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2011 Annual Report

BRAMPTON BRICK Limited

Corporate Profile

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

To complement the clay brick product line, the Company also manufactures a range of concrete masonry products, including concrete brick and block as well as stone veneer products marketed under the **Stoneworks**™ trade name.

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

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

Universal Resource Recovery operates a waste composting facility in Welland, Ontario.

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ON THE COVER

Clockwise from the top left:

1. Crossroads Morgan
2. Villanova
3. Elegante – the elegance of stone, the simplicity of brick
4. Victorian Presidio
5. Vivace Stone
6. Designer Series
7. Finesse Stone

CONTENTS

Financial Overview

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

	2011	2010
OPERATIONS		
Revenues	**$ 80,013**	$ 72,623
Operating income	**1,098**	2,160
Loss	**(9,976)**	(2,538)
Cash provided by operations	**7,642**	7,581
Purchase of property, plant and equipment	**2,981**	2,266
SHARE DATA		
Loss per share	**$ (0.91)**	$ (0.24)
Book value per share	**12.48**	13.28
Weighted average number of shares outstanding (thousands)	**10,937**	10,937
FINANCIAL POSITION		
Working capital	**$ 13,137**	$ 18,499
Total assets	**205,919**	216,439
Total liabilities	**69,432**	71,090
Shareholders' equity attributable to owners of the parent	**136,477**	145,237
Total liabilities to shareholders' equity attributable to owners of the parent	**0.51:1**	0.49:1

SHARES OUTSTANDING

The Company has 10,936,554 common shares outstanding as at December 31, 2011 comprised of 9,197,923 Class A Subordinate Voting Shares and 1,738,631 Class B Multiple Voting Shares. The Class A shares trade on the Toronto Stock Exchange under the ticker symbol "BBL.A".

ANNUAL MEETING

The Annual General and Special Meeting of the Shareholders of the Company will be held on May 24, 2012 at 9:30 a.m. at the Holiday Inn, 30 Peel Centre Drive, Brampton, Ontario.

ANNUAL REPORT

Additional copies of the 2011 Annual Report may be obtained from the Vice-President, Finance, Brampton Brick Limited, 225 Wanless Drive, Brampton, Ontario L7A 1E9.

BRAMPTON BRICK Limited

President's Message

For Brampton Brick, 2011 was in many respects, an important year of transition. A number of key strategic projects initiated over the past eighteen months were completed and, together with a variety of other actions, enabled us to make important progress towards the company's objective of clearly differentiating itself from its competitors. In this regard, as it became apparent that continued weakness in the U.S. housing market and provincial policy in Ontario, basically limiting the development of low rise housing would be the norm for a period of time, Brampton Brick has also implemented further refinements to its business model.

On a positive note, we introduced a number of new products in both our masonry and landscape divisions. Concrete masonry sales increased substantially, supported in large part by the launch of our concrete block sales program in April 2011. While the capital costs and related manufacturing and marketing expenses were significant in 2011, the initial market acceptance has been strong. The addition of this family of products has allowed us to further refine certain of our manufacturing programs. We will now be able to better allocate production among our various facilities and for the full year 2012, obtain improvements in plant operating efficiencies and manpower utilization.

Our masonry market position has been further enhanced by the addition of a number of new products to our industrial, commercial and institutional product portfolio, both in the U.S. and Canada. Our plant in Farmersburg, Indiana is operating well and, as our sales volumes continue to increase, we are experiencing the type of performance originally expected from this state-of-the-art facility. The recent adoption of certain adjustments to our manufacturing and inventory management practices in both our clay brick plants will also enable the company to lower its relative working capital investment requirements over the course of a full year.

As described in our second and third quarter reports, we made the decision June 2011 to suspend operations at our waste composting joint venture, Universal Resource Recovery Inc. Management of Universal is currently exploring strategic alternatives with respect to its future operations. As a result of the suspension of operations, the Company assessed that there were indicators of impairment. Consequently, after completing the analysis, it was concluded that under IFRS, the underlying assets of the investment were impaired. All told, for 2011, the total loss attributable to the company's investment in Universal amounted to $8,857, including an operating loss of $2,484 and an impairment charge of $6,373. For the full year, net sales increased from $72,623 in 2010 to $80,013 in 2011, primarily due to the strategic incentives highlighted earlier. The loss for the year increased to $9,976 from $2,538 in 2010, reflecting the impact of the Universal investment on our results as well as other costs associated with other items, our new product launches and adjustment in production levels in order to realign inventory levels and the conversion to IFRS from Canadian GAAP accounting. This conversion is now complete and will enable those of our staff involved to instead focus on other projects directed towards streamlining our administrative functions. In particular, we have identified a number of opportunities to improve our overall management information systems. This upgrading process is now underway and should be reflected through improved customer service, sales and administrative capabilities.

Notwithstanding all of the uncertainties that exist concerning the pace of the economic recoveries in both the U.S. and Canada, and the evolution of various government policies, we remain cautiously optimistic for 2012. With an enhanced portfolio of products and an improved cost structure, we are well positioned to improve upon our results of the last two years.

/s/Jeffrey G. Kerbel

Jeffrey G. Kerbel
President and Chief Executive Officer

FOR THE YEAR ENDED DECEMBER 31, 2011
PREPARED AS OF MARCH 20, 2012

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the year ended December 31, 2011 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 20, 2012 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.

Effective January 1, 2011, the Company is required to prepare and report its financial statements in accordance with International Financial Reporting Standards ("IFRS"). Comparative information for 2010 was required to be restated accordingly, including an opening Consolidated Balance Sheet as at January 1, 2010. A summary of the significant financial effects of the conversion to IFRS is included later in this MD&A and additional detailed information may be found in Notes 2 and 26 to the Consolidated Financial Statements.

DISCUSSION OF OPERATIONS

YEAR ENDED DECEMBER 31, 2011

For the year ended December 31, 2011, the Company recorded a loss of $9,976, or $0.91 per Class A Subordinate Voting share ("Class A share") and Class B Multiple Voting share ("Class B share") outstanding, compared to a loss of $2,538, or $0.24 per Class A share and Class B share outstanding in 2010. The aggregate weighted average number of Class A shares and Class B shares outstanding was 10,936,554 in both 2011 and 2010.

The loss for the year included the share of loss from the investment in Universal Resource Recovery Inc. ("Universal") of $8,857, or $0.81 per share. This loss included the impact of the impairment charge of $6,373, or $0.58 per share relating to the underlying assets of Universal. This matter is discussed in greater detail below. Excluding the impact of the impairment charge in Universal, the Company would have reported a loss of $3,603, or $0.33 per share.

For the year ended December 31, 2011, revenues increased by $7,390 to $80,013 compared to $72,623 in 2010, due primarily to sales volume increases in both the Masonry and Landscape Products business segments.

Operating results, however, were offset by higher manufacturing costs due to lower clay brick production volumes, start-up costs at the Brampton concrete plant and costs associated with new product development and processes at the Indiana and Brampton clay brick plants to better position the Company for positive growth in 2012 and beyond. Higher yard and delivery expenses and higher general and administrative expenses also increased and were partially offset by lower depreciation expense.

Yard and delivery expenses, which are included in Cost of Sales in the Consolidated Statement of Comprehensive Income (Loss) were higher for the year ended December 31, 2011 compared to 2010. This increase arose as a result of the higher delivery costs corresponding to increased sales volumes and an increase in masonry shipments from the Indiana plant into the Canadian market.

