

Consolidated Financial Statements of

THE BRICK GROUP INCOME FUND

For the year ended December 31, 2009

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, 2009 and December 31, 2008 and the consolidated statements of loss and comprehensive loss, 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, 2009 and December 31, 2008 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 22, 2010

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The Brick Group Income Fund
Consolidated Balance Sheets
As at December 31, 2009 and December 31, 2008
(thousands of Canadian dollars)

	2009	2008
		(See Note 3)
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 19,548	\$ 14,419
Accounts receivable (Note 4)	71,504	69,616
Inventory (Note 5)	170,862	207,627
Deferred issuance costs (Note 10)	1,654	-
Prepaid expenses and deposits	6,264	3,027
	269,832	294,689
NET INVESTMENT IN LEASE RECEIVABLES (Note 4)	139	517
MARKETABLE SECURITIES (Note 6)	16,703	18,912
DEFERRED ACQUISITION COSTS	24,590	25,382
CAPITAL ASSETS (Note 7)	125,175	138,188
GOODWILL (Note 8)	-	108,459
INTANGIBLE ASSETS AND DEFERRED CHARGES (Notes 8 & 9)	63,057	113,915
FUTURE INCOME TAXES (Note 12)	36	48
	\$ 499,532	\$ 700,110
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 161,305	\$ 233,578
Customers' deposits	62,470	53,401
Unpaid claims reserve	2,528	3,099
	226,303	290,078
DEFERRED SERVICE REVENUE	33	14
DEFERRED LEASE INDUCEMENTS AND RENT LIABILITIES	47,816	38,847
DEFERRED WARRANTY PLAN REVENUE AND UNEARNED INSURANCE REVENUE (Note 11)	130,047	133,757
LONG-TERM DEBT (Note 10)	111,683	82,122
FUTURE INCOME TAXES (Note 12)	3,972	20,741
	519,854	565,559
COMMITMENTS AND CONTINGENCIES (Note 19)		
GUARANTEES (Note 20)		
UNITHOLDERS' (DEFICIT) EQUITY		
Trust units (Note 13)	529,324	528,213
Warrants (Note 14)	7,249	-
Deficit	(556,871)	(391,144)
Accumulated other comprehensive loss	(24)	(2,518)
	(20,322)	134,551
	\$ 499,532	\$ 700,110

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 and Comprehensive Loss
For the Years Ended December 31, 2009 and December 31, 2008
(thousands of Canadian dollars except unit and per unit amounts)

	2009	2008
Consolidated Statements of Loss		
		(See Note 3)
SALES AND OPERATING REVENUE	\$ 1,223,595	\$ 1,427,113
COST OF SALES (Note 5)	718,979	846,577
GROSS MARGIN	504,616	580,536
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	472,550	512,459
	32,066	68,077
OTHER INCOME (EXPENSE)		
Investment and other income	762	175
Other interest	(2,612)	(3,765)
Interest on long-term debt	(12,347)	(5,588)
Amortization of deferred issuance costs (Note 10)	(3,952)	-
Amortization (Note 17)	(31,534)	(26,459)
	(49,683)	(35,637)
(LOSS) INCOME BEFORE UNDERNOTED ITEMS	(17,617)	32,440
Loss on extinguishment of debt (Notes 9 & 10)	(3,046)	-
Goodwill and intangible asset impairment (Note 8)	(158,459)	(241,471)
LOSS BEFORE INCOME TAXES	(179,122)	(209,031)
INCOME TAX (EXPENSE) RECOVERY (Note 12)		
Current	(631)	(325)
Future	16,736	10,257
	16,105	9,932
NET LOSS	\$ (163,017)	\$ (199,099)
Basic and diluted net loss per unit	\$ (2.99)	\$ (3.68)
Basic and diluted average number of units outstanding	54,433,478	54,171,133
Consolidated Statements of Comprehensive Loss		
NET LOSS	\$ (163,017)	\$ (199,099)
Other comprehensive income (loss), net of income taxes		
Net increase (decrease) in unrealized fair value of available for sale securities	1,913	(1,607)
Net change in cash flow hedge (Note 21c)	581	111
Other comprehensive income (loss)	2,494	(1,496)
COMPREHENSIVE LOSS	\$ (160,523)	\$ (200,595)

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, 2009 and December 31, 2008
(thousands of Canadian dollars)

	2009	2008
		(See Note 3)
Trust units		
Balance at beginning of year	\$ 528,213	\$ 528,213
Exercise of warrants (Note 14)	1,111	-
Balance at end of year	529,324	528,213
Deficit		
Balance at beginning of year as previously reported	-	(126,372)
Change in accounting policy (Note 3)	-	(6,086)
Balance at beginning of year as restated	(391,144)	(132,458)
Net loss (Note 3)	(163,017)	(199,099)
Distributions declared (Note 15)	(2,710)	(59,587)
Balance at end of year	(556,871)	(391,144)
Warrants		
Warrants issued (Note 14)	7,386	-
Warrants issue costs	(137)	-
Future income tax impact of warrants issue costs	21	-
Warrants exercised (Note 14)	(21)	-
Balance at end of year	7,249	-
Accumulated other comprehensive loss on available for sale securities		
Balance at beginning of year	(1,937)	(330)
Unrealized gain (loss) arising during the year (Note 6)	2,120	(3,546)
Income taxes on unrealized (gain) loss arising during the year	(562)	1,147
Reclassification of other-than-temporary impairment to net income	122	846
Income taxes on reclassification of other-than-temporary impairment to net income	(32)	(274)
Reclassification of realized losses to net income	361	325
Income taxes on reclassification of realized losses to net income	(96)	(105)
Balance at end of year	(24)	(1,937)
Accumulated other comprehensive loss on cash flow hedge (Note 21c)		
Balance at beginning of year	(581)	(692)
Reclassification of loss on cash flow hedge to net income (net of income taxes of \$NIL)	581	111
Balance at end of year	-	(581)
Total accumulated other comprehensive loss	(24)	(2,518)
Total unitholders' (deficit) equity	\$ (20,322)	\$ 134,551

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, 2009 and December 31, 2008
(thousands of Canadian dollars)

