One Trusted Source

2012 Annual Report

BRAMPTON
BRICK
Limited

CORPORATE PROFILE

Brampton Brick is Canada's second largest manufacturer of clay brick, serving markets in Ontario, Quebec and the Northeast and Midwestern United States from its brick manufacturing plants located in Brampton, Ontario and near Terre Haute, Indiana.

To complement the clay brick product line, the Company also manufactures a range of concrete masonry products, including concrete brick and block as well as stone veneer products.

Concrete interlocking paving stones, retaining walls, garden walls and enviro products are manufactured in Markham, Milton and Brampton, Ontario and in Wixom, Michigan and sold to markets in Ontario, Quebec, Michigan, New York, Pennsylvania, Ohio, Kentucky, Illinois and Indiana under the **Oaks**™ trade name.

The Company's products are used for residential construction and for industrial, commercial and institutional building projects.

One Trusted Source

ON THE COVER

Clockwise from the top left:

1. Vivace (Stone)
2. Artiste (Stone)
3. Presidio (Paver)
4. JP Series (Clay Brick)
5. Finesse (Stone)
6. Villanova (Paver)

CONTENTS

FINANCIAL OVERVIEW

(In thousands of Canadian dollars, except per share amounts)

	2012	2011
OPERATIONS		
Revenues	**$ 97,061**	$ 80,013
Operating income	**6,725**	1,098
Net income (loss)	**1,485**	(9,976)
Cash provided by operations	**16,153**	7,642
Purchase of property, plant and equipment	**3,101**	2,981
SHARE DATA		
Earnings (loss) per share	**$ 0.14**	$ (0.91)
Book value per share	**12.52**	12.48
Weighted average number of shares outstanding (thousands)	**10,938**	10,937
FINANCIAL POSITION		
Working capital	**$ 7,325**	$ 13,137
Total assets	**205,346**	205,919
Total liabilities	**68,373**	69,432
Shareholders' equity attributable to shareholders of Brampton Brick Limited	**136,961**	136,477
Total liabilities to shareholders' equity attributable to shareholders of Brampton Brick Limited	**0.50:1**	0.51:1

SHARES OUTSTANDING

The Company has 10,940,354 common shares outstanding as at December 31, 2012 comprised of 9,201,723 Class A Subordinate Voting shares and 1,738,631 Class B Multiple Voting shares. The Class A shares trade on the Toronto Stock Exchange under the ticker symbol "BBL.A".

ANNUAL MEETING

The Annual General Meeting of the Shareholders of the Company will be held on May 23, 2013 at 9:30 a.m. at the Company's head office, 225 Wanless Drive, Brampton, Ontario.

ANNUAL REPORT

Additional copies of the 2012 Annual Report may be obtained from the Vice-President, Finance, Brampton Brick Limited, 225 Wanless Drive, Brampton, Ontario L7A 1E9.

PRESIDENT'S MESSAGE

During 2012, Brampton Brick had a much stronger performance than in 2011 despite relatively flat housing starts in Canada and only slowly recovering residential construction activity in the United States. Much of the Company's improvement is due to our commitment to a number of strategic initiatives which we began to implement in 2011. These initiatives encompass all of the major aspects of the Company's businesses, including manufacturing processes, information technology, customer sales, service and business intelligence.

As single family housing starts continue to be sluggish, especially in Eastern Canada, it is imperative that we stay focused on those factors that will enhance our performance and differentiate us from our competition.

During 2013, a range of new colours and products will be introduced in both the landscape and masonry divisions, building on the successes of 2012. This is especially true with respect to concrete products produced by both divisions. Increasing our sales has allowed the Company to allocate plant resources more efficiently, and has made an important contribution to our gross margins.

Landscape sales were up by 13.4% in 2012 in part because of new products and enhanced sales efforts. This business segment is expected to show further improvement in sales and financial results in 2013, as landscape product sales should benefit from expected increases in residential renovation and upgrade expenditures.

Masonry sales grew by 24% in 2012, partly due to an increase of clay brick sales in Canada and the United States. There was also a substantial increase in revenue generated by masonry concrete products. Many of these products are new to Brampton Brick and it is our expectation that sales of these products will continue to experience growth. Our programs and new products directed towards the industrial, commercial and institutional markets (ICI) have gained traction and we anticipate a substantial increase in sales in this segment over the next few years.

During 2012, Universal Resource Recovery Inc., the Company's joint venture, continued to evaluate strategic alternatives for its business in Welland, Ontario. As a result, we wrote down the value of our short-term loan receivable from this company by $1.28 million in 2012.

As we enter 2013, we recognize that to a large extent, Brampton Brick Limited is subject to the fluctuations in new home construction. Current initiatives, strategic reorganization and increased focus on the ICI market should lessen the amplitude of the cyclical new home market, and provide a structure for sustainable future growth.

/s/Jeffrey G. Kerbel

Jeffrey G. Kerbel
President and Chief Executive Officer

FOR THE YEAR ENDED DECEMBER 31, 2012
PREPARED AS OF MARCH 12, 2013

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the year ended December 31, 2012 should be read in conjunction with the Company's accompanying Consolidated Financial Statements, including the summary of significant accounting policies, and the Annual Information Form dated March 12, 2013 which may be found on SEDAR at www.sedar.com. All amounts are stated in thousands of Canadian dollars, except per share amounts, unless otherwise indicated.

DISCUSSION OF OPERATIONS

YEAR ENDED DECEMBER 31, 2012

For the year ended December 31, 2012, the Company recorded net income of $1,485, or $0.14 per Class A Subordinate Voting share ("Class A share") and Class B Multiple Voting share ("Class B share") outstanding, compared to a loss of $9,976, or $0.91 per Class A share and Class B share outstanding in 2011. The aggregate weighted average number of Class A shares and Class B shares outstanding in 2012 was 10,937,717 and 10,936,554 in 2011.

For the year ended December 31, 2012, revenues increased by $17,048, or 21%, to $97,061 compared to $80,013 in 2011 due to sales volume increases for both the Masonry Products and Landscape Products business segments.

Cost of sales for the 2012 year amounted to $75,160, compared to $65,566 for 2011. The increase in cost of sales was caused by higher sales volumes and higher yard and delivery expenses as a result of the increase in shipments. Cost of sales for the 2012 year increased by 15% from the prior year, whereas revenues increased by 21%. Due to the relatively high fixed cost nature of the Company's manufacturing facilities, large fluctuations in production levels have a material impact on per unit manufacturing costs and consequently gross margins. As well, the improvement in gross margin was due to a number of specific initiatives undertaken to improve operating efficiencies, including the consolidation of distribution facilities which reduced yard expenses.

Selling expenses for the year ended December 31, 2012 increased by $187, primarily due to an increase in personnel costs and sales commission payments related to the increased revenues, offset in part by a decrease in advertising and marketing expenditures. In 2011, higher advertising and marketing expenditures were incurred to support the introduction of a number of new products and to upgrade the Company's customer support and related service level capabilities.

General and administrative expenses increased by $328, or 5.2%, from the prior year due to an accrual for year-end employee bonuses, and costs incurred to upgrade the Company's information systems.

For the full year, an impairment loss of $1,278 relating to the short-term loan receivable due from Universal Resource Recovery Inc. ("Universal"), the Company's 50/50 joint venture, was recognized. This impairment loss, together with the share of loss from the investment in Universal in the amount of $8,857 recognized in 2011, is discussed below under the caption "Universal Resource Recovery Inc".

Operating income of $6,725 compared to $1,098 in 2011, reflected the improvement in both revenues and contribution margins for the year ended December 31, 2012. This improvement was partially offset by the impairment loss recognized on the loan receivable from Universal.

Finance costs of $3,682 for the year ended December 31, 2012 decreased by $841 from 2011. The decrease in interest expense was attributable to lower debt balances outstanding on the Company's term loans due to principal payments made during the year, and the redemption of all the subordinated secured debentures in the principal amount of $9,000 in the latter half of 2012. As well, the settlement of the interest rate swap contract in the fourth quarter of 2011 resulted in the elimination of the interest rate differential payments.

Provision for income taxes totaling $1,566 for the 2012 year related solely to the pre-tax income of the Company's Canadian operations and is net of a deferred tax recovery of $160 pertaining to the impairment loss on the loan receivable from Universal.

The recovery of income taxes was $2,281 for the 2011 year. Cumulative advances to Universal up to and including December 31, 2011 totaling $16,251 were determined under taxation rules to be an allowable business investment loss, and accordingly, a deferred tax asset amounting to $2,031 was recognized in 2011. The deferred tax asset can be used by the Company to offset future taxes payable and is likely to be used in 2013 by a reduction in income tax instalments during the year.

In 2011 deferred tax assets were recognized on non-capital losses relating solely to the Company's Canadian operations. The Company has not recorded a deferred tax asset with respect to the potential deferred tax benefit pertaining to non-capital losses of $50,963 incurred by its U.S. operations.

FOURTH QUARTER ENDED DECEMBER 31, 2012

For the fourth quarter ended December 31, 2012, the Company recorded a loss of $1,708, or $0.16 per Class A share and Class B share, compared to net income of $63, or $0.00 per Class A share and Class B share, for the fourth quarter of 2011. The aggregate weighted average number of Class A shares and Class B shares outstanding for the fourth quarter of 2012 and 2011 was 10,940,354 and 10,936,554, respectively.

For the fourth quarter of 2012, revenues increased significantly by $3,147 to $22,742 from $19,595 for the same period in 2011. The improvement was due to an increase in revenues from masonry product shipments, reflecting stronger residential construction activity in both Canada and the U.S.

Although operations were positively impacted by the increase in revenues and lower unit production costs due to higher plant capacity utilization, losses from operations totaled $1,078 for the fourth quarter of 2012, compared to operating income of $207 for the comparable period of 2011. Three major factors totaling $2,655 impacted operating results for the quarter:

- a write-off of certain obsolete and discontinued merchandise inventory in the amount of $1,019;
- an increase in plant repair and maintenance expenses, including roof repair costs incurred at the Brampton clay brick facility totaling $980; and
- an impairment loss of $656 recognized on the loan receivable from Universal.

Finance costs declined for the fourth quarter compared to the same period in 2011 due to reduced interest costs resulting from lower debt balances outstanding and the redemption of the balance of the subordinated secured debentures in the principal amount of $8,500 in October 2012. These decreases were offset in part by the 2% early redemption fee paid to the debenture holders and the increase in interest expense due to the increased utilization of the Company's operating credit facility.

A more detailed discussion with respect to each operating business segment follows:

MASONRY PRODUCTS

For the year ended December 31, 2012, revenues increased by $14,101, or 24%, to $72,106 from $58,005 in 2011. An increase in clay brick shipping volumes and significant growth in shipments of masonry concrete products contributed to the increase in revenues.

In 2012, higher concrete block volumes reflected a full year of sales activity as the Company's product offerings continue to gain market acceptance. The Company initially introduced concrete block products into the Ontario market in April 2011.

In the U.S. markets, masonry product shipments increased due to an improving residential housing market, enhanced product acceptance and an expanded product offering profile. Overall, growth in clay brick shipments in our markets improved moderately over 2011.

For the year ended December 31, 2012, this business segment reported operating earnings of $7,246, a significant improvement from $1,362 in 2011. This increase reflected strong revenue growth combined with lower average manufacturing costs as a result of higher production volumes.

For the fourth quarter of 2012, revenues increased by 21% to $18,097, from $14,991 in 2011 due to the same reasons as discussed above for fiscal 2012.

Operating income for the fourth quarter was negatively impacted by $1,566 due to the write-off of certain obsolete and discontinued merchandise inventory totaling $586 and specific plant repair and maintenance expenses, including roof repair costs at the Brampton clay brick facility totaling $980. As a consequence, operating income decreased to $146 for the fourth quarter of 2012 from $634 for the same period in 2011.

LANDSCAPE PRODUCTS

Revenues of the Landscape Products business segment increased to $24,955, for the year ended December 31, 2012, from $22,008 in 2011, an increase of $2,947, or 13.4%.

The increase in revenues was due to favourable weather conditions experienced during the first half of the year which led to an early start to the selling season. This is due in part to the introduction of an expanded product portfolio.

For the year ended December 31, 2012, the Landscape Products business segment recorded operating income of $757 compared to an operating loss of $264 in 2011.

The Landscape Products business segment reported an operating loss of $568 on revenues of $4,645 for the fourth quarter ended December 31, 2012 compared to an operating loss of $427 on revenues of $4,604 in 2011. The decline in operating results were due primarily to an adjustment to inventory of $433.

UNIVERSAL RESOURCE RECOVERY INC.

For the year ended December 31, 2012, the Company advanced $2,670 in short-term loans to Universal. These advances are classified as short-term as management believes the Company will be repaid from the sale proceeds of Universal's assets following the settlement of Universal's senior ranking claims. In relation to this loan receivable, the Company has registered, as security, a mortgage on Universal's property located in Welland, Ontario.

At the same time, Universal's continuing financial difficulties indicated a potential impairment of the Company's loan receivable. Due to increasing liquidity requirements in Universal as at December 31, 2012, an impairment analysis was performed to ascertain the fair value of this loan. Accordingly, a fair value of this non-interest bearing loan advanced to Universal was determined based on the fair value of Universal's assets, net of senior ranking claims. This fair value assessment was based on several independent property and equipment appraisals and management's estimates of the fair values of other assets and other liabilities. This assessment led to the conclusion that the carrying value of the loan was impaired. Consequently, the carrying value of this loan receivable was written-down by $1,278, including $656 in the fourth quarter, to its fair value of $1,392 as at December 31, 2012.

