

Interim Consolidated Financial Statements of

THE BRICK GROUP INCOME FUND

*For the three and six month periods ended June 30, 2009
(Unaudited)*

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The Brick Group Income Fund
Interim Consolidated Balance Sheets
(thousands of Canadian dollars)
(unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 6,328	\$ 14,419
Accounts receivable	63,531	69,616
Inventory (Note 4)	155,326	207,627
Prepaid expenses and deposits	3,281	3,027
	228,466	294,689
NET INVESTMENT IN LEASE RECEIVABLES	595	517
MARKETABLE SECURITIES (Note 5)	16,833	18,912
DEFERRED ACQUISITION COSTS	24,725	25,382
CAPITAL ASSETS (Note 6)	142,018	146,234
GOODWILL (Note 7)	-	108,459
INTANGIBLE ASSETS AND DEFERRED CHARGES (Notes 7 & 8)	59,605	105,869
FUTURE INCOME TAXES	39	48
	\$ 472,281	\$ 700,110
LIABILITIES		
CURRENT		
Asset-based credit facility (Note 9)	\$ 43,369	\$ -
Accounts payable and accrued liabilities	146,223	251,008
Customers' deposits	51,690	53,401
Unpaid claims reserve	2,314	3,099
	243,596	307,508
DEFERRED SERVICE REVENUE	14	14
DEFERRED LEASE INDUCEMENTS	25,896	21,417
DEFERRED WARRANTY PLAN REVENUE AND UNEARNED INSURANCE REVENUE	128,797	133,757
LONG-TERM DEBT (Note 9)	111,041	82,122
FUTURE INCOME TAXES	2,905	20,741
	512,249	565,559
UNITHOLDERS' EQUITY		
Trust units	528,213	528,213
Warrants (Note 10)	2,284	-
Deficit	(569,571)	(391,144)
Accumulated other comprehensive loss	(894)	(2,518)
	(39,968)	134,551
	\$ 472,281	\$ 700,110

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

The Brick Group Income Fund
Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
(thousands of Canadian dollars except unit and per unit amounts)
(unaudited)

Consolidated Statements of (Loss) Income	June 30, 2009 (3 months)	June 30, 2008 (3 months)	June 30, 2009 (6 months)	June 30, 2008 (6 months)
SALES AND OPERATING REVENUE	\$ 255,674	\$ 353,227	\$ 527,273	\$ 681,146
COST OF SALES (Note 4)	151,094	207,565	312,682	399,335
GROSS MARGIN	104,580	145,662	214,591	281,811
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	112,540	129,303	225,024	253,221
	(7,960)	16,359	(10,433)	28,590
OTHER INCOME (EXPENSE)				
Investment and other income	306	324	349	571
Other interest	(750)	(997)	(1,557)	(1,832)
Interest on long-term debt	(3,066)	(1,379)	(4,491)	(2,768)
Amortization (Notes 6 & 8)	(9,026)	(6,847)	(15,747)	(12,897)
	(12,536)	(8,899)	(21,446)	(16,926)
(LOSS) INCOME BEFORE UNDERNOTED ITEMS	(20,496)	7,460	(31,879)	11,664
Loss on extinguishment of debt (Notes 8 & 9)	(3,046)	-	(3,046)	-
Goodwill and intangible asset impairment (Note 7)	(133,459)	-	(158,459)	-
(LOSS) INCOME BEFORE INCOME TAXES	(157,001)	7,460	(193,384)	11,664
INCOME TAX (EXPENSE) RECOVERY				
Current	(370)	(252)	(591)	(427)
Future	11,004	342	18,258	689
	10,634	90	17,667	262
NET (LOSS) INCOME	\$ (146,367)	\$ 7,550	\$ (175,717)	\$ 11,926
Basic and diluted net (loss) income per unit	\$ (2.70)	\$ 0.14	\$ (3.24)	\$ 0.22
Basic and diluted average number of units outstanding	54,171,133	54,171,133	54,171,133	54,171,133

Consolidated Statements of Comprehensive (Loss) Income

NET (LOSS) INCOME	\$ (146,367)	\$ 7,550	\$ (175,717)	\$ 11,926
Other comprehensive income (loss), net of income taxes				
Net increase (decrease) in unrealized fair value of available for sale securities	927	116	1,043	(202)
Net change in cash flow hedge (Note 14c)	554	28	581	56
Other comprehensive income (loss)	1,481	144	1,624	(146)
COMPREHENSIVE (LOSS) INCOME	\$ (144,886)	\$ 7,694	\$ (174,093)	\$ 11,780

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

The Brick Group Income Fund
Interim Consolidated Statements of Changes in Unitholders' Equity
(thousands of Canadian dollars)
(unaudited)

	June 30, 2009 (3 months)	June 30, 2008 (3 months)	June 30, 2009 (6 months)	June 30, 2008 (6 months)
Trust units	\$ 528,213	\$ 528,213	\$ 528,213	528,213
Deficit				
Balance at beginning of period as previously reported	-	-	-	(126,372)
Change in accounting policy (Note 3)	-	-	-	(6,086)
Balance at beginning of period as restated	(423,204)	(144,333)	(391,144)	(132,458)
Net (loss) income (Note 3)	(146,367)	7,550	(175,717)	11,926
Distributions declared (Note 11)	-	(16,251)	(2,710)	(32,502)
Balance at end of period	(569,571)	(153,034)	(569,571)	(153,034)
Warrants (Note 10)	2,284	-	2,284	-
Accumulated other comprehensive loss on available for sale securities				
Balance at beginning of period	(1,821)	(648)	(1,937)	(330)
Unrealized gain (loss) arising during the period (Note 5)	1,208	113	1,215	(444)
Income taxes on unrealized (gain) loss arising during the period	(337)	(51)	(367)	131
Reclassification of realized losses to net income	78	72	279	157
Income taxes on reclassification of realized losses to net income	(22)	(18)	(84)	(46)
Balance at end of period	(894)	(532)	(894)	(532)
Accumulated other comprehensive loss on cash flow hedge (Note 14c)				
Balance at beginning of period	(554)	(664)	(581)	(692)
Reclassification of loss on cash flow hedge to net income (net of income taxes of \$NIL)	554	28	581	56
Balance at end of period	-	(636)	-	(636)
Total accumulated other comprehensive loss	(894)	(1,168)	(894)	(1,168)
Total deficit and accumulated other comprehensive loss	(570,465)	(154,202)	(570,465)	(154,202)
Total unitholders' equity	\$ (39,968)	\$ 374,011	\$ (39,968)	\$ 374,011

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

The Brick Group Income Fund
Interim Consolidated Statements of Cash Flow
(thousands of Canadian dollars)
(unaudited)