	2009	2008
		(See Note 3)
OPERATING ACTIVITIES		
Net loss	\$ (163,017)	\$ (199,099)
Add (deduct) items not affecting cash		
Amortization (Note 17)	31,671	26,609
Amortization of deferred lease inducements	(2,702)	(1,679)
Amortization of deferred warranty revenue	(49,402)	(38,742)
Amortization of deferred acquisition costs	9,155	6,623
Amortization of financing fee and transaction costs	873	167
Amortization of deferred issuance costs (Note 10)	3,952	-
Accretion expense on debenture	271	-
Future income taxes	(16,736)	(10,257)
Reclassification from other comprehensive loss related to hedging activity	581	111
Amortization of preferred share premiums	73	187
Loss (gain) on sale of capital assets	1,145	(11)
Other-than-temporary impairment of marketable securities (Note 6)	122	846
Loss on sale of marketable securities	375	325
Loss on extinguishment of debt	2,165	-
Goodwill and intangible asset impairment (Note 8)	158,459	241,471
Income taxes related to other comprehensive income	(690)	-
Change in deferred service revenue	19	(169)
Change in deferred rent liabilities	5,148	4,891
Change in lease receivables, long-term portion	378	(517)
Cash received for leasehold inducements	6,522	4,319
Cash paid for deferred acquisition costs	(8,363)	(10,061)
Cash received on warranty and insurance sales	45,692	49,627
	25,691	74,641
Changes in non-cash operating working capital items (Note 18)	(22,852)	40,929
	2,839	115,570
FINANCING ACTIVITIES		
Decrease in net bank indebtedness (Note 10)	-	(14,637)
Borrowings under asset-based credit facility	459,035	-
Repayments under asset-based credit facility	(459,035)	-
Financing fees paid	(665)	-
Distributions paid (Note 15)	(5,419)	(64,546)
Repayment of senior secured notes (Note 10)	(83,000)	-
Issuance of debentures and warrants, net of transaction costs (Note 10)	112,892	-
Proceeds from exercise of warrants (Note 14)	1,090	-
	24,898	(79,183)
INVESTING ACTIVITIES		
Additions to capital assets	(9,942)	(35,709)
Change in accounts payable and accrued liabilities related to capital assets	(6,574)	4,517
Additions to marketable securities	(3,280)	(1,707)
Additions to intangible assets	(9,823)	(556)
Proceeds from sale of marketable securities	7,522	3,187
Additions to deferred issuance cost	(621)	-
Proceeds on disposal of capital assets	110	126
	(22,608)	(30,142)
INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		
	5,129	6,245
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	14,419	8,174
CASH AND CASH EQUIVALENTS, END OF YEAR		
	\$ 19,548	\$ 14,419
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest and dividends received	\$ 898	\$ 1,236
Interest paid	\$ 14,961	\$ 7,708
Income taxes recovered	\$ 8	\$ 8
Income taxes paid	\$ 511	\$ 1,266

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, 2009 and December 31, 2008
(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

These consolidated 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.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and December 31, 2008
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

During 2009, the Fund reported, in its interim consolidated financial statements, risks to its ability to continue as a going concern. These risks stemmed from declining retail sales as the recession negatively impacted consumer confidence and spending in the Canadian retail sector. The resulting decline in the Fund's operating results, and recession-driven tightening of credit markets, led some inventory suppliers to restrict credit terms which negatively impacted the Fund's inventory levels and its ability to deliver goods and complete sales. Together, these recession-related factors imposed significant challenges on the Fund's ability to maintain alignment and effectiveness of its purchasing, logistics, marketing and sales functions, which further exacerbated the decline in sales and resulted in deterioration of the Fund's cash flows and liquidity. The Fund reduced variable and fixed costs where possible.

On February 18, 2009, the Fund suspended its monthly distribution payments. The terms and conditions of the recapitalization transaction described below restrict the Fund's ability to make distributions.

On March 13, 2009, the Fund announced amendments to its Credit Facilities and Senior Notes which served to mitigate the risk of default with respect to financial covenants. However, due to continued deterioration in economic conditions impacting the Fund's business, the Fund would have breached its amended financial covenants at the end of the second quarter of 2009, causing its Credit Facilities and Senior Notes indebtedness to become immediately due and payable. As well, borrowing capacity under the amended facilities was reduced from \$100,000 to approximately \$60,000 which the Fund expected to fully utilize to meet its business and liquidity requirements.

On May 28, 2009, to deal with liquidity and financial covenant risks, the Fund completed a recapitalization transaction (Note 10) to refinance its long-term and operating debt. The recapitalization transaction provided the Fund with additional operating flexibility, as there are no financial covenants under the GE Capital Asset-Based Credit Facility or the Debentures, and also provided the Fund with additional liquidity.

On August 24, 2009, to address limitations to credit terms imposed by some inventory suppliers during the first half of 2009, the Fund entered into an agreement with Fairfax Financial Holdings Limited ("Fairfax") pursuant to which Fairfax issued an irrevocable letter of credit (the "Fairfax LC") (Note 10) to GE Capital in the aggregate principal amount of \$25,000. The purpose of the Fairfax LC is to support the issuing of letters of credit under the \$130,000 GE Capital Asset Based Credit Facility to the Fund's inventory suppliers ("Supplier LCs") in exchange for additional new credit terms. The Fairfax LC matured on February 24, 2010 and was extended, at the Fund's option, for a further six month term at a reduced amount of \$4,000 (Note 25).

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and December 31, 2008
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

The negative impacts of the recession on the Fund were most severe in the first half of 2009. In the third quarter, liquidity provided by the recapitalization transaction allowed the Fund to stabilize its business and return to profitable operating results. In the fourth quarter, in line with the Canadian economy's transition from recession to recovery, the Fund continued to improve its operating results and liquidity position. At December 31, 2009, the Fund had no borrowings under its GE Capital Asset-Based Credit Facility and available borrowing capacity of \$69,226. Further, the Fund believes that it has sufficient borrowing capacity to meet its expected working capital requirements for 2010. On this basis, the Fund believes that the liquidity and recession-related factors experienced primarily in the first half of the 2009 have abated and pose reduced risks to the Fund's operations. Remaining risks to the Fund's operations and liquidity relate generally to the risk of a reversal in the current trend of improvement in the economy.

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 customers' 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 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.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and December 31, 2008
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

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 these 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 loss.

During the year ended December 31, 2009, revenue of \$5,445 including initial fees of \$126 (2008: \$5,824 including initial fees of \$315) was generated from 52 (2008: 47) 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 revenues over the life of the policies. At the balance sheet date, the obligations of the Fund in regard to the unexpired portion of policies in force are deferred as unearned insurance revenue and recognized in future periods.

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. Included in cash and cash equivalents at December 31, 2009 are bankers acceptances of \$NIL (2008: \$335) with maturity dates of 90 days or less.

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 4).

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and December 31, 2008
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

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 vendors are presumed to be a reduction in the prices of the vendors' 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 loss, 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.

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. 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

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").

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and December 31, 2008
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

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 and rent liabilities

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.

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, 2009, the Fund assessed the fair value of its goodwill and brand indefinite life intangible assets and determined that carrying value exceeded fair value.

Accordingly, the Fund has recognized an impairment charge of \$158,459 (2008: \$241,471) in its consolidated statement of loss for the year ended December 31, 2009 (Note 8).

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	3 to 7 years
Non-competitive agreements	5 years

Leasehold interests are amortized over the remaining lease term.

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and December 31, 2008
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

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

Retail financing fees are amortized over the remaining facility term.

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 \$887 were made to these plans during the year ended December 31, 2009 (2008: \$1,718). In 2009, the Fund suspended indefinitely its matching contribution to the defined contribution plan.

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, 2009 and December 31, 2008
(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, 2009, LTIP of \$NIL (2008: \$NIL) was earned and payable to the long-term incentive pool. With respect to the LTIP earned in the 2008 fiscal year, NIL Fund Units were purchased during 2009 (129,532 Fund Units were purchased during 2008 with respect to the LTIP earned in 2007).

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

Income taxes

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

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

The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and December 31, 2008
(thousands of Canadian dollars except unit and per unit amounts)

ACCOUNTING POLICIES (continued)

Variable interest entities

Variable interest entities (“VIEs”) are entities that are subject to control on a basis other than ownership of voting interests. The Fund is required to consolidate VIEs in circumstances where the Fund is exposed to a majority of the risk of loss from the VIE’s activities, is entitled to receive a majority of the VIE’s residual returns (if no other party is exposed to a majority of the VIE’s losses), or both. The Fund currently does not have any VIEs.

