$ -	\$ 35,709
Amortization of deferred warranty revenue	\$ -	\$ 38,742	\$ -	\$ 38,742
Amortization of deferred acquisition costs	\$ -	\$ 6,623	\$ -	\$ 6,623

(1) Intersegment license fees of \$22,017 (2007: \$21,892) are charged by the Retail segment to Financial Services segment for the right to offer warranty and insurance products to customers of the Retail segment. These license fees are in the normal course of business and are recorded at the exchange amounts established by the license fee agreements, which reflect market rates.

(2) Intersegment eliminations affecting net income do not offset as commissions paid in the Retail segment on the sale of warranty products are capitalized as deferred acquisition costs in the Financial Services segment, and charged to earnings over the term of the warranty contract period.

* References to "EBITDA" are to earnings before interest, income taxes, amortization and non-cash asset impairment charges. EBITDA is not an earnings measure recognized by GAAP, and does not have a standardized meaning prescribed by GAAP, and therefore, may not be comparable to similar measures presented by other issuers. Users of these consolidated financial statements are cautioned that EBITDA should not be construed as an alternative to net income as determined in accordance with GAAP as an indicator of performance, or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows.

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SEGMENTED INFORMATION (continued)

	December 31, 2007			
	Restated (Note 4)			
	Retail	Financial Services	Intersegment Eliminations	Consolidated
External sales and operating revenue	\$ 1,398,543	\$ 49,033	\$ -	\$ 1,447,576
Intersegment revenues	6,112	3,861	(9,973)	-
Total sales and operating revenue	1,404,655	52,894	(9,973)	1,447,576
Cost of sales	850,100	28,005	(11,728)	866,377
Gross margin	554,555	24,889	1,755	581,199
Selling, general and administrative expenses	499,578	1,928	3,099	504,605
Investment and other income	11,150	5,620	(12,686)	4,084
Intersegment license fee income (expense) (1)	21,892	(21,892)	-	-
EBITDA*	88,019	6,689	(14,030)	80,678
Interest expense	11,539	9,750	(12,686)	8,603
Amortization of capital assets (Note 8)	19,385	3	-	19,388
Amortization of intangible assets and deferred charges (Note 10)	7,533	-	-	7,533
Goodwill and intangible asset impairment (Note 9)	-	-	-	-
Income (loss) before income taxes	49,562	(3,064)	(1,344)	45,154
Income tax (expense) recovery	(30,250)	629	-	(29,621)
Net income (loss) (2)	19,312	(2,435)	(1,344)	15,533
Total intersegment eliminations	(32,466)	31,122	1,344	-
Net (loss) income - consolidated	\$ (13,154)	\$ 28,687	\$ -	\$ 15,533
EBITDA*	\$ 88,019	\$ 6,689	\$ (14,030)	\$ 80,678
Total intersegment eliminations	(35,402)	21,372	14,030	-
Consolidated EBITDA*	\$ 52,617	\$ 28,061	\$ -	\$ 80,678
OTHER INFORMATION				
Interest income	\$ 94	\$ 177	\$ -	\$ 271
Goodwill	\$ 305,349	\$ -	\$ -	\$ 305,349
Total assets	\$ 911,322	\$ 55,127	\$ -	\$ 966,449
Capital expenditures	\$ 22,155	\$ 7	\$ -	\$ 22,162
Amortization of deferred warranty revenue	\$ -	\$ 27,742	\$ -	\$ 27,742
Amortization of deferred acquisition costs	\$ -	\$ 4,065	\$ -	\$ 4,065

(1) Intersegment license fees of \$21,892 are charged by the Retail segment to Financial Services segment for the right to offer warranty and insurance products to customers of the Retail segment. These license fees are in the normal course of business and are recorded at the exchange amounts established by the license fee agreements, which reflect market rates.

(2) Intersegment eliminations affecting net income do not offset as commissions paid in the Retail segment on the sale of warranty products are capitalized as deferred acquisition costs in the Financial Services segment, and charged to earnings over the term of the warranty contract period.

* References to "EBITDA" are to earnings before interest, income taxes, amortization and non-cash asset impairment charges. EBITDA is not an earnings measure recognized by GAAP, and does not have a standardized meaning prescribed by GAAP, and therefore, may not be comparable to similar measures presented by other issuers. Users of these consolidated financial statements are cautioned that EBITDA should not be construed as an alternative to net income as determined in accordance with GAAP as an indicator of performance, or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows.

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24. CAPITAL

The Fund's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide distributions to its unitholders and benefits for other stakeholders;
- to maximize returns from capital investments so as to maintain or grow the Fund's capacity to make distributions;
- to ensure compliance with all covenants; and,
- to maintain a capital structure that supports keeping capital costs to a minimum.

For the Fund, capital includes unitholders' equity, long-term debt, and bank indebtedness offset by cash and cash equivalents.