During the first quarter of 2011, the Company reviewed the remaining useful life of plant and production equipment which resulted in changes to the expected useful life of certain production equipment. As a result, depreciation expense, which is included in Cost of Sales in the Consolidated Statement of Comprehensive Income (Loss), decreased by $4,318, primarily due to the change in the estimated useful life of production equipment of $3,780 for the year ended December 31, 2011 compared to the same period in 2010.

General and administrative expenses increased by $1,026, or 19.3%, primarily due to non-recurring consulting expenses, including the costs associated with the transition to IFRS, employment related expenses and an increase in the provision for uncollectible accounts.

For the year ended December 31, 2011, the Company recorded operating income of $1,098 compared to $2,160 in 2010.

Finance costs increased as a result of the additional interest expense in 2011 on the $9,000 subordinated debentures which were outstanding for the whole of 2011 compared with only 10 months in the prior year, as the debentures were issued on February 26, 2010. In addition, the Company recorded a loss on the derivative financial instrument in 2011, prior to its settlement on October 3, 2011.

Universal suspended its operations in June 2011 and management of Universal is currently exploring strategic alternatives with respect to its future operations. Universal is a private company in Canada and therefore is not required to comply with IFRS in preparing its annual financial statements. To ensure consistency with the policies adopted by the Company, the accounting policies of Universal have been reviewed and adjustments have been made to comply with IFRS for reporting purposes. As a result of the suspension of operations, the Company assessed that there were indicators of impairment and consequently performed an impairment analysis on the underlying assets.

The recoverable amount of the assets was determined based on the fair value less costs to sell approach. The fair value was determined based on independent qualified appraisal reports and an assessment by industry experts. Based on this analysis, the Company concluded that, under IFRS, the underlying assets of the investment were impaired by an overall amount of $8,164. For reporting purposes at December 31, 2011, this impairment loss amount was limited to $6,373, which was the remaining value of the Company's investment in Universal after recording the Company's share of the 2011 operating loss in Universal. Losses in excess of the value of the investment in Universal are only recognized to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture of which there were none at December 31, 2011.

After recording the limited impairment loss, the value of the investment in Universal as at December 31, 2011 was reported as zero.

As at January 1, 2010, an impairment assessment led to an impairment charge of $6,238 on the underlying assets of Universal. For the year ended December 31, 2010, a partial reversal of $3,760 of the impairment charge recorded at January 1, 2010 was recorded. These impairment charges and reversals led to the Company's share of loss of the investment in Universal to be increased by $3,119 as at January 1, 2010 and reduced by $1,880 for the year ended December 31, 2010.

The Company will continue to evaluate this investment based on the decisions made by management of Universal in relation to the future direction of Universal and its operations.

Recovery of income taxes was $2,281 for fiscal 2011, compared to a recovery of $246 in 2010. Loans advanced to Universal totaling $16,251 were determined for tax purposes to be a deemed bad debt and therefore claimed as an allowable business investment loss. Accordingly, a deferred tax asset amounting to $2,031 was recognized. The deferred tax asset can be used to offset future non-capital taxable income of the Company.

Deferred tax assets were recognized on losses relating solely to the Company's Canadian operations in both 2011 and 2010. The Company has not recorded a deferred tax asset with respect to the potential deferred tax benefit pertaining to losses incurred by its U.S. operations.

FOURTH QUARTER ENDED DECEMBER 31, 2011

For the fourth quarter ended December 31, 2011, the Company recorded net income of $63, or $0.00 per Class A share and Class B share, compared to net income of $784, or $0.07 per Class A share and Class B share, for the fourth quarter of 2010. The aggregate weighted average number of Class A shares and Class B shares outstanding was 10,936,554 in both periods.

Revenues increased by $3,443 to $19,595 in the fourth quarter of 2011 from $16,152 for the same period in 2010. The increase was the result of higher sales volumes in both the Masonry Products and Landscape Products business segments.

Operating results for the quarter were negatively impacted by an increase in manufacturing costs charged to operations because of lower production levels related to a realignment of inventory levels. This unfavourable cost variance was partially offset by a decline in depreciation expense.

For the fourth quarter ended December 31, 2011, the Company recorded operating income of $207, an improvement of $57 over operating income of $150 for the fourth quarter in 2010.

Finance costs were higher in the fourth quarter ended December 31, 2011 than the corresponding period in 2010 due to the gain on the interest rate swap contract recorded in the fourth quarter of 2010. The interest rate swap contract was settled on October 3, 2011.

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

MASONRY PRODUCTS

For the year ended December 31, 2011, revenues increased to $58,005 from $51,758 in 2010. The increase in revenues was generated from growth in shipments of masonry concrete products and an increase in clay brick revenues. The introduction of concrete block products into the Ontario market in April 2011 was a key component of the increase in masonry sales.

Clay brick shipments in the Company's Canadian markets were slightly below shipments in 2010. In the U.S., clay brick shipments improved due to the Company's ongoing establishment in the market place and its expanded product offerings. Masonry concrete products in 2011 benefitted from the increased advertising and marketing expenditures incurred in 2010 for the 2011 construction season.

Operating results for the year were negatively affected by higher manufacturing costs charged to operations because of much lower clay brick production volumes, and higher yard and delivery expenses. General and administrative expenses were higher for the same reasons as described in the 'Discussion of Operations' section. Lower depreciation expense of $2,305, partially offset these increases. As a result, operating income was $1,362 compared to $4,042 in 2010.

For the fourth quarter of 2011, revenues increased by $2,887, or 24%, from $12,104 in 2010 to $14,991 on the strength of higher shipments of clay brick. As noted earlier, the introduction of concrete block in April 2011 contributed to the increase over the corresponding quarter in 2010. The decision to scale back clay brick production resulted in higher manufacturing costs charged to operations which negatively affected operating results for the quarter. As a result, operating income for the quarter was $634 compared to $1,417 for the same period in 2010.

LANDSCAPE PRODUCTS

Revenues of the Landscape Products business segment were $22,008 for the year ended December 31, 2011, an increase of $1,143 over revenues of $20,865 in 2010.

Operating results were positively impacted from growth in sales volumes in the Company's Canadian markets, as the Company continued to improve its market position. This favourability was partially offset by lower sales in the Company's U.S. markets, primarily Michigan. Volumes in the U.S. markets were negatively impacted due to a slow recovery in the U.S. and by unfavourable weather conditions in the first half of 2011. A decrease in depreciation expense of $2,013 helped to reduce the negative operating results.

For the year ended December 31, 2011, the Landscape Products business segment incurred an operating loss of $264 compared to an operating loss of $1,882 in 2010.

The Landscape Products business segment reported an operating loss of $427 on revenues of $4,604 for the fourth quarter ended December 31, 2011 compared to an operating loss of $1,267 on revenues of $4,048 in 2010.

CASH FLOWS

For the year ended December 31, 2011, cash flow provided by operating activities totaled $7,642 compared to $7,581 in 2010. Non-cash expenses including depreciation and the loss from investment in Universal were offset in part by changes in working capital during the year ended December 31, 2011. In 2010, high non-cash expenses including depreciation were partially offset by higher investment in inventories.

The decrease in cash used for working capital requirements was due to an increase in accounts receivable outstanding as at the end of December 31, 2011, as a result of increased revenues in the fourth quarter and timing of collections. This was offset in part by lower inventories as a result of lower production volumes of certain products, primarily clay brick, which reduced cash requirements.

Cash utilized for purchases of property, plant and equipment totaled $2,981 in 2011, including approximately $620 relating to new products, compared to $2,266 in 2010.

Advances to Universal during 2011 were $3,295 compared to $4,800 in 2010.