The Company's share of Universal's losses, recognized in accordance with the equity method of accounting for interests in joint ventures, is limited to the value of its investment in Universal. The investment was reduced to zero as at December 31, 2011 as the Company recognized losses incurred by Universal totaling $8,857. Losses of $1,791 were unrecognized as at December 31, 2011.

Universal suspended its commercial operations in June 2011. Effective January 1, 2012, management of Universal is committed to an active program to locate a buyer for the sale of assets held in Universal. Although it was expected that the sale would be recognized within one year from the date of classification of assets as 'held for sale', events beyond management's control have caused a delay in the sale of these assets. Management remains committed to its plan to sell the assets in Universal.

For the year ended December 31, 2012, Universal incurred certain fixed costs, including interest on debt and facility occupancy costs amounting to $783. As a result, the Company's total share of cumulative unrecognized losses increased to $2,574 as at December 31, 2012.

The Company and the joint venture partner have each provided a guarantee up to the amount of $6,500 to Universal's banker as additional security for Universal's credit facilities. As at December 31, 2012, the total loan outstanding to Universal's banker was $7,577, of which the Company's share was $3,789.

The Company will continue to fund its share of Universal's cash requirements until proceeds from the sale of Universal's assets are realized.

CASH FLOWS

For the year ended December 31, 2012, cash flow provided by operating activities totaled $16,153 compared to $7,642 in 2011. The improvement in operations combined with an improvement in collections of receivables and a decline of payables disbursements due to timing differences, offset in part by an increase in inventories, contributed to the increase in cash flows from operations.

Cash utilized for purchases of property, plant and equipment totaled $3,101 in 2012, compared to $2,981 in 2011 which included $620 relating to the introduction of new products in 2011. In 2012, capital expenditures included approximately $632 relating to new quarry development costs and new equipment upgrades.

Advances to Universal relating to the loan receivable for the year ended December 31, 2012 amounted to $2,670. Further discussion is contained above under the caption "Universal Resource Recovery Inc".

Cash advances to Universal for the year ended December 31, 2011 totaled $3,295. These advances increased the carrying value of the investment in Universal, as they were utilized by Universal to finance its operational activities and capital expenditures incurred during the start-up period of its waste composting facility located in Welland, Ontario.

Proceeds from the sale of property, plant and equipment totaled $520 of which $461 pertained to the sale of certain obsolete production equipment which was no longer supported by the Company's operational processes.

Bank operating advances increased by $5,288 to $10,435 in 2012. This increase helped to support funding the term loan and the subordinated secured debenture repayments.

During 2012 and 2011, principal repayments on term loans totaled $2,730 and $2,791, respectively. These repayments included $2,500 paid on the term loan in both 2012 and 2011.

In July 2007, the Company had entered into an interest rate swap contract to hedge the risk arising from variability of cash flows relating to its variable rate term bank loan under its credit facility. The fixed interest rate under the swap contract was 5.16%. For the year ended December 31, 2011, the interest rate differential together with the loss on the change in fair value of the swap contract totaled $516 and was recorded in 'finance costs' in the consolidated statement of comprehensive income (loss). This contract was settled for $1,459 in 2011.

In February 2010, the Company completed a three-year term subordinated secured debenture financing in the amount of $9,000, at an effective interest rate of 11.89%.

In August 2012, the Company redeemed $500 of the subordinated secured debentures and in October 2012, the balance of the debentures were redeemed in the principal amount of $8,500. A 2% early redemption fee on the principal amount was paid to all debenture holders as the debentures were to have matured in February 2013. Utilization of the Company's operating line of credit to redeem the debentures is expected to achieve significant savings in interest costs because of the reduction in comparable interest rates.

FINANCIAL CONDITION

The Company's Masonry Products and Landscape Products business segments are seasonal in nature. The Landscape Products business is affected to a greater degree than the Masonry Products business. As a result of this seasonality, operating results are impacted accordingly and cash requirements are generally expected to increase through the first half of the year and decline through the second half of the year.

As at December 31, 2012, bank operating advances were $10,435. This represented an increase of $5,288 from the amount outstanding at December 31, 2011.

Trade payables totaled $11,675 at December 31, 2012 compared to $9,026 at December 31, 2011.

The ratio of total liabilities to shareholders' equity was 0.50:1 at December 31, 2012 compared to 0.51:1 at December 31, 2011. The decrease in this ratio from December 2011 to December 2012 was primarily due to higher retained earnings resulting from the improvement in operating results in 2012 and the decline in debt due to repayments. The decrease to the ratio was offset in part by an increase in the foreign currency translation loss in 'Accumulated other comprehensive loss' due to the strengthening of the Canadian dollar against the U.S. dollar in 2012.

As at December 31, 2012, working capital was $7,325, representing a working capital ratio of 1.25:1 compared to working capital and a working capital ratio at December 31, 2011 of $13,137, and 1.65:1, respectively. The decline in working capital was primarily due to an increase in bank operating advances in 2012. Cash and cash equivalents totaled $1,412 at December 31, 2012 compared to $1,180 at December 31, 2011.

The Company's bank credit agreement provides for borrowings up to $20,000 based on margin formulae for trade receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts, if applicable. It is a demand facility secured primarily by trade receivable and inventories of the Company's Masonry Products and Landscape Products business segments in Canada and the U.S. The agreement also contains certain financial covenants. As at December 31, 2012, the Company was in compliance with all the financial covenants.

On January 21, 2013, the Company amended its bank credit agreement, increasing its borrowing capacity to $22,000. This borrowing amount is based on the same margin formulae described above.

As at December 31, 2012, the borrowing limit was $17,864. The utilization was $10,682 and was comprised of a $8,900 banker's acceptance, 90 day note, a current account overdraft balance of $1,535, and outstanding letters of credit for $247.

The Company expects that future cash flows from operations, cash and cash equivalents on hand and the unutilized balance of its operating credit facility will be sufficient to satisfy its obligations as they become due.

The Company was in compliance with all financial covenants under its term financing agreement and operating credit facility as at December 31, 2012 and anticipates that it will maintain compliance throughout 2013.

A summary of the Company's contractual obligations over the next five years and thereafter, determined as at December 31, 2012, is as follows:

	2013	2014 - 2015	2016 - 2017	Thereafter	Total
Debt(1)	$ 4,557	$ 8,538	$ 18,314	$ 134	$ 31,543
Finance lease obligations(2)	$ 486	$ 806	$ 90	–	$ 1,382
Operating leases(3)	$ 135	$ 121	$ 22	–	$ 278
Purchase obligations(4)	$ 4,808	–	–	–	$ 4,808
Other obligations(5)	$ 50	$ 56	$ 301	$ 2,356	$ 2,763
Total contractual obligations	**$ 10,036**	**$ 9,521**	**$ 18,727**	**$ 2,490**	**$ 40,774**

(1) Debt reflects the aggregate amount of future payments including interest, and includes all debt items listed in Note 11 to the Consolidated Financial Statements, except finance lease obligations.
(2) Finance lease obligations disclosed above reflect the aggregate amount of future payments including principal and interest.
(3) Operating leases represent future aggregate minimum lease payments (office and yard space, mobile equipment and vehicles), which are off balance sheet transactions.
(4) Off balance sheet transactions include purchase obligations relating to natural gas supply and transportation contracts totaling $2,823 and capital expenditure commitments of $1,985.
(5) Other obligations represent the undiscounted estimated future costs for the decommissioning provisions with respect to the Company's shale quarries. The decommissioning provisions were increased by an undiscounted amount of $1,717 from the prior year primarily due to the opening of a new stripping phase at the Cheltenham quarry.

SELECTED ANNUAL FINANCIAL INFORMATION

The following is a summary of selected annual financial information of the Company for each of the three most recently completed financial years:

	2012	2011	2010
Revenues	**$ 97,061**	$ 80,013	$ 72,623
Total assets	**$ 205,346**	$ 205,919	$ 216,439
Total non-current financial liabilities	**$ 23,554**	$ 35,166	$ 37,271
Cash dividends declared per share	**$ –**	$ –	$ –
Net Income (loss) attributable to shareholders of Brampton Brick Limited	**$ 1,483**	$ (9,979)	$ (2,572)
Total net income (loss)	**$ 1,485**	$ (9,976)	$ (2,538)
Earnings (loss) per share			
Basic	**$ 0.14**	$ (0.91)	$ (0.24)
Diluted	**$ 0.14**	$ (0.91)	$ (0.24)

The major factors which affect the comparability of the above data are as follows:

BRAMPTON BRICK Limited

REVENUES

(1) The increase from 2010 to 2011 was due to growth in masonry concrete products and the introduction, in April 2011, of concrete block into the Ontario market. Revenues increased significantly from 2011 to 2012 due to an increase in clay brick shipping volumes as well as significant growth in masonry concrete products, including the sale of concrete block.

TOTAL ASSETS

(1) Total assets decreased from 2010 to 2011 primarily due to a net decrease in property, plant and equipment as a result of depreciation charges exceeding capital expenditures and an increase in the share of loss from investment in Universal due to the impairment of the underlying assets in Universal. The slight decrease in total assets from 2011 to 2012 was due to the impact of depreciation, offset in part by capital expenditures and an increase in trade receivables, inventories and the loan receivable from Universal.

TOTAL NON-CURRENT FINANCIAL LIABILITIES

(1) The decrease from 2010 reflected the repayments of debt during the year ended December 31, 2011, net of additions to finance lease obligations.

(2) The decrease in debt from 2011 to 2012 was due to repayments of the term loans and the redemption of the subordinated secured debentures in the principal amount of $9,000.

CASH DIVIDENDS DECLARED PER SHARE

(1) Due to economic conditions, the Board of Directors of the Company had determined to not declare a dividend in the years 2010, 2011 and 2012.

NET INCOME (LOSS) AND EARNINGS (LOSS) PER SHARE

(1) The increase in the loss in 2011 compared to 2010 was due to higher manufacturing costs charged against operations, increases in yard and delivery expenses and general and administrative expenses partially offset by increases in revenues for both the Masonry Products and Landscape products business segments. In addition, an increase in the share of loss from the investment in Universal of $8,857 (2010 – $805) was recorded in 2011.

(2) The increase in net income in 2012 compared to the loss incurred in 2011 was due to strong growth in revenues and lower average manufacturing costs per unit consistent with increased plant capacity utilization which significantly improved operating results. Additionally, the impairment loss recorded relating to Universal was lower compared to 2011.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following is a summary of selected quarterly financial information for each of the eight most recently completed quarters in accordance with IFRS (in thousands of dollars, except per share amounts):

TOTAL OPERATIONS	December 31		September 30		June 30		March 31	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues	$ 22,742	$ 19,595	$ 27,270	$ 26,307	$ 31,054	$ 23,495	$ 15,995	$ 10,616
Net income (loss) attributable to shareholders of Brampton Brick Limited								
	$ (1,709)	$ 62	$ 2,215	$ (5,074)	$ 3,771	$ (542)	$ (2,794)	$ (4,425)
Net income (loss)								
	$ (1,708)	$ 63	$ 2,215	$ (5,074)	$ 3,771	$ (540)	$ (2,793)	$ (4,425)
Net income (loss) per share								
Basic	$ (0.16)	$ 0.00	$ 0.20	$ (0.46)	$ 0.35	$ (0.05)	$ (0.26)	$ (0.40)
Diluted	$ (0.16)	$ 0.00	$ 0.20	$ (0.46)	$ 0.34	$ (0.05)	$ (0.26)	$ (0.40)

Due to changes in the weighted average number of shares outstanding during the period or due to rounding, the basic and diluted net income (loss) per share by quarter may not add up precisely to the total for each year.

The quarterly financial information presented reflects the seasonal nature of the Company's Masonry Products and Landscape Products business segments. Historically, sales of these business segments are greater in the second and third quarters of each year than in the first and fourth quarters. Consequently, the results of operations and cash flows reported each quarter are not necessarily indicative of the results to be expected for the year and the financial condition of the Company at the end of each quarter reflects these seasonal fluctuations.

Major factors affecting the comparability of the quarterly results are as follows:

QUARTERS ENDED DECEMBER 31

The increase in revenues for the fourth quarter of 2012 compared to the same period in 2011 was due to higher shipments of masonry products in the Company's Canadian markets due to expanded product offerings and greater product acceptance.

Operating results in the fourth quarter of 2012 were negatively impacted by the write-off of certain obsolete and discontinued merchandise inventory, an increase in plant repair and maintenance expenses, including roof repair costs incurred at the Brampton clay brick facility and an impairment loss recognized on the loan receivable from Universal.

QUARTERS ENDED SEPTEMBER 30

Net income in the third quarter of 2012 surpassed results for the comparative period in 2011, due to:

- higher shipments in the Masonry products business segment
- improved gross margins in 2012 due to increased production volumes; and
- net income for the third quarter of 2011 was negatively impacted by the Company's share of the impairment charge recorded in Universal in the amount of $5,303.

QUARTERS ENDED JUNE 30

Higher shipping volumes in both the Masonry Products and Landscape Products business segments, combined with the increase in production volumes, resulted in a significant improvement in operating results in the second quarter of 2012.

QUARTERS ENDED MARCH 31

Operating results in the first quarter of 2012 improved on the strength of increased revenues in both the Masonry and Landscape Products business segments. Favourable weather conditions in the first quarter of 2012 compared to the same quarter in 2011 contributed to the reduction in operating loss for the three month period ended March 31, 2012.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

JUDGMENTS

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date the Company evaluates the carrying value of property, plant and equipment to determine whether there is any indication that an asset may be impaired. Impairment is measured as the amount by which the carrying value of the property, plant and equipment exceeds the recoverable values. In deriving the recoverable value of the property, plant and equipment, management makes judgments such as determining the cash generating units ("CGUs") based on the lowest group of assets to which cash flows can be reliably attributed and the estimated future cash flows and discount rates to be used in the impairment models. Management has determined that the Brampton clay brick plant, the Canadian concrete plants (Markham, Milton and Brampton), the Farmersburg, Indiana clay brick plant and the Wixom, Michigan concrete plant were the cash generating units ("CGUs") for the purposes of asset impairment testing.