Use of estimates

The preparation of consolidated 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 financial instruments and warrants, 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.

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The Brick Group Income Fund
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and December 31, 2008
(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

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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.

Available For Sale

The Fund has classified all of its marketable securities, except for those classified as held to maturity, 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 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.

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ACCOUNTING POLICIES (continued)

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 and the loss charged to 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.

Other Financial Liabilities

For the Fund, the other financial liabilities classification includes the Asset-Based Credit Facility, 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 10), 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, 2009, unamortized deferred financing charges of \$5,916 (2008: \$878) are included in the carrying value of long-term debt. For the year ended December 31, 2009, amortization of the deferred financing charges in the amount of \$1,055 (2008: \$167) have been recorded in the consolidated statements of loss and presented as interest on long-term debt.

Derivatives and Hedge Accounting

All derivatives, including embedded derivatives that must be separately accounted for, are 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.

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ACCOUNTING POLICIES (continued)

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.

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 consolidated 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 consolidated income statement. From time to time, the Fund 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.

For the years ended December 31, 2009 and 2008, the Fund performed reviews for embedded derivatives and none were identified.

Comprehensive Income or loss

The consolidated statement of comprehensive income or loss forms part of the Fund's consolidated financial statements and displays current period net income or loss and other comprehensive income or loss. Accumulated other comprehensive income or loss is 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

Comparatives Amounts

The comparative amounts reflect a retrospective correction to reclassify the long-term portion of deferred rent liability of \$17,430 previously included in accounts payable and accrued liabilities to deferred lease inducements and rent liabilities on the consolidated balance sheet. This correction did not have any effect on net loss, unitholders' equity, cash flows, or externally imposed financial covenants to which the Fund was subject to for the year ended December 31, 2008.

Section 3064 – Goodwill and Intangible Assets

In February 2008, the CICA issued new Handbook Section 3064, Goodwill and Intangible Assets, replacing Handbook Section 3062, Goodwill and Other Intangible Assets. 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 year ended December 31, 2008, these adjustments resulted in a decrease in amortization expense of \$2,643, an increase in selling, general and administrative expenses of \$986, and a corresponding decrease in the net loss of \$1,657. The impact on basic and diluted net loss 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.

As well, the new Section provides guidance for the classification of software costs and requires that when the software is not an integral part of the related hardware, software should be classified as an intangible asset. This change in policy has been applied retrospectively. As a result, the Fund has reclassified the carrying value of software and development costs of \$5,923 from capital assets to intangible assets and deferred charges as at January 1, 2008. For the year ended December 31, 2008, this adjustment resulted in a reclassification of \$2,249 of amortization of capital assets to amortization of intangibles assets and deferred charges. There was no impact to the consolidated statement of loss and comprehensive loss, consolidated statement of cash flow, or to basic and diluted net loss per unit.

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RECENTLY ADOPTED AND PENDING ACCOUNTING POLICIES (continued)

Section 3500 – Earnings per Unit

The warrants (Note 14) issued in conjunction with the recapitalization transaction and the Fairfax LC are potentially dilutive equity instruments. 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 of the Fund 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.

Section 3862 - Financial Instruments – Disclosures

In June 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures, was amended to include additional disclosure requirements about fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and enhance liquidity risk disclosure requirements (Note 21 and 21b). This amendment introduced a three-level hierarchy for classifying and disclosing fair value measurements of financial instruments recognized in the balance sheet at fair value. The classification of financial assets and financial liabilities within the hierarchy is based on whether the inputs to the fair value measurement methodology are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data.

In the first year of application, an entity need not provide comparative information for the disclosures required by the amendments. The amended Section was adopted by the Fund for its fiscal year ending December 31, 2009 and had no impact on its financial position or results of operations.

Section 3855 - Financial Instruments – Recognition and Measurement

In July 2009, CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, was amended to change the categories into which a debt instrument is required or permitted to be classified, to change the impairment model for held-to-maturity financial assets to the incurred credit loss model of Section 3025 – Impaired Loans, and to require reversal of previously recognized impairment losses on available-for sale financial assets in specified circumstances. These amendments apply to annual consolidated financial statements relating to fiscal years beginning on or after November 1, 2008. The amended Section was adopted by the Fund for its fiscal year ended December 31, 2009 and had no impact on its financial position or results of operations.

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RECENTLY ADOPTED AND PENDING ACCOUNTING POLICIES (continued)

Section 3025 - Impaired Loans

In August 2009, CICA Handbook Section 3025, Impaired Loans, was amended to include held to maturity investments and to conform the definition of a loan to that in amended Section 3855. These amendments apply to annual consolidated financial statements relating to fiscal years beginning on or after November 1, 2008. The amended Section was adopted by the Fund for its fiscal year ending December 31, 2009 and had no impact on its financial position or results of operations.

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

In January 2009, the Emerging Issues Committee (“EIC”) of the CICA issued EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which applies to interim and annual consolidated 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 year has had no impact on the Fund’s results of operations, financial position or disclosures.

Pending Changes to Accounting Policies

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.

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RECENTLY ADOPTED AND PENDING 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.

Section 1625 - Comprehensive Revaluation of Assets and Liabilities

CICA Handbook Section 1625, Comprehensive Revaluation of Assets and Liabilities, was amended to be consistent with Handbook Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-controlling Interests, which were issued in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. 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 3855 - Financial Instruments – Recognition and Measurement

In June 2009, CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, was amended to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes and the application of the effective interest method after a debt instrument has been impaired. These amendments apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The Fund does not expect the amended Section to have any impact on its financial position or results of operations. The Fund plans to adopt the amended 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.

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 and 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 its 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.

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4. ACCOUNTS RECEIVABLE

	2009	2008
Accounts receivable - trade	\$ 35,750	\$ 29,073
Franchise	14,130	17,051
Net investment in lease - current	882	991
Vendor rebates	13,279	9,912
Corporate and premium taxes receivable	528	1,665
Tenant inducements	554	3,207
Other	6,381	7,717
	\$ 71,504	\$ 69,616

Net investment in lease receivables

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

	2009	2008
Gross minimum lease payments receivable	\$ 1,190	\$ 1,846
Less: Unearned interest income	(169)	(338)
Net investments in lease	1,021	1,508
Reported as:		
Current	\$ 882	\$ 991
Long-term	139	517
	\$ 1,021	\$ 1,508

Interest income of \$481 (2008: \$204) earned with respect to the Brickline instalment accounts receivable is included in other interest in the consolidated statements of loss.

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, 2009, accrued vendor rebates of \$315 have been recognized in income for which full requirements for entitlement have not yet been met (2008: \$NIL).

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5. INVENTORY

The amount of inventory recognized as an expense during the year was \$701,893 (2008: \$824,553). This amount is presented within cost of sales in the consolidated statements of loss. 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, a subordinated security interest in favour of its Fairfax LC lender, and a subordinated security interest in favour of its Debenture holders (Note 10).

6. MARKETABLE SECURITIES

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

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.

