Brampton Brick Limited

2015 Annual Report

BRAMPTON BRICK Limited

ONE Trusted Source

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, Hillsdale, Brockville 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

Top Left:
Estate Series, Arizona

Top Right:
Presidio, Champagne and Buff

Bottom Left:
Profile Series, Peel Silver and Absolute Black, Suave

Bottom Right:
Vivace, Milano

CONTENTS

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

	2015	2014
OPERATIONS		
Revenues	**$ 127,028**	$ 110,329
Operating income (loss)	**9,767**	(8,366)
Net income (loss)	**4,820**	(13,961)
Cash provided by operations	**14,281**	8,713
Purchase of property, plant and equipment	**4,441**	11,377
SHARE DATA		
Net income (loss) per share	**$ 0.43**	$ (1.28)
Book value per share	**13.33**	12.17
Weighted average number of shares outstanding (thousands)	**10,944**	10,940
FINANCIAL POSITION		
Working capital	**$ 27,125**	$ 8,878
Total assets	**229,129**	217,680
Total liabilities	**83,250**	84,476
Shareholders' equity attributable to shareholders of Brampton Brick Limited	**145,842**	133,177
Total liabilities to shareholders' equity attributable to shareholders of Brampton Brick Limited	**0.57:1**	0.63:1

SHARES OUTSTANDING

The Company has 10,947,254 common shares outstanding as at December 31, 2015 comprised of 9,208,623 Class A Subordinate Voting shares and 1,738,631 Class B Multiple Voting shares. The Class A Subordinate Voting 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 26, 2016 at 9:30 a.m. at the Company's head office, 225 Wanless Drive, Brampton, Ontario.

ANNUAL REPORT

Additional copies of the 2015 Annual Report may be obtained from the Vice-President, Finance, Brampton Brick Limited, 225 Wanless Drive, Brampton, Ontario L7A 1E9.

President's Message

During the year 2015, Brampton Brick achieved a substantial increase in sales, margin and profitability. Revenues increased for the year 2015 by 15% to $127 million and net income rose to $4.8 million in 2015 from a loss of $2.3 million, excluding an impairment charge pertaining to our Farmersburg, Indiana plant, recorded in 2014.

Much of this increase is attributable to the integration of the Hillsdale and Brockville concrete products manufacturing plants which have provided a format which allowed us to increase our product offering and improve our market coverage. We have successfully realigned our manufacturing profile and production among our four concrete plants in Ontario and the Wixom, Michigan facility.

During the latter part of 2015 we negotiated the purchase of Eurobloq Inc., a producer of concrete masonry and landscape products in the Province of Quebec. This purchase is scheduled to be completed by the end of April 2016. The addition of Eurobloq is a continuation of our strategy to expand our geographic and product profile, while at the same time enhancing the scale and operational efficiency of our overall business.

Masonry and landscape sales were aided by strong new home sales in Ontario, as well as dry weather throughout the second to fourth quarters. It is anticipated that new housing sales will continue to be resilient in the Ontario marketplace.

Our landscape products business had another strong year in 2015, with revenues up 20%. While favourably impacted by improving demand and good weather, the key to our success has been the ongoing development and introduction of new products, colours and textures as we strive to differentiate our company in the marketplace.

In the United States, sales of masonry products continue to be impacted by low plant capacity utilization and a difficult pricing environment. While we expect volumes in 2016 to improve, it is still too early to project the level of increase for the full year.

Another key aspect of our corporate strategy has been to improve the customer experience. To this end, we are continuing to utilize technology to improve the interface with our customers. We are making it easier to do business with Brampton Brick, from the moment the customer places an order to the final delivery of our products and to be able to respond to any type of issue in an accelerated and satisfactory manner.

During 2015 we completed the restructuring of corporate debt in order to improve the ratio of short term to long term debt. The Company's financial flexibility is now enhanced, allowing Brampton Brick to further execute on our strategy and to be able to take advantage of additional market opportunities.

Jeffrey G. Kerbel
President and Chief Executive Officer

FOR THE YEAR ENDED DECEMBER 31, 2015
PREPARED AS OF MARCH 22, 2016

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the year ended December 31, 2015, 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 22, 2016, 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, 2015

For the year ended December 31, 2015, the Company recorded net income of $4,820, or $0.43 per Class A Subordinate Voting share and Class B Multiple Voting share outstanding, compared to a net loss of $13,961, or $1.28 per Class A Subordinate Voting share and Class B Multiple Voting share outstanding in 2014. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding were 10,944,116 and 10,940,354 in 2015 and 2014, respectively.

Revenues for the year ended December 31, 2015 increased by 15% to $127,028 from $110,329 for the corresponding period in 2014. The momentum in residential construction which was supported by favourable weather conditions contributed to the increase in revenues in the Canadian markets of the Masonry Products and Landscape Products business segments. The increase in revenues in the U.S. markets was supported by the positive impact of the relative strength in the U.S. dollar, despite lower shipping volumes for the year.

Cost of sales for the year ended December 31, 2015 increased by 7% to $99,158 from $92,875 for the corresponding period in 2014. Higher production volumes in both the Masonry Products and Landscape Products business segments had a comparatively positive impact on per unit manufacturing costs, producing a year-over-year improvement in gross margin. In addition, property tax credits amounting to $680 on assessments relating to prior periods were recognized in 2015.

Selling expenses for the year ended December 31, 2015 increased to $10,602 from $9,058 for the corresponding period in 2014. This increase is primarily due to increases in sales commissions directly correlated to increased revenues, higher personnel costs, some severance expenses and advertising expenses related to the expansion of the Company's overall product portfolios.

General and administrative expenses for the year ended December 31, 2015 decreased to $6,513 from $6,771 for the same period in 2014. Collections of customer accounts receivable previously provided for in the allowance for doubtful accounts and other provision reversals recorded in 2015 contributed to the improvement.

Gain on disposal of property, plant and equipment for the year ended December 31, 2015 amounted to $20 compared to a gain of $1,609 in 2014. During the second quarter of 2014, certain production equipment located at the Milton plant was written off amounting to $1,600. On October 1, 2014, land and buildings located in Milton, Ontario, with a carrying amount of $2,401, were sold for net proceeds of $5,556, after deducting sales transaction costs, resulting in a gain of $3,155. The net gain from all transactions relating to the disposal of the Milton plant was $1,555. These transactions were part of the Company's rationalization plan for its concrete products business. Plant operating synergies and volume related economies of scale were obtained by reallocating production volumes throughout the restructured plant network.

Other expense of $1,008 for 2015 compared to other income of $11 for 2014 primarily represents the impact of the strengthening of the U.S. dollar against the Canadian dollar on settlement of U.S. dollar transactions during the year and on the translation of U.S. dollar denominated monetary assets and liabilities.

There was no asset impairment loss or reversal recognized for the year ended December 31, 2015. For the year ended December 31, 2014, as a result of low sales volumes and the impact on operating results, an asset impairment loss of $11,611 was recorded in relation to the Company's Farmersburg, Indiana clay brick plant.

Operating income increased to $9,767 for the year ended December 31, 2015, compared to an operating loss of $8,366 in 2014. Excluding the asset impairment of $11,611 recognized in 2014, the Company's operations produced an operating income of $3,245 in 2014.

Finance expense for the year ended December 31, 2015 was $2,265 and included an unrealized loss on an existing interest rate swap of $504. This compared to a finance expense of $5,699 in 2014. The decrease in finance expense in 2015 was primarily due to a payment in January 2014 of future interest of $3,305, plus the unamortized transaction costs in the amount of $200, on the early repayment of the Company's then existing term loan of $22,500. This loan was replaced in January 2014 with a new demand revolving reducing term loan in the amount of $36,595. The rate of interest on the new loan was at the bank's prime rate plus 0.70%, which was significantly more favourable than the predecessor loan which had an interest rate of 8.00%. This transaction is described in more detail in Note 13, 'Debt' and Note 14, 'Derivative financial instrument', to the Consolidated Financial Statements.

The decrease in finance expense was also due to lower bank operating advances during the year and a decrease in debt balances outstanding as a result of scheduled repayments made in 2015 totaling $2,500.

The provision for income taxes amounted to $2,682 for the year ended December 31, 2015, compared to a recovery of $104 for the 2014 fiscal year. No deferred tax assets were recorded with respect to the potential deferred tax benefit pertaining to non-capital losses carried forward by the Company's U.S. operations.

FOURTH QUARTER ENDED DECEMBER 31, 2015

For the fourth quarter ended December 31, 2015, the Company recorded a net loss of $534, or $0.05 per Class A Subordinate Voting share and Class B Multiple Voting share, compared to a net loss of $10,232, or $0.94 per Class A Subordinate Voting share and Class B Multiple Voting share, for the fourth quarter of 2014. Excluding the asset impairment loss of $11,611, as noted above, (see Note 8, 'Asset Impairment' in the Notes to the Consolidated Financial Statements), and the gain on sale of the Milton assets amounting to $3,155, the net loss for the fourth quarter of 2014 was $1,776 or $0.16 per share. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the fourth quarter of each of 2015 and 2014 was 10,947,254 and 10,940,354, respectively.

For the fourth quarter of 2015, revenues grew by 19% to $32,362 from $27,200 for the same period in 2014. The increase in revenues was a result of strong volume growth across all product lines.

The operating income for the fourth quarter of 2015 was $360 compared to an operating loss of $9,273 for the corresponding quarter in 2014. Excluding the asset impairment of $11,611 recognized on the Farmersburg, Indiana plant, noted earlier, and the gain of $3,155 on the sale of the Milton assets, the operating loss for the fourth quarter of 2014 was $817.

Finance expense decreased for the fourth quarter of 2015 to $410 from $466 in the comparative period of 2014 due to lower debt balances.

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

MASONRY PRODUCTS

For the year ended December 31, 2015, revenues increased 13% to $90,060 from $79,639 in 2014. Improved residential construction activity complemented by favourable weather conditions led to the increase in masonry product shipments.

Cost of sales increased by 3%, to $70,222 compared to $68,413 in 2014. Higher production volumes resulted in lower per unit manufacturing costs which favourably impacted gross margins. Additionally, in 2014, the Company incurred start-up and other costs to commission the two acquired plants located at Hillsdale and Brockville, Ontario, and to reallocate production across its restructured plant network.

As noted earlier, an asset impairment loss of $11,611 on the Company's Farmersburg, Indiana plant was recorded in the fourth quarter of 2014.

As a result, the operating income recorded for the year ended December 31, 2015 was $6,889 compared to an operating loss of $10,455 in 2014. Excluding the impairment loss recognized in 2014, the operating income generated by this business segment was $1,156 for the year ended December 31, 2014.