	June 30, 2009 (3 months)	June 30, 2008 (3 months)	June 30, 2009 (6 months)	June 30, 2008 (6 months)
OPERATING ACTIVITIES				
Net (loss) income	\$ (146,367)	\$ 7,550	\$ (175,717)	\$ 11,926
Add (deduct) items not affecting cash				
Amortization (Notes 6 & 8)	9,063	6,885	15,822	12,972
Amortization of deferred lease inducements	(565)	(421)	(1,053)	(820)
Amortization of deferred warranty revenue	(12,333)	(9,239)	(24,040)	(17,961)
Amortization of deferred acquisition costs	2,292	1,555	4,432	2,981
Amortization of financing fee and transaction costs	150	41	196	82
Accretion expense on debenture	39	-	39	-
Future income taxes	(11,004)	(342)	(18,258)	(689)
Reclassification from other comprehensive loss related to hedging activity	554	28	581	56
Amortization of preferred share premiums	33	43	56	90
Loss (gain) on sale of capital assets	(42)	(74)	134	(100)
Loss on sale of marketable securities	74	72	290	157
Loss on extinguishment of debt	2,165	-	2,165	-
Goodwill and intangible asset impairment (Note 7)	133,459	-	158,459	-
Cash received for leasehold inducements	2,249	434	5,532	602
Cash paid for deferred acquisition costs	(1,507)	(2,266)	(3,775)	(4,360)
Cash received on warranty and insurance sales	8,261	11,291	19,080	21,640
	(13,479)	15,557	(16,057)	26,576
Changes in non-cash operating working capital items (Note 13)	(9,440)	14,082	(41,069)	8,286
	(22,919)	29,639	(57,126)	34,862
FINANCING ACTIVITIES				
(Decrease) increase in net bank indebtedness (Note 9)	(39,010)	(8,399)	-	5,338
Increase in net asset-based credit facility	43,369	-	43,369	-
Financing fees paid	-	(235)	(665)	(236)
Distributions paid (Note 11)	-	(18,502)	(5,419)	(34,753)
Repayment of senior secured notes (Note 9)	(83,000)	-	(83,000)	-
Issuance of debentures and warrants, net of transaction costs (Note 9)	113,157	-	113,157	-
	34,516	(27,136)	67,442	(29,651)
INVESTING ACTIVITIES				
Additions to capital assets	(4,083)	(6,868)	(9,386)	(11,001)
Change in accounts payable and accrued liabilities related to capital assets	(2,945)	753	(5,449)	202
Additions to marketable securities	(540)	(702)	(2,452)	(1,267)
Additions to intangible assets	(6,328)	-	(6,908)	-
Proceeds from sale of marketable securities	5,246	731	5,679	1,426
Proceeds on disposal of capital assets	44	81	109	107
	(8,606)	(6,005)	(18,407)	(10,533)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD				
	2,991	(3,502)	(8,091)	(5,322)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,337	6,354	14,419	8,174
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,328	\$ 2,852	\$ 6,328	\$ 2,852
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest and dividends received	\$ 237	\$ 325	\$ 488	\$ 659
Interest paid	\$ 1,964	\$ 661	\$ 4,955	\$ 3,913
Income taxes paid	\$ 162	\$ 285	\$ 371	\$ 727

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

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
(thousands of Canadian dollars except unit and per unit amounts)
(unaudited)

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. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements (the “financial statements”) have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), and include the accounts of 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 intercompany transactions and balances have been appropriately eliminated. These financial statements do not contain all disclosures required by GAAP for annual financial statements and, accordingly, the financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2008.

These financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements for the year ended December 31, 2008, except as described in Note 3.

These financial statements have been prepared assuming the Fund will continue as a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset and liability amounts should the Fund be unable to continue as a going concern.

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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BASIS OF PRESENTATION (continued)

The Fund's financial results have been negatively impacted by declining sales and operating revenues in the retail segment. These declines in sales and operating revenue reflect the effects of the deterioration in the economy which has led to reduced consumer confidence and spending in the Canadian retail sector. The resulting decline in our operating results has led some inventory suppliers to restrict credit terms as they work to address their own credit risk exposures, and this negatively impacted inventory levels and the Fund's ability to deliver goods and complete sales during the second quarter. Taken together, these factors have imposed significant challenges on management's ability to maintain alignment and effectiveness of our purchasing, logistics, marketing and sales functions, which has further exacerbated the decline in sales. The Fund has reduced variable and fixed costs where possible.

On February 18, 2009, the Fund announced that as a result of the continued deterioration in economic conditions and the uncertain outlook for 2009, it was suspending its monthly distribution payments.

On March 13, 2009, the Fund announced amendments to its Credit Facilities and Senior Notes. These amendments served 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.

Due to the continued deterioration in economic conditions impacting the Fund's business, the Fund would have breached its financial covenants at the end of the second quarter of 2009. This could have caused the Fund's Credit Facilities and Senior Notes indebtedness to become immediately due and payable. As well, the Fund expected that it would need to fully utilize its \$60,000 Operating Credit Facility to meet its business and liquidity requirements.

To deal with these liquidity and financial covenant risks the Fund completed a recapitalization transaction which closed on May 28, 2009 (Note 9). The recapitalization transaction has provided additional operating flexibility as the replacement financing does not have the financial covenants that were present in the Fund's prior lending arrangements.

The recapitalization transaction has also provided additional liquidity, and as at June 30, 2009 the Fund had \$69,300 available for borrowing under the Asset-Based Credit Facility with \$43,369 drawn and \$25,931 undrawn.

In recent months, several of the Fund's suppliers have limited, or have expressed an intention to limit, the payment terms available to the Fund for its purchases of inventory. In the second quarter, limitations to credit terms imposed by some vendors negatively impacted inventory levels and the Fund's ability to deliver goods and complete sales.

The Brick Group Income Fund
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BASIS OF PRESENTATION (continued)

The Fund continues to revisit its forecasts of financial results and cash flows and the current forecasts and related assumptions illustrate that management can manage the business and maintain liquidity within the terms of the Asset-Based Credit Facility. As at July 31, 2009, \$37,460 was drawn under the Asset-Based Credit Facility and \$30,871 was undrawn and available to continue to fund operations and working capital requirements.

However, such forecasts are highly dependent on certain assumptions, including, without limitation, the absence of further deterioration in the Fund's consolidated revenues, its ability to manage costs, and its ability to maintain credit terms with the Fund's suppliers. Should any of these assumptions prove false, the Fund may not be able to generate adequate cash flow or have sufficient availability under the Asset-Based Credit Facility to fund its obligations as they come due without obtaining additional sources of financing. Further, the Fund's business, financial condition, liquidity and results of operations may be materially adversely affected and there can be no assurance that the Fund would be able to continue to operate as a going concern.

On August 6, 2009, the Fund entered into an agreement in principle with Fairfax Financial Holdings Limited ("Fairfax") pursuant to which Fairfax will issue an irrevocable letter of credit (the "Fairfax LC") to GE Capital in the aggregate principal amount of \$25,000. The Fairfax LC will support letters of credit that may be issued under the \$130 million Asset Based Credit Facility ("GE Facility") to the Fund's inventory suppliers (Note 19).