Management's assessment of the external and internal indicators of impairment, as per IAS 36, *Impairment of Assets* determined there was no indication that the Brampton clay brick plant and the Canadian concrete plants may be impaired. Management also assessed the indicators of impairment for the Company's U.S. plants and concluded, based on various factors, that impairment tests were necessary for those CGUs as at December 31, 2012.

Management's judgments are based on significant industry experience and expectations of future economic conditions.

DEFERRED TAXES

Management makes judgments in determining whether deferred tax assets are recognized on the balance sheet. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the probability that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets.

The Company is subject to taxation in a number of jurisdictions. There are many transactions and calculations during the course of business for which the ultimate tax determination requires judgment. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Changes in rates of taxation, changes in the estimated timing or realization of reversals and differences in interpretation by tax authorities could result in higher or lower income tax amounts paid or deducted against future tax payables.

ESTIMATES

DEPRECIATION

Depreciation is measured as the economic benefit consumed from the use of the Company's property, plant and equipment. This amount is determined by apportioning the cost net of residual value over the useful life of the individual assets according to an appropriate depreciation method. Estimates of the useful lives of the components of property, plant and equipment and the residual values are based on industry practice and expected utilization.

IMPAIRMENT OF NON-FINANCIAL ASSETS

As a result of ongoing economic pressures impacting the construction industry, as at December 31, 2012, the Company assessed property, plant and equipment to determine whether there was any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset). Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In the absence of an arm's length transaction, fair value for assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is determined as the present value of estimated future cash flows arising from continued use and eventual disposition of the asset, which excludes future capital expenditures that would increase the service potential of the asset. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks to the specific asset. To the extent that future cash flows or discount rates differ from management estimates at the balance sheet date, the impairment results may be subject to change.

The Company's assessment of the external and internal indicators of impairment, as per IAS 36, determined there was no indication that the Brampton clay brick plant and the Canadian concrete plants may be impaired.

For the year ended December 31, 2012, the recoverable amount for the Farmersburg, Indiana clay brick plant and the Wixom, Michigan concrete plant was estimated using the Company's approved business plan for a period of five years from 2013 - 2017. The Company makes various assumptions regarding, among other things, future sales volumes, selling prices, costs of manufacturing and operations including raw materials, labour, overhead, selling and general and administrative expenses, capital expenditures and proceeds of disposition, if any, as well as estimated future growth. Cash flows beyond five years were extrapolated using an estimated growth rate of 1%. The cash flows were discounted using a discount rate of 11.83%. The impairment tests did not result in any impairment losses.

An increase by 0.50% in the estimated discount rate, for the Farmersburg, Indiana clay brick plant would have resulted in an impairment loss, reducing the carrying value of property, plant and equipment by $2,024. If the estimated discount rate decreased by 0.50%, the Farmersburg, Indiana clay brick plant would have recognized an impairment reversal of $2,308. The Wixom, Michigan concrete plant would not result in an impairment loss if the estimated discount rate increased by 0.50%.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, the Company must determine the fair value of the non-interest bearing short-term loan advanced to Universal in order to assess its recoverability and the resulting impairment, if any. The recoverability of the short-term loan to Universal is determined, in part, by calculating the estimated fair value of Universal's property, plant and equipment ("PP&E") which is held for sale as at December 31, 2012.

The determination of the fair value of Universal's PP&E requires the application of professional judgment. As at December 31, 2012, the fair value of Universal's PP&E was evaluated by independent property and equipment appraisers. Based on the appraisals and book values of other assets and liabilities, the carrying value of the short-term loan receivable was written down to $1,392 as at December 31, 2012. These estimates are based on a range of technical and economic factors and conditions as at December 31, 2012. Changes to these factors or conditions in future periods could alter the fair value assessment of these assets. A decrease in the estimated PP&E disposition proceeds would increase the potential shortfall in cash inflows required to repay the short-term loan.

DECOMMISSIONING PROVISIONS

The Company is obligated to rehabilitate its shale quarry properties in Cheltenham, Ontario and Farmersburg, Indiana, as a condition of its licenses to mine shale. Significant estimates and assumptions are made in determining the provision for quarry rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, cost increases as compared to the inflation rates, and changes in the discount rate. These uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents the Company's best estimate of the present value of the future rehabilitation costs required.

RISKS AND UNCERTAINTIES

The Masonry Products business is cyclical in that it fluctuates in accordance with the level of new residential and commercial construction within the Company's primary market areas. Sales of new homes are influenced by many factors, including general economic conditions, interest rates and the availability of serviced land in urban areas, with the level of interest rates historically considered to be one of the most significant. This business segment is also seasonal. Sales are greatest in the second and third quarters of each year and less in the first and fourth quarters.

The principal raw material in the manufacture of clay bricks is clay. The Company owns its own quarries in Cheltenham, Ontario and Farmersburg, Indiana which it believes contain sufficient reserves to supply its requirements for these manufacturing plants in excess of 25 years and 40 years, respectively. In 2006, the Company acquired an additional 86 acre property in Brampton which it believes has the potential to be developed as a future quarry site. The Company outsources its quarry operations in both Ontario and Indiana. The contracted services include quarry preparation, earthmoving and shale excavation.

Major production costs include natural gas, labour, electricity and depreciation of plant and equipment. The Company's estimated Canadian natural gas supply requirements for 2013, have been secured under contracts, none of which were at fixed prices as at December 31, 2012. The Company contracted for substantially all of its estimated 2013 Canadian natural gas transportation requirements, of which approximately 81% was at a fixed price as at December 31, 2012. As at December 31, 2012, the Company's U.S. operations, has only contracted for its January 2013 estimated natural gas transportation requirements.

From time to time the Company may enter into swap contracts to fix the price of its electricity requirements. No such contracts were in effect as at December 31, 2012. The Company may enter into such contracts in the future if it deems it appropriate to do so.

The Masonry Products business segment requires significant capital investment in property, plant and equipment. In addition, due to the nature of the operation of its kilns, the clay brick business can be characterized as a relatively high fixed cost business. Consequently, large fluctuations in production levels may have a material impact on per unit manufacturing costs and gross margins.

The Landscape Products business is cyclical in that it fluctuates in accordance with the level of industrial, commercial and institutional construction and consumer spending. This business segment is highly seasonal.

The principal raw materials utilized in the manufacture of concrete paving stone, retaining wall and masonry concrete products are cement, aggregates (including sand and stone of various sizes) and pigments. Some of the cement and aggregate requirements are purchased under long-term supply contracts. However, there are no minimum purchase requirements under these contracts. Prices are negotiated annually and the Company retains the right to solicit tenders from alternative suppliers. Pigments are usually purchased under blanket purchase orders covering estimated annual usage.

The Landscape Products business also requires significant capital investment in property, plant and equipment. Consequently, large fluctuations in production levels may have a material impact on per unit manufacturing costs and gross margins.

The Company has exposure to exchange rate fluctuations as a result of its investment in U.S.

businesses and from holding monetary assets and liabilities denominated in U.S. dollars. All foreign currency denominated monetary assets and liabilities are translated at the current exchange rates in effect at the balance sheet date. Revenue and expense transactions are translated at average exchange rates prevailing during the period. Gains and losses on translation of transactions are included in income. A strengthening in the value of the U.S. dollar against the Canadian dollar results in higher revenues and earnings or losses, as the case may be, when translated into Canadian dollars.

In 2012, approximately 10.0% (2011 – 9.0%) of the Company's revenues were made in the U.S. or through exports to the U.S. This percentage is expected to grow with increased sales from the Indiana clay brick plant.

Foreign currency forward purchase contracts are occasionally utilized to manage the foreign currency exchange exposure resulting from significant, anticipated future cash inflows and/or outflows denominated in a foreign currency. There were no such contracts outstanding at December 31, 2012.

Interest rate swap agreements are occasionally utilized to reduce interest rate risk arising from fluctuations in interest rates and to manage the fixed and floating interest rate mix of the Company's total debt portfolio and the related overall cost of borrowing. There were no such contracts outstanding at December 31, 2012.

The Company has a transportation contract with a third party to outsource shale transport from the quarry to the Brampton clay brick plant and delivery of finished products from its plants in Ontario. Customers may also make their own arrangements to pick up finished products.

The Company has not experienced any disruption in deliveries of either shale or finished products as a result of the outsourcing arrangement and does not anticipate any disruption in its future transportation requirements.

Due to the nature of the Company's masonry and landscape products manufacturing operations, environmental laws and regulations have not had a significant impact on such operations. The Company is subject to ongoing monitoring and testing by its own staff and selective external environmental consultants and must remain in compliance as a condition of retaining its Certificates of Approval to operate. In an effort to ensure environmental compliance, the Company established an Environmental Management System that includes procedures on those processes and preventive maintenance plans for equipment that are listed in its Certificates of Approval, as well as emergency spill response and compliant handling processes.

The Company does not anticipate any material costs or any significant impact on its operations to remain in compliance with current environmental regulations.

The Company owns its own quarries in Cheltenham, Ontario and Farmersburg, Indiana to provide shale for the manufacture of clay brick. Quarry operations are required to comply with environmental standards established by provincial and state regulatory authorities, as the case may be. Among other things, these standards require the Company to undertake rehabilitation activities when mining operations are completed. Rehabilitation activities typically take place in phases over the life of the quarry. Estimated costs to rehabilitate the quarries are reflected in the Consolidated Financial Statements.

OTHER

Information relating to changes in accounting standards issued but not yet applied may be found in Note 2 to the Consolidated Financial Statements.

The aggregate number of issued and outstanding Class A shares and Class B shares as at December 31, 2012 is disclosed in Note 14 to the Consolidated Financial Statements. There were no changes to share capital to the date of this MD&A.

Information with respect to transactions with related parties in 2012 is disclosed in Notes 11 and 21 to the Consolidated Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Pursuant to National Instrument 52-109 *"Certification of Disclosure in Issuers' Annual and Interim Filings"*, the Company's certifying officers have evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2012 and have concluded that such disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers on a timely basis.

The Company's certifying officers have assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2012 based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, the Company's certifying officers have concluded that as at December 31, 2012, the Company's internal control over financial reporting was effective.

There have been no changes in the Company's internal control over financial reporting during the period ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTLOOK FOR 2013

The Company's Masonry Products and Landscape Products business segments are cyclical. Demand for masonry products fluctuates in accordance with the level of new residential construction as well as industrial, commercial and institutional construction activity. Demand for landscape products fluctuates in accordance with the level of industrial, commercial and institutional construction activity, as well as consumer spending patterns.

Both business segments are seasonal with the Landscape Products business affected to a greater degree than the Masonry Products business.

As was the case in 2012, we expect 2013 to be another year of contrasting patterns of demand between our various market regions and range of products. Within the Company's primary Canadian market areas, housing starts in the low rise segment were 4% lower in 2012 than in the same period in 2011. Currently, economic forecasts do not expect housing starts to improve in 2013. However, continued market acceptance of new products, further geographic market expansion and ongoing marketing and customer service initiatives are expected to continue the momentum that has been established over the last eighteen months. These business initiatives along with the expected savings from increased capacity utilization in our concrete plants and improved manufacturing efficiencies should help to offset the potential impacts of a slower new single family residential market.

In our U.S. markets, we are beginning to experience an improvement in residential housing activity. Clay brick industry capacity utilization levels are gradually improving and the price deterioration of the last few years has begun to stabilize. While only in these markets for a few years, Brampton Brick continues to gain market acceptance, supported by our expanded product portfolio and improved distribution profile.

Landscape product sales should continue to grow in both our Canadian and U.S. markets. We have gained market share due to the addition of new products, improved cost structure and various marketing initiatives. Improving consumer sentiment will further improve the outlook for these products going forward.

The Company will continue to evaluate its investment in Universal based on the decisions made by Universal management regarding its future direction.

Additional information about the Company, including the Company's Annual Report for the year ended December 31, 2011 and Annual Information Form for the year ended December 31, 2012 may be found on SEDAR at www.sedar.com. The Company's Annual Report for the year ended December 31, 2012 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders to be held on May 23, 2013 will later be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein constitute "forward-looking statements". All statements that are not historical facts are forward-looking statements, including, among others, statements regarding the expected repayment of the short-term loan receivable from Universal, forecasts of sufficient cash flows from operations and other sources of financing, anticipated compliance with financial covenants under debt agreements, anticipated sales of masonry and landscape products, and other statements regarding future plans, objectives, results, business outlook and financial performance. There can be no assurance that such forward-looking statements will prove to be accurate.

Such forward-looking statements are based on information currently available to management, and are based on assumptions and analyses made by management in light of its experience and its perception of historical trends, current conditions and expected future developments, including, among others, assumptions regarding pricing, weather and seasonal expectations, production efficiency, and there being no significant disruptions affecting operations or other material adverse changes.

Such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others: changes in economic conditions, including the demand for the Company's primary products and the level of new home, commercial and other construction; large fluctuations in production levels; fluctuations in energy prices and other production costs; changes in transportation costs; foreign currency exchange and interest rate fluctuations; legislative and regulatory developments; as well as those assumptions, risks, uncertainties and other factors identified and discussed above under "Risks and Uncertainties" and those identified and reported in the Company's other public filings (including the Annual Information Form for the year ended December 31, 2012), which may be accessed at www.sedar.com.