Cash proceeds of $1,338 from the final principal and interest receivable under the promissory note were received on September 29, 2010. A portion of the cash proceeds from this promissory note was distributed to non-controlling interests by way of cash dividends by a subsidiary company amounting to $105, of which $30 was paid in December 2011 and $75 was paid in January 2012. Cash dividends paid to non-controlling interests in 2010 totaled $1,120.

Bank operating advances increased by $3,323 in 2011 to fund purchases of property, plant and equipment, as well as interest amounts and debt repayments. Advances to Universal were funded from the Company's cash resources.

In July 2007, the Company had entered into an interest rate swap contract to hedge the risk arising from variability of cash flows related to anticipated borrowings under its term bank facility. The repayment, on June 29, 2009, of the term bank loan resulted in the interest rate swap contract no longer being an effective cash flow hedge. Changes in the fair value of the interest rate swap are reflected in 'Finance costs' in the Consolidated Statement of Comprehensive Income (Loss). The contract was settled on October 3, 2011 for $1,459. As at December 31, 2010, current and non-current derivative financial liabilities were $604 and $828 respectively.

During 2011, principal repayments on term loans totaled $2,791, of which $2,500 was paid on the long-term financing arrangement.

On February 26, 2010, the Company completed a $9,000 subordinated secured debenture financing. In connection with this debenture issue, parties, including a Director of the Company, holding an indirect interest in $1,100 of the $3,000 promissory note payable which was due but not paid on December 7, 2009, subscribed for an equal or greater principal amount of the debenture issue. The remaining parties, holding an indirect interest in $1,900 of the $3,000 promissory note payable and who include a Director of the Company, agreed to accept a new unsecured promissory note with identical terms and conditions as the previous promissory note, except that the new promissory note was due in full on September 30, 2010. The new promissory note was repaid on the due date.

The subordinated debentures were recorded at fair value for accounting purposes which, net of transaction costs incurred in the amount of $377, amounted to $8,623 and are being carried at amortized cost. The transaction costs are being amortized over the term of the loan resulting in an effective interest rate of 11.89%. As at December 31, 2011, the unamortized transaction costs were $145.

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, 2011, bank operating advances were $5,147. This represented an increase of $3,323 from the amount outstanding at December 31, 2010.

Trade payables totaled $9,026 at December 31, 2011 compared to $9,638 at December 31, 2010 and $8,526 at January 1, 2010.

The ratio of total liabilities to shareholders' equity was 0.51:1 at December 31, 2011 compared to 0.49:1 at December 31, 2010 and 0.43:1 at January 1, 2010. The increase in this ratio from December 2010 to December 2011 was primarily due to lower retained earnings resulting from the loss incurred in 2011, offset in part by the impact of a decrease in foreign currency translation loss in Accumulated other comprehensive loss.

As at December 31, 2011, working capital was $13,137, representing a working capital ratio of 1.65:1. Comparable figures for working capital and the working capital ratio at December 31, 2010 and January 1, 2010 were $18,499, and 2.07:1; and $13,833, and 1.84:1 respectively. The decline in working capital was due to an increase in bank operating advances in 2011. Cash and cash equivalents totaled $1,180 at December 31, 2011 compared to $5,383 at December 31, 2010 and $2,886 at January 1, 2010.

On October 4, 2011 the Company concluded new arrangements with a Canadian bank to provide its operating credit requirements. The new facility provides for borrowings up to $20,000 based on margin formulas for trade receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts, if applicable. It is a demand facility secured primarily by trade receivables and inventories of the Company's Masonry Products and Landscape Products business segments in Canada and the U.S. The new agreement also contains certain financial covenants. As at December 31, 2011, the borrowing base was $16,681 and the utilization was $5,376, including $5,147 for bank operating advances and $229 for outstanding letters of credit.

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

The Company was in compliance with all financial covenants under its term financing agreement and operating credit facility as at December 31, 2011 and anticipates that it will maintain compliance throughout 2012.

A summary of the Company's contractual obligations over the next five years and thereafter, determined as at December 31, 2011, is as follows:

	2012	2013 - 2014	2015 - 2016	Thereafter	Total
Debt(1)	$ 5,848	$ 18,224	$ 22,378	$ 269	**$ 46,719**
Finance lease obligations(2)	$ 487	$ 946	$ 281	–	**$ 1,714**
Operating leases(3)	$ 119	$ 160	$ 48	–	**$ 327**
Purchase obligations(3)	$ 3,296	–	–	–	**$ 3,296**
Other obligations(4)	$ 50	$ 274	$ 722	–	**$ 1,046**
Total contractual obligations	**$ 9,800**	**$ 19,604**	**$ 23,429**	**$ 269**	**$ 53,102**

(1) Debt reflects the aggregate amount of future payments, and includes all debt items listed in Note 11 to the Consolidated Financial Statements, except finance lease obligations.
(2) Finance lease obligations disclosed above reflect the aggregate amount of future payments including principal and interest.
(3) Off balance sheet transactions include purchase obligations relating to natural gas supply and transportation contracts totaling $2,593, capital expenditure commitments of $703 and operating leases.
(4) Other obligations represent the undiscounted estimated future costs for the decommissioning provisions with respect to the Company's shale quarries.

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:

	GAAP*	IFRS	IFRS
	2009	2010	2011
Revenues	$ 59,978	$ 72,623	**$ 80,013**
Total assets	$ 186,054	$ 216,439	**$ 205,919**
Total non-current financial liabilities	$ 37,583	$ 37,271	**$ 35,166**
Cash dividends declared per share	$ –	$ –	**$ –**
Loss attributable to owners of the parent	$ (11,898)	$ (2,572)	**$ (9,979)**
Total loss	$ (11,893)	$ (2,538)	**$ (9,976)**
Loss per share			
Basic	$ (1.09)	$ (0.24)	**$ (0.91)**
Diluted	$ (1.09)	$ (0.24)	**$ (0.91)**

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

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

REVENUES

(1) Revenues increased from 2009 to 2010 due to a significant increase in the level of residential construction activity in the Canadian market. The increase from 2010 to 2011 was due to growth in shipments of concrete masonry products resulting from gains in market share and the introduction of concrete block products in April 2011 into the Ontario market.

TOTAL ASSETS

(1) Total assets increased substantially from 2009 to 2010 on transition to IFRS as at January 1, 2010 as the Company elected to apply the fair value as deemed cost election for properties and certain production equipment in its Canadian masonry products and landscape products operations. As a result, the net carrying value of land and machinery as at January 1, 2010 increased by $35,366 and $20,032, respectively. This increase was offset in part by an asset impairment write-down of $10,571 on the carrying value of the Indiana clay brick plant as at January 1, 2010 and an increase in the share of loss from the investment in Universal due to an impairment charge of $3,119 on the underlying assets in Universal. As at December 31, 2010, the impairment loss on the Indiana clay brick plant had reversed by $885 and the share of loss from the investment in Universal had decreased by $1,880, due to a reversal on the impairment loss on the underlying assets in Universal.

(2) Total assets decreased from 2010 to 2011 primarily due to a net decrease in property, plant and equipment as a result of depreciation charges exceeding capital expenditures and an increase in the share of loss from investment in Universal due to an impairment on the underlying assets in Universal.

TOTAL NON-CURRENT FINANCIAL LIABILITIES

(1) On transition to IFRS on January 1, 2010, the Company's 50% joint venture interest in Universal, which was previously accounted for using the proportionate consolidation method, was accounted for using the equity method of accounting. Therefore, the Company's share of Universal's non-current debt which was included in the 2009 financial statements was excluded from the January 1, 2010 financial statements under the equity method of accounting. Excluding the term loan in Universal of $6,612, the non-current financial liabilities of the Company were

$30,971 in 2009. The net increase in 2010 reflects the $9,000 subordinated secured debenture financing completed on February 26, 2010, net of the repayment of the $3,000 promissory note payable.