2009				
Marketable Securities Carried at Amortized Cost	Amortized Cost	Fair Value	Other-than- temporary Impairment	Unrealized (Loss) Gain
Bonds	\$ 106	\$ 110	\$ -	\$ 4
Marketable Securities Carried at Fair Value	Fair Value	Amortized Cost	Other-than- temporary Impairment	Unrealized (Loss) Gain
Preferred shares	13,385	13,320	-	65
Trust units	635	747	115	3
Common shares	2,052	2,047	7	12
Exchange traded funds	525	778	-	(253)
	16,597	16,892	122	(173)
	\$ 16,703	\$ 17,002	\$ 122	\$ (169)

The total accumulated unrealized loss at December 31, 2009 of \$169 includes unrealized gains arising during the year ended December 31, 2009 of \$2,120 which are recorded as part of other comprehensive income and comprised of unrealized gains of \$2,801 and unrealized losses of \$681.

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MARKETABLE SECURITIES (continued)

2008				
Marketable Securities Carried at Amortized Cost	Amortized Cost	Fair Value	Other-than- temporary Impairment	Unrealized (Loss) Gain
Bonds	\$ 110	\$ 110	\$ -	\$ -
<hr/>				
Marketable Securities Carried at Fair Value	Fair Value	Amortized Cost	Other-than- temporary Impairment	Unrealized (Loss) Gain
Preferred shares	16,359	17,906	846	(701)
Trust units	401	623	-	(222)
Common shares	1,600	2,270	-	(670)
Exchange traded funds	442	778	-	(336)
	18,802	21,577	846	(1,929)
	\$ 18,912	\$ 21,687	\$ 846	\$ (1,929)

The total accumulated unrealized loss at December 31, 2008 of \$1,929 includes unrealized losses arising during the year ended December 31, 2008 of \$3,546 which are recorded as part of other comprehensive income and comprised of unrealized losses of \$4,676, and unrealized gains of \$1,130.

Management routinely reviews the Fund's portfolios to assess whether unrealized losses are other-than-temporary. For preferred shares with fixed redemption dates, unrealized losses are considered to be temporary as these shares become redeemable at face value on their respective redemption dates. For preferred shares without fixed redemption dates, 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 likely to be removed from the portfolio. For the year ended December 31, 2009, the Fund assessed unrealized losses for certain common shares and trust units to be other-than-temporary, and accordingly, has reclassified unrealized losses of \$122 (2008: NIL) from other comprehensive income to investment income on the statement of income. In determining that these unrealized losses were other-than-temporary, the Fund considered that there had been a prolonged decline in the fair value of these marketable securities below their amortized cost. Management has assessed the remaining unrealized losses as not other-than-temporary, and accordingly, has not reclassified these unrealized losses to net income. Marketable securities are held in part to satisfy regulatory requirements for minimum capital applicable to the Fund's insurance company subsidiaries (Note 23).

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MARKETABLE SECURITIES (continued)

During the year ended December 31, 2008, the Fund recorded an impairment loss of \$846 with respect to its holdings of preferred shares of Nortel Networks Corporation (“Nortel”). In determining that the decline in value was other-than-temporary, the Fund considered the significant financial difficulty of Nortel.

The average annual effective rate of return based on amortized cost over the periods to the next call date of the preferred shares is 4.44% (2008: 4.27%). The preferred shares’ next call dates are as follows:

	1 - 3 Years	4 - 6 Years	> 6 Years	Total
Amortized cost	\$ 11,164	\$ 2,156	\$ -	\$ 13,320
Unamortized premium	(40)	(2)	-	(42)
Redemption amount	\$ 11,124	\$ 2,154	\$ -	\$ 13,278

7. CAPITAL ASSETS

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 11,954	\$ -	\$ 11,954	\$ 11,954	\$ -	\$ 11,954
Buildings	30,333	8,039	22,294	29,858	6,563	23,295
Automotive equipment	479	322	157	456	286	170
Equipment	66,202	32,808	33,394	61,557	24,842	36,715
Leasehold improvements	110,383	53,007	57,376	107,146	41,092	66,054
	\$ 219,351	\$ 94,175	\$ 125,175	\$ 210,971	\$ 72,783	\$ 138,188

Amortization expense for capital assets for the year ended December 31, 2009 was \$21,700 (2008: \$19,876).

In conjunction with a review of its long-lived assets for potential impairment, the Fund determined that 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. Accordingly, an impairment charge amounting to \$1,744 (2008: \$595) for these write offs is included in amortization expense in the consolidated statements of loss.

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CAPITAL ASSETS (continued)

Included in capital assets is construction in progress of \$879 not subject to amortization at December 31, 2009 (2008: \$12,271).

Included in capital assets is the cost of properties held for leasing purposes of \$7,239 (2008: \$7,239) and accumulated amortization of \$2,423 (2008: \$2,285). Rental income for the year ended December 31, 2009 was \$1,294 (2008: \$ 819).

8. GOODWILL AND INTANGIBLE ASSET IMPAIRMENT

	2009			2008	
	Goodwill	Brand (Note 9)	Total		
Balance at beginning of year	\$ 108,459	\$ 95,970	\$ 204,429	\$	445,700
Write down due to impairment	(108,459)	(50,000)	(158,459)		(241,471)
	\$ -	\$ 45,970	\$ 45,970	\$	204,229

The Fund's operating results for the first and second quarters of 2009 were below management expectations. As well, the Fund's market capitalization decreased significantly during the second quarter. These events triggered interim reviews of the carrying values of the Fund's brand indefinite life intangible assets and goodwill to determine whether impairment charges were required. These interim reviews were performed for the first and second quarters of 2009.

As a result, total impairment charges of \$158,459 (2008: \$241,471), including an impairment charge of \$108,459 related to the entire remaining balance of the Fund's goodwill (2008: \$196,890), and a \$50,000 (2008: \$44,581) impairment charge related to the Fund's brands (the "Brick" and "United Furniture Warehouse"), and related future income tax recoveries of \$14,770 (2008: \$9,362) have been recognized in the Fund's consolidated statements of loss. These impairment charges have been recognized in the retail segment.

The Fund has performed its annual review for impairment of its brand indefinite life intangible assets and determined that as at December 31, 2009, no further impairment in carrying value exists.

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, capital markets, and specifically, the retail sector. As such, the assessment is subject to a significant degree of measurement uncertainty.

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9. INTANGIBLE ASSETS AND DEFERRED CHARGES

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Finite life:						
Information systems	\$ 32,283	\$ 22,517	\$ 9,766	\$ 30,612	\$ 17,701	\$ 12,911
Leasehold interests	8,414	6,356	2,058	8,414	5,622	2,792
Non-competitive agreements	5,414	5,374	40	5,414	4,690	724
Customer relationships	5,100	5,096	4	5,100	5,084	16
Retail financing fees (Note 10)	6,527	1,308	5,219	1,884	382	1,502
Indefinite life:						
Brand (Note 8)	45,970	-	45,970	95,970	-	95,970
	\$ 103,708	\$ 40,651	\$ 63,057	\$ 147,394	\$ 33,479	\$ 113,915

Amortization of intangible assets and deferred charges for the year ended December 31, 2009 was \$9,971 (2008: \$6,733 (Note 3: Section 3064 – Goodwill and Intangible Assets)), including \$137 (2008: \$150) that is amortization of retail financing fees included in cost of sales in the consolidated statements of loss (Note 17).