For the fourth quarter of 2015, revenues increased by 17% to $23,829 from $20,327 for the corresponding quarter in 2014.

The operating income for the fourth quarter of 2015 was $2,197 compared to operating loss of $10,685 for the corresponding quarter in 2014. Excluding the impairment loss, operating income was $926 in 2014.

LANDSCAPE PRODUCTS

Revenues of the Landscape Products business segment for the year ended December 31, 2015, increased 20% to $36,968, from $30,690 in 2014. Improved marketing programs and customer service initiatives helped to support increased shipments across the Company's entire concrete plant network.

For the year ended December 31, 2015, the Landscape Products business segment recorded operating income of $2,925 compared to $2,098 in 2014. The net gain on sale and disposal of assets located in Milton allocated to this business segment was $1,141 in 2014. Excluding this gain, the operating income from this business segment for 2014 was $957. The improvement in operating results compared to 2014 was due to the same factors noted above under the caption 'Masonry Products'.

The operating loss of the Landscape Products business segment was $1,793 for the fourth quarter of 2015 on revenues of $8,533 compared to operating income of $1,413 on revenues of $6,873 for the fourth quarter of 2014. Excluding the gain of $2,278 allocated to this business segment from the sale of the Milton assets recognized in the fourth quarter of 2014, the operating loss was $865 for the fourth quarter of 2014. The greater loss in the fourth quarter of 2015 was attributable to lower production volumes in that period, resulting in higher per unit costs, and the timing of certain selling expenses which occurred in the fourth quarter of 2015 and not in the corresponding quarter of 2014.

CASH FLOWS

For the year ended December 31, 2015, cash flow provided by operating activities totaled $14,281 compared to $8,713 in 2014. The increase was due to an improvement in operating results and greater accounts receivable collections which were offset by larger disbursements of outstanding payables.

The current provision for income taxes amounted to $1,839 for the year ended December 31, 2015, of which a payment of $42 was made in 2015 and the balance was paid in February 2016, compared to a tax refund of $109 for the 2014 fiscal year. For the year ended December 31, 2014, the capital gains tax payable on the sale of the plant located in Milton, Ontario was offset by capital losses incurred in prior years.

Cash utilized for purchases of property, plant and equipment totaled $4,441 in 2015, compared to $11,377 in 2014. During the year ended December 31, 2015, capital expenditures included approximately $909 relating to new quarry development costs, $813 relating to equipment for new products and $312 for upgrading the Company's management information systems. On January 7, 2014, the Company acquired substantially all of the property, plant and equipment of Atlas Block, for an aggregate purchase price of $11,366, including $2,494 by way of finance leases.

The Company has a 50% joint venture interest in Universal Resource Recovery Inc. ("Universal") located in Welland, Ontario. Universal is leasing its facility to a manufacturer of products used in the construction of wind turbines. During the third quarter of 2015, a loan repayment in the amount of $500 was received from Universal, in respect of the secured, non-interest bearing, non-current loan receivable (the "loan receivable") from Universal. The loan receivable balance from Universal as at December 31, 2015 totaled $4,700. In 2014, there were no advances or repayments towards the loan receivable. Advances to Universal are described in Note 10, 'Loans receivable' to the Consolidated Financial Statements.

Proceeds from disposal of property, plant and equipment amounted to $198 for the year ended December 31, 2015, compared to $5,905 for the prior year. On October 1, 2014, land and buildings located in

Milton, Ontario with a carrying amount of $2,401 were sold for net proceeds of $5,556, after deducting sales transaction costs, resulting in a gain of $3,155.

On January 3, 2014, the Company finalized a new $40,000 demand revolving reducing term loan with its banker at the bank's prime rate plus 0.70%. The amount of $36,595 drawn down on this loan was utilized to finance the purchase of substantially all of the assets of Atlas Block, a concrete masonry and landscape products company from the court appointed receiver and to repay the outstanding balance of the then existing term loan of $22,500 and the associated payment of future interest in the amount of $3,305.

On November 21, 2014, the Company's $36,595 demand revolving reducing term loan was split into two separate term loans, as follows: (i) a $26,000 committed revolving reducing term loan ("committed term loan") which was classified on the Balance Sheet as a long-term liability; and (ii) a $10,595 demand revolving term loan which was classified as a current liability as at December 31, 2014 as it was payable on demand.

On December 16, 2015, the demand revolving term loan arrangement with an outstanding balance of $10,095 was converted into a committed revolving term loan with a revised maturity date of December 31, 2017.

The committed term loan bore interest at the bank's prime rate plus 0.30% until January 29, 2015 and thereafter bears interest at the 30 day bankers' acceptance rate plus a stamp fee of 1.80%. The committed revolving term loan bears interest at the bank's prime rate plus 0.50%. The same interest terms were effective during 2015 on the predecessor demand revolving term loan.

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, 2015, there were no bank operating advances compared to $1,610 as at December 31, 2014.

Trade payables totaled $17,655 at December 31, 2015 compared to $17,805 at December 31, 2014.

The ratio of total liabilities to shareholders' equity was 0.57:1 at December 31, 2015 compared to 0.63:1 at December 31, 2014. The decrease in this ratio from December 2014 to December 2015 was primarily due to higher retained earnings resulting from the improvement in operating results in 2015, the increase in the foreign currency translation gain in 'Accumulated other comprehensive income' due to the strengthening of the U.S. dollar against the Canadian dollar in 2015, and lower outstanding debt balances due to scheduled payments that were made in 2015.

As at December 31, 2015, the Company's current ratio is 1.94:1, representing working capital of $27,125, compared to 1.23:1 and $8,878, respectively, as at December 31, 2014. The increase in working capital was primarily due to an increase in outstanding receivables and inventories and a decrease in the current portion of debt due to the conversion of the demand revolving term loan to a committed revolving term loan of $10,095 as described in Note 13 to the Consolidated Financial Statements. Cash and cash equivalents totaled $4,021 at December 31, 2015 compared to $1,419 at December 31, 2014.

The Company's bank credit agreement provides for operating borrowings up to $22,000 based on margin formulae for trade receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts. It is a demand facility secured by a general security agreement over all assets. As at December 31, 2015, the borrowing limit was $22,000. The utilization was $343 and comprised of outstanding letters of credit. The agreement also contains certain financial covenants.

The Company was in compliance with all financial covenants under its term financing agreement and operating credit facility as at December 31, 2015 and anticipates that it will maintain compliance throughout 2016.

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.

On February 29, 2016, the Company entered into an asset purchase agreement to acquire certain assets of a concrete products manufacturing company, located in the province of Quebec. The assets to be acquired include a concrete products manufacturing plant, located in Boisbriand, Quebec, for a purchase price of $5,000, plus transaction costs and a note receivable of $500 to be advanced to the seller. The purchase of these assets will be financed from the Company's committed revolving term loan and its demand operating credit facility. The closing date for this transaction is expected to occur no later than April 30, 2016, and is subject to usual conditions as well as court approval.

A summary of the Company's contractual obligations over the next five years and thereafter, determined as at December 31, 2015, is as follows:

	2016	2017 - 2018	2019 - 2020	Thereafter	Total
Debt[1]	**$ 5,945**	**$ 15,663**	**$ 18,314**	**–**	**$ 39,922**
Finance lease obligations[2]	**$ 1,542**	**$ 1,142**	**$ 174**	**–**	**$ 2,858**
Operating leases[3]	**$ 101**	**$ 87**	**$ 8**	**–**	**$ 196**
Purchase obligations[4]	**$ 5,069**	**–**	**–**	**–**	**$ 5,069**
Other obligations[5]	**$ 30**	**$ 475**	**$ 416**	**$ 5,537**	**$ 6,458**
Accounts payable[6]	**$ 20,579**	**–**	**–**	**–**	**$ 20,579**
Total contractual obligations	**$ 33,266**	**$ 17,367**	**$ 18,912**	**$ 5,537**	**$ 75,082**

(1) Debt reflects the aggregate amount of future payments including interest, and includes all debt items listed in Note 13 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 commitments include purchase obligations relating to natural gas supply and transportation contracts totaling $2,795 and capital expenditure commitments of $2,274.
(5) Other obligations represent the undiscounted estimated future costs for the decommissioning provisions with respect to the Company's shale quarries.
(6) Accounts payable represents vendor accounts and includes accrued and other liabilities.

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 prepared in accordance with IFRS:

	2015	2014	2013
Revenues	**$ 127,028**	$ 110,329	$ 95,286
Total assets	**$ 229,129**	$ 217,680	$ 212,264
Total non-current financial liabilities	**$ 33,226**	$ 26,064	$ 20,980
Cash dividends declared per share	**$ –**	$ –	$ –
Net income (loss) attributable to shareholders of Brampton Brick Limited	**$ 4,670**	$ (13,959)	$ 2,549
Total net income (loss)	**$ 4,820**	$ (13,961)	$ 2,629
Net income (loss) per share			
Basic	**$ 0.43**	$ (1.28)	$ 0.23
Diluted	**$ 0.42**	$ (1.28)	$ 0.23

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

REVENUES

The significant increase in revenues in 2015 compared to 2014 was due to the positive momentum in residential construction and favourable weather conditions for much of 2015. The increase in revenues in 2014 from 2013 was primarily due to the acquisition and retrofit of two additional plants in Hillsdale and Brockville, Ontario during 2014.

TOTAL ASSETS

The increase in total assets in 2015 compared to 2014 was due to the increase in cash and cash equivalents, accounts receivable balances and inventories held. The increase in property, plant and equipment was primarily due to the positive impact of the U.S. dollar on translation of property, plant and equipment of the Company's U.S. subsidiaries.

In 2014, total assets increased from 2013 due to an increase in outstanding receivables and an increase in inventories. The purchase of assets from Atlas Block, a concrete masonry and landscape products company, was offset by the impairment loss recorded on the Farmersburg, Indiana plant, the sale of the Milton plant and depreciation expense in 2014.

TOTAL NON-CURRENT FINANCIAL LIABILITIES

The increase in the non-current portion of debt in 2015 from 2014 was due to the conversion of the demand revolving term loan to the committed revolving term loan effective December 16, 2015. The committed revolving term loan is classified as current and non-current liabilities in the amounts of $500 and $9,595, respectively, as at December 31, 2015. The predecessor term loan was classified as a current liability as at December 31, 2014 as it was payable on demand. This transaction is described in Note 13, 'Debt' to the Consolidated Financial Statements. In addition, the non-current portion of the interest rate swap contract amounting to $256 was included in 2015. This transaction is described in Note 14, 'Derivative financial instrument' to the Consolidated Financial Statements. Repayments on the existing term loans during the year partially offset this increase.