The outcome of the various matters discussed above cannot be predicted at this time. While management believes the use of the going concern assumption is appropriate, there is no assurance that the outcome of the above actions will be favourable to the Fund's continued operations, and any adjustments necessary to the financial statements if the Fund ceases to be a going concern could be material.

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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3. CHANGES IN ACCOUNTING POLICIES

Commencing January 1, 2009, the Fund adopted the following new Canadian Institute of Chartered Accountants (“CICA”) accounting standard:

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. This new standard was adopted by the Fund for its fiscal year starting on 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. The change in policy has been applied retroactively. As a result, the Fund has charged certain amounts to deficit as at January 1, 2008, as if the pre-opening costs had not been deferred. These adjustments as at January 1, 2008 resulted in a decrease in intangible assets and deferred charges of \$5,732, a decrease in prepaid expenses and deposits of \$354, and an increase in opening deficit as at January 1, 2008 of \$6,086. In addition, the Fund has restated its 2008 results of operations in order to reflect this change in policy. For the three month period ended June 30, 2008, these adjustments resulted in a decrease in amortization expense of \$661, a decrease in selling, general and administrative expenses of \$124, and a corresponding increase in the net income of \$785. The impact on basic and diluted net income per unit was an increase of \$0.02 per unit. There was no impact to the consolidated statement of cash flow. For the six month period ended June 30, 2008, these adjustments resulted in a decrease in amortization expense of \$1,322, a decrease in selling, general and administrative expenses of \$154, and a corresponding increase in the net income of \$1,476. The impact on basic and diluted net income per unit was an increase of \$0.03 per unit. There was no impact to the consolidated statement of cash flow. These pre-opening costs related mainly to the expansion of the Fund’s operations into Quebec in 2004, and to the expansion of its distribution centre infrastructure in 2006.

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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CHANGES IN ACCOUNTING POLICIES (continued)

Section 3500 – Earnings per Unit

The Warrants (Note 10) issued in conjunction with the recapitalization transaction are potentially dilutive equity instruments. Accordingly, the Fund must now consider the potentially dilutive effect of the Warrants on its earnings per unit. The Fund has adopted the treasury stock method to compute the dilutive effect of the Warrants on earnings per unit. Under this method, the dilutive effect is calculated assuming that the Fund would use proceeds received upon the exercise of warrants to purchase Class A units at the average market price during the period. No such calculation is made where a loss is incurred because the effect would be anti-dilutive. In this latter case, the diluted loss per unit is considered to be equal to the basic loss per unit. Basic earnings per unit are calculated using the weighted-average number of Trust units outstanding during the period.

EIC – 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which applies to interim and annual financial statements for periods ending on or after January 20, 2009. EIC-173 requires that entities take into account their own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 during the second quarter had no impact on the Fund's results of operations, financial position or disclosures.

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.

The Brick Group Income Fund
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CHANGES IN ACCOUNTING POLICIES (continued)

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.

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.

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.

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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CHANGES IN 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. INVENTORY

The amount of inventory recognized as an expense during the three and six month periods ended June 30, 2009 was \$144,928 and \$300,953 respectively (three and six month periods ended June 30, 2008: \$202,276 and \$389,045 respectively). This amount is presented within cost of sales on the interim consolidated statements of (loss) income. The entire carrying amount of inventory is subject to a first charge security interest in favour of the Fund's Asset-Based Credit Facility lender, and a subordinated security interest in favour of the Fund's Debenture holders (Note 9).

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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5. MARKETABLE SECURITIES

	June 30, 2009			December 31, 2008		
Marketable Securities Carried at Amortized Cost	Amortized Cost	Fair Value	Unrealized (Loss) Gain	Amortized Cost	Fair Value	Unrealized (Loss) Gain
Bonds	\$ 108	\$ 108	\$ -	\$ 110	\$ 110	\$ -
Marketable Securities Carried at Fair Value	Fair Value	Amortized Cost	Unrealized (Loss) Gain	Fair Value	Amortized Cost	Unrealized (Loss) Gain
Preferred shares	14,123	14,550	(427)	16,359	17,906	(1,547)
Trust units	421	623	(202)	401	623	(222)
Common shares	1,726	2,051	(325)	1,600	2,270	(670)
Exchange traded funds	455	778	(323)	442	778	(336)
	16,725	18,002	(1,277)	18,802	21,577	(2,775)
	\$ 16,833	\$ 18,110	\$ (1,277)	\$ 18,912	\$ 21,687	\$ (2,775)

For the three month period ended June 30, 2009, the unrealized gain of \$1,208 recorded as part of other comprehensive income is comprised of unrealized losses of \$5, and unrealized gains of \$1,213 arising during the period (unrealized gains and losses arising during the three month period ended June 30, 2008 were \$351 and \$238 respectively, for a net unrealized loss of \$113).

For the six month period ended June 30, 2009, the unrealized gain of \$1,215 recorded as part of other comprehensive income is comprised of unrealized losses of \$365, and unrealized gains of \$1,580 arising during the period (unrealized gains and losses arising during the six month period ended June 30, 2008 were \$593 and \$1,037 respectively, for a net unrealized loss of \$444).

Management routinely reviews the Fund's portfolios to assess whether unrealized losses are other-than-temporary. For the preferred shares, unrealized losses are considered to be temporary as these shares 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, management has assessed these unrealized losses as not other-than-temporary, and has not reclassified these unrealized losses to net (loss) income. Marketable securities are held in part to satisfy regulatory requirements for minimum capital applicable to the Fund's insurance company subsidiaries (Note 16).

The Brick Group Income Fund
Notes to the Interim Consolidated Financial Statements
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(unaudited)

6. CAPITAL ASSETS

	June 30, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 11,954	\$ -	\$ 11,954	\$ 11,954	\$ -	\$ 11,954
Buildings	30,261	7,274	22,987	29,858	6,563	23,295
Automotive equipment	454	304	150	456	286	170
Equipment	71,480	31,028	40,452	68,845	26,019	42,826
Software and development costs	8,165	6,821	1,344	8,165	6,230	1,935
Leasehold improvements	113,539	48,408	65,131	107,146	41,092	66,054
	\$ 235,853	\$ 93,835	\$ 142,018	\$ 226,424	\$ 80,190	\$ 146,234

Amortization of capital assets for the three and six month periods ended June 30, 2009 was \$7,796 and \$13,359 respectively (three and six month periods ended June 30, 2008: \$5,752 and \$10,681 respectively).

Leasehold improvements and equipment 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 June 30, 2009. Accordingly, an impairment charge amounting to \$1,744 (three and six month periods ended June 30, 2008: \$NIL), for these write offs is included in amortization expense on the consolidated statements of (loss) income for the three and six month periods ended June 30, 2009.