The forward-looking information contained herein is made as of the date hereof. Other than as specifically required by law, the Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
TABLE OF CONTENTS

CONSOLIDATED BALANCE SHEETS

BRAMPTON BRICK Limited

(in thousands of Canadian dollars)	Notes	December 31, 2012	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	4	**$ 1,412**	$ 1,180
Trade and other receivables	5	**10,832**	9,964
Inventories	6	**22,287**	20,805
Taxes recoverable	18	**–**	744
Loan receivable	8	**1,392**	–
Other assets		**575**	597
		36,498	33,290
Non-current assets			
Property, plant and equipment	9	**168,848**	172,629
Total assets		**$ 205,346**	$ 205,919
LIABILITIES			
Current liabilities			
Bank operating advances	10	**$ 10,435**	$ 5,147
Trade payables		**11,675**	9,026
Income taxes payable	18	**2,110**	829
Current portion of debt	11	**2,928**	3,091
Decommissioning provisions	13	**50**	50
Other liabilities		**1,975**	2,010
		29,173	20,153
Non-current liabilities			
Non-current portion of debt	11	**23,554**	35,166
Decommissioning provisions	13	**2,219**	950
Deferred tax liabilities	18	**13,427**	13,163
Total liabilities		**$ 68,373**	$ 69,432
EQUITY			
Equity attributable to shareholders of Brampton Brick Limited			
Share capital	14	**$ 33,711**	$ 33,689
Contributed surplus	15	**1,895**	1,801
Accumulated other comprehensive loss		**(2,655)**	(1,540)
Retained earnings		**104,010**	102,527
		136,961	136,477
Non-controlling interests		**12**	10
Total equity		**$ 136,973**	$ 136,487
Total liabilities and equity		**$ 205,346**	$ 205,919

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

Approved by the Board of Directors **/s/Jeffrey G. Kerbel** Jeffrey G. Kerbel, Director **/s/John M. Piecuch** John M. Piecuch, Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars, except per share amounts)	Notes	Year ended December 31 2012	2011
Revenues	22	**$ 97,061**	$ 80,013
Cost of sales	6, 17, 22	**75,160**	65,566
Selling expenses	17, 22	**7,216**	7,029
General and administrative expenses	17, 22	**6,679**	6,351
Loss (gain) on disposal of property, plant and equipment	22	**96**	(63)
Other (income) expense	22	**(93)**	32
Impairment loss on loan receivable	8, 22	**1,278**	–
		90,336	78,915
Operating income	22	**6,725**	1,098
Finance (expense) income			
Finance costs	10, 11	**(3,682)**	(4,523)
Finance income		**8**	25
		(3,674)	(4,498)
Share of loss from investment in Universal Resource Recovery Inc.	7	**–**	(8,857)
Income (loss) before income taxes		**3,051**	(12,257)
(Provision for) recovery of income taxes	18		
Current		**(1,301)**	750
Deferred		**(265)**	1,531
		(1,566)	2,281
Net income (loss) for the year		**$ 1,485**	$ (9,976)
Net income (loss) attributable to:			
Shareholders of Brampton Brick Limited		**$ 1,483**	$ (9,979)
Non-controlling interests		**2**	3
Net income (loss) for the year		**$ 1,485**	$ (9,976)
Other comprehensive income (loss)			
Foreign currency translation		**$ (1,115)**	$ 1,076
Total comprehensive income (loss) for the year		**$ 370**	$ (8,900)
Total comprehensive income (loss) attributable to:			
Shareholders of Brampton Brick Limited		**$ 368**	$ (8,903)
Non-controlling interests		**2**	3
Total comprehensive income (loss) for the year		**$ 370**	$ (8,900)
Net income (loss) per Class A and Class B share attributable to shareholders of Brampton Brick Limited			
Basic	19	**$ 0.14**	$ (0.91)
Diluted	19	**$ 0.14**	$ (0.91)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)	Notes	Attributable to shareholders of Brampton Brick Limited						
		Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Non-controlling interest	Total Equity
Balance – January 1, 2011		$ 33,689	$ 1,658	$ (2,616)	$ 112,506	$ 145,237	$ 112	$ 145,349
Net (loss) income for the year		–	–	–	(9,979)	**(9,979)**	3	**(9,976)**
Other comprehensive income (net of taxes, $nil)		–	–	1,076	–	**1,076**	–	**1,076**
Comprehensive income (loss) for the year		**–**	**–**	**1,076**	**(9,979)**	**(8,903)**	**3**	**(8,900)**
Dividends	21						(105)	**(105)**
Share-based compensation	15	–	143	–	–	**143**	–	**143**
Balance – December 31, 2011		**$ 33,689**	**$ 1,801**	**$ (1,540)**	**$ 102,527**	**$ 136,477**	**$ 10**	**$ 136,487**
Balance – January 1, 2012		**$ 33,689**	**$ 1,801**	**$ (1,540)**	**$ 102,527**	**$ 136,477**	**$ 10**	**$ 136,487**
Net income for the year		**–**	**–**	**–**	**1,483**	**1,483**	**2**	**1,485**
Other comprehensive loss (net of taxes, $nil)		**–**	**–**	**(1,115)**	**–**	**(1,115)**	**–**	**(1,115)**
Comprehensive (loss) income for the year		**–**	**–**	**(1,115)**	**1,483**	**368**	**2**	**370**
Stock options exercised	14	**22**	**(3)**			**19**		**19**
Share-based compensation	15	**–**	**97**	**–**	**–**	**97**	**–**	**97**
Balance – December 31, 2012		**$ 33,711**	**$ 1,895**	**$ (2,655)**	**$ 104,010**	**$ 136,961**	**$ 12**	**$ 136,973**

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

BRAMPTON BRICK Limited

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)	Notes	2012	2011
		Year ended December 31	
Cash provided by (used for)			
Operating activities			
Net income (loss) for the year		$ 1,485	$ (9,976)
Items not affecting cash and cash equivalents			
Depreciation	9	7,070	6,756
Current taxes	18	1,301	(750)
Deferred taxes	18	265	(1,531)
Loss (gain) on disposal of property, plant and equipment		96	(63)
Unrealized foreign currency exchange gain		(36)	(34)
Impairment loss on loan receivable	8	1,278	–
Loss on derivative financial instrument		–	27
Net interest expense	10, 11	3,674	4,471
Share of loss from investment in Universal Resource Recovery Inc.	7	–	8,857
Other		97	144
		15,230	7,901
Changes in non-cash items			
Trade and other receivables		(884)	(3,804)
Inventories		(1,614)	3,098
Other assets		18	(21)
Trade payables		2,582	(14)
Income tax credits applied		731	–
Other liabilities		141	524
		974	(217)
Income tax (payments made) refunds received		(7)	17
Payments for decommissioning of assets		(44)	(59)
Cash provided by operating activities		16,153	7,642
Investing activities			
Purchase of property, plant and equipment	9	(3,101)	(2,981)
Loan advances paid to Universal Resource Recovery Inc.	8	(2,670)	–
Advances to Universal Resource Recovery Inc.	7	–	(3,295)
Proceeds from disposal of property, plant and equipment		520	63
Cash used for investing activities		(5,251)	(6,213)
Financing activities			
Increase in bank operating advances		5,288	3,323
Settlement of derivative financial liability	12	–	(1,459)
Payment of term loans		(2,730)	(2,791)
Payment of subordinated secured debentures	11	(9,000)	–
Interest paid	10, 11	(3,534)	(4,192)
Payments on obligations under finance leases		(638)	(491)
Payment of dividends by subsidiary to non-controlling interests	21	(75)	(30)
Proceeds from exercise of stock options	14	19	–
Cash used for financing activities		(10,670)	(5,640)
Foreign exchange on cash held in foreign currency		–	8
Increase (decrease) in cash and cash equivalents		232	(4,203)
Cash and cash equivalents at the beginning of the year		1,180	5,383
Cash and cash equivalents at the end of the year		$ 1,412	$ 1,180

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 and 2011 (in thousands of Canadian dollars, unless otherwise stated)

1. GENERAL BUSINESS DESCRIPTION

Brampton Brick Limited and its subsidiaries, together referred to as the ("Company") primarily manufacture and sell masonry and landscape products. The Company has clay brick manufacturing plants located in Brampton, Ontario and in Farmersburg, Indiana. Plants located in Markham, Milton and Brampton, Ontario and in Wixom, Michigan manufacture concrete products. Brampton Brick Limited is incorporated and domiciled in Canada. The address of its registered office is 225 Wanless Drive, Brampton, Ontario.

The Company's Class A Subordinate Voting shares trade on the Toronto Stock Exchange under the ticker symbol "BBL.A". The Company's Class B Multiple Voting shares do not trade on any public market.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in compliance with generally accepted accounting principles in Canada as set out in the Handbook of the Canadian Institute of Chartered Accountants – Part 1, which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are based on the accounting policies as described below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 12, 2013.

BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are measured at fair value through profit or loss.

BASIS OF CONSOLIDATION

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

These consolidated financial statements include the accounts of Brampton Brick Limited and its wholly-owned operating subsidiaries, Brampton Brick Inc. and Oaks Concrete Products Inc. In addition, the Company holds a 65% interest in 1813435 Ontario Limited. All significant intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

NON-CONTROLLING INTERESTS

Non-controlling interests represent outside parties' equity interests in 1813435 Ontario Limited (65% owned). The share of net assets of this subsidiary attributable to non-controlling interests is presented as a separate component of equity. The share of net income (loss) and comprehensive income (loss) attributable to non-controlling interests is recognized directly in equity. Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

BUSINESS COMBINATIONS

Acquisition of a business or entity by the Company is reported as a business combination, applying the acquisition method. Under this method, assets, liabilities and contingent liabilities acquired are brought into the Company's consolidated financial statements at the fair value as of the acquisition date. Transaction costs are expensed as incurred.

INVESTMENT IN JOINT VENTURE

The Company's interest in Universal Resource Recovery Inc. ("Universal"), a 50/50 joint venture of the Company, is accounted for using the equity method of accounting.

Under the equity method of accounting, the consolidated balance sheet carrying amount of the investment in Universal is increased or decreased to recognize the Company's share of the profit or loss of Universal. The Company's share of the profit or loss of Universal is recognized in the consolidated statement of comprehensive income (loss). If the Company's share of losses equals or exceeds its interest in Universal, including unsecured advances, the Company would not recognize further losses, unless it had incurred obligations or made payments on behalf of Universal. Dividends received from Universal reduce the carrying amount of the investment. Additional advances to Universal increase the carrying amount of the investment.

The Company assesses at each reporting period whether there is objective evidence that its interest in Universal is impaired. If impaired, the carrying value of the Company's share of the underlying assets of Universal is written down to its estimated recoverable amount (being the higher of fair value less costs to sell and value in use) and charged to the consolidated statement of comprehensive income (loss). Reversals of impairments are permitted when events or circumstances warrant.

FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each consolidated entity of Brampton Brick Limited are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian dollars, which is Brampton Brick Limited's functional currency. The financial statements of the Company's U.S. subsidiaries, (Brampton Brick Inc. and Oaks Concrete Products Inc.) which have the U.S. dollar as the functional currency are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the balance sheet statement date, and income and expenses – at the average rate of the reporting period (as this is considered a reasonable approximation of actual rates). All foreign currency differences are recognized in other comprehensive income (loss).

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If the Company disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at month-end exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in 'Other (income) expense' in the consolidated statement of comprehensive income (loss).

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash and short-term deposits with original maturities of three months or less that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

(i) *Financial assets and liabilities at fair value through profit or loss:* A financial asset or liability is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Derivatives are also included in this category unless they are designated as hedges. See note 12 for derivative financial instruments held by the Company and classified in this category.

Financial instruments in this category are recognized both initially and subsequently at fair value. Upon initial recognition, attributable transaction costs are recognized in the consolidated statement of comprehensive income (loss) as incurred. Gains and losses arising from changes in fair value are presented in the consolidated statement of comprehensive income (loss) in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) *Available-for-sale financial assets:* Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

(iii) *Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of trade and other receivables, loan receivable and cash and cash equivalents. Such assets are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

(iv) *Financial liabilities at amortized cost:* Financial liabilities at amortized cost include trade payables, other liabilities, bank debt and term debt. Trade payables and other liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. Subsequently, these liabilities are measured at amortized cost using the effective interest method. Bank debt and term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(v) *Impairment of financial assets:* At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss or as available for sale) is impaired.

The criteria used to determine if there is objective evidence of an impairment loss include:

i) Significant financial difficulty of the obligor;

ii) Delinquencies in interest or principal payments; and

iii) It becomes probable that the borrower will enter bankruptcy or other financial reorganization.

If such evidence exists, the Company recognizes an impairment loss, as the difference between the carrying value and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the normal course of business, net of any allowance for doubtful accounts and sales discounts.

INVENTORIES

Inventories of manufactured items and work-in-process are recorded at the lower of cost, determined on an average production cost basis, and net realizable value.

Raw materials and resale inventories are recorded at the lower of cost, determined on a first-in, first-out basis, and replacement cost for raw materials and net realizable value for resale inventory.

Average production cost comprises raw materials, direct labour, other direct costs and related production overheads, based on normal production capacity, including applicable depreciation on property, plant and equipment. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of making the sale. If the carrying value exceeds the net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of comprehensive income (loss) during the period in which they are incurred.

Depreciation

Asset classes are sub-divided into major components to recognize differences in the useful life of the components identified. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and each component is depreciated separately. Residual values, the method of depreciation and useful lives of assets are reviewed annually and adjusted if appropriate.

Depreciation is provided on a straight-line basis at rates designed to write off the property, plant and equipment components over their estimated useful lives, as follows:

Land improvements	5 to 10 years
Buildings	10 to 40 years
Machinery and equipment	3 to 40 years
Mobile equipment	4 to 10 years

Quarries are amortized on the unit of production method based on shale extraction and estimated remaining shale reserves.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive income (loss).

IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment are assessed at the end of each reporting period to determine whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

LEASES

Leases are classified as finance or operating depending upon the terms and conditions of the contracts. Leases that transfer substantially all of the risks and rewards of ownership of the asset and to which the criteria as described under IAS 17, *Leases*, apply are classified as finance leases and are accounted for as an acquisition of a non-current asset and an assumption of an obligation at the inception of the lease, measured at the present value of minimum lease payments. Asset values recorded under finance leases are amortized on a straight-line basis over the period of expected use. Obligations recorded under finance leases are reduced by lease payments net of imputed interest.

Other leases are operating leases and are not recognized in the Company's balance sheet and are expensed over the lease term on a straight-line basis.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the normal course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

PROVISIONS

Provisions, where applicable, are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

BORROWING COSTS

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of comprehensive income (loss) in the period in which they are incurred.

DECOMMISSIONING PROVISIONS

The cost of the Company's obligation to rehabilitate its shale quarries is estimated based on the present value of expected future rehabilitation costs and is recognized in the period in which the obligation is incurred. The present value of these costs is added to the cost of the associated asset and amortized over its useful life, while the corresponding liability will accrete to its future value over the same period.

The present value of the rehabilitation liability is determined based on a pre-tax discount rate that takes into account the time value of money and the risks specific to the liability. The liability is reviewed at each reporting date to determine if the discount rate is still applicable and to determine if changes are required to the original estimate.

Changes to estimated future costs are recognized on the balance sheet by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16, *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of comprehensive income (loss).

INCOME TAXES

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized, using the liability method, in respect of temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to be in effect in the periods in which the deferred tax assets and liabilities are expected to be realized or settled.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority or either the same taxable group company; or different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

SHARE CAPITAL

Class A Subordinate Voting shares and Class B Multiple Voting shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

DIVIDENDS

Dividends on Class A Subordinate Voting shares and Class B Multiple Voting shares are recognized in the Company's consolidated financial statements in the period in which the dividends are approved by the Board of Directors of the Company.

REVENUE RECOGNITION

For masonry and landscape product sales, revenue is recognized when the sales price can be measured reliably and collectibility is reasonably assured. These criteria are generally met at the time the product is shipped to the customer or picked up by the customer or when contractual conditions are met in the case of the Dealer Stocking program, as described below.

Shipments arranged by the Company are sold F.O.B. job site. Customers therefore take ownership and assume the risk of loss upon delivery and all products are invoiced on the same date as they are shipped. Cartage charges are invoiced at the time of shipment.

Pick ups arranged by the customer are sold F.O.B. plant. Customers take ownership and assume the risk of loss upon the shipment leaving the Company's yard.

The Company offers a Dealer Stocking Program to a limited number of customers. Under this program, these customers may purchase up to a specific quantity of product that the Company will store on its site for a specified period of time. These transactions meet the criteria outlined in the Appendix to IAS 18, *Revenue*, for "Bill and Hold" arrangements. In these instances, revenue is recognized at the time the product is manufactured and placed into the designated area in the yard. If ultimate delivery is arranged by the Company, cartage is charged and revenue for cartage is recognized at the time of delivery.

The Company does not record a provision for product returns or defective products at the time of sale, as the amounts are not significant.

Sales discounts, including volume rebates, sales incentives and prompt payment discounts, are classified in revenues. Volume rebates and sales incentive credits are computed quarterly, on a customer by customer basis, and the provision is adjusted as required. Credit notes are issued quarterly and processed against the applicable customer account. Prompt payment discounts are recorded at the time payment is received. A general provision, based on historical payment patterns, is reviewed quarterly and adjusted as required.

COST OF SALES

Cost of sales includes cost of finished goods sold, costs related to shipping, handling of product and inventory write-downs.

EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to shareholders of Brampton Brick Limited by the weighted average number of Class A Subordinate Voting shares ('Class A shares") and Class B Multiple Voting shares ("Class B shares") outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of Class A and Class B shares outstanding to assume conversion of all dilutive outstanding stock options. The number of shares outstanding is increased by the number of additional shares that would be issued upon the exercise of "in-the-money" stock options, if dilutive, and is reduced by the number of shares that could be repurchased, at the average market price, with the cash proceeds therefrom.

SHARE-BASED COMPENSATION

Stock options are accounted for under the fair value method. Each tranche in a grant is considered a separate grant with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Forfeitures are estimated for the purposes of determining the fair value of each tranche. Compensation expense is recognized over the vesting period of each tranche based on the number of options expected to vest with a corresponding credit to contributed surplus. The number of options expected to vest is reviewed at least annually, with any impact being recognized immediately. No compensation expense is recognized for options that do not ultimately vest. For expired and cancelled options, compensation expense is not reversed and the related credit remains in contributed surplus.

When options are exercised, the Company issues new Class A Subordinate Voting shares. The proceeds received are credited to share capital, together with the related amounts previously added to contributed surplus.

EMPLOYEE BENEFITS – DEFINED CONTRIBUTION PENSION PLANS

The Company's employee pension plans are defined contribution plans. The Company pays contributions into separate entities and does not have any legal or constructive obligation to pay further amounts. The obligations are recognized as an employee benefit expense in the consolidated statement of comprehensive income (loss) in the periods during which services are rendered by employees.

ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET APPLIED

The following is a brief overview of accounting standard changes and amendments that the Company will be required to adopt in future years. Except as otherwise noted below for IFRS 9 and IAS 32, the standards are effective and will be adopted for the Company's annual periods beginning on January 1, 2013 with early application permitted. These standards are not expected to have a material impact on the consolidated financial statements.

IFRS 9 *Financial Instruments* is effective for years beginning on or after January 1, 2015 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities largely carry forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

The Company will continue to monitor and evaluate the amendments to this standard under consideration by IASB. Although the full impact of the final standard cannot be determined, it is not expected to materially impact the consolidated financial statements.

IFRS 10 *Consolidated Financial Statements* requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation – Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements.*

IFRS 11 *Joint Arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate and equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in other entities* establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair value measurement and disclosure requirements* is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

IFRIC 20 *Stripping costs in the production phase of a surface mine* applies to top-soil removal costs that are incurred in surface mining activity during the production phase of the mine. Under this interpretation, the costs from this top-soil removal activity ('stripping') which provide improved access to shale reserves is recognized as a non-current asset when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

Amendment to IAS 1 *Presentation of Financial Instruments* requires an entity to separate items presented in Other comprehensive income (loss) ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

To comply with this standard, items presented in OCI will be classified as items that may be recycled to profit or loss in the future.

Amendment to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Amendment to IFRS 7 *Financial Instruments – Disclosures* requires entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

Amendment to IAS 32 ***Financial Instruments – Presentation*** is effective for annual periods beginning on or after January 1, 2014, with retrospective application required and clarifies the meaning of the phrases 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Amendment to IAS 19 ***Employee benefits*** are not applicable in the preparation of the consolidated financial statements

3. SUMMARY OF CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The following are the judgments and estimates applied by management that most significantly affect the Company's consolidated financial statements:

Judgments

i) Impairment of non-financial assets

At each reporting date the Company evaluates the carrying value of property, plant and equipment to determine whether there is any indication that an asset may be impaired. Impairment is measured as the amount by which the carrying value of the property, plant and equipment exceeds the recoverable values. In deriving the recoverable value of the property, plant and equipment, management makes judgments such as determining the cash generating units ("CGUs") based on the lowest group of assets to which cash flows can be reliably attributed and the estimated future cash flows and discount rates to be used in the impairment models. Management has determined that the Brampton clay brick plant, the Canadian concrete plants (Markham, Milton and Brampton), the Farmersburg, Indiana clay brick plant and the Wixom, Michigan concrete plant were the cash generating units ("CGUs") for the purposes of asset impairment testing.

Management's assessment of the external and internal indicators of impairment, as per IAS 36, *Impairment of Assets* determined there was no indication that the Brampton clay brick plant and the Canadian concrete plants may be impaired. Management also assessed the indicators of impairment for the Company's U.S. plants and concluded, based on various factors, that impairment tests were necessary for those CGUs as at December 31, 2012.

Management's judgments are based on significant industry experience and expectations of future economic conditions.

ii) Deferred taxes

Management makes judgments in determining whether deferred tax assets are recognized on the balance sheet. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the probability that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets.

The Company is subject to taxation in a number of jurisdictions. There are many transactions and calculations during the course of business for which the ultimate tax determination requires judgment. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Changes in rates of taxation, changes in the estimated timing or realization of reversals and differences in interpretation by tax authorities could result in higher or lower income tax amounts paid or deducted against future tax payables.

Estimates

i) Depreciation

Depreciation is measured as the economic benefit consumed from the use of the Company's property, plant and equipment. This amount is determined by apportioning the cost net of residual value over the useful life of the individual assets according to an appropriate depreciation method. Estimates of the useful lives of the components of property, plant and equipment and the residual values are based on industry practice and expected utilization.

ii) Impairment of non-financial assets

As a result of ongoing economic pressures impacting the construction industry, as at December 31, 2012, the Company assessed property, plant and equipment to determine whether there was any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset). Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In the absence of an arm's length transaction, fair value for assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is determined as the present value of estimated future cash flows arising from continued use and eventual disposition of the asset, which excludes future capital expenditures that would increase the service potential of the asset. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks to the specific asset. To the extent that future cash flows or discount rates differ from management estimates at the balance sheet date, the impairment results may be subject to change.

December 31, 2012 and 2011 (in thousands of Canadian dollars, unless otherwise stated)

The Company's assessment of the external and internal indicators of impairment, as per IAS 36, determined there was no indication that the Brampton clay brick plant and the Canadian concrete plants may be impaired.

For the year ended December 31, 2012, the recoverable amount for the Farmersburg, Indiana clay brick plant and the Wixom, Michigan concrete plant was estimated using the Company's approved business plan for a period of five years from 2013 - 2017. The Company makes various assumptions regarding, among other things, future sales volumes, selling prices, costs of manufacturing and operations including raw materials, labour, overhead, selling and general and administrative expenses, capital expenditures and proceeds of disposition, if any, as well as estimated future growth. Cash flows beyond five years were extrapolated using an estimated growth rate of 1%. The cash flows were discounted using a discount rate of 11.83%. The impairment tests did not result in any impairment losses.

An increase by 0.50% in the estimated discount rate, for the Farmersburg, Indiana clay brick plant would have resulted in an impairment loss, reducing the carrying value of property, plant and equipment by $2,024. If the estimated discount rate decreased by 0.50%, the Farmersburg, Indiana clay brick plant would have recognized an impairment reversal of $2,308. The Wixom, Michigan concrete plant would not result in an impairment loss if the estimated discount rate increased by 0.50%.

(iii) Impairment of financial assets

At each reporting date, the Company must determine the fair value of the non-interest bearing short-term loan advanced to Universal in order to assess its recoverability and the resulting impairment, if any. The recoverability of the short-term loan to Universal is determined, in part, by calculating the estimated fair value of Universal's property, plant and equipment ("PP&E") which is held for sale as at December 31, 2012.

The determination of the fair value of Universal's PP&E requires the application of professional judgment. As at December 31, 2012, the fair value of Universal's PP&E was evaluated by independent property and equipment appraisers. Based on the appraisals and book values of other assets and liabilities, the carrying value of the short-term loan receivable was written down to $1,392 as at December 31, 2012. These estimates are based on a range of technical and economic factors and conditions as at December 31, 2012. Changes to these factors or conditions in future periods could alter the fair value assessment of these assets. A decrease in the estimated PP&E disposition proceeds would increase the potential shortfall in cash inflows required to repay the short-term loan.

iv) Decommissioning provisions

The Company is obligated to rehabilitate its shale quarry properties in Cheltenham, Ontario and Farmersburg, Indiana, as a condition of its licenses to mine shale. Significant estimates and assumptions are made in determining the provision for quarry rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, cost increases as compared to the inflation rates, and changes in the discount rate. These uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents the Company's best estimate of the present value of the future rehabilitation costs required.

4. CASH AND CASH EQUIVALENTS

	December 31, 2012 $	December 31, 2011 $
Cash on hand and balances with banks	**528**	122
Short-term investments	**884**	1,058
Cash and cash equivalents	**1,412**	1,180

5. TRADE AND OTHER RECEIVABLES

	December 31, 2012 $	December 31, 2011 $
Trade receivables	**11,166**	10,137
Less: Allowance for doubtful accounts (note 23)	**(422)**	(307)
Trade receivables – net	**10,744**	9,830
Other receivables	**88**	134
Trade and other receivables	**10,832**	9,964
Trade receivables from related parties (included above)	**5**	–

6. INVENTORIES

	December 31, 2012 $	December 31, 2011 $
Merchandise	**18,259**	17,264
Raw materials and production supplies	**4,028**	3,541
Inventories	**22,287**	20,805

The cost of inventories recognized as an expense and included in cost of sales was $63,559 (2011 – $54,919), which includes inventories written off primarily for damaged or obsolete product in the amount of $1,834 (2011 – $913).

7. INVESTMENT IN UNIVERSAL RESOURCE RECOVERY INC.

Effective January 1, 2012, management of Universal is committed to an active program to locate a buyer for the sale of assets held in Universal. Although it was expected that the sale would be recognized within one year from the date of classification of assets as 'held for sale', events beyond management's control have caused a delay in the sale of these assets. Management remains committed to its plan to sell the assets in Universal.

The Company's share of losses incurred by Universal is limited to the value of its investment in Universal which was reduced to nil as at December 31, 2011. Universal suspended its commercial operations in June 2011. For the year ended December 31, 2012, Universal incurred certain fixed costs, including interest on debt and facility occupancy costs amounting to $783. As a result, the Company's total share of cumulative unrecognized losses increased to $2,574 (2011 – $1,791) as at December 31, 2012.