The increase in total non-current financial liabilities in 2014 from 2013 was due to the amount of $36,595, drawn down in January 2014 on the demand revolving reducing term loan, which was utilized to finance the purchase of substantially all of the assets of Atlas Block from the court appointed receiver and to repay the outstanding balance of the then existing term loan of $22,500 and the associated payment of future interest in the amount of $3,305.

CASH DIVIDENDS DECLARED PER SHARE

The Board of Directors did not declare a dividend for years 2015, 2014 and 2013. Declaration of the amount and payment of future dividends will be subject to the discretion of the Board of Directors and will be dependent upon the results of operations, financial condition, cash requirements and other factors deemed relevant by the Board of Directors.

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

The increase in net income in 2015 from the net loss in 2014 was due to a significant increase in shipments and lower per unit manufacturing costs on higher production volumes. In addition, certain non-recurring transactions were recorded in 2014, as discussed in the paragraph below, which increased the net loss incurred in the prior year.

The increase in net loss in 2014 compared to 2013 was primarily due to the impairment loss recognized on the Farmersburg, Indiana plant. As well, the Company incurred the start-up costs to commission the new plants in Hillsdale and Brockville, Ontario and made a payment of future interest in the amount of $3,305 on the early repayment of the term loan in January 2014. Collectively, these major cost items were partially offset by the increase in shipments from the two new concrete products' plants, noted above, the gain on sale of the Milton assets and the decrease in interest rates on the term loans outstanding.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

TOTAL OPERATIONS	December 31		September 30		June 30		March 31	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenues	$ 32,362	$ 27,200	$ 40,465	$ 37,451	$ 39,138	$ 33,066	$ 15,063	$ 12,612
Net income (loss) attributable to shareholders of Brampton Brick Limited								
	$ (524)	$ (10,231)	$ 4,324	$ 3,355	$ 5,507	$ 772	$ (4,637)	$ (7,855)
Net income (loss)								
	$ (534)	$ (10,232)	$ 4,324	$ 3,354	$ 5,667	$ 772	$ (4,637)	$ (7,855)
Net income (loss) per share								
Basic	$ (0.05)	$ (0.94)	$ 0.39	$ 0.31	$ 0.50	$ 0.07	$ (0.42)	$ (0.72)
Diluted	$ (0.05)	$ (0.94)	$ 0.39	$ 0.30	$ 0.49	$ 0.07	$ (0.42)	$ (0.72)

Due to changes in the weighted average number of shares outstanding during the year 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

Revenues for the fourth quarter of 2015 increased by 19% over the same period in 2014 due to higher masonry and landscape product shipments. The comparative year-over-year increase in cost of sales was 10% due to lower per unit manufacturing costs on higher production volumes.

Operating results improved significantly in the fourth quarter of 2015 for the reasons discussed above. In the fourth quarter of 2014, an impairment loss of $11,611 was recognized on the Farmersburg, Indiana plant and was partially offset by the gain on the sale of the Milton plant recognized during the fourth quarter of 2014 which amounted to $3,155.

QUARTERS ENDED SEPTEMBER 30

Higher shipments in both the Masonry Products and Landscape Products business segments during the third quarter in 2015 from the new facilities located at Hillsdale and Brockville, as well as an expanded product portfolio and improvements in marketing and customer service initiatives, contributed to the significant increase in revenues compared to the prior period.

Operating costs during the third quarter of 2015 were positively impacted by higher production volumes. In addition, the corresponding period in 2014 included higher costs of sales due to start-up and related retrofit costs of commissioning the newly acquired plants and an increase in average per unit manufacturing costs due to lower production volumes and trial production runs which reduced the net income for the quarter ended September 30, 2014.

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 2015. Other transactions that positively impacted the second quarter results were a property tax credit of $537 as a result of a positive reassessment, decreases in bad debts and other provisions and an unrealized gain on the change in the fair value of the interest rate swap.

Cost of sales for the second quarter of 2014 included the write-off of production equipment amounting to $1,600 at the former Milton facility and costs related to equipment commissioning at the recently acquired Hillsdale and Brockville plants. Collectively, these factors negatively impacted net income for the second quarter of 2014.

QUARTERS ENDED MARCH 31

For the first quarter ended March 31, 2015, the increase in revenues over the corresponding quarter in 2014 was due to strong momentum in residential construction. Costs of sales increased due to higher shipments, but were partially offset by lower per unit manufacturing costs on higher production levels.

The decrease in finance expense in the first quarter of 2015 compared to the same quarter of 2014 was primarily due to the payment in 2014 of future interest of $3,305 on the early repayment of the Company's former term loan and the unamortized transaction costs in the amount of $200 related to this replaced loan in January 2014.

As a result, the net loss for the first quarter of 2015 decreased by $3,218 as compared to the same quarter in 2014.

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 value. 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, Hillsdale, Brockville 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*, ("IAS 36") determined there was no indication that the Brampton clay brick plant, the Canadian concrete plants and the Michigan concrete plant may be impaired. Management also assessed the indicators of impairment for the Indiana clay brick plant and concluded, based on various factors, that impairment testing was necessary as at December 31, 2015.

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

The property, plant and equipment are assessed 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 or the 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, the Canadian concrete plants and the Michigan concrete plant may be impaired.

For the year ended December 31, 2015, the recoverable amount for the Farmersburg, Indiana clay brick plant was estimated using the Company's approved business plan for a period of five years from 2016 – 2020 (2014 – five years from 2015 - 2019), which included 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. The impairment test did not result in an asset impairment loss or impairment reversal as at December 31, 2015. For the year ended December 31, 2014, the impairment testing resulted in a reduced recoverable value and consequently, an asset impairment loss of $11,611.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, the Company must determine the fair value of the non-interest bearing loan advanced to Universal in order to assess its recoverability and the resulting impairment, if any. The recoverability of the loan from Universal is determined, in part, by calculating the estimated fair value of Universal's property, plant and equipment ("PP&E") as at December 31, 2015.

The determination of the fair value of Universal's PP&E requires the application of professional judgment. As at December 31, 2015, the fair value of Universal's PP&E was based on the assessment performed by independent property appraisers as at December 31, 2015. Based on the appraisals and book values of other assets and liabilities, the recoverable amount determined closely approximated its carrying value of $4,700 as at December 31, 2015 (2014 – $5,200). These appraisal estimates were based on a range of technical and economic factors and conditions as at December 31, 2015. 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 loan. There was no impairment loss or impairment reversal recognized during the year ended December 31, 2015 (2014 – Nil).

DECOMMISSIONING PROVISIONS

The Company is obligated to rehabilitate its operating 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 due to inflation, 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. 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 shale. The Company owns its own quarries in Cheltenham, Ontario and Farmersburg, Indiana which it believes contains sufficient reserves to supply its requirements for these manufacturing plants for approximately the next 20 years and 40 years, respectively. In 2006, an additional 86 acre property was acquired in Brampton. The Company is in the process of re-zoning and licensing this property for shale extraction. The shale quarry operations in both Ontario and Indiana are outsourced. The contracted services include quarry preparation, earthmoving and shale excavation.

Major production costs include natural gas, labour, electricity and depreciation of plant and equipment. As at December 31, 2015, the Company had contracted for its estimated 2016 Canadian natural gas supply requirements at an aggregate estimated cost of $1,658, forecasted by the supplier, none of which was at fixed prices, and for its estimated 2016 Canadian transportation requirements at an aggregate estimated cost of $1,135, of which 84% was at fixed prices. As at December 31, 2015, the Company's U.S. operations has only contracted for its January 2016 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, 2015. 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 2015, approximately 11.4% (2014 – 11.0%) of the Company's revenues were made in the U.S. or through exports to the U.S.

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, 2015.

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.

On January 30, 2015, the Company entered into a floating-to-fixed interest rate swap with an original notional value of $26,000, to minimize its exposure to fluctuations in cash flows from changes in interest rates on the committed revolving reducing term loan ("committed term loan") of the same amount. The swap notional value as at December 31, 2015 decreased to $24,000 corresponding with the outstanding balance of the underlying committed term loan as scheduled repayments were made during the year. As a result of this transaction, the Company's interest rate for the committed term loan is fixed at 3.69%.

The Company has not applied hedge accounting for the year ended December 31, 2015. The change in fair value of the interest rate swap recognized in 'Finance expense' on the Consolidated Statement of Comprehensive Income (Loss) amounted to an unrealized loss of $504 for the year ended December 31, 2015. There were no interest rate swap contracts outstanding as at December 31, 2014.

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.

The Company, due to the nature of its masonry and landscape products manufacturing operations, is subject to various environmental laws and regulations. The Company maintains 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 has established an Environmental Management System that includes procedures on those processes and preventive maintenance plans for equipment that is 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 Subordinate Voting shares and Class B Multiple Voting shares as at December 31, 2015 is disclosed in Note 16 to the Consolidated Financial Statements. During the second quarter of 2015, 6,900 stock options were exercised at an average price of $5.16. Proceeds from the issue of an equal number of Class A Subordinate Voting shares amounted to $36. There were no changes to share capital to the date of this MD&A.

The aggregate number of outstanding stock options as at December 31, 2015 that were fully vested and convertible to Class A Subordinate Voting shares upon exercise by the option holders is disclosed in Note 17 to the Consolidated Financial Statements. There were no changes to the outstanding number of stock options to the date of the MD&A.

Information with respect to transactions with related parties in 2015 is disclosed in Note 23 to the Consolidated Financial Statements.

CONTROLS AND PROCEDURES

In compliance with National Instrument 52-109, *"Certification of Disclosure in Issuers' Annual and Interim Filings"*, management is filing certificates signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

The CEO and the CFO have designed disclosure controls and procedures in order to provide reasonable assurance that:

- Material information relating to the Company has been made known to them; and
- Information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out as at December 31, 2015, under the supervision of the CEO and the CFO, of the design and effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

The CEO and CFO are responsible for establishing and maintaining internal control over financial reporting and, under their supervision, an evaluation was conducted on the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the Company's certifying officers concluded that as at December 31, 2015, the Company's internal control over financial reporting was effective.

During 2015 the Company updated its control framework to COSO 2013. However, there has been no change to the Company's internal control over financial reporting during the quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTLOOK FOR 2016

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.

In the Company's Canadian market, housing starts in the low rise segment were slightly ahead in 2015 over 2014. Forecasts of single family housing starts are projected to be stronger in 2016.

This organic growth should be supplemented by the momentum stemming from the Company's key strategic initiatives related to product and geographic expansion, as well as customer service and marketing initiatives implemented over the past 24 months.

While overall U.S. housing data is trending upwards, residential housing construction in the Company's U.S. market regions is not as robust. We are optimistic that the more buoyant overall market will start to positively affect our U.S. businesses in 2016. However, low industry capacity utilization levels within the Company's geographic market regions are expected to continue through 2016.