Included in capital assets is construction in progress of \$3,876 not subject to amortization at June 30, 2009 (December 31, 2008: \$12,271).

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7. GOODWILL AND INTANGIBLE ASSET IMPAIRMENT

The Fund's operating results for the three and six month periods ended June 30, 2009 were below management's expectations and as a result, the Fund revised its forecasts for sales, operating results, and cash flows. As well, the Fund's market capitalization decreased significantly during the quarter as its unit price fell from a closing price of \$1.22 on March 31, 2009 to a closing price of \$0.65 on June 30, 2009. Taken together, these events triggered an interim review of the carrying value of the Fund's brand indefinite life intangible assets and goodwill to determine whether an impairment charge was required. The Fund performed the interim review as at June 30, 2009. As a result, impairment charges of \$25,000 and \$108,459 related to the Fund's brands (the "Brick" and "United Furniture Warehouse") and the Fund's goodwill, respectively, and related future income tax recoveries of \$10,080 were recognized in the Fund's consolidated statements of (loss) income for the three month period ended June 30, 2009. These impairment charges were recognized in the retail segment.

For the six month period ended June 30, 2009, total impairment charges of \$158,459, including the goodwill impairment charge of \$108,459 and a \$50,000 impairment charge related to the Fund's brands, and related future income tax recoveries of \$14,770 were recognized in the Fund's consolidated statements of (loss) income.

The assessment of fair value for purposes of the goodwill and indefinite life 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 brand intangible assets.

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8. INTANGIBLE ASSETS AND DEFERRED CHARGES

	June 30, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Finite Life:						
Information systems	\$ 15,158	\$ 11,449	\$ 3,709	\$ 15,158	\$ 10,293	\$ 4,865
Leasehold interests	8,414	5,997	2,417	8,414	5,622	2,792
Non-competitive agreements	5,414	5,328	86	5,414	4,690	724
Customer relationships	5,100	5,092	8	5,100	5,084	16
Retail financing fees	7,833	418	7,415	1,884	382	1,502
Indefinite life:						
Brand (Note 7)	45,970	-	45,970	95,970	-	95,970
	\$ 87,889	\$ 28,284	\$ 59,605	\$ 131,940	\$ 26,071	\$ 105,869

Amortization of intangible assets and deferred charges for the three and six month periods ended June 30, 2009 was \$1,267 and \$2,463 respectively (three month and six month periods ended June 30, 2008 (Note 3): \$1,133 and \$2,291 respectively). Included in these amounts is \$37 and \$75 (2008: \$38 and \$75), respectively, that is amortization of retail financing fees which is included in cost of sales in the interim consolidated statements of (loss) income. At June 30, 2009, retail financing fees include transaction fees of \$6,332 paid to secure the Asset-Based Credit Facility (Note 9).

Deferred retail financing fees of \$710 related to the Fund's Credit Facilities which were repaid in conjunction with the recapitalization transaction (Note 9) were included in loss on extinguishment of debt on the consolidated statements of (loss) income for the three and six month periods ended June 30, 2009.

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9. DEBT

Long-term Debt

	June 30, 2009	December 31, 2008
Debtures, net of unamortized transaction costs and proceeds allocated to Warrants of \$8,959, with an aggregate principal amount of \$120,000.	\$ 111,041	\$ -
Senior secured notes, net of unamortized transaction costs of \$878, with an aggregate principal amount of \$83,000.	-	82,122
	\$ 111,041	\$ 82,122

On May 28, 2009, the Fund's senior secured notes ("Senior Notes") were refinanced on a long-term basis through a recapitalization transaction as follows:

- a \$120 million financing comprised of the sale of debt units (the "Debt Units"), each Debt Unit consisting of \$1,000 principal amount of 12% senior secured debentures (the "Debentures") and 1,000 Class A Unit purchase warrants (the "Warrants") (Note 10); and
- a new asset-based credit facility (the "Asset-Based Credit Facility"); and
- the repayment of all of the Fund's outstanding Senior Notes, together with accrued interest and an early settlement penalty, totalling approximately \$85,200, and bank indebtedness totalling approximately \$55,100.

The Fund closed the financing for gross proceeds of \$120,000. Proceeds of \$30,000 were received pursuant to a short form prospectus (the "Public Offering"), and proceeds of \$90,000 were received pursuant to a private placement to accredited investors under an exemption from the prospectus requirements of applicable securities laws (the "Private Placement").

The proceeds of the financing were used to repay the Senior Notes with an aggregate principal amount of \$83,000 plus accrued interest of \$1,361 and an associated early settlement fee of \$830, and also to partially repay the Fund's Operating Credit Facility. The early settlement fee is included in loss on extinguishment of debt on the consolidated statements of (loss) income for the three and six month periods ended June 30, 2009.

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DEBT (continued)

	Debentures	Warrants (Note 10)	Total
Allocation of gross proceeds	\$ 117,600	\$ 2,400	\$ 120,000
Allocation of transaction costs, net of future income taxes	(6,706)	(137)	(6,843)
Opening balance	110,894	2,263	113,157
Future income taxes related to transaction costs	-	21	21
Accretion	147	-	147
Carrying amount	\$ 111,041	\$ 2,284	\$ 113,325

The Fund allocated the gross proceeds from the financing between the Debentures and Warrants using the residual value method. Under the residual value method, gross proceeds from the financing are allocated to the Debentures based on their fair value. The residual amount of gross financing proceeds is then allocated to the Warrants. Fair value for the Debentures was determined using the quoted closing market price of the Debentures on their date of issue, May 28, 2009. Transaction costs related to the financing have been allocated pro rata to the Debentures and Warrants based on the allocation of gross financing proceeds.

Debentures

The Debentures mature on May 30, 2014 and bear interest at a fixed rate of 12% per annum, payable in cash semi-annually in arrears on December 31st and June 30th of each year commencing on December 31, 2009. The Debentures are not redeemable by the Fund prior to the maturity date. However, upon a change of control of the Fund (which is deemed to occur upon a change in ownership of 66 2/3 % of the Fund's Class A Units), the Fund will be required to make an offer to purchase the Debentures, in whole or in part, at a price equal to 110% of the principal amount of the Debentures plus accrued and unpaid interest. The Debentures are secured by a first charge on all of the real estate and equipment owned by the Fund, and a security interest, ranking subordinate to the security for the Asset-Based Credit Facility, which covers all other assets, including inventory and accounts receivable. The Debentures have no financial covenants. Customary negative covenants include restrictions regarding encumbrance of assets and sale of assets, and limitations on mergers, amalgamations, investments, and on the Fund's ability to make distribution payments.

The Fund will accrete the carrying value of the Debentures to their face value of \$120,000 through a charge to the consolidated statements of (loss) income over their term. This charge will be included in interest on long-term debt and will be calculated using the effective interest method. The effective interest rate for the Debentures is 14.61% and includes accretion expense, amortization of transaction costs, and semi-annual coupon payments.