For the year ended December 31, 2011, the Company recognized losses incurred by Universal totaling $8,857. This loss comprised of an operational loss of $2,484 and an impairment charge of $6,373.

The Company's investment in Universal is accounted for on the equity basis, as follows:

	December 31, 2012 $	December 31, 2011 $
Investment – beginning of the year	–	5,562
Shareholder advances	–	3,295
Share of loss	–	(8,857)
Investment – end of the year	–	–
Unrecognized losses	**2,574**	1,791

The Company's share of letters of credit issued by Universal's banker with respect to its operations was $385 at December 31, 2012 (2011 – $417).

The Company and the joint venture partner have each provided a guarantee up to the amount of $6,500 to Universal's banker as additional security for Universal's credit facilities.

The Company's share of the assets, liabilities, revenues and expenses for its 50% joint venture investment in Universal for the years ended December 31, 2012 and 2011 is summarized as follows:

December 31, 2012 and 2011 (in thousands of Canadian dollars, unless otherwise stated)

	December 31, 2012 $	December 31, 2011 $
Current assets	**90**	325
Non-current assets	**4,276**	6,107
Current liabilities	**5,267**	1,697
Non-current liabilities	**1,673**	4,735
Shareholder advances	**16,251**	16,251
Revenues	**–**	794
Expenses	**(783)**	(9,651)
Loss	**(783)**	(8,857)

8. LOAN RECEIVABLE

For the year ended December 31, 2012, advances from the Company to Universal relating to the short-term loan receivable amounted to $2,670. These advances were classified as short-term as management believes the Company will be repaid from the sale proceeds of Universal's assets following the settlement of Universal's senior ranking claims. In relation to this loan receivable, the Company has registered, as security, a mortgage on Universal's property located in Welland, Ontario.

At the same time, Universal's continuing financial difficulties indicated a potential impairment of the Company's loan receivable. Due to Universal's increasing liquidity requirements as at December 31, 2012, an impairment analysis was performed to ascertain the fair value of this loan receivable. Accordingly, a fair value of this non-interest bearing loan advanced to Universal was determined based on the fair value of Universal's assets, net of senior ranking claims. The fair value assessment was based on various independent property and equipment appraisals and management's estimates of the fair values of other assets and other liabilities. This assessment led to the conclusion that the carrying value of the loan was impaired. Consequently, the carrying value of this loan receivable was written down by $1,278, including $656 in the fourth quarter to its fair value of $1,392 as at December 31, 2012.

The Company will continue to fund its share of Universal's cash requirements until proceeds from the sale of Universal's assets are realized.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at January 1, 2011					
Cost	$ 76,185	$ 31,412	$ 123,102	$ 5,300	$ 235,999
Accumulated depreciation and impairment loss	(12,113)	(9,949)	(34,923)	(3,991)	(60,976)
Net book value	**64,072**	**21,463**	**88,179**	**1,309**	**175,023**
For the year ended December 31, 2011					
Additions	890	38	1,451	1,016	3,395
Depreciation for the year	(546)	(897)	(4,826)	(487)	(6,756)
Exchange differences	133	177	647	10	967
	477	**(682)**	**(2,728)**	**539**	**(2,394)**
As at December 31, 2011					
Cost	77,258	31,694	125,471	5,594	240,017
Accumulated depreciation and impairment loss	(12,709)	(10,913)	(40,020)	(3,746)	(67,388)
Net book value	**$ 64,549**	**$ 20,781**	**$ 85,451**	**$ 1,848**	**$ 172,629**
For the year ended December 31, 2012					
Additions	**2,134**	**–**	**2,118**	**616**	**4,868**
Disposals	**–**	**(68)**	**(491)**	**(51)**	**(610)**
Depreciation for the year	**(698)**	**(894)**	**(4,625)**	**(853)**	**(7,070)**
Exchange differences	**(131)**	**(179)**	**(714)**	**55**	**(969)**
	1,305	**(1,141)**	**(3,712)**	**(233)**	**(3,781)**
As at December 31, 2012					
Cost	**79,213**	**31,381**	**126,007**	**5,898**	**242,499**
Accumulated depreciation and impairment loss	**(13,359)**	**(11,741)**	**(44,268)**	**(4,283)**	**(73,651)**
Net book value	**$ 65,854**	**$ 19,640**	**$ 81,739**	**$ 1,615**	**$ 168,848**

For the year ended December 31, 2012, depreciation expense totaled $7,070 (2011 – $6,756) of which $6,803 (2011 – $6,488) was included in Cost of sales and $267 (2011 – $268) was included in General and administrative expenses. Refer to note 17, 'Expenses by nature'.

During the year, property, plant and equipment was acquired at an aggregate cost of $4,868 (2011 – $3,395) of which $362 (2011 – $964) was acquired by means of finance leases. Capital expenditures incurred and unpaid (paid relating to prior years) was $128 (2011 – ($553)).
Non cash capital expenditures relating to estimated future quarry rehabilitation costs recorded during the year amounted to $1,277 (2011 – $3).
Net cash flow used for the purchase of property, plant and equipment was $3,101 (2011 – $2,981).

Mobile equipment and machinery and equipment includes the following amounts acquired by means of finance leases:

	December 31, 2012	December 31, 2011
Cost – finance leases	$ 5,106	$ 4,934
Accumulated depreciation	(3,593)	(3,171)
	$ 1,513	$ 1,763

10. BANK OPERATING ADVANCES

On January 21, 2013, the Company amended its bank credit agreement, increasing its borrowing capacity to $22,000, from $20,000 as at December 31, 2012. All other significant agreement terms and conditions remained unchanged. The borrowing limit is based on margin formulae for trade receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts, if applicable. It is a demand facility secured primarily by trade receivable and inventories of the Company's Masonry Products and Landscape Products business segments in Canada and the U.S. The agreement also contains certain financial covenants. As at December 31, 2012, the Company was in compliance with all the financial covenants.

As at December 31, 2012, the borrowing limit was $17,864 (2011 – $16,681). The utilization was $10,682 (2011 – $5,376) and comprised of: a $8,900 (2011 – Nil) banker's acceptance, 90 day note; a current account overdraft balance of $1,535 (2011 – $5,147); and outstanding letters of credit for $247 (2011 – $229).

As at December 31, 2012 the rate of interest on the banker's acceptance note is based on prevailing banker's acceptance rates plus a credit spread of 2.00% and the rate of interest on the current account overdraft is based on the Canadian bank prime rate plus a credit spread of 0.75%. The Company's credit spread is variable and determined by its interest coverage ratio.

11. DEBT

Debt consists of the following:

		December 31, 2012 $	December 31, 2011 $
Term loan – due June 2016, instalments commenced in July 2011	(a)	24,711	27,119
Subordinated secured debentures (repaid in 2012)	(b)	–	8,855
Term loan (Euro denominated loan repaid in 2012)	(c)	–	170
Other term loans	(c)	482	543
	(d)	25,193	36,687
Obligations under finance leases	(e)	1,289	1,570
		26,482	38,257
Less: Payments due within one year – current portion		2,928	3,091
		23,554	35,166

(a) The term loan, acquired in June 2009 and due in June 2016, is secured primarily by real estate and production equipment of the Company's Masonry Products and Landscape Products business segments in both Canada and the U.S. Principal repayments commenced in July 2011 at $500 per month in the months of July to November inclusive ($2,500 per year) to 2015, and a balloon payment of $17,500 in June 2016. The rate of interest is fixed at 8.00%.

This term loan was recorded for accounting purposes initially at its fair value which, net of transaction costs incurred in the amount of $611, amounted to $29,389 and is being carried at amortized cost. The transaction costs are being amortized over the term of the loan resulting in an effective interest rate of 8.40%. As at December 31, 2012, the unamortized transaction costs were $289 (2011 – $381).

The term loan agreement contains various financial covenants. As at December 31, 2012, the Company was in compliance with all the financial covenants.

(b) On February 26, 2010, the Company completed a three-year term subordinated secured debenture financing in the amount of $9,000, at an effective interest rate of 11.89%. The debentures were secured by a second ranking security interest in the Company's real estate and production equipment utilized in the Masonry Products and Landscape Products business segments in Ontario. Substantially all of these debentures were acquired by insiders of the Company or by persons associated with or related to them.

December 31, 2012 and 2011 (in thousands of Canadian dollars, unless otherwise stated)

In August 2012 the Company redeemed a subordinated secured debenture in the principal amount of $500 and in October 2012 the balance of the debentures were redeemed in the principal amount of $8,500. A 2% early redemption fee on the principal amount was paid to all debenture holders, as the debentures were to have matured in February 2013. The payment of both the principal and early redemption fee was funded from the Company's operating credit facility.

(c) Other term loans represent vendor financing to acquire certain production assets, including the term loan denominated in euros which was repaid in 2012.

(d) Repayments on debt (excluding finance leases) include the following:

	$
2013	2,579
2014	2,587
2015	2,593
2016	17,593
Thereafter	130
Total debt repayments	**25,482**
Less: Amount representing transaction costs	**289**
Present value of debt repayments including $2,494 classified as current	**25,193**

(e) Obligations under finance leases include the following:

Future minimum lease payments	$
2013	486
2014	471
2015	335
2016	90
Total minimum lease payments	**1,382**
Less: Amount representing interest	**93**
Present value of minimum lease payments including $434 classified as current	**1,289**

The weighted average effective interest rate for obligations under finance leases during 2012 was approximately 4.90% (2011 – 5.16%).

12. DERIVATIVE FINANCIAL INSTRUMENT

In October 2011 the Company settled the liability balance of its interest rate swap for $1,459. The Company had entered into this contract in 2007 to hedge the risk arising from variability of cash flows relating to its variable rate term bank loan under its credit facility. The fixed interest rate under the swap contract was 5.16%. For the year ended December 31, 2011, the interest rate differential together with the loss on the change in fair value of the swap contract totaled $516 and was recorded in 'finance costs' in the consolidated statement of comprehensive income (loss).

13. DECOMMISSIONING PROVISIONS

The Company makes a provision for the future rehabilitation of its shale quarries. The present value of the obligations was estimated using discount rates ranging from 1.13% to 2.38%, (2011 – 0.99% to 1.28%). The total undiscounted amount of the estimated cash flows required to settle the obligations at December 31, 2012 is $2,763 (2011 – $1,046). These obligations are expected to be settled over a one to sixteen year period (2011 – one to four year period) and are expected to be funded from general Company resources. The 2012 provision increased primarily due to the opening of a new stripping phase at the Company's Cheltenham quarry.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the decommissioning provisions:

	2012 $	**2011** $
Balance at the beginning of the year	**1,000**	992
Increase in provision	**1,277**	3
Payments during the year	**(44)**	(59)
Unwinding of the discount and effect of changes in the discount rate	**36**	64
Balance at the end of the year	**2,269**	1,000
Less: Payments due within one year – current portion	**(50)**	(50)
	2,219	950

14. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Preference shares, Class A Subordinate Voting shares ("Class A shares") and Class B Multiple Voting shares ("Class B shares"). The Class B shares are convertible into Class A shares on a share-for-share basis at any time. Class A shares may be converted into Class B shares in certain circumstances in connection with a takeover bid. Class A shareholders are entitled to one vote per share and Class B shareholders are entitled to ten votes per share at any meeting of shareholders. The shares issued do not have a specified par value.

No dividends were paid in 2012 and 2011.

During the third quarter, 3,800 stock options were exercised at an average exercise price of $4.94. Proceeds from the issue of an equal number of Class A shares amounted to $19.

In the fourth quarter of 2011, 690,369 Class B shares were converted to Class A shares. There were no changes in the Class B shares for the year ended December 31, 2012.

Class A shares	December 31, 2012		December 31, 2011	
	Number of shares (thousands)	Stated capital $	Number of shares (thousands)	Stated capital $
Balance at the beginning of the year	**9,198**	**33,688**	8,508	33,687
Conversion of Class B to Class A shares	**–**	**–**	690	1
Stock options exercised	**4**	**22**		
Balance at the end of the year	**9,202**	**33,710**	9,198	33,688

Class B shares	December 31, 2012		December 31, 2011	
	Number of shares (thousands)	Stated capital $	Number of shares (thousands)	Stated capital $
Balance at the beginning of the year	**1,739**	**1**	2,429	2
Conversion of Class B to Class A shares	**–**	**–**	(690)	(1)
Balance at the end of the year	**1,739**	**1**	1,739	1

15. SHARE-BASED COMPENSATION

At the Annual General and Special Meeting of Shareholders held on May 24, 2012, shareholders approved an additional 600,000 Class A shares to be reserved for issuance pursuant to the terms of the Brampton Brick Limited Stock Option Incentive Plan ("the Plan"). Under the Plan, the Company may grant stock options to the directors, officers and full-time employees of the Company and its subsidiaries up to an aggregate of 1,680,965 (2011 – 1,080,965) Class A shares. The exercise price of each stock option is equal to the volume weighted average trading price of the Company's Class A shares for the five trading days immediately preceding the date of the grant and the maximum term of each option is ten years. As at December 31, 2012, a total of 607,865 (2011 – 170,865) stock options were available for grant under the Plan.

The Company granted stock options to nine executive officers, two employees and to all non-management members of the Board of Directors of the Company. Options in each grant vest as follows: 20% on the date immediately following the date of the grant and an additional 20% on each anniversary of the grant date thereof until fully vested.