The Company's landscape and concrete masonry business grew significantly in 2015, in part due to the benefit of having the full 12 months with the new expanded plant configuration that was put in place during 2014.

The potential acquisition of Eurobloq Inc., located in Quebec, will further expand the Company's plant capacity and geographic reach. This strategic acquisition should result in a more competitive position in Quebec and eastern Ontario as well as increased distribution for all product lines

Since the signing of the Universal lease with its tenant, Universal has been self sufficient on a cash basis. As a result, the Company did not need to fund any cash shortfalls in 2015. Additionally, any excess cash flow at Universal is expected to be used to repay the loan receivable of the Company and the other joint venture partner during the lease period.

Additional information about the Company, including the Company's Annual Report for the year ended December 31, 2014 and Annual Information Form for the year ended December 31, 2015, may be found on SEDAR at www.sedar.com. The Company's Annual Report for the year ended December 31, 2015, and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders to be held on May 26, 2016, 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 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, anticipated results of strategic acquisitions 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, 2015), 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.

Table of Contents

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 of the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 audits 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, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed
Public Accountants
March 22, 2016
Toronto, Ontario

BRAMPTON BRICK Limited

(in thousands of Canadian dollars)	Notes	December 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents	4	**$ 4,021**	$ 1,419
Trade and other receivables	5, 25	**18,711**	16,663
Inventories	6	**32,163**	28,548
Taxes recoverable	20	**–**	68
Other assets		**1,111**	546
Loan receivable	10	**85**	–
		56,091	47,244
Non-current assets			
Loans receivable	10	**4,947**	5,200
Property, plant and equipment	7, 8, 24	**168,091**	165,236
		173,038	170,436
Total assets	24	**$ 229,129**	$ 217,680
LIABILITIES			
Current liabilities			
Bank operating advances	12	**$ –**	$ 1,610
Trade payables		**17,655**	17,805
Income tax payable	20	**1,729**	–
Current portion of debt	13	**6,380**	16,416
Current derivative financial instrument	14	**248**	–
Decommissioning provisions	15	**30**	30
Other liabilities		**2,924**	2,505
		28,966	38,366
Non-current liabilities			
Non-current portion of debt	13	**32,970**	26,064
Non-current derivative financial instrument	14	**256**	–
Decommissioning provisions	15	**5,377**	5,213
Deferred tax liabilities	20	**15,681**	14,833
		54,284	46,110
Total liabilities		**$ 83,250**	$ 84,476
EQUITY			
Equity attributable to shareholders of Brampton Brick Limited			
Share capital	16	**$ 33,755**	$ 33,711
Contributed surplus	17	**2,641**	2,293
Accumulated other comprehensive income		**12,176**	4,573
Retained earnings		**97,270**	92,600
		145,842	133,177
Non-controlling interests	11	**37**	27
Total equity		**145,879**	133,204
Total liabilities and equity		**$ 229,129**	$ 217,680

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

Approved by the Board of Directors

Jeffrey G. Kerbel, Director

John M. Piecuch, Director

Consolidated Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars, except per share amounts)	Notes	Year ended December 31 2015	2014
Revenues	23, 24	**$ 127,028**	$ 110,329
Cost of sales	6, 7, 19, 24	**99,158**	92,875
Selling expenses	19, 24	**10,602**	9,058
General and administrative expenses	7, 19, 24	**6,513**	6,771
Gain on disposal of property, plant and equipment	19, 24	**(20)**	(1,609)
Other expense (income)	19, 24	**1,008**	(11)
Asset impairment	7, 8, 19, 24	**–**	11,611
	19, 24	**117,261**	118,695
Operating income (loss)	24	**9,767**	(8,366)
Finance expense	12, 13, 14	**(2,265)**	(5,699)
Income (loss) before income taxes		**7,502**	(14,065)
(Provision for) recovery of income taxes	20		
Current		**(1,839)**	(79)
Deferred		**(843)**	183
		(2,682)	104
Net income (loss) for the year		**$ 4,820**	$ (13,961)
Net income (loss) attributable to:			
Shareholders of Brampton Brick Limited		**$ 4,670**	$ (13,959)
Non-controlling interests		**150**	(2)
Net income (loss) for the year		**$ 4,820**	$ (13,961)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Foreign currency translation income		**$ 7,603**	$ 4,200
Total comprehensive income (loss) for the year		**$ 12,423**	$ (9,761)
Total comprehensive income (loss) attributable to:			
Shareholders of Brampton Brick Limited		**$ 12,273**	$ (9,759)
Non-controlling interests		**150**	(2)
Total comprehensive income (loss) for the year		**$ 12,423**	$ (9,761)
Net income (loss) per Class A Subordinate Voting share and Class B Multiple Voting share attributable to shareholders of Brampton Brick Limited			
Basic	21	**$ 0.43**	$ (1.28)
Diluted	21	**$ 0.42**	$ (1.28)

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

(in thousands of Canadian dollars)	Notes	Attributable to shareholders of Brampton Brick Limited						
		Share Capital	**Contributed Surplus**	**Accumulated Other Comprehensive Income**	**Retained Earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance – January 1, 2014		**$ 33,711**	**$ 2,078**	**$ 373**	**$ 106,559**	**$ 142,721**	**$ 29**	**$ 142,750**
Net loss for the year		–	–	–	(13,959)	**(13,959)**	(2)	**(13,961)**
Other comprehensive income (net of taxes, $nil)		–	–	4,200	–	**4,200**	–	**4,200**
Comprehensive income (loss) for the year		**–**	**–**	**4,200**	**(13,959)**	**(9,759)**	**(2)**	**(9,761)**
Share-based compensation	17	–	**215**	–	–	**215**	–	**215**
Balance – December 31, 2014		**$ 33,711**	**$ 2,293**	**$ 4,573**	**$ 92,600**	**$ 133,177**	**$ 27**	**$ 133,204**
Balance – January 1, 2015		**$ 33,711**	**$ 2,293**	**$ 4,573**	**$ 92,600**	**$ 133,177**	**$ 27**	**$ 133,204**
Net income for the year		–	–	–	4,670	**4,670**	150	**4,820**
Other comprehensive income (net of taxes, $nil)		–	–	7,603	–	**7,603**	–	**7,603**
Comprehensive income for the year		**–**	**–**	**7,603**	**4,670**	**12,273**	**150**	**12,423**
Stock options exercised	16	44	**(8)**	–	–	**36**	–	**36**
Share-based compensation	17	–	**356**	–	–	**356**	–	**356**
Dividends paid by subsidiary to non-controlling interests		–	**–**	–	–	**–**	(140)	**(140)**
Balance – December 31, 2015		**$ 33,755**	**$ 2,641**	**$ 12,176**	**$ 97,270**	**$ 145,842**	**$ 37**	**$ 145,879**

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

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Notes	Year ended December 31 2015	2014
Cash provided by (used for)			
Operating activities			
Net income (loss) for the year		**$ 4,820**	$ (13,961)
Items not affecting cash and cash equivalents			
Depreciation	7	**9,119**	8,215
Current tax provision	20	**1,839**	79
Deferred tax provision (recovery)	20	**843**	(183)
Gain on disposal of property, plant and equipment	7	**(20)**	(1,609)
Unrealized foreign currency exchange gain		**(636)**	(80)
Asset impairment	8	**–**	11,611
Net interest expense	12, 13	**1,761**	5,699
Derivative financial instrument loss	14	**504**	–
Other	17	**356**	215
		18,586	9,986
Changes in non-cash items			
Trade and other receivables		**(1,715)**	(6,584)
Inventories		**(1,900)**	(2,897)
Other assets		**(501)**	2,041
Trade payables		**(367)**	5,921
Income tax credits applied		**–**	22
Other liabilities		**236**	115
		(4,247)	(1,382)
Income tax (payments) refunds		**(42)**	109
Payments for decommissioning of assets	15	**(16)**	–
Cash provided by operating activities		**14,281**	8,713
Investing activities			
Purchase of property, plant and equipment	7	**(4,441)**	(11,377)
Loan advances	10	**(400)**	–
Proceeds from repayments of loans receivable	10	**568**	–
Proceeds from disposal of property, plant and equipment	7	**198**	5,905
Cash used for investing activities		**(4,075)**	(5,472)
Financing activities			
Decrease in bank operating advances	12	**(1,610)**	(10,031)
Proceeds from issuance of the Committed term loan	13	**–**	26,000
Proceeds from issuance of the Demand revolving term loan and other loans	13	**–**	10,635
Payment of term loans	13	**(2,832)**	(22,754)
Interest paid	12, 13	**(1,656)**	(5,433)
Payments on obligations under finance leases		**(1,504)**	(1,224)
Proceeds from exercise of stock options	16	**36**	–
Payment of dividends by subsidiary to non-controlling interests		**(140)**	–
Cash used for financing activities		**(7,706)**	(2,807)
Foreign exchange on cash held in foreign currency		**102**	(215)
Increase in cash and cash equivalents		**2,602**	219
Cash and cash equivalents at the beginning of the year		**1,419**	1,200
Cash and cash equivalents at the end of the year	4	**$ 4,021**	$ 1,419

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

December 31, 2015 and 2014 (in thousands of Canadian dollars, unless otherwise stated)

1. GENERAL INFORMATION

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, Hillsdale, Brampton and Brockville, Ontario and in Wixom, Michigan manufacture concrete masonry and landscape products. On February 29, 2016, the Company entered into an asset purchase agreement to acquire certain assets of a concrete products manufacturing plant located at Boisbriand, Quebec (refer to Note 27, 'Subsequent event').

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 accordance with 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 22, 2016.

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

The Company consolidates an entity when it exercises power over the entity and is exposed, or has rights, to variable returns and has the ability to affect those returns through its control. These entities 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 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.

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' 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.

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, loans 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.

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 selling cost. 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	10 to 20 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 presented as 'gains and losses on disposal of property, plant and equipment' in the consolidated 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 consolidated 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 and Class B Multiple Voting shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting 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. The 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. For forfeitures, no compensation expense is recognized for options that do not ultimately vest and previously recognized compensation expense is reversed. 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.

IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after January 1, 2018 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 other 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 is evaluating the impact of this standard on its consolidated financial statements.

IFRS 15 *Revenue from contracts with customers* is effective for annual periods beginning on or after January 1, 2018 and is based on the principle that revenues should reflect the consideration to which the entity expects to be entitled to, in exchange for the transfer of promised goods or services. The standard provides a single, principle-based five step model for revenue recognition to be applied to all customer contracts and requires enhanced disclosures. The Company has not completed evaluating the impact of this standard on the consolidated financial statements.