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DEBT (continued)

Senior Secured Notes

Prior to the recapitalization transaction, the Fund had outstanding Senior Notes with an aggregate principal amount of \$83,000. These notes, issued to six institutional investors, bore interest at a fixed annual rate. Interest only payments were required on September 14th and March 14th of each year until maturity on March 14, 2014, at which time the notes would become repayable in full.

On March 13, 2009, the trust indenture providing for the issuance of the Senior Notes was amended to maintain alignment with financial covenants and other amendments contained in the Credit Facilities amendment. This amendment 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 7.25% per annum for the remainder of the term. The effective interest rate under the amendment increased from 6.979% to 8.183%. The effective interest rate included interest payments together with hedge (Note 14c) and transaction costs.

The Senior Notes were secured by substantially all of the Fund's assets, and ranked pari passu with the Fund's Credit Facilities which included the Operating Credit Facility, the Acquisition Credit Facility, and the Commercial Letter of Credit Facility. The Credit Facilities were secured by a first fixed and floating charge on the assets of the Fund.

In conjunction with the repayment of the Senior Notes, unamortized transaction costs of \$1,455 were written off and are included in loss on extinguishment of debt on the consolidated statements of (loss) income for the three and six month periods ended June 30, 2009.

Asset-Based Credit Facility

On May 28, 2009, in conjunction with the recapitalization transaction, the Fund secured a new Asset-Based Credit Facility which provides for maximum borrowings of up to \$130 million and is secured by the Fund's inventory and accounts receivable. The Asset-Based Credit Facility has no financial covenants. The amount available to be drawn under the Asset-Based Credit Facility will vary from time to time based on the level of the Fund's inventory and accounts receivable. At June 30, 2009, \$43,369 was drawn under the Asset-Based Credit Facility and \$25,983 was undrawn.

The Asset-Based Credit Facility was used to partially fund the repayment of the Fund's outstanding bank indebtedness under its Credit Facilities at the time of the recapitalization transaction, and will be used to fund general working capital requirements. The Asset-Based Credit Facility has a term of 36 months, and bears interest at the Canadian chartered bank prime rate plus 3.0%.

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DEBT (continued)

Bank Indebtedness

Prior to the May 28, 2009 recapitalization transaction, the Fund's bank indebtedness was comprised of the Operating Credit Facility, the Acquisition Credit Facility, and the Commercial Letter of Credit Facility (together, the "Credit Facilities"). For the period March 31, 2009 to the date of repayment on May 28, 2009, the Fund's bank indebtedness increased from \$39,010 to \$55,100. For the period January 1, 2009 to the date of repayment on May 28, 2009, the Fund's bank indebtedness increased from \$NIL to \$55,100.

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 served 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.

* EBITDAR is not an earnings measures 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.

At December 31, 2008 no amount was drawn under the \$60,000 Operating Credit Facility or the \$40,000 Acquisition Credit Facility. The Operating Credit Facility included a Commercial Letter of Credit Facility of \$5,000 of which \$NIL was drawn at December 31, 2008.

10. WARRANTS

The Warrants (Note 9) are recognized in these consolidated financial statements as a separate component of equity. The carrying amount of \$2,284 includes allocated gross proceeds from the sale of the Debt Units of \$2,400, and is net of allocated transaction costs of \$137 offset by a future income tax asset of \$21. Each Warrant entitles the holder to purchase one Class A Unit, at any time prior to 5:00 p.m. (Eastern time) on May 27, 2014 at a price of \$1.00 per Class A Unit, subject to certain anti-dilution adjustments.

As at June 30, 2009, no Warrants had been exercised and 120,000,000 were outstanding, of which 30,000,000 issued through the Public Offering were exercisable, and 90,000,000 issued through the Private Placement were subject to a four-month hold period which expires on September 28, 2009.

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11. DISTRIBUTIONS DECLARED

Distributions were 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 pro rata with the Class A units on a monthly basis.

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 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.

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

Distributions declared and paid during the six month period ended June 30, 2009, are as follows:

Period	Record Date	Payment Date	Per Unit	Declared Amount	Paid Amount
Class A units					
December 2008	December 31, 2008	January 15, 2009	\$ 0.0500	\$ -	\$ 2,709
January 2009	January 31, 2009	February 15, 2009	0.0500	2,710	2,710
				\$ 2,710	\$ 5,419

For the six month period ended June 30, 2008, total distributions declared were \$32,502 (\$34,753 paid), comprised of \$25,752 declared and paid on behalf of the Class A Trust Units, and \$6,750 declared (\$9,001 paid) on behalf of the Class B Trust Units.

Declared cash distributions of \$NIL are included in accounts payable and accrued liabilities at June 30, 2009 (December 31, 2008: \$2,709).

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12. RELATED PARTY TRANSACTIONS

Included in selling, general and administrative expenses is rent expense of \$257 and \$513 for the three and six month periods ended June 30, 2009 respectively (three and six month periods ended June 30, 2008: \$249 and \$461 respectively), 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 three and six month periods ended June 30, 2009, the Fund sold inventory of \$565 and \$984 respectively (three and six month periods ended June 30, 2008: \$462) to this franchise.

During 2008, 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 three and six month periods ended June 30, 2009, the Fund sold inventory of \$1,157 and \$2,434 respectively (three and six month periods ended June 30, 2008: \$NIL) to these franchises. This director resigned from the boards of Trans Global Insurance Company, and Trans Global Life Insurance Company effective May 5, 2009.

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 June 30, 2009 is \$182 (December 31, 2008: \$400) for loans made to employees. These loans relate to employee relocation.

In conjunction with the May 28, 2009 recapitalization transaction (Note 9), the Fund issued Debentures and Warrant to William H. Comrie ("Comrie"), a resident of the United States, who holds a 39.80% interest in the Fund through 21,561,983 Class A Trust Units, and to Fairfax Financial Holdings Limited ("Fairfax"), which holds 15.47% of all units outstanding, or 8,380,200 Class A Trust Units. Comrie purchased \$18,000 of Debentures and Fairfax purchased \$45,000 of Debentures. Interest on long-term debt for the three months ended June 30, 2009 related to the Debentures and payable to Comrie and Fairfax was \$174 and \$434 respectively. Further, as a result of the recapitalization transaction, Comrie and Fairfax hold 18,000,000 and 45,000,000 Warrants respectively.

Subsequent to June 30, 2009, the Fund entered into a letter of intent with Fairfax for a \$25,000 standby letter of credit facility. In conjunction with this transaction, the Fund will pay a fee of \$300,000 to Fairfax and issue to Fairfax 5,317,100 warrants (Note 19).