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

CASH DIVIDENDS DECLARED PER SHARE

(1) Due to economic conditions, the Board of Directors of the Company had determined to not declare a dividend in the years 2009, 2010 and 2011.

LOSS AND LOSS PER SHARE

(1) The decreased loss in 2010 compared to 2009 reflected a significant increase in clay brick shipments and sales volumes of concrete masonry products. Increases in landscape sales volumes in Canada were partially offset by lower landscape sales volumes in the U.S. Higher production volumes in 2010 resulted in lower per unit manufacturing costs which also contributed to the improvement in operating results. Universal incurred a higher operating loss in 2010 than in 2009 and the Company's share increased accordingly.

(2) The increased loss in 2011 compared to 2010 was due to higher manufacturing costs charged against operations, increases in yard and delivery expenses and general and administrative expenses, partially offset by increases in revenues for both the Masonry Products and Landscape Products business segments. In addition, an increase in the share of loss from the investment in Universal due to an impairment loss of $6,373, on the underlying assets in Universal was recorded in 2011.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

TOTAL OPERATIONS	December 31		September 30		June 30		March 31	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenues	$ 19,595	$ 16,152	$ 26,307	$ 20,510	$ 23,495	$ 23,817	$ 10,616	$ 12,144
Net income (loss)	$ 63	$ 784	$ (5,074)	$ 90	$ (540)	$ 373	$ (4,425)	$ (3,785)
Net income (loss) attributable to owners of the parent								
	$ 62	$ 799	$ (5,074)	$ 73	$ (542)	$ 356	$ (4,425)	$ (3,800)
Net income (loss) per share								
Basic	$ 0.00	$ 0.07	$ (0.46)	$ 0.01	$ (0.05)	$ 0.03	$ (0.40)	$ (0.35)
Diluted	$ 0.00	$ 0.07	$ (0.46)	$ 0.01	$ (0.05)	$ 0.03	$ (0.40)	$ (0.35)

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

Operating results in the fourth quarter of 2011 were negatively impacted by higher manufacturing costs charged against operations due to lower production volumes compared to the same period in 2010. These increases were offset in part by higher revenues and lower depreciation expense.

QUARTERS ENDED SEPTEMBER 30

Excluding the additional impairment charge of $5,303, or $0.48 per share, related to the Company's investment in Universal, net income for the third quarter of 2011 improved compared to 2010 as a result of increased revenues and lower depreciation expense offset by higher manufacturing costs charged against operations due to lower production volumes and higher yard and delivery expenses.

Information with respect to the change in investment in Universal is disclosed in Note 9 to the Consolidated Financial Statements.

QUARTERS ENDED JUNE 30

Operating results for the second quarter of 2011 compared to the second quarter of 2010 were negatively impacted by increased cost of sales due to higher yard and delivery expenses, higher advertising and marketing expenses to support the introduction of new products and to expand the Company's geographic market profile, as well as higher general and administrative expenses. This was offset to some extent by increases in the expected useful life of certain production equipment which resulted in a decline in depreciation expense of $945 in the second quarter of 2011.

QUARTERS ENDED MARCH 31

Revenues in the first quarter of 2011 decreased compared to the first quarter of 2010 due to lower shipments of masonry products because of poor weather conditions and lower housing starts. Increases in the expected useful life of certain production equipment resulted in a decline in depreciation expense in the first quarter of 2011.

CRITICAL ACCOUNTING ESTIMATES

IMPAIRMENT OF ASSETS

As a result of ongoing economic pressures impacting the construction industry, as at December 31, 2011, 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).

The Company has determined that the Brampton clay brick plant, the Canadian concrete plants (located in Brampton, Markham and Milton), the Wixom, Michigan concrete plant and the Farmersburg, Indiana clay brick plant were the cash generating units ("CGUs") for the purposes of asset impairment testing.

The recoverable amount for each CGU was estimated using the Company's approved business plan for a period of five years. The Company makes various assumptions regarding, among other things, future sales volumes, selling prices, costs of manufacturing and operations including raw materials, labour, overhead, selling and general and administrative expenses, capital expenditures and proceeds of disposition, if any, as well as estimated future growth. Cashflows beyond five years were extrapolated using an estimated growth rate of 2%. The cashflows were discounted using discount rates ranging from 10.9% - 12.9%. The impairment tests did not result in any impairment losses. An increase by 1% in the discount rate or a decrease of 10% of the future growth rates to the assumptions applied in the impairment models would not result in any asset impairment. Changes in any of these assumptions may have a material impact on the determination of impairment.

DECOMMISSIONING PROVISIONS

The Company is obligated to rehabilitate its shale quarry properties in Cheltenham, Ontario and Farmersburg, Indiana, as a condition of its licenses to mine shale. The Company assesses its quarry rehabilitation provision annually. 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, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in the discount rate. These uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents the Company's best estimate of the present value of the future rehabilitation costs required. All significant estimates are disclosed in Note 13 to the Consolidated Financial Statements.

INCOME TAXES

Judgment is required 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. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

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.

At December 31, 2011, the Company has non-capital losses carried forward totaling $43,792 for which deferred tax assets in the estimated amount of $13,300 have not been recognized. Deferred tax liabilities recorded at December 31, 2011 totaled $13,163. 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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

TRANSITION TO IFRS FROM CANADIAN GAAP

Effective January 1, 2011, the Company was required to prepare and report its financial statements in accordance with IFRS. Accordingly, the conversion from Canadian generally accepted accounting principles (“GAAP”) to IFRS was applicable to the Company’s reporting for the first quarter ended March 31, 2011. The 2010 comparative information, included with the 2011 interims and annual consolidated financial statements were also prepared utilizing IFRS. However, throughout 2010, including the 2010 year-end, the Company’s consolidated financial statements were reported in accordance with GAAP.

Although IFRS uses a conceptual framework similar to GAAP, there are a number of differences in the recognition, measurement and disclosure of assets, liabilities, revenues and expenses. The Company prepared a comprehensive changeover plan to address the impact IFRS would have on its financial statements as a result of these differences, as well as any required changes to business processes, information technology and data systems, internal controls and disclosure controls. The Company has reported on its progress under the plan in prior annual and quarterly reports to shareholders, commencing with the December 31, 2008 Annual Report.

In 2010, the Company completed its assessment of its business processes, procedures and controls with respect to internal control over financial reporting and disclosure controls and procedures. No significant changes were required.

In 2010, the Company completed its assessment of its information technology and data systems. No significant modifications were required.

During the 2011 year, all accounting and financial reporting personnel received additional training in IFRS.

The more significant financial effects on the Company’s consolidated financial statements resulting from the conversion to IFRS are presented below.

a) Property, plant and equipment

Upon transition to IFRS, the Company elected to apply the fair value as deemed cost election as at January 1, 2010 for properties and certain production equipment utilized in its Canadian masonry products and landscape products operations. In the second quarter of 2011, the Company decided to revisit the use of certain elections, and for consistency, it also decided to apply the fair value as deemed cost election as at January 1, 2010 to production equipment utilized in its U.S. landscape operations. See Note 26(v)(f) to the Consolidated Financial Statements. As a result, the net carrying value of land and machinery and equipment as at January 1, 2010 increased by $35,366 and $20,032, respectively. The aggregate increase, net of related deferred income tax liabilities of $9,356, amounted to $46,042 and was reflected as an adjustment to Retained Earnings in the January 1, 2010 opening Consolidated Balance Sheet. This deferred tax liability was partially offset by a deferred tax asset of $371 recognized as at January 1, 2010 and recorded in the fourth quarter of 2011 in respect of capital losses carried forward for which no tax benefit had previously been recorded.