Date of grant	June 4, 2012	March 30, 2012	March 23, 2011
Number of options granted	**38,000**	**142,500**	90,000
Market price	**$ 4.61**	**$ 3.60**	$ 5.10
Fair value of each stock option granted	**$ 0.92**	**$ 0.54**	$ 1.05
Assumptions:			
Risk-free interest rate	**1.5%**	**1.8%**	2.9%
Expected life	**7.9 years**	**7.9 years**	7.9 years
Volatility (determined by reference to historically observed prices of the Class A shares)	**32%**	**29%**	28%
Expected dividend yield	**4.3%**	**5.5%**	3.9%
Expected forfeitures	**Nil**	**Nil**	Nil

For the year ended December 31, 2012, the total compensation cost charged against income with respect to all stock options granted was $97 (2011 – $143).

December 31, 2012 and 2011 (in thousands of Canadian dollars, unless otherwise stated)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information with respect to stock option transactions in each of the past two years and stock options outstanding at the end of the year is as follows:

	2012		2011	
	Number of stock options	Weighted average exercise price $	Number of stock options	Weighted average exercise price $
Balance at the beginning of the year	**683,400**	**9.07**	600,900	9.64
Granted during the year	**180,500**	**3.81**	90,000	5.10
Expired during the year	**(17,500)**	**13.75**	(7,500)	6.75
Exercised during the year	**(3,800)**	**4.94**	–	–
Balance at the end of the year	**842,600**	**7.87**	683,400	9.07

At December 31, 2012 and 2011, outstanding stock options were as follows:

		Number of shares	
Year of expiry	Option price $	2012	2011
2012	13.75	–	17,500
2014	14.60	44,000	44,000
2014	14.50	17,500	17,500
2015	14.00	43,500	43,500
2015	11.55	25,000	25,000
2016	11.50	32,400	32,400
2017	13.00	74,000	74,000
2018	10.51	105,500	105,500
2019	4.99	110,500	112,500
2020	5.76	114,000	114,000
2020	6.01	7,500	7,500
2021	5.10	89,000	90,000
2022	3.60	142,500	
2022	4.61	37,200	
		842,600	**683,400**

At December 31, 2012, an aggregate of 842,600 (2011 – 683,400) stock options were outstanding, of which 573,100 (2011 – 472,400) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $9.44 (2011 – $10.51) per share.

16. PENSION PLAN EXPENSE

The Company has a defined contribution pension plan covering all participating Canadian employees and a 401(k) plan covering all participating U.S. employees. The Company's pension plan expense in 2012 totaled $509 (2011 – $523).

17. EXPENSES BY NATURE

	Year ended December 31, 2012							
	Personnel expenses	Cost of materials	Cost of energy	Depreciation	Freight	Other expense	Asset impairment	Total
Cost of sales	**$ 16,262**	**$ 34,696**	**$ 7,671**	**$ 6,803**	**$ 6,161**	**$ 3,567**	**$ –**	**$ 75,160**
Selling expenses	**4,271**	**111**	**–**	**–**	**19**	**2,815**	**–**	**7,216**
General and administrative expenses	**3,538**	**287**	**–**	**267**	**53**	**2,534**	**–**	**6,679**
Loss on disposal of property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**96**	**–**	**96**
Other expense (income)	**–**	**–**	**–**	**–**	**–**	**(93)**	**–**	**(93)**
Impairment loss on loan receivable	**–**	**–**	**–**	**–**	**–**	**–**	**1,278**	**1,278**
	$ 24,071	**$ 35,094**	**$ 7,671**	**$ 7,070**	**$ 6,233**	**$ 8,919**	**$ 1,278**	**$ 90,336**

								Year ended December 31, 2011
	Personnel expenses	Cost of materials	Cost of energy	Depreciation	Freight	Other expense	Asset impairment	Total
Cost of sales	$ 14,988	$ 28,509	$ 6,824	$ 6,488	$ 5,385	$ 3,372	$ –	$ 65,566
Selling expenses	3,902	109	–	–	22	2,996	–	7,029
General and administrative expenses	3,275	208	–	268	50	2,550	–	6,351
Gain on disposal of property, plant and equipment	–	–	–	–	–	(63)	–	(63)
Other expense (income)	–	–	–	–	–	32	–	32
	$ 22,165	**$ 28,826**	**$ 6,824**	**$ 6,756**	**$ 5,457**	**$ 8,887**	**$ –**	**$ 78,915**

18. INCOME TAX

The Company computes an income tax provision in each of the jurisdictions in which it operates. The operations in Canada and the United States are subject to income tax at rates ranging from 25.0% - 26.5% (2011 – 25.0% - 28.3%) in the Canadian jurisdictions and from 34.0% - 39.3% (2011 – 34.0% - 39.5%) in the U.S. jurisdictions. The statutory tax rates decreased as a result of reductions in the substantially enacted tax rates during the year.

The (provision for) recovery of income taxes recorded in the consolidated statements of operations differs from the statutory federal and provincial income tax, as follows:

	2012		2011	
	$	%	$	%
Income (loss) before income taxes	**3,051**		(12,257)	
Income tax (provision) recovery calculated at statutory federal and provincial income tax rates – 26.5% (2011 – 28.25%)	**(808)**	**(26.5)**	3,463	28.3
Increase (decrease) in rate resulting from				
Manufacturing and processing profits deduction	**99**	**3.2**	(18)	(0.1)
Tax rate and other differences in foreign subsidiaries	**1,064**	**34.8**	251	2.0
Difference in current and deferred income tax rates	**(19)**	**(0.6)**	116	0.9
Change in deferred tax assets not recognized	**(1,715)**	**(56.2)**	(948)	(7.7)
Other non-taxable and non-deductible items	**(27)**	**(0.8)**	(112)	(0.9)
Non-deductible loss on short-term loan / joint venture investment in Universal	**(160)**	**(5.2)**	(471)	(3.9)
Effective (provision for) recovery of income taxes	**(1,566)**	**(51.3)**	2,281	18.6

The movement in deferred tax liabilities is as follows:

	2012	**2011**
As at January 1	**$ (13,163)**	$ (14,694)
(Debited) credited to the Statement of Comprehensive Income (Loss)	**(264)**	1,531
As at December 31	**$ (13,427)**	$ (13,163)

Deferred taxes applicable to temporary differences are as follows:

	December 31, 2012 $	**December 31, 2011 $**
Depreciable property, plant and equipment	**(16,556)**	(15,784)
Losses and investment tax credits available for carry-forward	**21,199**	18,236
IFRS transition adjustment, January 1, 2010 – land	**(4,421)**	(4,421)
Cumulative eligible capital	**2,345**	2,706
Other	**(979)**	(600)
	1,588	137
Less: Deferred tax assets not recognized	**(15,015)**	(13,300)
Deferred tax liability	**(13,427)**	(13,163)

December 31, 2012 and 2011 (in thousands of Canadian dollars, unless otherwise stated)

Deferred tax assets were not recorded on the following non-capital losses carried forward:

Year of expiry	$
2024	**2,892**
2025	**3,273**
2026	**2,965**
2027	**1,494**
2028	**3,542**
2029	**10,268**
2030	**10,916**
2031	**9,016**
2032	**6,597**
	50,963

19. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is calculated on net income (loss) attributable to the shareholders of Brampton Brick Limited using the weighted average number of shares outstanding for the year. As referred to in Note 2, the diluted earnings (loss) per share is calculated to reflect the dilutive effect of the exercise of the outstanding stock options on earnings (loss) per share.

The weighted average number of Class A and Class B shares outstanding utilized in the calculations of earnings (loss) per share is as follows:

	Year ended December 31					
	2012			2011		
Total operations	Net income $	Shares (thousands)	Per share amount $	Loss $	Shares (thousands)	Per share amount $
Net income (loss) attributable to shareholders of Brampton Brick Limited	**1,483**	**10,938**	**0.14**	(9,979)	10,937	(0.91)
Dilutive effect of options(1)		**31**	**0.00**		–	0.00
Diluted earnings (loss) per share		**10,969**	**0.14**		10,937	(0.91)

(1) Excludes the effect of 664,982 options (2011 – 683,400) to purchase Class A shares that are anti-dilutive.

20. COMMITMENTS AND CONTINGENCIES

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position or liquidity.

The future aggregate minimum lease payments under operating leases, (office and yard space, mobile equipment and vehicles) are as follows:

	$
2013	**135**
2014	**73**
2015	**48**
2016	**22**
2017	**–**
	278

As at December 31, 2012, the Company had capital expenditure commitments with suppliers totaling $1,985.

The Company normally enters into supply and transportation contracts for natural gas to satisfy its future requirements. As at December 31, 2012, the Company has contracted for its estimated 2013 Canadian natural gas supply requirements at an aggregate estimated cost of $2,130, none of which was at fixed prices, and for its estimated 2013 Canadian transportation requirements at an aggregate estimated cost of $685, of which 81% was at fixed prices. As at December 31, 2012, the Company's U.S. operations, has contracted for its January 2013 estimated natural gas transportation requirements at an estimated cost of $8 at fixed prices. The potential unrealized loss on the fixed price contracts was approximately $23 (2012 – unrealized loss of $96), which was not taken to income since these are supply contracts that will be charged to operations in the period the gas is consumed.

Letters of credit are issued by the Company's banker to provide security to certain service providers and in connection with certain governmental operating permits. The aggregate amount of letters of credit outstanding as at December 31, 2012 is $247 (2011 – $229).

21. RELATED PARTIES

a) *Compensation of key management personnel*

	Year ended December 31	
	2012	2011
Salaries, incentives and short-term benefits	$ 2,672	$ 2,425
Share-based payments	97	144
Total	$ 2,769	$ 2,569

Key management personnel is comprised of the Company's directors and executive officers.

b) *Other related party transactions*

The Company has determined which of its customers are related to the Company via common directors or shareholders. Sales to these customers are made under competitive terms and conditions. These customers accounted for 4.4% (2011 – 3.5%) of revenues in aggregate for the year ended December 31, 2012. Purchases from related parties amounted to $238 for the year ended December 31, 2012 (2011 – $259).

Other related party transactions have been described in note 11.

All related party transactions are accounted for at the exchange amount which is the amount of consideration established and agreed to by the related parties.

c) *Other related party balances*

As at December 31, 2012 the trade receivable balance from related customers was $5 (2011 – nil). Trade payables to related parties amounted to $47 as at December 31, 2012 (2011 – $48). Dividends payable to a director of a subsidiary company amounted to nil (2011 – $75).

22. OPERATING SEGMENTS

The Company considers that for purposes of operating decision making and assessing performance it operates within two dominant business segments: Masonry Products and Landscape Products.

MASONRY PRODUCTS

Manufacture of clay brick and a range of concrete masonry products including stone veneer, concrete brick and block for use in residential construction and institutional, commercial and industrial building projects.

LANDSCAPE PRODUCTS

Manufacture of concrete paving stones, retaining walls, garden walls and sales of accessory products for use in residential construction and institutional, commercial and industrial building projects.

OTHER

Other business operations and assets consist of a loan receivable from Universal and a short term investment pertaining to 1813435 Ontario Limited.

Segmented information, with comparative information for 2011, is as follows:

				2012
	Masonry $	Landscape $	Other $	Total $
Revenues	72,106	24,955	–	97,061
Cost of sales	55,518	19,642	–	75,160
Selling expenses	4,356	2,860	–	7,216
General and administrative expenses	5,032	1,647	–	6,679
Loss on disposal of property, plant and equipment	49	47	–	96
Other (income) expense	(95)	2	–	(93)
Impairment loss on loan receivable	–	–	1,278	1,278
	64,860	24,198	1,278	90,336
Operating income (loss)	7,246	757	(1,278)	6,725
Finance costs				(3,682)
Finance income				8
Income before income taxes				3,051
Income tax provision				(1,566)
Net income for the year				1,485
Depreciation of property, plant and equipment	5,756	1,314	–	7,070

December 31, 2012 and 2011 (in thousands of Canadian dollars, unless otherwise stated)

	Masonry $	Landscape $	Other $	2011 Total $
Revenues	58,005	22,008	–	80,013
Cost of sales	47,787	17,779	–	65,566
Selling expenses	4,052	2,977	–	7,029
General and administrative expenses	4,821	1,530	–	6,351
Gain on disposal of property, plant and equipment	(63)	–	–	(63)
Other (income) expense	46	(14)	–	32
	56,643	22,272	–	78,915
Operating income (loss)	1,362	(264)	–	1,098
Finance costs				(4,523)
Finance income				25
Share of loss from investment in Universal Resource Recovery Inc.				(8,857)
Loss before income taxes				(12,257)
Income tax recovery				2,281
Loss for the year				(9,976)
Depreciation of property, plant and equipment	5,447	1,309	–	6,756

Certain non-current assets are used for both the Masonry Products and Landscape Products business segments. Assets and liabilities do not form a part of management's evaluation of performance of individual business segments and therefore are not reported on a segmented basis.

			2012
	Masonry and Landscape $	Other $	Total $
Additions to property, plant and equipment	**4,868**	**–**	**4,868**
Consolidated total assets	**203,068**	**2,278**	**205,346**

			2011
	Masonry and Landscape $	Other $	Total $
Additions to property, plant and equipment	3,395	–	3,395
Consolidated total assets	204,961	958	205,919

Geographical information is as follows:

		2012		2011
	Revenues $	Property, plant and equipment $	Revenues $	Property, plant and equipment $
Canada	**87,521**	**123,808**	72,731	125,173
United States	**9,540**	**45,040**	7,282	47,456
	97,061	**168,848**	80,013	172,629

23. FINANCIAL INSTRUMENT DISCLOSURES

MEASUREMENT CATEGORIES

Financial assets and liabilities have been classified into categories which determine the basis of measurement. Those categories are: fair value through profit or loss; loans and receivables; available for sale assets; and, for liabilities, amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2012 and 2011.