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13. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	June 30, 2009 (3 months)	June 30, 2008 (3 months)	June 30, 2009 (6 months)	June 30, 2008 (6 months)
Cash provided (used in) by				
Accounts receivable	\$ (8,715)	\$ (12,771)	\$ 6,085	\$ 4,217
Inventory	3,733	(6,848)	52,301	29,958
Prepaid expenses and deposits	132	(1,346)	(254)	(1,456)
Accounts payable and accrued liabilities	(15,408)	28,762	(104,785)	(19,980)
Corporate income taxes payable	-	-	-	(81)
Customers' deposits	7,760	4,662	(1,711)	(6,616)
Unpaid claims reserve	(422)	174	(785)	347
Deferred service revenue	2	(49)	-	(152)
	(12,918)	12,584	(49,149)	6,237
Lease receivables, long-term portion	533	-	(78)	-
Accounts payable and accrued liabilities related to distributions	-	2,251	2,709	2,251
Accounts payable and accrued liabilities related to capital assets	2,945	(753)	5,449	(202)
	\$ (9,440)	\$ 14,082	\$ (41,069)	\$ 8,286

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14. FINANCIAL INSTRUMENTS

Classification and Fair Value of Financial Instruments

As at June 30, 2009 and December 31, 2008, the classification of the Fund's financial instruments, as well as their carrying amounts and fair values, are shown in the tables below.

June 30, 2009	Held for Trading (fair value)	Available for Sale (fair value)	Held to Maturity (amortized cost)	Loans and Receivables (amortized cost)	Other Financial Liabilities (amortized cost)	Total Carrying Amount	Fair Value
Financial Assets							
Cash and cash equivalents	\$ 6,328	\$ -	\$ -	\$ -	\$ -	\$ 6,328	\$ 6,328
Accounts receivable	-	-	-	63,531	-	63,531	63,531
Marketable securities	-	16,724	109	-	-	16,833	16,833
Financial Liabilities							
Asset-based credit facility	\$ -	\$ -	\$ -	\$ -	\$ 43,369	\$ 43,369	\$ 43,369
Accounts payable and accrued liabilities	-	-	-	-	146,223	146,223	146,223
Long-term debt	-	-	-	-	111,041	111,041	115,800

December 31, 2008	Held for Trading (fair value)	Available for Sale (fair value)	Held to Maturity (amortized cost)	Loans and Receivables (amortized cost)	Other Financial Liabilities (amortized cost)	Total Carrying Amount	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

For the Fund, after considering its own credit risk and the credit risk of counter parties, fair value is equal to carrying value for all its financial instruments other than long-term debt.

As at June 30, 2009, the fair value of the Debentures which comprise long-term debt has been determined using their closing quoted market price on June 30, 2009 of \$96.50 per \$100.00 of face value. For the long-term debt at June 30, 2009, fair value is calculated based on the face value of the Debentures of \$120,000, which differs from their carrying value of \$111,041 (Note 9).

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FINANCIAL INSTRUMENTS (continued)

As at December 31, 2008, the fair value of the senior secured notes which comprise long-term debt was 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. 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%.

For the senior secured notes, fair value was calculated based on their aggregate principal amount of \$83,000. This amount differs from the carrying value at December 31, 2008 of \$82,122 which is net of unamortized transaction costs of \$878. The amortization of these transaction costs, using the effective interest method over the term to maturity, has been included in interest on long-term debt in the consolidated statements of (loss) income. The calculation of fair value does not include consideration of amounts that were potentially payable if the senior secured notes were 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 receivables, 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 three and six month periods ended June 30, 2009, the Fund recorded an expense for bad debts of \$274 and \$629 respectively (three and six month periods ended June 30, 2008: \$388 and \$766 respectively). The accounts receivable balance includes \$4,725 that is past due for more than 60 days as at June 30, 2009 (December 31, 2008: \$3,561). The Fund's allowance for doubtful accounts, established through on-going monitoring of the accounts, was \$3,817 as at June 30, 2009 (December 31, 2008: \$3,674).

At June 30, 2009, 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 long-term debt is due May 30, 2014.

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.

(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 its floating-rate Asset-Based Credit Facility due to fluctuations in interest rates.

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.

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FINANCIAL INSTRUMENTS (continued)

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 9), 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 had been recorded in other comprehensive (loss) income and was being 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 would have matured on March 14, 2014.

In conjunction with the May 28, 2009 recapitalization transaction, the senior secured notes were repaid prior to their maturity. Consequently, the balance of the bond forward settlement amount remaining in accumulated other comprehensive (loss) income of \$554 has been reclassified to net income and included in interest expense on long-term debt for the three month period ended June 30, 2009 (three month period ended June 30, 2008: other comprehensive income of \$28 comprised of a reclassification of loss to net income of \$28).

For the six month period ended June 30, 2009, other comprehensive income arising from this cash flow hedge was \$581 comprised of a reclassification of loss to net income of \$27 due to amortization of the loss resulting upon the settlement of the bond forward contract, and a reclassification to net income of \$554 due to repayment of the senior secured notes prior to their maturity (six month period ended June 30, 2008: other comprehensive income of \$56 comprised of a reclassification of loss to net income of \$56).

Sensitivity of bank indebtedness and asset-based credit facility to interest rates

Net income is sensitive to the impact of a change in interest rates on the average indebtedness under the Asset-Based Credit Facility or, prior to May 28, 2009, the Credit Facilities, during a period. For the three month and six month periods ended June 30, 2009, the Fund's average indebtedness was \$42,897 and \$41,979 respectively. Accordingly, a difference during the period of one percentage point in the applicable interest rate would have impacted consolidated net loss for the three month and six month periods by \$107 and \$210 respectively.

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FINANCIAL INSTRUMENTS (continued)

Currency risk

The Fund is exposed to foreign currency fluctuations to the extent that approximately 18 to 22% of inventory purchases are made in U.S. dollar prices. This risk is mitigated to the extent that increases in product costs due to foreign currency fluctuations can be offset by adjustments to 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 June 30, 2009 and December 31, 2008, 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 June 30, 2009 was \$254 (December 31, 2008: \$240).

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.

The Fund is exposed to fair value risk on the long-term debt, due to fluctuations in market prices for the Debentures. Changes in the fair value of the Debentures do not impact the Fund’s results of operations, its financial position, or its cash flows.

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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:

	1 - 3 Years	4 - 6 Years	> 6 Years	Total
Amortized cost	\$ 10,808	\$ 3,712	\$ 30	\$ 14,550
Unamortized premium	(20)	(39)	-	(59)
Redemption amount	\$ 10,788	\$ 3,673	\$ 30	\$ 14,491

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 June 30, 2009 was 0.85.

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 5.

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15. 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 annual consolidated financial statements for the year ended December 31, 2008 and in Note 3.

All inter-company transactions and balances, including inter-company revenues of \$2,258 and \$5,006 for the three and six month period ended June 30, 2009 (\$3,060 and \$6,062 for the three and six month periods ended June 30, 2008) have been appropriately eliminated.