IFRS 16 *Leases* is effective for annual periods beginning on or after January 1, 2019. It eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17, *Leases*. It establishes principles for the recognition, measurement, presentation and disclosure of leases with the objective of ensuring that lessees and lessors provide relevant information for all leases with a term of more than 12 months, unless the underlying asset is of low value for those transactions.

The standard introduces a single lessee accounting model which requires a lessee to recognize:

a) assets by recognizing the present value of the lease payments;

b) liabilities by recognizing its obligation to make future payments; and

c) depreciation of lease assets separately from interest on lease liabilities in the income statement.

The Company has not completed evaluating the impact of this standard on the consolidated financial statements.

Amendments effective for annual periods beginning on or after January 1, 2016 are as below:

Amendment to IFRS 10, *Consolidated financial statements and* IAS 28 *Investments in associates and joint ventures* discusses the recognition of gain or loss on loss of control in a subsidiary, joint venture or associate. The gain or loss arising from the loss of control in an entity, not constituting a business, as a result of a transaction involving an associate or a joint venture, accounted for by the equity method, should be recognized only to the extent of the unrelated interest in that entity. This amendment is not expected to impact the consolidated financial statements.

Amendment to IFRS 11, *Joint arrangements* requires that on acquisition of an interest in a joint operation which constitutes a business, an entity shall apply the principles of business combinations accounting in IFRS 3 and other related standards in recognizing the extent of its share in the operation. This amendment is not expected to impact the consolidated financial statements.

Amendment to IAS 1, *Presentation of financial statements* requires an entity to consider all the relevant facts and circumstances in determining how it aggregates information in the financial statements and the notes and should provide additional disclosures when specific requirements in IFRS are insufficient to enable users of financial statements to understand the impact of certain transactions, events or conditions on the entity's financial position and financial performance. This amendment has disclosure requirements and is not expected to impact the consolidated financial statements.

Amendment to IAS 16, *Property, plant and equipment* clarifies that in determining the useful life of an asset, factors other than the impact of wear and tear on future economic benefits should be considered, such as expected future reductions in the selling price of an item if they are indicative of technical or commercial obsolescence reflecting potentially declining future economic benefits. This amendment is not expected to impact the consolidated financial statements.

Amendment to IAS 27, *Separate financial statements* states that an entity could elect to measure its investments in subsidiaries, joint ventures and associates using the equity method, in addition to the existing choices to measure at cost or in accordance with IFRS 9, *Financial Instruments*. This amendment is not expected to impact the consolidated financial statements.

Amendment to IAS 34, *Interim financial reporting* requires an entity to disclose significant events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period in the notes to the interim financial statements or elsewhere in the interim financial report. This amendment has disclosure requirements and is not expected to impact 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 value. 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, 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, Hillsdale, Brockville 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*, ("IAS 36") determined there was no indication that the Brampton clay brick plant, the Canadian concrete plants and the Michigan concrete plant may be impaired. Management also assessed the indicators of impairment for the Indiana clay brick plant and concluded, based on various factors, that impairment testing was necessary for this CGU as at December 31, 2015.

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 in the U.S. markets, 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, the Canadian concrete plants and the Michigan concrete plant may be impaired.

For the year ended December 31, 2015, the recoverable amount for the Farmersburg, Indiana clay brick plant was estimated using the Company's approved business plan for a period of five years from 2016 - 2020 (2014 – five years from 2015 - 2019), which includes 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. The impairment test did not result in any impairment loss or impairment reversal as at December 31, 2015. For the year ended December 31, 2014, the impairment testing resulted in a reduced recoverable value and consequently, an asset impairment loss of $11,611.

(iii) Impairment of financial assets

At each reporting date, the Company must determine the fair value of the non-interest bearing loan advanced to Universal Resource Recovery Inc. ("Universal") in order to assess its recoverability and the resulting impairment, if any. The recoverability of the loan from Universal is determined, in part, by calculating the estimated fair value of Universal's property, plant and equipment ("PP&E") as at December 31, 2015.

The determination of the fair value of Universal's PP&E requires the application of professional judgment. As at December 31, 2015, the fair value of Universal's PP&E was based on assessments performed by independent property appraisers. Based on the appraisals and book values of other assets and liabilities, the fair value of the loan receivable determined closely approximated its carrying value of $4,700 as at December 31, 2015 (2014 – $5,200). The appraisal estimates were based on a range of technical and economic factors and conditions as at December 31, 2015. 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 loan. There was no impairment loss or impairment reversal recognized during the year ended December 31, 2015 (2014 – Nil).

December 31, 2015 and 2014 (in thousands of Canadian dollars, unless otherwise stated)

iv) *Decommissioning provisions*

The Company is obligated to rehabilitate its operating 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 due to inflation 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, 2015 $	December 31, 2014 $
Cash on hand and balances with banks	**3,776**	719
Short-term investments	**245**	700
Cash and cash equivalents	**4,021**	1,419

5. TRADE AND OTHER RECEIVABLES

	December 31, 2015 $	December 31, 2014 $
Trade receivables	**19,144**	17,178
Less: Allowance for doubtful accounts (note 25)	**(544)**	(630)
Trade receivables – net	**18,600**	16,548
Other receivables	**111**	115
Trade and other receivables	**18,711**	16,663
Trade receivables from related parties (included above)	**–**	6

6. INVENTORIES

	December 31, 2015 $	December 31, 2014 $
Merchandise	**27,105**	23,955
Raw materials and production supplies	**5,058**	4,593
Inventories	**32,163**	28,548

The cost of inventories recognized as an expense and included in cost of sales was $83,706 (2014 – $76,541), which includes inventories written off primarily for damaged or obsolete product and cycle count adjustments in the amount of $106 (2014 – $986).

7. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at December 31, 2013					
Cost	80,456	32,118	131,155	6,237	249,966
Accumulated depreciation and impairment loss	(14,236)	(12,865)	(50,279)	(4,491)	(81,871)
Net book value	**66,220**	**19,253**	**80,876**	**1,746**	**168,095**
For the year ended December 31, 2014					
Additions	3,968	1,549	10,896	920	17,333
Disposals	(1,258)	(1,387)	(1,642)	(10)	(4,297)
Depreciation	(650)	(933)	(5,834)	(798)	(8,215)
Exchange differences	557	700	2,654	20	3,931
Asset impairment	(1,104)	(2,025)	(8,383)	(99)	(11,611)
	1,513	**(2,096)**	**(2,309)**	**33**	**(2,859)**

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at December 31, 2014					
Cost	83,968	32,114	140,513	6,444	263,039
Accumulated depreciation and impairment loss	(16,235)	(14,957)	(61,946)	(4,665)	(97,803)
Net book value	**67,733**	**17,157**	**78,567**	**1,779**	**165,236**
For the year ended December 31, 2015					
Additions	**968**	**145**	**3,028**	**1,350**	**5,491**
Disposals	**–**	**–**	**–**	**(178)**	**(178)**
Depreciation	**(909)**	**(915)**	**(6,361)**	**(934)**	**(9,119)**
Exchange differences	**1,053**	**1,178**	**4,387**	**43**	**6,661**
	1,112	**408**	**1,054**	**281**	**2,855**
As at December 31, 2015					
Cost	**86,991**	**34,665**	**153,234**	**7,391**	**282,281**
Accumulated depreciation and impairment loss	**(18,146)**	**(17,100)**	**(73,613)**	**(5,331)**	**(114,190)**
Net book value	**68,845**	**17,565**	**79,621**	**2,060**	**168,091**

For the year ended December 31, 2015, depreciation expense totaled $9,119 (2014 – $8,215) of which $8,801 (2014 – $7,886) was included in Cost of sales and $318 (2014 – $329) was included in General and administrative expenses. Refer to Note 19, 'Expenses by nature'.

On January 7, 2014, the Company acquired substantially all of the property, plant and equipment from the court appointed receiver of Atlas Block, a concrete masonry and landscape products company located in the province of Ontario for an aggregate purchase price of $11,366. Of the total assets purchased, $2,494 were acquired through a finance lease arrangement. These assets form part of two concrete manufacturing plants located in Hillsdale and Brockville, Ontario.

On October 1, 2014, land and buildings located in Milton, Ontario, with a carrying amount of $2,401 were sold for net proceeds of $5,556, after deducting sales transaction costs of $244, resulting in a gain of $3,155.

During the second quarter of 2014, obsolete equipment amounting to $1,600 was written off as part of the Company's plan to integrate the newly acquired assets with its operational objectives and is recognized in the loss on disposal of property, plant and equipment on the consolidated statements of comprehensive income (loss).

No asset impairment loss or impairment reversal was recorded for the year ended December 31, 2015. For the year ended December 31, 2014, the Company recognized an asset impairment loss of $11,611 on its Farmersburg, Indiana plant, as is described in Note 8 below.

During the year, property, plant and equipment were acquired at an aggregate cost of $5,491 (2014 – $17,333 including assets purchased on January 7, 2014 as noted above), of which $1,119 (2014 – $2,920), was acquired by means of finance leases. Capital expenditures incurred and unpaid was $31 (2014 – $274 unpaid for prior years).

Non cash capital expenditure relating to estimated future quarry rehabilitation costs reduced during the year amounted to $100 excluding the impact of foreign currency translation (2014 – increased by $2,762).

Net cash flow used for the purchase of property, plant and equipment was $4,441 (2014 – $11,377).

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

	December 31, 2015	December 31, 2014
Cost – finance leases	**$ 7,879**	$ 7,196
Accumulated depreciation	**(4,703)**	(3,864)
	$ 3,176	$ 3,332

8. ASSET IMPAIRMENT

The Company has determined that the Brampton clay brick plant, the Canadian concrete plants (Markham, Hillsdale, Brockville 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*, ("IAS 36") determined there was no indication that the Brampton clay brick plant, the Canadian concrete plants and the Michigan concrete plant may be impaired. Management also assessed the indicators of impairment for the Indiana clay brick plant and concluded that impairment testing was necessary.

Impairment testing was required in both 2015 and 2014 as a result of indicators of impairment such as low sales volumes and its impact on operating results.

December 31, 2015 and 2014 (in thousands of Canadian dollars, unless otherwise stated)

For both years, the asset impairment testing with respect to the Farmersburg, Indiana clay brick plant was performed using the value in use ("VIU") methodology. The results of this methodology indicated a potential impairment. As a result, the Company performed another analysis utilizing the fair value less costs to sell ("FVLCTS") methodology.

In accordance with IAS 36, the recoverable amount should be the higher of the results under the VIU and the FVLCTS methodologies. For the year ended December 31, 2015, the recoverable amounts approximated the carrying value and accordingly did not result in any asset impairment loss or impairment reversal.