Assets	Fair Value Hierarchy Level	December 31, 2012 $ Carrying values	December 31, 2012 $ Fair values	December 31, 2011 $ Carrying values	December 31, 2011 $ Fair values
Loans and receivables					
Cash and cash equivalents	1	**1,412**	**1,412**	1,180	1,180
Trade and other receivables	2	**10,832**	**10,832**	9,964	9,964
Loan receivable	2	**1,392**	**1,392**	–	–
Liabilities					
Amortized cost					
Bank operating advances	2	**10,435**	**10,435**	5,147	5,147
Trade payables	2	**11,675**	**11,675**	9,026	9,026
Other liabilities	2	**1,975**	**1,975**	2,010	2,010
Debt	2	**26,482**	**27,830**	38,257	39,862

The carrying values of the cash and cash equivalents, trade and other receivables, loan receivable, bank operating advances, trade payables and other liabilities approximate their fair values due to the short term nature of these financial instruments.

The fair values of debt were determined based on observable market data for similar debt which is considered comparable for the estimation of fair values.

FAIR VALUE HIERARCHY

Fair value measurements recognized in the consolidated balance sheets are categorized in accordance with the following levels:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** – Prices or valuations that require management inputs that are both significant to the fair value measurement and unobservable.

FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Company's overall risk management program seeks to minimize potential adverse effects on the company's financial performance.

a) Credit Risk

The Company has credit risk exposure with respect to trade receivables, cash and cash equivalents and the counterparties to its financial instruments.

i) Trade receivables

The Company grants credit to its customers in the normal course of business on terms that are consistent with the industries in which it operates. Credit evaluations are performed on a regular basis taking into consideration the customer's financial position, past experience and other factors which form part of the ongoing credit evaluations. Based on these evaluations, credit limits were established for each customer and are monitored and amended as appropriate throughout the year. The financial statements take into account an allowance for bad debts. At December 31, 2012, four customers represented approximately 37.4%, in aggregate, (2011 – four customers – 34.7%) of the Company's trade receivables at year-end. Sales to these customers represented 21.1% (2011 – 24.5%) of the Company's revenues.

The Masonry Products business segment is characterized by a relatively small number of customers with higher average balances outstanding. Trade receivables attributable to this business segment represented approximately 78.5% (2011 – 77.8%) of consolidated trade and other receivables outstanding as at December 31, 2012.

December 31, 2012 and 2011 (in thousands of Canadian dollars, unless otherwise stated)

The Landscape Products business segment is characterized by a larger number of customers with lower average balances outstanding. This business segment represented approximately 21.5% (2011 – 22.2%) of consolidated trade and other receivables outstanding as at December 31, 2012.

In aggregate, approximately 92.0% (2011 – 95.1%) was due in Canadian dollars and 8.0% (2011 – 4.9%) was due in U.S. dollars.

Accounts receivable that were past due as at December 31, 2012 totaled $2,115 (2011 – $1,816), of which $1,813 (2011 – $1,509) was less than three months past due, $13 (2011 – $31) was more than three months but less than six months past due and $289 (2011 – $276) was more than six months but less than one year past due.

Of the past due amount, accounts totaling $422 (2011 – $307) were considered to be impaired and were recorded in the allowance for doubtful accounts and charged to general and administrative expenses in the Consolidated Statements of Comprehensive Income (Loss).

Changes in the allowance for doubtful accounts were as follows:

	2012 $	2011 $
Balance at the beginning of the year	**307**	152
Accounts added	**469**	542
Accounts removed	**(247)**	(395)
Accounts written off during the year as uncollectible	**(100)**	–
Foreign exchange translation (gain) loss	**(7)**	8
Balance at the end of the year	**422**	307

ii) Cash and counterparties

The Company's credit risk with respect to its cash and cash equivalents and counterparties to its financial instruments is minimized substantially by seeking to ensure that these financial instruments are placed with well capitalized financial institutions and other creditworthy counterparties.

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in discharging its financial liabilities as they become due. The Company manages liquidity risk by maintaining cash balances, adequate borrowing facilities and monitoring forecast and actual cash flows.

The summary of financial obligations and contractual maturities relating to undiscounted non-derivative financial liabilities is as follows:

	2012 $	2011 $
Not later than 3 months	**24,763**	17,195
Later than 3 months and not later than 12 months	**4,498**	5,479
Later than one year and not later than five years	**27,895**	41,980
Later than 5 years	**134**	280
	57,290	64,934

Non-derivative financial liabilities include bank operating advances, trade payables and accrued liabilities, other liabilities, debt and operating lease commitments.

At December 31, 2012, the Company had an operating credit facility of $20,000, of which $10,682 had been utilized. This facility was increased to $22,000 in January 2013.

The Company expects that future cash flows from operations, cash and cash equivalents on hand and the unutilized balances of its credit facilities will be sufficient to satisfy these obligations as they become due.

c) Market Risk

i) Foreign exchange risks

The Company has exposure to exchange rate fluctuations as a result of holding monetary assets and liabilities denominated in foreign currencies.

Foreign exchange conversion rates utilized in the preparation of the consolidated financial statements are as follows:

	U.S. $
December 31, 2011	1.0170
December 31, 2012	0.9949
High – 2012	1.0397
Low – 2012	0.9683
Average – 2012	0.9996

Variances in the rate of exchange of U.S. $0.04 are considered reasonably possible.

At December 31, 2012, the Company had net monetary liabilities denominated in U.S. dollars totaling U.S. $323. A variance of U.S. $0.04 in the December 31, 2012 rates of exchange would have resulted in the income before income taxes being approximately $12 higher or lower, as the case may be.

Foreign currency forward purchase contracts are occasionally utilized to manage the foreign currency exchange exposure resulting from future cash flows. There were no contracts outstanding as at December 31, 2012 or December 31, 2011.

ii) Interest rates

The Company has exposure to interest rate fluctuations as a result of having variable interest rate bearing financial liabilities.

The Canadian bank prime interest rate was 3.00% on December 31, 2012 and averaged 3.00% for the year. At December 31, 2012, the Company had a total of $10,435 of variable interest rate bearing debt outstanding. A variance of 0.50% in the rate of interest would have resulted in the income before income taxes being approximately $52 higher or lower, as the case may be, on an annualized basis.

Interest rate swap agreements are occasionally utilized to reduce interest rate risk arising from fluctuations in interest rates and to manage the fixed and floating interest rate mix of the Company's total debt portfolio and related overall cost of borrowing. Interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These payments are recorded as an adjustment of interest expense. As at December 31, 2012, there were no interest rate contracts outstanding.

iii) Energy contracts

The Company occasionally enters into fixed price swap contracts to fix the price of its electricity requirements. Settlements on the swap contracts are made monthly and recorded in the consolidated statements of comprehensive income. There were no swap contracts outstanding as at December 31, 2012.

24. CAPITAL MANAGEMENT

The Company's primary business segments are both seasonal and cyclical. The Company manages its capital structure to reflect the underlying risk characteristics of the industries in which it operates. Its strategy is to maintain a conservatively structured balance sheet in order to secure access to financing at a reasonable cost.

The Company monitors capital on the basis of net adjusted funded debt to equity ratio. This ratio is calculated as net funded debt divided by shareholders equity. Net adjusted funded debt is calculated as total interest-bearing debt as shown in the consolidated balance sheets less subordinated secured debentures as these debentures rank below the term debt in priority of claims. Shareholders equity includes all components of equity.

The Company's objective is to maintain the net adjusted funded debt to equity ratio at less than 0.4:1. The net adjusted funded debt to adjusted capital ratios at December 31, 2012 and December 31, 2011 as follows:

	December 31, 2012 $	**December 31, 2011 $**
Bank operating advances	**10,435**	5,147
Debt	**26,482**	38,257
Less: Subordinated secured debentures	**–**	(8,855)
Less: Cash and cash equivalents	**(1,412)**	(1,180)
Net adjusted funded debt	**35,505**	33,369
Share capital	**33,711**	33,689
Contributed surplus	**1,895**	1,801
Accumulated other comprehensive loss	**(2,655)**	(1,540)
Retained earnings	**104,010**	102,527
Shareholders equity	**136,961**	136,477
Net adjusted funded debt to equity ratio	**0.26:1**	0.25:1

As at December 31, 2012 and December 31, 2011, the Company's objective with respect to the net adjusted funded debt to equity ratio was achieved.

The subordinated secured debentures were redeemed in 2012 as described in Note 11 of the Consolidated Financial Statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRAMPTON BRICK LIMITED

We have audited the accompanying consolidated financial statements of Brampton Brick Limited, which comprise the consolidated balance sheet as at December 31, 2012 and the consolidated statement of comprehensive income (loss), changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Brampton Brick Limited as at December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

OTHER MATTER

The consolidated financial statements of Brampton Brick Limited for the year ended December 31, 2011 were audited by another auditor who expressed an unmodified opinion on those statements on March 20, 2012.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
March 12, 2013
Toronto, Ontario

FIVE YEAR FINANCIAL REVIEW

(In thousands of Canadian dollars, except per share amounts)	IFRS	IFRS	IFRS	GAAP*	GAAP*
Operations	**2012**	**2011**	2010	2009	2008
Net Sales	$ **97,061**	$ 80,013	$ 72,623	$ 59,978	$ 81,476
Net income (loss) – Continuing Operations	**1,485**	(9,976)	(2,538)	(11,898)	(8,119)
– Total	**1,485**	(9,976)	(2,538)	(11,898)	(8,474)
Depreciation	**7,070**	6,756	11,074	11,329	8,830
Cash provided by (used for) operations	**16,153**	7,642	7,581	(3,450)	14,001
Payments for purchase of property, plant and equipment	**3,101**	2,981	2,266	11,013	48,967
Dividends	**–**	–	–	–	2,189
Financial Position					
Current Assets	$ **36,498**	$ 33,290	$ 35,854	$ 32,053	$ 30,237
Working Capital	**7,325**	13,137	18,499	13,272	4,715
Property, plant and equipment (net)	**168,848**	172,629	175,023	153,980	156,998
Total assets	**205,346**	205,919	216,439	186,054	192,131
Non-current portion of debt	**23,554**	35,166	37,271	37,583	25,521
Shareholders' equity attributable to shareholders of Brampton Brick Limited	**136,961**	136,477	145,237	119,799	129,247
Financial Ratios					
Current ratio	**1.25:1**	1.65:1	2.07:1	1.71:1	1.18:1
Total liabilities (excluding non-controlling interests) to shareholders' equity attributable to shareholders of Brampton Brick Limited	**0.50:1**	0.51:1	0.49:1	0.54:1	0.47:1
Return on average shareholders' equity attributable to shareholders of Brampton Brick Limited (%)	**1.1**	(7.1)	(1.9)	(9.6)	(6.4)
Share Data					
Net income (loss) per share – Continuing Operations	$ **0.14**	$ (0.91)	$ (0.24)	$ (1.09)	$ (0.75)
– Total	**0.14**	(0.91)	(0.24)	(1.09)	(0.78)
Book value per share	**12.52**	12.48	13.28	10.95	11.83
Dividends per share	**–**	–	–	–	0.20
Weighted average number of shares outstanding (thousands)	**10,938**	10,937	10,937	10,937	10,928

*The term GAAP refers to Canadian GAAP before the adoption of IFRS.

CORPORATE DIRECTORY

DIRECTORS
Rudolph P. Bratty, Q.C.*†

Douglas J. Buhler

Jim V. De Gasperis

P. David Grant, C.A.*

Howard C. Kerbel

Jeffrey G. Kerbel

John M. Piecuch*†

Peter R. Smith

Kenneth M. Tanenbaum

*Member of Audit Committee
†Member of Compensation Committee

SENIOR OFFICERS
Jeffrey G. Kerbel
President and Chief Executive Officer

Trevor M. Sandler
Vice-President, Finance and Chief Financial Officer

David R. Carter
Executive Vice-President

J. Bradley Duke
Senior Vice-President, Manufacturing

Judy H. Pryma
Vice-President, Sales and Marketing, Masonry Clay Products

Antonio M. Neves
Vice-President, Sales and Marketing, Masonry Concrete Products

George S. Housh
Vice-President, Manufacturing, Concrete Products

Elliot C. Bender
Vice-President, Sales and Marketing, Landscape Products

Marilia Macias
Controller

CORPORATE OFFICE
225 Wanless Drive
Brampton, Ontario L7A 1E9

Telephone: (905) 840-1011

Facsimile: (905) 840-1535

Web site: www.bramptonbrick.com

e-mail: sales@bramptonbrick.com

INVESTOR RELATIONS
e-mail: investor.relations@bramptonbrick.com

STOCK LISTING
Toronto Stock Exchange

SHARE SYMBOL
"BBL.A"

REGISTRAR AND TRANSFER AGENT
CIBC Mellon Trust Company
Halifax, Montreal, Toronto, Calgary and Vancouver

SHAREHOLDER ENQUIRIES OF CIBC MELLON TRUST COMPANY
Toll free in Canada and United States: 1-800-387-0825
In Toronto: 416-682-3860

GENERAL COUNSEL
Fogler, Rubinoff LLP

AUDITORS
BDO Canada LLP

OPERATIONS
Brampton Brick Limited
225 Wanless Drive, Brampton, Ontario
475 Harrop Drive, Milton, Ontario
455 Rodick Road, Markham, Ontario
1, Place du Commerce, Montréal, Québec

Oaks Concrete Products Inc.
51744 Pontiac Trail, Wixom, Michigan

Brampton Brick Inc.
1256 East County Road 950 North
Farmersburg, Indiana

BRAMPTON BRICK Limited
225 Wanless Drive
Brampton, ON
L7A 1E9
www.bramptonbrick.com