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SEGMENTED INFORMATION (continued)

	June 30, 2009 (3 months)			
	Retail	Financial Services	Intersegment Eliminations	Consolidated
External sales and operating revenue	\$ 237,558	\$ 18,116	\$ -	\$ 255,674
Intersegment revenues	1,596	662	(2,258)	-
Total sales and operating revenue	239,154	18,778	(2,258)	255,674
Cost of sales	144,928	11,745	(5,579)	151,094
Gross margin	94,226	7,033	3,321	104,580
Selling, general and administrative expenses	108,289	592	3,659	112,540
Investment and other income	2,609	1,222	(3,525)	306
Intersegment license fee income (expense) (1)	4,988	(4,988)	-	-
EBITDA*	(6,466)	2,675	(3,863)	(7,654)
Interest expense	4,880	2,461	(3,525)	3,816
Amortization of capital assets (Note 6)	7,796	-	-	7,796
Amortization of intangible assets and deferred charges (Note 8)	1,230	-	-	1,230
Loss on extinguishment of debt (Notes 8 & 9)	3,046	-	-	3,046
Intangible asset impairment (Note 7)	133,459	-	-	133,459
(Loss) income before income taxes	(156,877)	214	(338)	(157,001)
Income tax recovery (expense)	10,581	53	-	10,634
Net (loss) income (2)	(146,296)	267	(338)	(146,367)
Total intersegment eliminations impacting net (loss) income	(8,927)	8,589	338	-
Net (loss) income - consolidated	\$ (155,223)	\$ 8,856	\$ -	\$ (146,367)
EBITDA*	\$ (6,466)	\$ 2,675	\$ (3,863)	\$ (7,654)
Total intersegment eliminations impacting EBITDA	(10,021)	6,158	3,863	-
Consolidated EBITDA*	\$ (16,487)	\$ 8,833	\$ -	\$ (7,654)
OTHER INFORMATION				
Interest income	\$ 147	\$ 6	\$ -	\$ 153
Goodwill	\$ -	\$ -	\$ -	\$ -
Total assets	\$ 424,532	\$ 47,749	\$ -	\$ 472,281
Capital expenditures	\$ 4,083	\$ -	\$ -	\$ 4,083
Amortization of deferred warranty revenue	\$ -	\$ 12,333	\$ -	\$ 12,333
Amortization of deferred acquisition costs	\$ -	\$ 2,292	\$ -	\$ 2,292

(1) Intersegment license fees of \$4,988 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)

	June 30, 2008 (3 months)			
	Retail	Financial Services	Intersegment Eliminations	Consolidated
External sales and operating revenue	\$ 338,319	\$ 14,908	\$ -	\$ 353,227
Intersegment revenues	2,265	795	(3,060)	-
Total sales and operating revenue	340,584	15,703	(3,060)	353,227
Cost of sales	202,272	8,928	(3,635)	207,565
Gross margin	138,312	6,775	575	145,662
Selling, general and administrative expenses	127,419	593	1,291	129,303
Investment and other income	2,563	1,192	(3,431)	324
Intersegment license fee income (expense) (1)	5,616	(5,616)	-	-
EBITDA*	19,072	1,758	(4,147)	16,683
Interest expense	3,376	2,431	(3,431)	2,376
Amortization of capital assets (Note 6)	5,752	-	-	5,752
Amortization of intangible assets and deferred charges (Note 8)	1,095	-	-	1,095
Loss on extinguishment of debt (Notes 8 & 9)	-	-	-	-
Intangible asset impairment	-	-	-	-
Income (loss) before income taxes	8,849	(673)	(716)	7,460
Income tax (expense) recovery	(12)	102	-	90
Net income (loss) (2)	8,837	(571)	(716)	7,550
Total intersegment eliminations impacting net (loss) income	(8,917)	8,201	716	-
Net (loss) income - consolidated	\$ (80)	\$ 7,630	\$ -	\$ 7,550
EBITDA*	\$ 19,072	\$ 1,758	\$ (4,147)	\$ 16,683
Total intersegment eliminations impacting EBITDA	(9,917)	5,770	4,147	-
Consolidated EBITDA*	\$ 9,155	\$ 7,528	\$ -	\$ 16,683
OTHER INFORMATION				
Interest income	\$ 64	\$ 39	\$ -	\$ 103
Goodwill	\$ 305,349	\$ -	\$ -	\$ 305,349
Total assets	\$ 869,260	\$ 51,777	\$ -	\$ 921,037
Capital expenditures	\$ 6,868	\$ -	\$ -	\$ 6,868
Amortization of deferred warranty revenue	\$ -	\$ 9,239	\$ -	\$ 9,239
Amortization of deferred acquisition costs	\$ -	\$ 1,555	\$ -	\$ 1,555

(1) Intersegment license fees of \$5,616 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)

	June 30, 2009 (6 months)			
	Retail	Financial Services	Intersegment Eliminations	Consolidated
External sales and operating revenue	\$ 491,714	\$ 35,559	\$ -	\$ 527,273
Intersegment revenues	3,656	1,350	(5,006)	-
Total sales and operating revenue	495,370	36,909	(5,006)	527,273
Cost of sales	300,953	22,118	(10,389)	312,682
Gross margin	194,417	14,791	5,383	214,591
Selling, general and administrative expenses	217,702	1,096	6,226	225,024
Investment and other income	5,044	2,316	(7,011)	349
Intersegment license fee income (expense) (1)	10,256	(10,256)	-	-
EBITDA*	(7,985)	5,755	(7,854)	(10,084)
Interest expense	8,175	4,884	(7,011)	6,048
Amortization of capital assets (Note 6)	13,358	1	-	13,359
Amortization of intangible assets and deferred charges (Note 8)	2,388	-	-	2,388
Loss on extinguishment of debt (Notes 8 & 9)	3,046	-	-	3,046
Intangible asset impairment (Note 7)	158,459	-	-	158,459
(Loss) income before income taxes	(193,411)	870	(843)	(193,384)
Income tax recovery (expense)	17,631	36	-	17,667
Net (loss) income (2)	(175,780)	906	(843)	(175,717)
Total intersegment eliminations impacting net (loss) income	(17,818)	16,975	843	-
Net (loss) income - consolidated	\$ (193,598)	\$ 17,881	\$ -	\$ (175,717)
EBITDA*	\$ (7,985)	\$ 5,755	\$ (7,854)	\$ (10,084)
Total intersegment eliminations impacting EBITDA	(19,995)	12,141	7,854	-
Consolidated EBITDA*	\$ (27,980)	\$ 17,896	\$ -	\$ (10,084)
OTHER INFORMATION				
Interest income	\$ 268	\$ 24	\$ -	\$ 292
Goodwill	\$ -	\$ -	\$ -	\$ -
Total assets	\$ 424,532	\$ 47,749	\$ -	\$ 472,281
Capital expenditures	\$ 8,546	\$ 840	\$ -	\$ 9,386
Amortization of deferred warranty revenue	\$ -	\$ 24,040	\$ -	\$ 24,040
Amortization of deferred acquisition costs	\$ -	\$ 4,432	\$ -	\$ 4,432