The increase in the carrying amount of machinery and equipment resulted in an increase in depreciation expense of $2,229 for the year ended December 31, 2010 from the amount reported under previous GAAP.

b) Asset impairment

Under IAS 36, *Impairment of Assets* ("IAS 36"), asset impairments are determined based on the assessment of the difference between the carrying amount and recoverable amount of the assets in a cash generating unit ("CGU"). The Company has determined that the Brampton clay brick plant, the Canadian concrete plants (Markham, Milton and Brampton), the Farmersburg, Indiana clay brick plant and the Wixom, Michigan concrete plant are the CGUs for purposes of the asset impairment tests. The standard requires that an impairment is determined based on the recoverable amount of the CGU. The recoverable amount is the higher of the amount determined under the "value in use" or "fair value less costs to sell" basis. An impairment charge is recognized when the carrying value of the CGU exceeds its recoverable amount. Under IFRS, an impairment loss for a CGU can be reversed if there has been a change in the estimates used to determine the recoverable amount, however, the reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the CGU in prior periods.

Under the previous GAAP methodology which utilized undiscounted future cash flows to determine the recoverable amount, the asset impairment evaluations completed as at January 1, 2010 and December 31, 2010 indicated that there was no impairment of any of the Company's CGUs.

Under IFRS, discounted cash flows are utilized to determine the recoverable amount. The Company completed its asset impairment evaluations with respect to its Brampton clay brick plant, the Canadian concrete plants (Markham, Milton and Brampton) and the Wixom, Michigan concrete plant and concluded that there was no impairment as at January 1, 2010 or at December 31, 2010.

The asset impairment evaluation as at January 1, 2010 with respect to the Farmersburg, Indiana clay brick plant indicated an impairment and, accordingly, an impairment loss of $10,571 was recognized in the January 1, 2010 opening Consolidated Balance Sheet for property, plant and equipment. The loss was recorded in retained earnings.

The decrease in the carrying value of property, plant and equipment as at January 1, 2010 with respect to this impairment loss resulted in a decrease in depreciation expense of $504 for the year ended December 31, 2010.

As at December 31, 2010, the Company evaluated the impairment loss recorded as at January 1, 2010 for possible reversal, and concluded that the impairment loss had reversed by an aggregate $885, net of exchange differences. The impairment loss decreased due to an improvement in the estimated future cash flows. The reversal of the loss was recorded in the Statement of Comprehensive Income (Loss) in the fourth quarter of 2010. See Note 26(v)(g) of the Consolidated Financial Statements.

c) Accounting for joint venture

The Company's 50% joint venture interest in Universal was accounted for under previous GAAP using the proportionate consolidation method. The Company's share of Universal's assets, liabilities, revenues, expenses and cash flows were included in the consolidated financial statements on a line-by-line basis. Upon conversion to IFRS, the Company elected to account for this investment using the equity method of accounting. Under this method, the Company's net investment in Universal is now reflected on one line as 'Investment in Universal Resource Recovery Inc.' in the Consolidated Balance Sheet and its share of the equity income or loss and related cash inflows and outflows are reflected as 'Share of loss from investment in Universal Resource Recovery Inc.' in the Consolidated Statement of Comprehensive Income (Loss) and Consolidated Statement of Cash Flows, respectively.

Universal is a private company in Canada and is not required to comply with IFRS. However, the accounting policies of Universal have been reviewed and adjustments have been made for reporting purposes, where necessary, to ensure consistency with the policies adopted by the Company. On January 1, 2010, an impairment assessment of Universal's property, plant and equipment was performed in accordance with IAS 36, which resulted in an impairment charge that increased the loss that is shared by the joint venture partners under the equity method of accounting. Accordingly, the Company recorded an increase in its share of the loss in Universal of $3,119 on transition to IFRS. The recoverability of Universal's property, plant and equipment was re-evaluated at December 31, 2010 in accordance with IAS 36 which resulted in a partial reversal of the impairment charge recorded as at January 1, 2010. This resulted in a reduction in the Company's share of the loss in Universal as at December 31, 2010 by $1,880 as compared to the previously reported share of loss under previous GAAP. The Company's share of loss in Universal measured under IFRS was $805 for the year ended December 31, 2010. See Note 26(v)(d) of the Consolidated Financial Statements.

d) Foreign currency translation

The Company has concluded that the functional currency of its U.S. subsidiaries is the U.S. dollar. The Company now translates all assets and liabilities included in the financial statements of its U.S. subsidiaries into Canadian dollars at current exchange rates in effect at the balance sheet date, revenues and expenses are translated at average exchange rates prevailing during the period and translation gains or losses are reflected in Other comprehensive income (loss).

Previously, non-monetary assets and liabilities were translated at historical exchange rates in effect at the dates of the transactions, revenues and expenses were translated at average exchange rates prevailing during the period and unrealized translation gains or losses were recognized in 'Other (income) loss' in the Consolidated Statement of Comprehensive Income (Loss).

The financial impact of this change was a decrease in the carrying value of current assets of $263 at January 1, 2010 and $243 at December 31, 2010, a decrease in the carrying value of property, plant and equipment of $1,954 at January 1, 2010 and $4,708 at December 31, 2010. Other comprehensive loss increased by $2,616 for the year ended December 31, 2010. See Note 26(v)(c) of the Consolidated Financial Statements.

In addition, the Company has elected, in accordance with the IFRS transitional provisions, to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of its U.S. subsidiaries prior to January 1, 2010, to zero. Accordingly, Accumulated other comprehensive loss and Retained earnings were each reduced by $3,829 as at January 1, 2010. See Note 26(v)(b) of the Consolidated Financial Statements.

Additional detailed financial information pertaining to the GAAP to IFRS transition may be found in Notes 2 and 26 to the Consolidated Financial Statements.

The Company engaged its auditors, PricewaterhouseCoopers LLP, to provide certain advisory services pertaining to the conversion from GAAP to IFRS.

RISKS AND UNCERTAINTIES

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

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

Major production costs include natural gas, labour, electricity and depreciation of plant and equipment. The Company's estimated natural gas supply requirements for 2012, excluding its requirements for the new clay brick plant in Indiana, have been secured under contracts, none of which were at fixed prices, as at December 31, 2011. The Company contracted for substantially all of its estimated 2012 natural gas transportation requirements, of which approximately 85% was at a fixed price as at December 31, 2011.

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, 2011. 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 concrete masonry 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 net investment in U.S. businesses and from holding monetary assets and liabilities denominated in foreign currencies. All monetary transactions 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 2011, approximately 9.0% (2010 – 10.0%) of the Company's revenues were made in the U.S. or through exports to the U.S. This percentage is expected to grow with increased sales from the Indiana clay brick plant.

Foreign currency forward purchase contracts are occasionally utilized to manage the foreign currency exchange exposure resulting from significant, anticipated future cash inflows and/or outflows denominated in a foreign currency. There were no such contracts outstanding at December 31, 2011.

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. In July 2007, the Company entered into an interest rate swap contract to fix the rate of interest on an aggregate of $20,000 of outstanding and anticipated future borrowings. Following the completion of the $30,000 fixed rate term financing agreement in June 2009, the interest rate swap was no longer an effective cash flow hedge. The Company settled the interest rate swap contract on October 3, 2011 in the amount of $1,459.

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

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

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

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

The Company owns its own quarries in Brampton and 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 3 to the Consolidated Financial Statements.