For the year ended December 31, 2014, the value under the VIU methodology was higher than the FVLCTS and therefore considered to be the recoverable amount. The carrying value of the assets were adjusted to this recoverable amount in the books and resulted in an impairment charge of $11,611 as at December 31, 2014. The effect of the impairment was a decrease in the property, plant and equipment with a corresponding charge to the Consolidated statement of comprehensive income (loss) in 2014. The impairment loss was recorded on a pro-rata basis to the individual depreciable assets of the CGU. The recoverable amount was estimated using the approved business plan for a period of five years.

9. INVESTMENT IN UNIVERSAL RESOURCE RECOVERY INC.

The Company's investment in Universal is accounted for using the equity method of accounting. Under this method, if the Company's share of losses equals or exceeds the investment value of its interest in Universal, including long-term unsecured advances, the Company does not recognize further losses, unless it had incurred obligations or made payments on behalf of 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. For the year ended December 31, 2015, the Company's share of Universal's net income amounted to $87 (December 31, 2014 – net income of $41). As a result, the Company's total share of cumulative unrecognized losses decreased to $3,879 (2014 – $3,966) as at December 31, 2015.

The Company has a secured loan receivable from Universal in the amount of $4,700 which is described below in Note 10, 'Loans receivable'.

10. LOANS RECEIVABLE

The secured, non-interest bearing, non-current loan receivable ("loan receivable") from Universal totaled $4,700 as at December 31, 2015 (December 31, 2014 – $5,200). A repayment in the amount of $500 was received during 2015.

In relation to this loan receivable, the Company has registered, as security, a mortgage on Universal's property located in Welland, Ontario.

Other Loans Receivable as at December 31, 2015 total $332, of which $247 is classified as non-current.

11. INTERESTS IN SUBSIDIARIES

The Company's interest in subsidiaries as at December 31, 2015 are detailed below. These subsidiaries have share capital consisting of common shares and are held by the Company as noted below. The proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Name of Entity	Place of business/ country of incorporation	Parent	% of ownership interest held by the parent	% of ownership interest held by non-controlling interests	Principal activities
Oaks U.S. Holdings Inc.	United States	Brampton Brick Limited	100	0	Holding company
Brampton Brick Inc.	United States	Oaks U.S. Holdings Inc.	100	0	Manufacture of clay brick
Oaks Concrete Products Inc.	United States	Oaks U.S. Holdings Inc.	100	0	Manufacture of concrete paving stones, retaining and garden walls
1813435 Ontario Limited	Canada	Brampton Brick Limited	65	35	Non-operating

The non-controlling interests for the period ended December 31, 2015 was $37 (December 31, 2014 – $27).

There are no restrictions on the Company's ability to use the assets and settle the liabilities of the subsidiary companies. However, until the credit facilities are repaid in full and cancelled, without the prior consent of the bank, the Company may not permit substantially all of its assets to be acquired by another person or entity; or permit any reorganization or change in ownership or corporate structure; or conduct the purchase or sale of any assets outside the normal course of business.

12. BANK OPERATING ADVANCES

The Company's credit facility provides for borrowings of up to $22,000 (2014 – $22,000) based on margin formulae for trade receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts. It is a demand facility secured by a general security agreement over all assets. The agreement also contains certain financial covenants. As at December 31, 2015 and 2014, the Company was in compliance with all the financial covenants.

As at December 31, 2015, the borrowing limit was $22,000 (2014 – $21,742). The utilization was $343 (2014 – $1,898) and comprised of: a current account overdraft balance of zero (2014 – $1,610); and outstanding letters of credit for $343 (2014 – $288).

As at December 31, 2015, 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 fixed charge coverage ratio.

13. DEBT

Debt consists of the following:

		December 31, 2015 $	December 31, 2014 $
Committed revolving reducing term loan – monthly instalments commenced July 2015 to July 2019	(a)	**24,000**	26,000
Committed revolving term loan – monthly instalments commenced July 2016 to December 2017	(b)	**10,095**	–
Demand revolving term loan – monthly instalments commenced July 2015 to July 2019	(b)	**–**	10,595
Demand non-revolving loan – monthly instalments commenced January 2014 to December 2019	(c)	**2,252**	2,425
Other term loans	(d)	**245**	385
	(e)	**36,592**	39,405
Obligations under finance leases	(f)	**2,758**	3,075
		39,350	42,480
Less: Payments due within one year – current portion		**6,380**	16,416
Non-current portion of debt		**32,970**	26,064

On January 3, 2014, the Company finalized a $40,000 demand revolving reducing term loan with its banker at the bank's prime rate plus 0.70%. The amount of $36,595 was drawn down and used to repay the then existing term loan and to finance the purchase of assets.

On November 21, 2014, the Company's $36,595 demand revolving reducing term loan was split into two separate term loans, a $26,000 committed revolving reducing term loan ("committed term loan") which was classified on the Balance Sheet as a long-term liability and a $10,595 demand revolving term loan.

The agreements for these loans contain certain financial covenants. As at December 31, 2015, the Company is in compliance with all the financial covenants.

(a) The $26,000 committed term loan bore interest at the bank's prime rate plus 0.30% until January 29, 2015, and thereafter, the 30 day bankers' acceptance rate plus a stamp fee of 1.80% was effective. The term of this loan is five years and requires monthly interest payments for the duration of the loan. The committed term loan will be repaid by way of principal repayments of $400 per month from July to November each year, commencing from 2015 until 2018, with a balloon payment on July 31, 2019. The committed term loan is secured only by a mortgage on the Company's 225 Wanless Drive, Brampton, Ontario property.

On January 30, 2015, the Company entered into a floating-to-fixed interest rate swap agreement to fix the interest rate on its committed term loan, as further described in Note 14, 'Derivative Financial Instrument'.

(b) The $10,595 demand revolving term loan was classified as a current liability as at December 31, 2014 as it was payable on demand.

On December 16, 2015, the demand revolving term loan arrangement with an outstanding balance of $10,095 was converted into the committed revolving term loan with a revised maturity date of December 31, 2017.

The committed revolving term loan bears interest at the bank's prime rate plus 0.50%. The same interest terms were effective during 2015 on the then demand revolving term loan.

Principal repayments of $100 per month from July to November each year, commencing from 2016 until 2017, with a maturity date of December 31, 2017, are scheduled on the committed revolving term loan.

The committed revolving term loan is secured by a mortgage over the Company's properties located in Hillsdale and Markham, Ontario and two quarry sites located in Brampton and Cheltenham, Ontario.

(c) On December 19, 2013, the Company acquired a demand non-revolving loan from its bank amounting to $2,598. This loan bears interest at an annual rate equal to the bank's prime rate plus a credit spread of 1.50%. These funds were advanced to Universal in December 2013 and used, in part, to fully repay the outstanding balance of Universal's term bank loan (refer to Note 10 'Loans receivable').

December 31, 2015 and 2014 (in thousands of Canadian dollars, unless otherwise stated)

(d) Other term loans represent vendor financing to acquire certain production assets.

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

	$
2016	4,911
2017	11,651
2018	2,030
2019	18,000
	36,592

(f) Obligations under finance leases include the following:

Future minimum lease payments	$
2016	1,542
2017	930
2018	212
2019	174
Total minimum lease payments	**2,858**
Less: Amount representing interest	**100**
	2,758

The weighted average effective interest rate for obligations under finance leases during 2015 was approximately 3.33% (2014 – 4.21%).

14. DERIVATIVE FINANCIAL INSTRUMENT

On January 30, 2015, the Company entered into a floating-to-fixed interest rate swap with a notional value of $26,000, to minimize its exposure to fluctuations in cash flows from changes in interest rates on the committed term loan of the same amount. The swap notional value will decrease proportionately with the outstanding balance of the underlying committed term loan as scheduled repayments are made over its duration. As a result of this transaction, the Company's interest rate for the committed term loan is fixed at 3.69%.

The Company has not applied hedge accounting for the year ended December 31, 2015. The change in fair value of the interest rate swap recognized in 'Finance expense' on the Consolidated Statement of Comprehensive Income (Loss) amounted to an unrealized loss of $504 for the year ended December 31, 2015.

15. 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 0.50% to 2.16% (2014 – 1.06% to 2.33%). The total undiscounted amount of the estimated cash flows required to settle the obligations at December 31, 2015 is $6,458 (2014 – $6,143). These obligations are expected to be settled over a one to fourteen year period (2014 – one to fifteen year period) and are expected to be funded from general Company resources.

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

	2015 $	2014 $
Balance at the beginning of the year	**5,243**	2,365
Increase in provision	**79**	2,811
Payments during the year	**(16)**	––
Unwinding of the discount and effect of changes in the discount rate	**101**	67
Balance at the end of the year	**5,407**	5,243
Less: Payments due within one year – current portion	**(30)**	(30)
	5,377	5,213

16. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Preference shares, Class A Subordinate Voting shares and Class B Multiple Voting shares. The Class B Multiple Voting shares are convertible into Class A Subordinate Voting shares on a share-for-share basis at any time. Class A Subordinate Voting shares may be converted into Class B Multiple Voting shares in certain circumstances in connection with a takeover bid. Class A Subordinate Voting shareholders are entitled to one vote per share and Class B Multiple Voting 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 2015 and 2014.

During the year, there were no Class A Subordinate Voting shares purchased under the Company's Normal Course Issuer Bid, which commenced May 6, 2014 and ended on May 5, 2015.

During the second quarter of 2015, 6,900 stock options were exercised at an average price of $5.16. Proceeds from the issue of an equal number of Class A Subordinate Voting shares amounted to $36. There were no changes in the Class A Subordinate Voting shares and Class B Multiple Voting shares for the year ended December 31, 2014.

Class A Subordinate Voting shares	**December 31, 2015**		**December 31, 2014**	
	Number of shares (thousands)	**Stated capital $**	**Number of shares (thousands)**	**Stated capital $**
Balance at the beginning of the year	**9,202**	**33,710**	9,202	33,710
Stock options exercised	**7**	**44**	–	–
Balance at the end of the year	**9,209**	**33,754**	9,202	33,710

Class B Multiple Voting shares	**December 31, 2015**		**December 31, 2014**	
	Number of shares (thousands)	**Stated capital $**	**Number of shares (thousands)**	**Stated capital $**
Balance at the beginning of the year	**1,739**	**1**	1,739	1
Balance at the end of the year	**1,739**	**1**	1,739	1

17. SHARE-BASED COMPENSATION

Under the Brampton Brick Limited Stock Option Incentive Plan ("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 (2014 – 1,680,965) Class A Subordinate Voting shares. The exercise price of each stock option is equal to the volume weighted average trading price of the Company's Class A Subordinate Voting 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, 2015, a total of 225,365 (December 31, 2014 – 315,365) stock options were available for grant under the Plan.