Retail financing fees of \$1,125 were no longer providing a benefit to the Fund and were written off. Accordingly, an impairment charge of \$1,125 is included in amortization expense on the consolidated statement of loss for year ended December 31, 2009. This impairment charge has been recognized in the retail segment.

Information systems of \$1,055 were no longer providing a benefit to the Fund and were written off. Accordingly, an impairment charge of \$1,055 is included in amortization expense on the consolidated statement of loss for year ended December 31, 2009. This impairment charge has been recognized in the retail segment.

Retail financing fees of \$710 related to the Fund's Credit Facilities, which were repaid in conjunction with the recapitalization transaction (Note 10), were written off and are included in loss on extinguishment of debt on the consolidated statement of loss for year ended December 31, 2009.

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10. DEBT

Long-term Debt

	2009	2008
Debtures, net of total unamortized transaction costs and proceeds allocated to Warrants of \$8,317, with an aggregate principal amount of \$120,000.	\$ 111,683	\$ -
Senior secured notes, net of unamortized transaction costs of \$878, with an aggregate principal amount of \$83,000.	-	82,122
	\$ 111,683	\$ 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 \$120,000 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 "Debenture Warrants") (Note 14); 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 of \$830 is included in loss on extinguishment of debt in the consolidated statement of loss for the year ended December 31, 2009.

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DEBT (continued)

	Debtures	Warrants (Note 14)	Total
Allocation of gross proceeds	\$ 117,600	\$ 2,400	\$ 120,000
Allocation of transaction costs, net of future income taxes	(6,971)	(137)	(7,108)
Opening balance	110,629	2,263	112,892
Future income taxes related to transaction costs	-	21	21
Accretion	1,054	-	1,054
Carrying amount	\$ 111,683	\$ 2,284	\$ 113,967

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

Debtures

The Debtures 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 Debtures 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 is required to make an offer to purchase the Debtures, in whole or in part, at a price equal to 110% of the principal amount of the Debtures plus accrued and unpaid interest. The Debtures 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 Debtures have no financial covenants. Customary negative covenants include restrictions on the Fund's ability to undertake business combinations, other than a business combination undertaken in conjunction with a conversion of the Fund to a corporation, make investments and loans, incur certain forms of additional debt, extend security interests in the Fund's assets, enter into related party transactions, other than permitted related party transactions, engage in any business other than the businesses currently engaged in, sell capital assets, make distributions, or purchase real estate.

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DEBT (continued)

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 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 14.68% and includes accretion expense, amortization of transaction costs, and semi-annual coupon payments.

Senior Secured Notes

Prior to the recapitalization transaction on May 29, 2009, 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 21c) 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 in 2009 and are included in loss on extinguishment of debt on the consolidated statement of loss for the year ended December 31, 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 \$130,000 and is secured by the Fund's inventory and accounts receivable. The Asset-Based Credit Facility has a term of 36 months, and bears interest at the Canadian chartered bank prime rate plus 3.0%. 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. Under the Asset-Based Credit Facility at December 31, 2009, the borrowing base was margined at \$80,028. At December 31, 2009, there were no cash borrowings outstanding and \$10,802 was drawn by way of standby letters of credit leaving \$69,226 of undrawn credit available to fund operations and working capital requirements.

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DEBT (continued)

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. In connection with the Fairfax letter of credit facility discussed below, the borrowing base under the Asset-Based Credit Facility was amended to provide that Supplier LCs may be margined against 100% of the available amount of the Fairfax LC.

The Asset-Based Credit Facility has no financial covenants. Customary negative covenants include restrictions on the Fund's ability to undertake business combinations, other than a business combination undertaken in conjunction with a conversion of the Fund to a corporation, make investments and loans, incur certain forms of additional debt or modify the terms of the existing Debenture agreement, enter into related party transactions, other than permitted related party transactions, engage in any business other than the businesses currently engaged in, provide guarantees, extend security interests, sell capital assets, make distributions, or purchase real estate.

Letter of Credit Facility

On August 24, 2009, the Fund entered into an agreement with Fairfax pursuant to which Fairfax issued an irrevocable letter of credit in the aggregate principal amount of \$25,000 (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.

The purpose of the Fairfax LC is to backstop additional letters of credit to be issued under the Asset-Based Credit Facility to certain of the Fund's inventory suppliers (the "Supplier LCs"), provided such inventory suppliers extend additional new credit to the Fund for inventory of not less than 150% of the Supplier LCs issued to such inventory suppliers. Maximum borrowings under the Asset-Based Credit Facility of \$130,000 remain unchanged and will continue to vary from time to time based on the level of the Fund's inventory and accounts receivable. Supplier LCs may be margined against 100% of the available amount of the Fairfax LC.

The Fairfax LC has an initial term of six months subject to extension at the option of the Fund for up to an additional six months for an extension fee of \$1,250. The Fairfax LC bears interest at 15% per annum on amounts drawn. On the closing date for the initial term of six months, the Fund paid a fee of \$300 to Fairfax and issued to Fairfax 5,317,100 warrants ("Fairfax LC Warrants") exercisable at \$0.82 per warrant. The resulting total fair value of the Fairfax LC Warrants initially recognized as a component of deferred issuance cost on the Fund's consolidated balance sheet was \$4,986 (Note 14). In addition to the \$300 fee paid to Fairfax, the Fund incurred closing costs of \$331. These fees were included in deferred issuance cost on the Fund's consolidated balance sheet. On February 24, 2010, the Fund extended the Fairfax LC for an additional six-month term at a reduced amount of \$4,000 (Note 25).

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DEBT (continued)

At December 31, 2009, remaining deferred issuance costs of \$1,654 associated with the Fairfax LC include remaining unamortized cash costs of \$187 and non-cash costs of \$1,467 relating to the fair value of the Fairfax LC Warrants. These deferred issuance costs are being charged to income on a straight-line basis over the initial six-month term of the Fairfax LC facility ending February 24, 2010.

Each Fairfax LC Warrant entitles the holder to purchase one Class A Trust Unit and is exercisable at the holder's option at any time, in whole or in part, prior to 5:00 p.m. (Eastern time) on August 24, 2014. The Fairfax LC Warrants include customary anti-dilution provisions, consistent with the terms of the Debenture Warrants previously issued to Fairfax in connection with the public debt offering on May 28, 2009.

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 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.