The aggregate number of issued and outstanding Class A shares and Class B shares as at December 31, 2011 is disclosed in Note 14 to the Consolidated Financial Statements. On December 6, 2011, 690,369 Class B shares were converted to Class A shares. There were no changes to share capital to the date of this MD&A.

Information with respect to transactions with related parties in 2011 is disclosed in Notes 11 and 22 to the Consolidated Financial Statements.

Pursuant to National Instrument 52-109 "*Certification of Disclosure in Issuers' Annual and Interim Filings*", the Company's certifying officers have evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2011 and have concluded that such disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers on a timely basis.

The Company's certifying officers have assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2011 based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, the Company's certifying officers have concluded that as at December 31, 2011, the Company's internal control over financial reporting was effective.

There have been no changes in the Company's internal control over financial reporting during the period ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Additional information about the Company, including the Company's Annual Report for the year ended December 31, 2010 and Annual Information Form for the year ended December 31, 2011 may be found on SEDAR at www.sedar.com. The Company's Annual Report for the year ended December 31, 2011 and the Management Information Circular issued in connection with the Annual General and Special Meeting of Shareholders to be held on May 24, 2012 will later be found on SEDAR at www.sedar.com.

OUTLOOK FOR 2012

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 and consumer spending.

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

Within the Company's primary Canadian market areas, housing starts in the important single-detached, semi-detached and townhouse segments were 8% lower in 2011 than in 2010. Current market forecasts do not reflect any type of significant recovery in 2012. However, we believe the Company's performance will benefit from the marketing initiatives and new products introduced over the last 18 months.

With a number of business initiatives which the Company started in 2011, including various marketing and customer service strategies as well as the introduction of new products, including concrete block which was introduced in April 2011, the Company should start to show signs of improvement through 2012. The benefits of these, along with expected savings from increased capacity utilization and improved manufacturing efficiencies, should help improve profitability in 2012.

The impact of the 2008 financial crisis continues to negatively impact U.S. economic conditions and as such, there continues to be uncertainty with respect to new home construction heading into 2012. Notwithstanding this, the Company experienced moderate growth in 2011 and management is optimistic this trend will continue.

Sales of landscape products through the first two quarters of 2012 are expected to be significantly greater than last year due to a combination of increased market share and improved weather conditions compared to 2011.

With respect to Universal, the Company will continue to evaluate its investment based on the decisions made by management of Universal regarding its future direction and operations.

Certain statements contained herein constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors including, but not limited to, those identified under "Risks and Uncertainties", 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.

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Consolidated Balance Sheet

BRAMPTON BRICK Limited

(in thousands of Canadian dollars)	Notes	December 31, 2011	December 31, 2010	January 1,(1) 2010
ASSETS				
Current assets				
Cash and cash equivalents	4	**$ 1,180**	$ 5,383	$ 2,886
Trade and other receivables	5	**9,964**	6,136	6,278
Inventories	6	**20,805**	23,754	17,488
Income taxes recoverable	19	**744**	7	1,730
Promissory note receivable		**–**	–	1,335
Other assets		**597**	574	617
		33,290	35,854	30,334
Non-current assets				
Property, plant and equipment	7, 8	**172,629**	175,023	183,834
Investment in Universal Resource Recovery Inc.	9	**–**	5,562	1,567
Total assets		**$ 205,919**	$ 216,439	$ 215,735
LIABILITIES				
Current liabilities				
Bank operating advances	10	**$ 5,147**	$ 1,824	$ 750
Trade payables		**9,026**	9,638	8,526
Income taxes payable	19	**829**	825	1,572
Current portion of debt	11	**3,091**	3,075	3,512
Current portion of derivative financial instrument	12	**–**	604	867
Decommissioning provisions	13	**50**	50	100
Other liabilities		**2,010**	1,339	1,174
		20,153	17,355	16,501
Non-current liabilities				
Non-current portion of debt	11	**35,166**	37,271	30,971
Derivative financial instrument	12	**–**	828	917
Decommissioning provisions	13	**950**	942	905
Deferred income tax liabilities	19	**13,163**	14,694	14,740
Total liabilities		**$ 69,432**	$ 71,090	$ 64,034
EQUITY				
Equity attributable to owners of the parent				
Share capital	14	**$ 33,689**	$ 33,689	$ 33,689
Contributed surplus	15	**1,801**	1,658	1,488
Accumulated other comprehensive loss		**(1,540)**	(2,616)	–
Retained earnings		**102,527**	112,506	115,078
		136,477	145,237	150,255
Non-controlling interests		**10**	112	1,446
Total equity		**$ 136,487**	$ 145,349	$ 151,701
Total liabilities and equity		**$ 205,919**	$ 216,439	$ 215,735

The accompanying notes are an integral part of these consolidated financial statements.
(1) Refer to note 26 for effect of adoption of IFRS.

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

Consolidated Statement of Comprehensive Income (Loss)

(in thousands of Canadian dollars, except per share amounts)	Notes	2011	2010[1]
		Year ended December 31	
Revenues	23	$ **80,013**	$ 72,623
Cost of sales	7, 17, 23	**65,566**	59,431
Selling expenses	17, 23	**7,029**	7,000
General and administrative expenses	17, 23	**6,351**	5,325
Gain on sale of property, plant and equipment	23	**(63)**	(3)
Other (income) expense	23	**32**	(405)
Asset impairment reversal	23	**–**	(885)
		78,915	70,463
Operating income	23	**1,098**	2,160
Finance (expense) income			
Finance costs	11, 12, 13	**(4,523)**	(4,191)
Finance income		**25**	52
Share of loss from investment in Universal Resource Recovery Inc.	9	**(8,857)**	(805)
Loss before income taxes		**(12,257)**	(2,784)
Recovery of income taxes	19		
Current		**750**	200
Deferred		**1,531**	46
		2,281	246
Loss for the year		**(9,976)**	(2,538)
Net income (loss) attributable to:			
Owners of the parent		$ **(9,979)**	$ (2,572)
Non-controlling interests		**3**	34
Loss for the year		$ **(9,976)**	$ (2,538)
Other comprehensive income (loss)			
Foreign currency translation		$ **1,076**	$ (2,616)
Total comprehensive loss for the year		$ **(8,900)**	$ (5,154)
Total comprehensive income (loss) attributable to:			
Owners of the parent		$ **(8,903)**	$ (5,188)
Non-controlling interests		**3**	34
Total comprehensive loss for the year		$ **(8,900)**	$ (5,154)
Loss per Class A and Class B share			
Basic	20	$ **(0.91)**	$ (0.24)
Diluted	20	$ **(0.91)**	$ (0.24)

The accompanying notes are an integral part of these consolidated financial statements.
(1) Refer to note 26 for effect of adoption of IFRS.