The Company granted stock options to all executive officers, two employees (2014 – one employee) 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	**April 3, 2015**	**March 28, 2014**
Number of options granted	**180,500**	174,500
Market price	**$ 6.90**	$ 5.60
Fair value of each stock option granted	**$ 2.75**	$ 1.41
Assumptions:		
Risk-free interest rate	**1.1%**	2.2%
Expected life	**8.0 years**	8.0 years
Volatility (determined by reference to historically observed prices of the Class A Subordinate Voting shares)	**34.0%**	34.0%
Expected dividend yield	**0.0%**	3.6%
Expected forfeitures	**Nil**	Nil

For the year ended December 31, 2015, the total compensation cost charged against income with respect to all stock options granted was $356 (2014 – $215).

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:

	2015		**2014**	
	Number of stock options	**Weighted average exercise price $**	**Number of stock options**	**Weighted average exercise price $**
Balance at the beginning of the year	**1,135,100**	**6.78**	1,022,100	7.45
Granted during the year	**180,500**	**6.90**	174,500	5.60
Exercised during the year	**(6,900)**	**5.16**	–	–
Forfeited during the year	**(22,000)**	**5.49**	–	–
Expired during the year	**(68,500)**	**13.11**	(61,500)	14.57
Balance at the end of the year	**1,218,200**	**6.48**	1,135,100	6.78

December 31, 2015 and 2014 (in thousands of Canadian dollars, unless otherwise stated)

At December 31, 2015 and 2014, outstanding stock options were as follows:

		Number of shares	
Year of expiry	**Option price $**	**2015**	**2014**
2015	14.00	–	43,500
2015	11.55	–	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	110,000	110,500
2020	5.76	111,500	114,000
2020	6.01	–	7,500
2021	5.10	85,000	89,000
2022	3.60	142,500	142,500
2022	4.61	30,800	37,200
2023	5.52	175,500	179,500
2024	5.60	170,500	174,500
2025	6.90	180,500	–
		1,218,200	**1,135,100**

At December 31, 2015, an aggregate of 1,218,200 (2014 – 1,135,100) stock options were outstanding, of which 866,000 (2014 – 797,600) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $6.70 (2014 – $7.47) per share.

18. 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 2015 totaled $754 (2014 – $668).

19. EXPENSES BY NATURE

Year ended December 31, 2015

	Personnel expenses	Cost of Materials	Cost of Energy	Depreciation	Freight	Other expense	Total
Cost of sales	**$ 20,488**	**$ 48,657**	**$ 8,600**	**$ 8,801**	**$ 9,931**	**$ 2,681**	**$ 99,158**
Selling expenses	**6,852**	**114**	**–**	**–**	**20**	**3,616**	**10,602**
General and administrative expenses	**4,163**	**267**	**–**	**318**	**72**	**1,693**	**6,513**
Gain on disposal of property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**(20)**	**(20)**
Other expense	**–**	**–**	**–**	**–**	**–**	**1,008**	**1,008**
	$ 31,503	**$ 49,038**	**$ 8,600**	**$ 9,119**	**$ 10,023**	**$ 8,978**	**$ 117,261**

Year ended December 31, 2014

	Personnel expenses	Cost of Materials	Cost of Energy	Depreciation	Freight	Other expense	Asset Impairment loss	Total
Cost of sales	$ 18,588	$ 42,475	$ 8,929	$ 7,886	$ 10,916	$ 4,081	$ –	$ 92,875
Selling expenses	5,725	148	–	–	20	3,165	–	9,058
General and administrative expenses	3,557	208	–	329	60	2,617	–	6,771
Gain on disposal of property, plant and equipment	–	–	–	–	–	(1,609)	–	(1,609)
Other income	–	–	–	–	–	(11)	–	(11)
Asset Impairment loss							11,611	11,611
	$ 27,870	**$ 42,831**	**$ 8,929**	**$ 8,215**	**$ 10,996**	**$ 8,243**	**$ 11,611**	**$ 118,695**

20. 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 the following rates 26.5% (2014 – 26.5%) in the Canadian jurisdictions and from 34.0% to 38.5% (2014 – 34.0% to 38.7%) in the U.S. jurisdictions.

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

	2015		2014	
	$	%	$	%
Income (loss) before income taxes	**7,502**		(14,065)	
Income tax (provision) recovery calculated at statutory federal and provincial income tax rates – 26.50% (2014 – 26.50%)	**(1,988)**	**(26.5)**	3,727	26.5
Increase (decrease) in rate resulting from:				
Manufacturing and processing profits deduction	**143**	**1.9**	1	0.0
Tax rate and other differences in foreign subsidiaries	**52**	**0.7**	1,614	11.5
Change in deferred tax assets not recognized	**(4,658)**	**(62.1)**	(6,533)	(46.5)
Change in deferred tax assets due to changes in exchange rates	**4,506**	**60.1**	1,450	10.3
Other non-taxable and non-deductible items	**(737)**	**(9.8)**	(155)	(1.1)
Effective (provision) recovery for income taxes	**(2,682)**	**(35.7)**	104	0.7

The movement in deferred tax liabilities is as follows:

	2015	2014
As at January 1	**$ (14,833)**	$ (15,016)
Credited (debited) to the Statement of Comprehensive Income (Loss)	**(848)**	183
As at December 31	**$ (15,681)**	$ (14,833)

Deferred taxes applicable to temporary differences are as follows:

	December 31, 2015 $	December 31, 2014 $
Depreciable property, plant and equipment	**(16,798)**	(14,555)
Losses available for carry-forward	**33,172**	26,527
IFRS transition adjustment, January 1, 2010 – land	**(4,432)**	(4,432)
Cumulative eligible capital	**1,488**	1,783
Other	**(821)**	(524)
	12,609	8,799
Less: Deferred tax assets not recognized	**(28,290)**	(23,632)
Deferred tax liability	**(15,681)**	(14,833)

Deferred tax assets were not recorded on the following non-capital losses carried forward relating to the U.S. subsidiaries:

Year of expiry	$
2024	**4,023**
2025	**4,554**
2026	**4,125**
2027	**2,078**
2028	**4,927**
2029	**14,284**
2030	**15,186**
2031	**12,543**
2032	**9,320**
2033	**7,120**
2034	**5,830**
2035	**4,402**
	88,392

December 31, 2015 and 2014 (in thousands of Canadian dollars, unless otherwise stated)

21. NET INCOME (LOSS) PER SHARE

Earnings 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 per share is calculated to reflect the dilutive effect of the exercise of the outstanding stock options on earnings per share.

The weighted average number of outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares utilized in the calculations of earnings per share is as follows:

	Year ended December 31					
	2015			2014		
	Net income $	**Shares (thousands)**	**Per share amount $**	**Net loss $**	**Shares (thousands)**	**Per share amount $**
Net income (loss) attributable to shareholders of Brampton Brick Limited	**4,670**	**10,944**	**0.43**	(13,959)	10,940	(1.28)
Dilutive effect of options		**242**	**(0.01)**		–	0.00
Diluted income (loss) per share		**11,186**	**0.42**		10,940	(1.28)

In determining the diluted earnings per share, for the year ended December 31, 2015, 211,900 options to purchase Class A Subordinate Voting shares were considered anti-dilutive (2014 – dilutive employee stock options had no effect due to losses incurred).

22. 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:

	$
2016	**101**
2017	**61**
2018	**26**
2019	**8**
	196

As at December 31, 2015, the Company had capital expenditure commitments with suppliers totaling $2,274.

The Company normally enters into supply and transportation contracts for natural gas to satisfy its future requirements. As at December 31, 2015, the Company has contracted for its estimated 2016 Canadian natural gas supply requirements at an aggregate estimated cost of $1,658, forecasted by the supplier, none of which was at fixed prices, and for its estimated 2016 Canadian transportation requirements at an aggregate estimated cost of $1,135, of which 84% was at fixed prices. As at December 31, 2015, the Company's U.S. operations, have contracted for its January 2016 estimated natural gas transportation requirements at an estimated cost of $2 at fixed prices. The potential unrealized gain on the fixed price contracts was approximately $66 (2014 – unrealized loss of $47), 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, 2015 was $343 (2014 – $288).

23. RELATED PARTIES

a) Compensation of key management personnel

	Year ended December 31	
	2015	**2014**
Salaries, incentives, short-term benefits and pension expense	**$ 3,518**	$ 3,249
Share-based payments	**356**	215
Total	**$ 3,874**	$ 3,464

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 3.3% (2014 – 3.1%) of revenues in aggregate for the year ended December 31, 2015. Purchases from related parties amounted to $42 for the year ended December 31, 2015 (2014 – $44).

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, 2015, the trade receivable balance from related customers was Nil (2014 – $6). Trade payables to related parties was $125 as at December 31, 2015 (2014 – $92).

24. 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. Although the Company operates several plants, the nature of products, production methods and type of customers for their products and services, share similar economic characteristics within each segment.

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 2014, is as follows:

	Masonry $	Landscape $	Other $	2014 Total $
Revenues	**90,060**	**36,968**	**–**	**127,028**
Cost of sales	**70,222**	**28,936**	**–**	**99,158**
Selling expenses	**6,646**	**3,956**	**–**	**10,602**
General and administrative expenses	**5,053**	**1,413**	**47**	**6,513**
Gain on disposal of property, plant and equipment	**(12)**	**(8)**	**–**	**(20)**
Other expense (income)	**1,262**	**(254)**	**–**	**1,008**
	83,171	**34,043**	**47**	**117,261**
Operating income (loss)	**6,889**	**2,925**	**(47)**	**9,767**
Finance expense				**(2,265)**
Income before income taxes				**7,502**
Income tax provision				**(2,682)**
Net income for the year				**4,820**
Depreciation of property, plant and equipment	**7,015**	**2,104**	**–**	**9,119**

	Masonry $	Landscape $	Other $	2014 Total $
Revenues	79,639	30,690	–	110,329
Cost of sales	68,413	24,462	–	92,875
Selling expenses	5,196	3,862	–	9,058
General and administrative expenses	5,194	1,568	9	6,771
Gain on disposal of property, plant and equipment	(468)	(1,141)	–	(1,609)
Other expense (income)	148	(159)	–	(11)
Asset impairment	11,611	–	–	11,611
	90,094	28,592	9	118,695
Operating (loss) income	(10,455)	2,098	(9)	(8,366)
Finance expense				(5,699)
Loss before income taxes				(14,065)
Income tax recovery				104
Net loss for the year				(13,961)
Depreciation of property, plant and equipment	6,472	1,743	–	8,215

December 31, 2015 and 2014 (in thousands of Canadian dollars, unless otherwise stated)

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.