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11. DEFERRED WARRANTY PLAN AND UNEARNED INSURANCE REVENUE

Deferred warranty plan and unearned insurance revenue will be recorded as earned revenue until the year 2019 as follows:

2010	\$ 49,440
2011	39,018
2012	24,132
2013	12,133
2014	4,636
2014 to 2019	688
	\$ 130,047

12. INCOME TAXES

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

The long-term future income tax 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 long-term future income tax liability, which includes the liability related to the SIFT tax, at December 31, 2009 and 2008, is as follows:

	2009	2008
Inventory	\$ 416	\$ 237
Leasehold improvements	(781)	-
Equipment and information systems	2,779	-
Building	4,012	4,470
Future rent obligation	(5,759)	(5,500)
Finite life intangible assets	(592)	600
Indefinite life intangible asset: Brand	7,962	19,406
Goodwill	(4,083)	1,217
Other	(108)	-
Total related to SIFT tax	3,846	20,430
Other	126	311
Total future tax liability	\$ 3,972	\$ 20,741

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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, announced by the Department of Finance (Canada) on December 15, 2006, 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:

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INCOME TAXES (continued)

	2009	2008
Loss before income taxes	\$ (179,122)	\$ (209,031)
Non - taxable dividends	(820)	(1,025)
Goodwill and brand impairment	158,459	241,471
Tax reserves available for which no benefit has been recognized	25,243	27,524
Income allocated to unitholders	(2,709)	(59,587)
	\$ 1,051	\$ (648)
(Expense) recovery of income taxes at the statutory rate of 31.2% (2008: 31.8%)	\$ (328)	\$ 206
Decrease (increase) related to:		
SIFT Tax - future	16,584	9,820
Other	(151)	(94)
	\$ 16,105	\$ 9,932
Classified as:		
Current expense	\$ (631)	\$ (325)
Future recovery	16,736	10,257
	\$ 16,105	\$ 9,932

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:

	2009	2008
Future income tax assets		
Marketable securities and other assets	\$ 1	\$ 1
Unpaid Claims	35	47
Future income tax assets - long term	\$ 36	\$ 48
Future income tax liabilities		
SIFT tax - future	(3,846)	(20,430)
Deferred acquisition costs	11	64
Deferred warranty revenue	(51)	(285)
Customer relationships	(1)	(5)
Other	(85)	(85)
Future income tax liabilities - long term	\$ (3,972)	\$ (20,741)

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13. TRUST UNITS

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

<i>Issued</i>	2009		2008
	Number of Units	Amount	Amount
Class A Trust Units			
Balance at beginning of year	54,171,133	\$ 528,213	\$ 528,213
Exercise of warrants	1,090,200	1,111	-
Balance at end of year	55,261,333	\$ 529,324	\$ 528,213

During 2009, the Fund issued 1,090,200 Class A Trust Units upon the exercise of Debenture Warrants for total consideration of \$1,111. The value previously attributed to the Debenture Warrants (Note 14) of \$21, was reallocated to Class A Trust Units at that time.

During 2009, 6,000,000 options to purchase Class A Trust Units of the Fund were granted under a stock option plan, subject to unitholder and TSX approval, pursuant to an employment agreement with the Fund's Chief Executive Officer. These options vest December 1, 2011 and expire December 1, 2013. As the options are subject to unitholder approval, there has been no impact on these consolidated financial statements.

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.

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 were 54,171,133 Class A units outstanding.

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.

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14. WARRANTS

Warrants are recognized in these consolidated financial statements as a separate component of equity. The following warrants were outstanding at December 31, 2009:

	Number of Warrants	Amount	Weighted Average Exercise Price
Debenture Warrants			
Issued	120,000,000	\$ 2,284	\$ 1.00
Exercised	(1,090,200)	(21)	1.00
	118,909,800	2,263	1.00
Fairfax LC Warrants			
Issued	5,317,100	4,986	0.82
Balance at end of year	124,226,900	\$ 7,249	\$ 0.99

Debenture Warrants

The Debenture Warrants were issued in conjunction with the May 28, 2009 recapitalization transaction (Note 10). The carrying amount of \$2,263 includes the amount initially recognized of \$2,284 and is net of warrants exercised of \$21. Each Debenture Warrant entitles the holder to purchase one Class A Trust 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 Trust Unit, subject to certain anti-dilution adjustments. As at December 31, 2009, 1,090,200 Debenture Warrants have been exercised.

Fairfax LC Warrants

On August 24, 2009, the Fund entered into an agreement with Fairfax for a \$25,000 standby letter of credit facility. In conjunction with this transaction, the Fund issued to Fairfax 5,317,100 warrants ("Fairfax LC Warrants") (Note 10). Each Fairfax LC Warrant entitles the holder to purchase one Class A Trust Unit, at any time prior to 5:00 p.m. (Eastern time) on August 24, 2014 at a price of \$0.82 per Class A Trust Unit, subject to certain anti-dilution adjustments. As at December 31, 2009, no Fairfax LC Warrants had been exercised. The fair value of the Fairfax LC Warrants of \$0.94 per warrant was determined at the date of closing of August 24, 2009, using the binomial option pricing model assuming no expected dividends, a risk-free interest rate of 2.56%, an expected stock price volatility of 52.4% for an expected life of five years, an expected stock price volatility of 83.8% for an expected life of 4 months hold period, and the Class A Trust Unit closing quoted market price of \$1.50. The resulting total fair value of the Fairfax LC Warrants initially recognized as a component of deferred issuance cost on the Fund's consolidated balance sheet was \$4,986. The strike price of \$0.82 per warrant was set on August 7, 2009,

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WARRANTS (continued)

the date at which an agreement in principle for the Fairfax LC agreement was reached, and was based on the volume weighted average of the trading price of the Class A Trust Units on the TSX for the five trading days immediately prior to August 7, 2009. The Fairfax LC Warrants were subject to a hold period such that these warrants, or any Class A Trust Units issuable upon the exercise of these warrants, were restricted for trading before December 25, 2009.

15. DISTRIBUTIONS DECLARED

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 of 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 year ended December 31, 2009, were 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 30, 2009	February 15, 2009	0.0500	2,710	2,710
				\$ 2,710	\$ 5,419

For the year ended December 31, 2008, total distributions declared were \$59,587 (\$64,546 paid), comprised of \$47,775 declared (\$49,359 paid) on behalf of the Class A Trust Units, and \$11,812 declared (\$15,187 paid) on behalf of the Class B Trust Units.

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

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16. RELATED PARTY TRANSACTIONS

Included in selling, general and administrative expenses is rent expense of \$1,026 for the year ended December 31, 2009 (2008: \$975), paid to a joint venture partially owned by an officer of the Fund. At December 31, 2009, \$NIL (2008: \$NIL) was included in accounts payable and accrued liabilities with respect to this related party transaction.

In May 2008, certain employees of the Fund became owners of a Brick franchise. During the year ended December 31, 2009, the Fund sold inventory of \$2,436 (2008: \$2,106) to this franchise. Included in accounts receivable at December 31, 2009 is \$28 (2008: \$236) for inventory sold 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 year ended December 31, 2009, the Fund sold inventory of \$5,688 (2008: \$2,481) to these franchises. Included in accounts receivable at December 31, 2009 is \$852 (2008: \$1,188) for inventory sold 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 December 31, 2009 is \$145 (December 31, 2008: \$457) for loans made to employees. These loans relate primarily to employee relocation.

In conjunction with the May 28, 2009 recapitalization transaction (Note 10), the Fund issued Debentures and warrants to William H. Comrie (“Comrie”), a resident of the United States, who holds a 39.02% interest in the Fund through 21,561,983 Class A Trust Units, and to Fairfax Financial Holdings Limited (“Fairfax”), which holds 15.16% 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 year ended December 31, 2009 related to the Debentures and paid to Comrie and Fairfax was \$1,216 and \$3,040, respectively. Further, as a result of the recapitalization transaction, Comrie and Fairfax hold 18,000,000 and 45,000,000 warrants respectively.