Consolidated Statement of Changes in Equity

BRAMPTON BRICK Limited

(in thousands of Canadian dollars)	Notes	Attributable to owners of the parent						
		Share Capital	**Contributed Surplus**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance – January 1, 2010[1]		**$ 33,689**	**$ 1,488**	**$ –**	**$ 115,078**	**$ 150,255**	**$ 1,446**	**$ 151,701**
(Loss) income for the year		–	–	–	(2,820)	**(2,820)**	34	**(2,786)**
Reclassification of preference share dividend					248	**248**	(248)	**–**
Other comprehensive loss (net of taxes, $nil)		–	–	(2,616)	–	**(2,616)**	–	**(2,616)**
Comprehensive loss for the year		**–**	**–**	**(2,616)**	**(2,572)**	**(5,188)**	**(214)**	**(5,402)**
Dividends							(1,120)	**(1,120)**
Share-based compensation	15	–	170	–	–	**170**	–	**170**
Balance – December 31, 2010		**$ 33,689**	**$ 1,658**	**$ (2,616)**	**$ 112,506**	**$ 145,237**	**$ 112**	**$ 145,349**
Balance – January 1, 2011		**$ 33,689**	**$ 1,658**	**$ (2,616)**	**$ 112,506**	**$ 145,237**	**$ 112**	**$ 145,349**
(Loss) income for the year		**–**	**–**	**–**	**(9,979)**	**(9,979)**	**3**	**(9,976)**
Other comprehensive income (net of taxes, $nil)		**–**	**–**	**1,076**	**–**	**1,076**	**–**	**1,076**
Comprehensive loss for the year		**–**	**–**	**1,076**	**(9,979)**	**(8,903)**	**3**	**(8,900)**
Dividends	22						**(105)**	**(105)**
Share-based compensation	15	**–**	**143**	**–**	**–**	**143**	**–**	**143**
Balance – December 31, 2011		**$ 33,689**	**$ 1,801**	**$ (1,540)**	**$ 102,527**	**$ 136,477**	**$ 10**	**$ 136,487**

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

(1) Refer to note 26 for effect of adoption of IFRS.

BRAMPTON BRICK Limited

Consolidated Statement of Cash Flows

(in thousands of Canadian dollars)	Notes	Year ended December 31 2011	2010(1)
Cash provided by (used for)			
Operating activities			
Loss for the year		**$ (9,976)**	$ (2,538)
Items not affecting cash and cash equivalents			
Depreciation	7	**6,756**	11,074
Current income taxes	19	**(750)**	(200)
Deferred income taxes	19	**(1,531)**	(46)
Gain on sale of property, plant and equipment		**(63)**	(3)
Unrealized foreign currency exchange gain		**(34)**	(335)
Asset impairment reversal	26	**–**	(885)
Loss (gain) on derivative financial instrument		**27**	(352)
Net interest expense	11, 12, 13	**4,471**	4,536
Share of loss from investment in Universal Resource Recovery Inc.	9	**8,857**	805
Other		**144**	107
		7,901	12,163
Changes in non-cash items			
Trade and other receivables		**(3,804)**	116
Inventories		**3,098**	(6,239)
Other assets		**(21)**	16
Trade payables		**(14)**	(4)
Income tax credits applied		**–**	2,031
Other liabilities		**524**	550
		(217)	(3,530)
Income tax refunds received (payments)		**17**	(855)
Payments for decommissioning of assets	13	**(59)**	(197)
Cash provided by operating activities		**7,642**	7,581
Investing activities			
Purchase of property, plant and equipment		**(2,981)**	(2,266)
Advances to Universal Resource Recovery Inc.	9	**(3,295)**	(4,800)
Proceeds from promissory note		**–**	1,338
Proceeds from sale of property, plant and equipment		**63**	12
Cash used for investing activities		**(6,213)**	(5,716)
Financing activities			
Increase in bank operating advances		**3,323**	1,074
Issuance of subordinated debentures		**–**	7,523
Repayment of promissory note	11	**–**	(1,900)
Settlement of derivative financial liability		**(1,459)**	–
Repayment of debt		**(2,791)**	(265)
Interest paid on term loans and bank operating advances	11, 12, 13	**(4,192)**	(4,327)
Payments on obligations under finance leases		**(491)**	(329)
Payment of dividends by subsidiary to non-controlling interests	22	**(30)**	(1,120)
Cash (used by) provided by financing activities		**(5,640)**	656
Foreign exchange on cash held in foreign currency		**8**	(24)
(Decrease) increase in cash and cash equivalents		**(4,203)**	2,497
Cash and cash equivalents at the beginning of the year		**5,383**	2,886
Cash and cash equivalents at the end of the year		**$ 1,180**	$ 5,383

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

(1) Refer to note 26 for effect of adoption of IFRS.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010 (in thousands of Canadian dollars, unless otherwise stated)

1. GENERAL BUSINESS DESCRIPTION

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

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

2. BASIS OF PREPARATION AND ADOPTION OF IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010 the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS. In these consolidated financial statements the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

Statement of compliance with IFRS

These consolidated financial statements have been prepared in compliance with IFRS. Subject to certain transition elections and policy changes disclosed in note 26, the Company has consistently applied the same accounting policies and elections in the preparation of its opening IFRS balance sheet as at January 1, 2010 and throughout all periods presented, as if these policies and elections had always been in effect. Note 26 discloses the impact of the transition to IFRS on the Company's reported consolidated balance sheet, consolidated statement of comprehensive income (loss) and consolidated statement of cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010 prepared under Canadian GAAP.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 20, 2012.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the presentation of these consolidated financial statements are as follows:

BASIS OF MEASUREMENT

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

BASIS OF CONSOLIDATION

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

These consolidated financial statements include the accounts of Brampton Brick Limited and its operating subsidiaries, Brampton Brick Inc., Oaks Concrete Products Inc., and 1813435 Ontario Limited (65% owned – formerly 1312082 Ontario Limited). All significant intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

NON-CONTROLLING INTERESTS

Non-controlling interests represent outside parties' equity interests in 1813435 Ontario Limited (65% owned – formerly 1312082 Ontario Limited). 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. (See note 26(v)(h) for Canadian GAAP to IFRS disclosure changes.)

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 financial statements at the fair value as of the acquisition date. Transaction costs are expensed as incurred. (See note 26(v)(a) for IFRS 1 transition election.)

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. Adjustments are made to conform Universal's accounting policies to those of the Company for like transactions and events in similar circumstances.

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

FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

(iii) *Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of promissory note receivable, trade and other receivables 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 are initially recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. Subsequently, trade payables 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 objective evidence of an impairment loss include:

i) Significant financial difficulty of the obligor;
ii) Delinquencies in interest or principal payments; and
iii) It becomes probable that the borrower will enter bankruptcy or other financial reorganization.

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

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

TRADE RECEIVABLES

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

INVENTORIES

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

Depreciation

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

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

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

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

Estimates of remaining useful lives in respect of certain items of plant and equipment were revised January 1, 2011. The change was accounted for prospectively, see note 8.

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

The Company elected to measure certain assets of property, plant and equipment at their fair value and use the fair value as deemed cost election under the IFRS 1 transitional provisions as at January 1, 2010. (See note 26(v)(f) for IFRS 1 transitional election).

IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment are assessed at the end of each reporting period to determine whether there is 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 "CGU"s). 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. (See note 26(v)(g) Canadian GAAP to IFRS transitional adjustments.)

LEASES

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

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

TRADE PAYABLES

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

PROVISIONS

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

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

BORROWING COSTS

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of comprehensive income (loss) in the period in which they are incurred. (See note 26(v)(e) for Canadian GAAP to IFRS transitional election.)

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). (See note 26(v)(j) for Canadian GAAP to IFRS transition adjustments.)

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.

Deferred income tax assets and liabilities are presented as non-current. (See note 26(v)(k) for Canadian GAAP to IFRS transition adjustments.)

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 equity owners of Brampton Brick Limited by the weighted average number of Class A Subordinate Voting shares ('Class A shares") and Class B Multiple Voting shares ("Class B shares") outstanding during the period.

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

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

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

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

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED
Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with early application permitted. The company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

Effective for years beginning on or after January 1, 2015, IFRS 9, *Financial Instruments* ("IFRS 9"), which was issued by the IASB in November 2009, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried 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.