(1) Intersegment license fees of \$10,256 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)

	June 30, 2008 (6 months)			
	Retail	Financial Services	Intersegment Eliminations	Consolidated
External sales and operating revenue	\$ 651,778	\$ 29,368	\$ -	\$ 681,146
Intersegment revenues	4,430	1,632	(6,062)	-
Total sales and operating revenue	656,208	31,000	(6,062)	681,146
Cost of sales	389,047	17,580	(7,292)	399,335
Gross margin	267,161	13,420	1,230	281,811
Selling, general and administrative expenses	249,381	1,176	2,664	253,221
Investment and other income	5,009	2,398	(6,836)	571
Intersegment license fee income (expense) (1)	11,244	(11,244)	-	-
EBITDA*	34,033	3,398	(8,270)	29,161
Interest expense	6,601	4,835	(6,836)	4,600
Amortization of capital assets (Note 6)	10,679	2	-	10,681
Amortization of intangible assets and deferred charges (Note 8)	2,216	-	-	2,216
Loss on extinguishment of debt (Notes 8 & 9)	-	-	-	-
Intangible asset impairment	-	-	-	-
Income (loss) before income taxes	14,537	(1,439)	(1,434)	11,664
Income tax (expense) recovery	(21)	283	-	262
Net income (loss) (2)	14,516	(1,156)	(1,434)	11,926
Total intersegment eliminations impacting net (loss) income	(17,790)	16,356	1,434	-
Net (loss) income - consolidated	\$ (3,274)	\$ 15,200	\$ -	\$ 11,926
EBITDA*	\$ 34,033	\$ 3,398	\$ (8,270)	\$ 29,161
Total intersegment eliminations impacting EBITDA	(19,790)	11,520	8,270	-
Consolidated EBITDA*	\$ 14,243	\$ 14,918	\$ -	\$ 29,161
OTHER INFORMATION				
Interest income	\$ 79	\$ 95	\$ -	\$ 174
Goodwill	\$ 305,349	\$ -	\$ -	\$ 305,349
Total assets	\$ 869,260	\$ 51,777	\$ -	\$ 921,037
Capital expenditures	\$ 11,001	\$ -	\$ -	\$ 11,001
Amortization of deferred warranty revenue	\$ -	\$ 17,961	\$ -	\$ 17,961
Amortization of deferred acquisition costs	\$ -	\$ 2,981	\$ -	\$ 2,981

(1) Intersegment license fees of \$11,244 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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16. 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 reinstate the Fund's capacity to make distributions; 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 credit facility indebtedness offset by cash and cash equivalents.

	June 30, 2009	December 31, 2008
Long-term debt	\$ 111,041	\$ 82,122
Asset-based credit facility	43,369	-
Cash and cash equivalents	(6,328)	(14,419)
Net debt	148,082	67,703
Unitholders' equity	(39,968)	134,551
Total capital	\$ 108,114	\$ 202,254

Prior to March 2009, the Fund's Distribution Committee held regular monthly meetings to review distributions in light of actual and forecast results. Subsequent to the suspension of distributions announced on February 18, 2009, the Distribution Committee was dissolved. The Fund 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 postaudit 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 is not subject to any financial covenants. The Debentures (Note 9) have customary negative covenants include restrictions regarding encumbrance of assets and sale of assets, and limitations on mergers, amalgamations, investments, and on the Fund's ability to make distribution payments.

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CAPITAL (continued)

The Fund in its current form is expected to qualify as a Specified Investment Flow-Through Entity 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.

The Fund is not subject to any externally imposed capital requirements, other than with respect to its insurance subsidiaries.

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

For purposes of regulatory requirements for TGI and TGLI, capital is considered to be equivalent to their balance sheet equity. Regulatory requirements stipulate that the TGI must maintain minimum capital of at least \$3,000, and TGLI must maintain minimum capital of at least \$5,000. Further, regulators also expect that capital will not fall below the initial capital amount at the companies' inception, which was \$5,000 for TGI and \$6,000 for TGLI. Should the companies' capital fall below the initial capital amount, the regulator may impose additional reporting requirements and may subject the companies to regulatory review. TGI and TGLI had capital in excess of their regulatory minimum capital requirements, and their initial capital amounts at June 30, 2009 and December 31, 2008.

17. 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.

18. COMPARATIVE AMOUNTS

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

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19. SUBSEQUENT EVENT

On August 6, 2009, the Fund entered into an agreement in principal with Fairfax pursuant to which Fairfax has agreed to issue an irrevocable letter of credit in the aggregate principal amount of \$25 million (the "Fairfax LC") to GE Capital, as agent on behalf of itself and the Lenders under the May 28, 2009 Asset-Based Credit Facility agreement (Note 9).

The purpose of the Fairfax LC will be to backstop additional letters of credit to be issued under the GE Credit Agreement to certain of the Fund's inventory suppliers (the "Supplier LCs"); provided such inventory suppliers agree to extend additional new credit to the Fund for inventory of not less than 150% of the Supplier LCs to be issued to such inventory suppliers. The GE Credit Agreement will continue to provide for maximum borrowings of up to \$130 million, and will continue to vary from time to time based on the level of the Fund's inventory and accounts receivable. In connection with Fairfax providing the Fairfax LC, the Fund has requested that the borrowing base under the GE Credit Agreement be amended to provide that Supplier LCs may be margined against 100% of the available amount of the Fairfax LC plus existing availability, if any, based on the level of the Fund's inventory and accounts receivable. The transaction is subject to an amendment to the GE Credit Agreement. Discussions with GE Capital are proceeding according to the Fund's expectations with the goal of concluding the amendment shortly.

The Fairfax LC will have an initial term of six months (the "Initial Term") subject to extension at the option of the Fund for up to an additional 6 months (the "Extension Term"). If amounts are drawn under the Fairfax LC, these amounts will bear interest at a rate of 15% per annum. On the issue date of the Fairfax LC, the Fund will pay a fee to Fairfax in the amount of \$300,000 and issue to Fairfax 5,317,100 warrants. In the event the Fairfax LC is extended, the Fund will pay an extension fee to Fairfax in the amount of \$1,250,000.

Each full warrant will entitle the holder to purchase one Unit. Warrants will be exercisable at the holder's option at any time, in whole or in part, for five years from the date of issue and will be exercisable at a price per unit to be determined pursuant to the rules of the Toronto Stock Exchange. The warrants will include customary anti-dilution provisions, consistent with the terms of the warrants previously issued to Fairfax in connection with the public debt offering on May 28, 2009.

The transaction has been unanimously approved by the independent trustees of the Fund, free from interest in the transaction and unrelated to the parties involved. Closing is subject to the execution of definitive documents, including an amendment to the GE Credit Agreement, to reflect the LC transaction, and to obtain all necessary regulatory, corporate and credit approvals, including those of the lenders under the GE Facility.