On August 24, 2009, the Fund entered into an agreement with Fairfax pursuant to which Fairfax issued the Fairfax LC in the aggregate principal amount of \$25,000 to GE Capital, as agent on behalf of itself and the Lenders under the May 28, 2009 Asset-Based Credit Facility agreement. In conjunction with this transaction, the Fund paid a fee of \$300 to Fairfax and issued to Fairfax 5,317,100 warrants (Notes 10 and 14). The Fairfax LC matured on February 24, 2010 and was extended, at the Fund’s option, for a further six month term at a reduced amount of \$4,000 (Note 26).

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17. AMORTIZATION

	2009	2008
Amortization of capital assets (Note 7)	\$ 21,700	\$ 19,876
Amortization of intangible assets and deferred charges (Note 9)	9,834	6,583
	31,534	26,459
Amortization of deferred retail financing fees (Note 9)	137	\$ 150
	\$ 31,671	\$ 26,609

18. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2009	2008
		(See Note 3)
Cash provided (used in) by		
Accounts receivable	\$ (1,888)	\$ 3,141
Inventory	36,765	29,076
Prepaid expenses and deposits	(3,237)	1,091
Accounts payable and accrued liabilities	(72,273)	22,075
Corporate income taxes payable	-	(81)
Customers' deposits	9,069	(15,461)
Unpaid claims reserve	(571)	646
	(32,135)	40,487
Accounts payable and accrued liabilities related to distributions	2,709	4,959
Accounts payable and accrued liabilities related to capital assets	6,574	(4,517)
	\$ (22,852)	\$ 40,929

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19. 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:

2010	\$ 79,248
2011	77,577
2012	73,616
2013	69,253
2014	59,352
2015 - 2028	358,780
	<u>\$ 717,826</u>

Contingencies

As a result of legislative amendments to the Alberta Corporate Tax Act effective May 24, 2006, Trans Global Warranty Corp. 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, 2009 the estimated potential liability related to these assessments is \$8,870 (2008: \$7,357). Trans Global Warranty Corp. has disputed these assessments and defended its position with the Alberta tax authorities. No provision has been made in these consolidated financial statements for this potential liability as management believes the outcome of this contingency is unlikely to result in a liability to the Fund. On December 17, 2009, Trans Global Warranty Corp. received a judgment in its favour from the Alberta Court of Queen's Bench. The Fund is currently waiting to be advised of the Alberta tax authorities' decision regarding an appeal of this judgement. The Fund has a deposit of \$851 on account with the Alberta tax authorities with respect to this dispute. Any interest earned on this deposit will be recognized as income in the period in which the appeal period expires.

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.

The Fund has been named in a claim related to certain Brick Card credit card holders in the Province of Quebec that were charged a membership fee. The plaintiffs are seeking an order certifying the action as a class proceeding. The likely outcome of the claim 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.

20. 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*

At December 31, 2009, the Fund had \$17,184 in outstanding standby letters of credit under the Fairfax LC facility, and \$10,802 under the GE Asset-Based Credit Facility, issued to suppliers of the Fund. No funds have been advanced on these standby letters of credit. At December 31, 2008, the Fund had \$807 in outstanding standby letters of credit under the Credit Facilities Agreement, issued to suppliers of the Fund.

(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.

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GUARANTEES (continued)

(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, 2009, is \$1,592 (2008: \$1,867). As at December 31, 2009, 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.

(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. A provision of \$327 (2008: \$559) based on historical experience for price guarantees relating to sales recognized prior to year end is included in accounts payable and accrued liabilities at December 31, 2009.

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21. FINANCIAL INSTRUMENTS

Classification and Fair Value of Financial Instruments

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

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 December 31, 2009, the fair value of the Debentures which comprise long-term debt has been determined using their closing quoted market price on December 31, 2009 of \$109.50 per \$100.00 of face value. For the long-term debt at December 31, 2009, fair value is calculated based on the face value of the Debentures of \$120,000, which differs from their carrying value of \$111,683 (Note 10).

	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
2009	(fair value)	(fair value)					
Financial Assets							
Cash and cash equivalents	\$ 19,548	\$ -	\$ -	\$ -	\$ -	\$ 19,548	\$ 19,548
Accounts receivable	-	-	-	71,504	-	71,504	71,504
Marketable securities	-	16,597	106	-	-	16,703	16,707
Financial Liabilities							
Asset-based credit facility	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	-	-	-	161,305	161,305	161,305
Long-term debt	-	-	-	-	111,683	111,683	131,400

	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
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	-	-	-	-	233,578	233,578	233,578
Long-term debt	-	-	-	-	82,122	82,122	70,588

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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. 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.

Fair value measurements

For financial instruments recognized in the balance sheet at fair value, the Fund is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Fund's financial instruments recognized in the balance sheet at fair value as at December 31, 2009:

	Fair value measurement at December 31, 2009:			
	2009	Level 1	Level 2	Level 3
Held for trading financial assets				
- Cash and cash equivalents	\$ 19,548	\$ 19,548	\$ -	\$ -
Available for sale financial assets				
- Marketable securities	\$ 16,597	\$ 16,597	\$ -	\$ -

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FINANCIAL INSTRUMENTS (continued)

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 principally of amounts related to its commercial sales division, to its franchise operations, and to vendor rebate programs.

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 year ended December 31, 2009, the Fund recorded an expense for bad debts of \$2,122 (2008: \$1,979). The accounts receivable balance includes \$5,311 that is past due for more than 60 days as at December 31, 2009 (2008: \$3,561). The Fund's allowance for doubtful accounts, established through on-going monitoring of the accounts, was \$1,097 as at December 31, 2009 (2008: \$919).

At December 31, 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.

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FINANCIAL INSTRUMENTS (continued)

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 Fund's 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.

(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 measures and monitors its liquidity risk by regularly evaluating its cash inflows and outflows under expected conditions through cash flow reporting such that it anticipates certain funding mismatches and ensures the cash management of the business within certain tolerable levels. These cash flow forecasts are reviewed on weekly basis by the management. The Fund mitigates liquidity risk through continuous monitoring of its credit facilities and the diversification of its funding sources, both in the short-term as well as the long-term.

The following table presents a maturity analysis for financial liabilities that shows the remaining maturities:

	Remaining term of maturity		
	Under 1 Year	1-3 Years	3-5 years
2009			
Asset-based credit facility	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	161,305	-	-
Long-term debt	-	-	120,000
2008			
Bank indebtedness	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	233,578	-	-
Long-term debt	-	-	83,000

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FINANCIAL INSTRUMENTS (continued)

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 19. The Fund's long-term debt is due March 14, 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.

The Fund's credit facilities are further discussed in Note 10.

(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.

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 10), the Fund entered into a bond forward contract to hedge its exposure to changes in the market interest rate.

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FINANCIAL INSTRUMENTS (continued)

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 \$581 was reclassified to net income and was included in interest expense on long-term debt in 2009 (2008: other comprehensive income of \$111 comprised of a reclassification of loss to net income of \$111).

Sensitivity of bank indebtedness to interest rates

Net loss 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 year ended December 31, 2009, the Fund's average indebtedness was \$40,923. Accordingly, a change during the period of one percentage point in the applicable interest rate would have impacted consolidated net loss for the year by \$409.