			2015
	Masonry and Landscape $	Other $	Total $
Additions to property, plant and equipment	**5,491**	**–**	**5,491**
Consolidated total assets	**224,156**	**4,973**	**229,129**

			2014
	Masonry and Landscape $	Other $	Total $
Additions to property, plant and equipment	17,333	–	17,333
Consolidated total assets	211,777	5,903	217,680

Geographical information is as follows:

		2015		2014
	Revenues $	Property, plant and equipment $	Revenues $	Property, plant and equipment $
Canada	**112,535**	**125,619**	98,271	127,796
United States	**14,493**	**42,472**	12,058	37,440
	127,028	**168,091**	110,329	165,236

25. 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; financial liabilities measured at amortized cost; and financial liabilities at fair value through profit or loss. The following table shows the carrying values and fair values of assets and liabilities for each of these categories at December 31, 2015 and 2014.

Assets	Fair Value Hierarchy Level	December 31, 2015 $ Carrying values	$ Fair values	December 31, 2014 $ Carrying values	$ Fair values
Loans and receivables					
Cash and cash equivalents	**1**	**4,021**	**4,021**	1,419	1,419
Trade and other receivables	**2**	**18,711**	**18,711**	16,663	16,663
Loans receivable	**2**	**5,032**	**5,032**	5,200	5,200
Liabilities					
Financial liabilities at amortized cost					
Bank operating advances	**2**	**–**	**–**	1,610	1,610
Trade payables	**2**	**17,655**	**17,655**	17,805	17,805
Other liabilities	**2**	**2,924**	**2,924**	2,505	2,505
Debt	**2**	**39,350**	**38,292**	42,480	42,480
Financial liabilities at fair value through profit or loss					
Derivative financial instrument	**2**	**504**	**504**	–	–

The carrying values of the cash and cash equivalents, trade and other receivables, 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 the loans receivable and debt were determined based on observable market data for similar instruments which is considered comparable for the estimation of fair values.

The derivative financial instrument comprising the interest rate swap is held for trading and is measured at fair value based on observable market data for similar instruments considered to be comparable for the estimation of its fair value.

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, 2015, four customers represented approximately 29.7%, in aggregate, (2014 – four customers – 27.0%) of the Company's trade receivables at year-end. Sales to these customers represented 22.3% (2014 – 18.9%) 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 79.2% (2014 – 76.9%) of consolidated trade and other receivables outstanding as at December 31, 2015.

The Landscape Products business segment is characterized by a larger number of customers with lower average balances outstanding. This business segment represented 20.8% (2014 – 23.1%) of consolidated trade and other receivables outstanding as at December 31, 2015.

In aggregate, approximately 93.0% (2014 – 93.1%) was due in Canadian dollars and 7.0% (2014 – 6.9%) was due in U.S. dollars.

Accounts receivable that were past due as at December 31, 2015 totaled $5,293 (2014 – $5,773), of which $4,673 (2014 – $4,945) was less than three months past due, $620 (2014 – $693) was more than three months but less than six months past due and Nil (2014 – $135) was more than six months but less than one year past due.

Of the past due amount, accounts totaling $544 (2014 – $630) 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:

	2015 $	2014 $
Balance at the beginning of the year	**630**	328
Accounts added	**906**	891
Accounts removed	**(965)**	(336)
Accounts written off during the year as uncollectible	**(45)**	(265)
Foreign exchange translation loss	**18**	12
Balance at the end of the year	**544**	630

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.

December 31, 2015 and 2014 (in thousands of Canadian dollars, unless otherwise stated)

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

	2015 $	2014 $
Not later than 3 months	**23,427**	35,472
Later than 3 months and not later than 12 months	**4,638**	3,822
Later than one year and not later than five years	**35,294**	28,580
Later than 5 years	**–**	52
	63,359	67,926

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

The summary of contractual maturities relating to undiscounted derivative financial liabilities is as follows:

	2015 $	2014 $
Not later than 3 months	**59**	–
Later than 3 months and not later than 12 months	**190**	–
Later than one year and not later than five years	**479**	–
Later than 5 years	**(238)**	–
	490	–

At December 31, 2015, the Company had a borrowing limit of $22,000 on an operating credit facility of $22,000, of which $343 had been utilized.

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 U.S. dollars.

Currency exchange rate conversions utilized in the preparation of the consolidated financial statements are as follows:

	USD $1 =
December 31, 2014	1.1601 CAD
December 31, 2015	1.3840 CAD
High – 2015	1.4004 CAD
Low – 2015	1.1680 CAD
Average – 2015	1.2786 CAD

Variances in the rate of exchange of USD $0.12 are considered reasonably possible.

At December 31, 2015, the Company had net monetary liabilities denominated in U.S. dollars totaling USD $3,848. A variance of USD $0.12 in the December 31, 2015 rates of exchange would have resulted in the income before income taxes being approximately $447 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, 2015 or December 31, 2014.

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 2.70% on December 31, 2015. At December 31, 2015, the Company had a total of $12,347 of variable interest rate bearing debt outstanding. A variance of 0.25% in the rate of interest would have resulted in the income before income taxes being approximately $31 higher or lower, as the case may be, on an annualized basis.

On January 30, 2015, the Company entered into a floating-to-fixed interest rate swap with an original notional value of $26,000, to minimize its exposure to fluctuations in cash flows from changes in interest rates on the committed term loan of the same amount. The swap notional value as at December 31, 2015 decreased to $24,000 corresponding with the outstanding balance of the underlying committed term loan as scheduled repayments were made during the year. As a result of this transaction, the Company's interest rate for the committed term loan is fixed at 3.69%.

The Company has not applied hedge accounting for the year ended December 31, 2015. The change in fair value of the interest rate swap recognized in 'Finance expense' on the Consolidated Statement of Comprehensive Income (Loss) amounted to $504 of unrealized losses for the year ended December 31, 2015. There were no interest rate swap contracts outstanding as at December 31, 2014.

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 (loss). There were no swap contracts outstanding as at December 31, 2015 or December 31, 2014.

26. 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 adjusted funded debt divided by shareholders equity. Net adjusted funded debt is calculated as total interest-bearing debt net of cash and cash equivalents and, as shown in the consolidated balance sheets. Shareholders equity includes all components of equity.

The Company's objective is to maintain the net adjusted funded debt to shareholders equity ratio at less than 0.4:1. The net adjusted funded debt to shareholders equity ratios at December 31, 2015 and December 31, 2014 are as follows:

	December 31, 2015 $	December 31, 2014 $
Bank operating advances	–	1,610
Debt	**39,350**	42,480
Less: Cash and cash equivalents	**(4,021)**	(1,419)
Net adjusted funded debt	**35,329**	42,671
Share capital	**33,755**	33,711
Contributed surplus	**2,641**	2,293
Accumulated other comprehensive income	**12,176**	4,573
Retained earnings	**97,270**	92,600
Shareholders equity	**145,842**	133,177
Net adjusted funded debt to shareholders equity ratio	**0.24:1**	0.32:1

As at December 31, 2015 and December 31, 2014, the Company's objective with respect to the net adjusted funded debt to shareholders equity ratio was achieved.

27. SUBSEQUENT EVENT

On February 29, 2016, the Company entered into an asset purchase agreement to acquire certain assets of a concrete products manufacturing company, located in the province of Quebec. The assets to be acquired include a concrete products manufacturing plant, located in Boisbriand, Quebec, for a purchase price of $5,000, plus transaction costs and a note receivable of $500 to be advanced to the seller. The purchase of these assets will be financed from the Company's committed revolving term loan and its demand operating credit facility. The closing date for this transaction is expected to occur no later than April 30, 2016, and is subject to usual conditions as well as court approval.

Five Year Financial Review

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

Operations	2015	2014	2013	2012	2011
Revenues	**$ 127,028**	$ 110,329	$ 95,286	$ 97,061	$ 80,013
Net income (loss)	**4,820**	(13,961)	2,629	1,485	(9,976)
Depreciation	**9,119**	8,215	7,300	7,070	6,756
Cash provided by operations	**14,281**	8,713	9,695	16,153	7,642
Payments for purchase of property, plant and equipment	**4,441**	11,377	3,422	3,101	2,981
Financial Position					
Current assets	**$ 56,091**	$ 47,244	$ 38,969	$ 36,498	$ 33,290
Working capital	**27,125**	8,878	7,766	7,325	13,137
Property, plant and equipment (net)	**168,091**	165,236	168,095	168,848	172,629
Total assets	**229,129**	217,680	212,264	205,346	205,919
Non-current portion of debt	**32,970**	26,064	20,980	23,554	35,166
Shareholders' equity attributable to shareholders of Brampton Brick Limited	**145,842**	133,177	142,721	136,961	136,477
Financial Ratios					
Current ratio	**1.94:1**	1.23:1	1.25:1	1.25:1	1.65:1
Total liabilities (excluding non-controlling interests) to shareholders' equity attributable to shareholders of Brampton Brick Limited	**0.57:1**	0.63:1	0.49:1	0.50:1	0.51:1
Return on average shareholders' equity attributable to shareholders of Brampton Brick Limited (%)	**3.3**	(10.1)	1.9	1.1	(7.1)
Share Data					
Net income (loss) per share	**$ 0.43**	$ (1.28)	$ 0.23	$ 0.14	$ (0.91)
Book value per share	**13.33**	12.17	13.05	12.52	12.48
Dividends per share	**–**	–	–	–	–
Weighted average number of shares outstanding (thousands)	**10,944**	10,940	10,940	10,938	10,937

DIRECTORS
Rudolph P. Bratty, Q.C.*†

Jim V. De Gasperis

P. David Grant, CPA, CA*

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
Chief Operating Officer

J. Bradley Duke
Senior Vice-President, Manufacturing

Judy H. Pryma
Vice-President, Sales, Clay Products

Antonio M. Neves
Vice-President, Sales, Concrete Products

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

Elliot C. Bender
Vice-President, Business Development and Marketing

Marilia Macias
Controller

Bradley S. Cobbledick
Vice-President, Technical Services

Shane C. Egan
Vice-President, Manufacturing, Masonry Products

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
CST Trust Company
Halifax, Montreal, Toronto, Calgary and Vancouver

SHAREHOLDER ENQUIRIES OF CST 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
455 Rodick Road, Markham, Ontario
1, Place du Commerce, Montréal, Québec
2108 Flos Road Four East, Hillsdale, Ontario
3007 County Road 29, Brockville, Ontario

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

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

BRAMPTON BRICK Limited
ONE Trusted Source

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