	2008	2007
		Restated (Note 4)
Long-term debt	\$ 82,122	\$ 81,955
Bank indebtedness	-	14,637
Cash and cash equivalents	(14,419)	(8,174)
Net debt	67,703	88,418
Unitholders' equity	138,980	400,819
Total capital	\$ 206,683	\$ 489,237

The Fund meets its objective for managing capital through regular monthly meetings of the Distribution Committee to review distributions in light of actual and forecast results. The Fund also meets its objectives for managing capital through both the strategic long-term planning, and annual budgeting processes, and the related capital allocation and capital spend post audit processes, to ensure returns from capital investments are adequate to either maintain, or grow, the Fund's capacity to make distributions.

The Fund manages the capital structure and may make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units, and increase or reduce debt.

The Fund in its current form is expected to qualify as a SIFT and certain income of, and distributions by, the Fund will become taxable beginning in 2011. This may result in future changes to the capital structure, or the legal form, of the Fund.

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CAPITAL (continued)

Although the Fund is not subject to any externally imposed capital requirements, other than with respect to its insurance subsidiaries, it is required to comply with covenants related to its credit facilities and long-term debt. These covenants require the Fund to maintain certain ratios of debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) and fixed charge coverage ratios, and also place restrictions on the Fund with respect to investments. As at December 31, 2008, the Fund was in compliance with all of its financial covenants.

The Fund holds a portfolio of marketable securities with a fair value at December 31, 2008 of \$18,912 (2007: \$24,125). These marketable securities are held in part to satisfy regulatory requirements for minimum capital of \$8,000 applicable to the Fund's insurance company subsidiaries as discussed below. The excess of marketable securities over this amount is not restricted by regulatory requirements.

Restriction on the Distribution of Capital from Trans Global Insurance Company and Trans Global Life Insurance Company

Regulatory requirements stipulate that Trans Global Insurance Company and Trans Global Life Insurance Company must maintain assets at least equal to their share capital and contributed surplus which totals \$8,000 for the two companies. Trans Global Insurance Company and Trans Global Life Insurance Company had cash and marketable securities in excess of \$8,000 at December 31, 2008 and 2007.

25. 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.

26. COMPARATIVE AMOUNTS

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

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27. SUBSEQUENT EVENTS

On February 18, 2009, the Fund announced that, as a result of continued deterioration in economic conditions and uncertainty regarding the 2009 outlook for the retail sector, it had suspended its monthly distribution payments.

On March 13, 2009, the Fund's credit facilities agreement was amended to increase the maximum ratio of adjusted total debt to Earnings Before Interest Taxes Depreciation Amortization and Rent ("EBITDAR")*, as defined by the credit agreement, from 4.5 times to 5.0 times for the first three quarters of 2009, after which time the ratio will return to 4.5 times for the remainder of the term. The amendment serves to mitigate the risk of default with respect to this financial covenant and was assessed by the Fund to be prudent and proactive in light of the economic downturn and its impact on the retail sector.

Other modifications required to secure this amendment include an increase, ranging from 1.75% to 2.00%, in the pricing of the credit facilities, and a modification that restricts the amount available under the \$40,000 Acquisition Credit Facility solely to capital expenditures made in 2009 and hereafter. Prior to this amendment, the \$40,000 Acquisition Credit Facility was fully available to refinance capital expenditures from previous years, and could also be used to finance investments in capital expenditures and businesses complimentary to the Fund. Further, the Operating Credit Facility is no longer available to finance investments or capital expenditures. As well the Fund is precluded from making any cash distributions until after December 31, 2009. Subsequent to December 31, 2009, the Fund is not allowed to make cash distributions at any time that the amount drawn on the Operating Credit Facility exceeds \$30 million. The maturity date of the credit agreement was not modified and remains April 2011.

As at March 13, 2009, the Fund had unused borrowing capacity of approximately \$10,000 on its Operating Credit Facility and \$2,000 on its Acquisition Credit Facility. The Fund intends to fully utilize its Operating Credit Facility and actively manage its working capital to meet its liquidity requirements and support its projected business. In addition, the Fund continues to pursue strategies to actively manage its liquidity position, further reduce operating costs, and improve operating results, cash flows, and the level of debt to ensure compliance with financial covenants. However, during these uncertain times, the Fund cannot guarantee that it will be successful. The Fund is also proactively seeking both short and long-term sources of financing alternatives to ensure ongoing financial flexibility.

On March 13, 2009, in conjunction with the amendment to the Credit Facilities discussed above, the trust indenture providing for the issuance of the senior secured notes was amended to maintain alignment on financial covenants and other amendments with those contained in the Credit Facilities amendment. This amendment also included an increase in the coupon from 6.431% per annum to 8.000% per annum until December 14, 2009, and a decrease thereafter to 7.500% per annum for the remainder of the term.

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SUBSEQUENT EVENTS (continued)

* EBITDAR is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP, and therefore, may not be comparable to similar measures presented by other issuers.