Currency risk

The Fund is exposed to foreign currency fluctuations to the extent that approximately 19% 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 may enter into forward foreign exchange contracts in U.S. dollars, subject to limits under the GE asset-based lending agreement on the total amount of such contracts that may be outstanding. 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, 2009 and 2008, no foreign exchange contracts were outstanding.

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FINANCIAL INSTRUMENTS (continued)

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, 2009 was \$288 (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 through 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.

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	\$ 11,164	\$ 2,156	\$ -	\$ 13,320
Unamortized premium	(40)	(2)	-	(42)
Redemption amount	\$ 11,124	\$ 2,154	\$ -	\$ 13,278

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FINANCIAL INSTRUMENTS (continued)

Common shares

Beta is a commonly used statistical measure of the correlation between the volatility of a specific portfolio of marketable securities to the volatility of the overall stock market. A strong positive correlation is represented by a beta of positive 1.00 and a strong negative correlation is represented by a beta of negative 1.00. Accordingly, given a beta of 1.00, changes in the fair value of the Fund's common share portfolio could reasonably be expected to track closely changes in the 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 the Fund's common share portfolio at December 31, 2009 was 0.79.

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 6.

22. 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.

The Financial Services segment is 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.

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SEGMENTED INFORMATION (continued)

The accounting policies of the segments are as described in the significant accounting policies in Note 2 and Note 3.

All inter-company transactions and balances, including inter-company revenues of \$11,199 for the year ended December 31, 2009 (2008: \$12,920), have been appropriately eliminated.

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SEGMENTED INFORMATION (continued)

	2009			
	Retail	Financial Services	Intersegment Eliminations	Consolidated
External sales and operating revenue	\$ 1,150,619	\$ 72,976	\$ -	\$ 1,223,595
Intersegment revenues	8,646	2,553	(11,199)	-
Total sales and operating revenue	1,159,265	75,529	(11,199)	1,223,595
Cost of sales	694,777	45,838	(21,636)	718,979
Gross margin	464,488	29,691	10,437	504,616
Selling, general and administrative expenses	456,961	2,344	13,245	472,550
Investment and other income	10,178	4,722	(14,138)	762
Intersegment license fee income (expense) (1)	21,151	(21,151)	-	-
EBITDA*	38,856	10,918	(16,946)	32,828
Interest expense	19,258	9,839	(14,138)	14,959
Amortization of deferred issuance costs (Note 10)	3,952	-	-	3,952
Amortization of capital assets (Note 7)	21,698	2	-	21,700
Amortization of intangible assets and deferred charges (Note 9)	9,834	-	-	9,834
(Loss) income before undernoted items	(15,886)	1,077	(2,808)	(17,617)
Loss on extinguishment of debt (Notes 9 & 10)	3,046	-	-	3,046
Intangible asset impairment (Note 8)	158,459	-	-	158,459
(Loss) income before income taxes	(177,391)	1,077	(2,808)	(179,122)
Income tax recovery (expense)	16,530	(425)	-	16,105
Net (loss) income (2)	(160,861)	652	(2,808)	(163,017)
Total intersegment eliminations impacting net (loss) income	(37,834)	35,026	2,808	-
Net (loss) income - consolidated	\$ (198,695)	\$ 35,678	\$ -	\$ (163,017)
EBITDA*	\$ 38,856	\$ 10,918	\$ (16,946)	\$ 32,828
Total intersegment eliminations impacting EBITDA	(42,222)	25,276	16,946	-
Consolidated EBITDA*	\$ (3,366)	\$ 36,194	\$ -	\$ 32,828
OTHER INFORMATION				
Interest income	\$ 494	\$ 39	\$ -	\$ 533
Total assets	\$ 452,685	\$ 46,847	\$ -	\$ 499,532
Capital expenditures	\$ 9,938	\$ 4	\$ -	\$ 9,942
Amortization of deferred warranty revenue	\$ -	\$ 49,402	\$ -	\$ 49,402
Amortization of deferred acquisition costs	\$ -	\$ 9,155	\$ -	\$ 9,155

(1) Intersegment license fees of \$21,151 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)

	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	504,132	2,439	5,888	512,459
Investment and other income	10,055	3,893	(13,773)	175
Intersegment license fee income (expense) (1)	22,017	(22,017)	-	-
EBITDA*	78,033	6,883	(16,664)	68,252
Interest expense	13,157	9,969	(13,773)	9,353
Amortization of capital assets (Note 7)	19,873	3	-	19,876
Amortization of intangible assets and deferred charges (Note 9)	6,583	-	-	6,583
Income (loss) before undernoted items	38,420	(3,089)	(2,891)	32,440
Intangible asset impairment (Note 8)	241,471	-	-	241,471
Loss before income taxes	(203,051)	(3,089)	(2,891)	(209,031)
Income tax recovery	9,784	148	-	9,932
Net loss (2)	(193,267)	(2,941)	(2,891)	(199,099)
Total intersegment eliminations impacting net (loss) income	(36,032)	33,141	2,891	-
Net income - consolidated	\$ (229,299)	\$ 30,200	\$ -	\$ (199,099)
EBITDA*	\$ 78,033	\$ 6,883	\$ (16,664)	\$ 68,252
Total intersegment eliminations impacting EBITDA	(40,055)	23,391	16,664	-
Consolidated EBITDA*	\$ 37,978	\$ 30,274	\$ -	\$ 68,252
OTHER INFORMATION				
Interest income	\$ 245	\$ 142	\$ -	\$ 387
Goodwill	\$ 108,459	\$ -	\$ -	\$ 108,459
Total assets	\$ 647,463	\$ 52,647	\$ -	\$ 700,110
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 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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23. CAPITAL

The Fund's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern;
- to maximize returns from capital investments;
- 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.

	2009	2008
Long-term debt (Note 10)	\$ 111,683	\$ 82,122
Bank indebtedness (Note 10)	N/A ⁽¹⁾	-
Asset-based credit facility (Note 10)	-	N/A ⁽¹⁾
Cash and cash equivalents	(19,548)	(14,419)
Net debt	92,135	67,703
Unitholders' (deficit) equity	(20,322)	134,551
Total capital	\$ 71,813	\$ 202,254

(1) On May 28, 2009, in conjunction with the recapitalization transaction, the Fund secured a new Asset-Based Credit Facility and repaid the Fund's bank indebtedness.

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 post audit processes, to ensure returns from capital investments are adequate to either maintain, or grow, the Fund's capital.

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, subject to restrictive covenants related to the Debentures and the Asset-Based Credit Facility (Note 10), 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 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.

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CAPITAL (continued)

Restriction on the Distribution of Capital from Trans Global Insurance Company (“TGI”) and Trans Global Life Insurance Company (“TGLI”)

For purposes of regulatory requirements for TGI and TGLI, capital is considered to be equivalent to their respective 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 December 31, 2009 and December 31, 2008.

24. 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.

25. SUBSEQUENT EVENT

On February 24, 2010, the Fund exercised its option to extend the Fairfax LC for an additional six-month term. The amount of the Fairfax LC was reduced from \$25,000 to \$4,000 in line with the Fund’s reduced need to provide credit enhancements to its inventory suppliers. The Fund received full reimbursement from a supplier of the Fund of the \$200 of costs incurred in conjunction with the extension of the Fairfax LC.