Effective for years beginning on or after July 1, 2012, IAS 1 *Presentation of Financial Instruments* requires an entity to separate items presented in Other comprehensive income (loss) ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

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

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

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

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

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

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

Impairment of assets

At each reporting date the Company assesses property, plant and equipment to determine whether there is any indication that an asset may be impaired. The recoverable amount of the asset is estimated whenever such indicators exist in order to determine the extent, if any, of the impairment loss. For the purposes of measuring the recoverable amount, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units or "CGU"s). The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. 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 arms 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. Management makes judgments in assessing the estimated future cash flows and discount rates used in the impairment models. 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.

For the year ended December 31, 2011, the recoverable amount was estimated using the Company's approved business plan for a period of five years. The Company makes various assumptions regarding, among other things, future sales volumes, selling prices, costs of manufacturing and operations including raw materials, labour, overhead, selling and general and administrative expenses, capital expenditures and proceeds of disposition, if any, as well as estimated future growth. Cashflows beyond five years were extrapolated using an estimated growth rate of 2%. The cashflows were discounted using discount rates ranging from 10.9% - 12.9%. The impairment tests did not result in any impairment loss. An increase by 1% in the discount rate or a decrease of 10% of the future growth rates to the assumptions applied in the impairment models would not result in any asset impairment.

Recognition of deferred tax assets

Judgment is required 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. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

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.

Decommissioning provisions

The Company is obligated to rehabilitate its shale quarry properties in Cheltenham, Ontario and Farmersburg, Indiana, as a condition of its licenses to mine shale. The Company assesses its quarry rehabilitation provision annually. 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, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in the discount rate. These uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents the Company's best estimate of the present value of the future rehabilitation costs required.

4. CASH AND CASH EQUIVALENTS

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Cash on hand and balances with banks	**122**	293	290
Short-term investments	**1,058**	5,090	2,596
Cash and cash equivalents	**1,180**	5,383	2,886

5. TRADE AND OTHER RECEIVABLES

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Trade receivables	**10,137**	6,235	6,597
Less: Allowance for doubtful accounts	**(307)**	(152)	(379)
Trade receivables – net	**9,830**	6,083	6,218
Other receivables	**134**	53	60
Trade and other receivables	**9,964**	6,136	6,278
Trade receivables from related parties (included above)	**–**	3	9

6. INVENTORIES

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Merchandise	**17,264**	19,677	13,863
Raw materials and production supplies	**3,541**	4,077	3,625
Inventories	**20,805**	23,754	17,488

The cost of inventories recognized as an expense and included in cost of sales was $54,919 (2010 – $50,150), which includes inventories written off in the amount of $2,582 (2010 – $1,194).

December 31, 2011 and 2010 (in thousands of Canadian dollars, unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at January 1, 2010					
Cost	$ 75,565	$ 31,897	$ 123,542	$ 4,543	$ 235,547
Accumulated depreciation and impairment loss	(11,609)	(9,328)	(27,111)	(3,665)	(51,713)
Net book value	**63,956**	**22,569**	**96,431**	**878**	**183,834**
For the year ended December 31, 2010					
Additions	1,042	75	1,796	842	3,755
Disposals	–	–	–	(9)	(9)
Depreciation for the year	(722)	(901)	(9,058)	(393)	(11,074)
Exchange differences	(326)	(423)	(1,602)	(17)	(2,368)
Impairment reversal	122	143	612	8	885
	116	**(1,106)**	**(8,252)**	**431**	**(8,811)**
As at December 31, 2010					
Cost	76,185	31,412	123,102	5,300	235,999
Accumulated depreciation and impairment loss	(12,113)	(9,949)	(34,923)	(3,991)	(60,976)
Net book value	**64,072**	**21,463**	**88,179**	**1,309**	**175,023**
For the year ended December 31, 2011					
Additions	**890**	**38**	**1,451**	**1,016**	**3,395**
Depreciation for the year	**(546)**	**(897)**	**(4,826)**	**(487)**	**(6,756)**
Exchange differences	**133**	**177**	**647**	**10**	**967**
	477	**(682)**	**(2,728)**	**539**	**(2,394)**
As at December 31, 2011					
Cost	**77,258**	**31,694**	**125,471**	**5,594**	**240,017**
Accumulated depreciation and impairment loss	**(12,709)**	**(10,913)**	**(40,020)**	**(3,746)**	**(67,388)**
Net book value	**$ 64,549**	**$ 20,781**	**$ 85,451**	**$ 1,848**	**$ 172,629**

For the year ended December 31, 2011, depreciation expense of $6,488 (December 31, 2010 – $10,835) was included in Cost of sales and $268 (December 31, 2010 – $239) was included in General and administrative expenses. Refer to note 17, 'Expenses by nature'.

During the year, property, plant and equipment were acquired at an aggregate cost of $ 3,395 (2010 – 3,755) of which $964 (2010 – $621) was acquired by means of finance leases and $nil (2010- $93) was acquired through vendor financing.

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

	December 31, 2011	December 31, 2010	January 1, 2010
Cost – finance leases	**$ 4,934**	$ 4,670	$ 4,115
Accumulated depreciation	**(3,171)**	(3,559)	(3,261)
	$ 1,763	$ 1,111	$ 854

8. CHANGES IN ESTIMATED REMAINING USEFUL LIFE OF PRODUCTION EQUIPMENT

During the first quarter of 2011, the Company reviewed the remaining useful life of plant and equipment assets which resulted in changes in the expected remaining useful life of certain production equipment. Production equipment, which was previously expected to remain in production for 20-25 years from the date of purchase, is now expected to remain in production for 30-40 years from the date of purchase. Changes in estimates are accounted for prospectively. The effect of these changes on depreciation expense, recognized in Cost of sales, for the year ended December 31, 2011 and the estimated effect for the year ending 2012 are as follows:

	Decrease in Depreciation expense
Year ended December 31, 2011	**$ 3,780**
Year ending December 31, 2012	**$ 3,205**

9. INVESTMENT IN UNIVERSAL RESOURCE RECOVERY INC.

Universal suspended its operations in June 2011 and management of Universal is currently exploring strategic alternatives with respect to its future operations. Universal is a private company in Canada and is not required to comply with IFRS. However, the accounting policies of Universal have been reviewed and adjustments have been made for reporting purposes, where necessary, to ensure consistency with the policies adopted by the Company. As a result of the suspension of operations, the Company concluded that there were indicators of impairment and consequently, performed an impairment analysis of the underlying assets of Universal to determine any impact on the Company's share of loss in the investment in Universal.

The impairment analysis was completed as at December 31, 2011, using the fair value less costs to sell approach to determine the recoverable amount of the cash generating unit. The fair value was developed using external appraisers and specialists and external market information to estimate the amounts that could be obtained from the disposal of the underlying assets of Universal in an arm's length transaction between knowledgeable, willing parties after deducting the costs of disposal and payment of liabilities. Based on this analysis, the Company concluded that under IFRS the underlying assets of the investment were impaired. The Company's share of the loss is $8,857, including an operating loss of $2,484 and an impairment charge of $6,373. Consequently, the value of the investment in Universal as at December 31, 2011 was reported in the Consolidated Balance Sheet as $nil. Any loss in excess of the value of the investment in Universal is only recognized to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. As at December 31, 2011, there were no such obligations or payments made.

The investment in Universal included loans advanced totaling $16,251, were determined for tax purposes to be a deemed bad debt and therefore claimed as an allowable business investment loss. Accordingly, a deferred tax asset of $2,031 was recorded. This deferred tax asset can be used to offset future non-capital taxable income of the Company.

The Company's share of letters of credit issued by Universal's banker with respect to its operations was $417 at December 31, 2011 (December 31, 2010 – $562 and at January 1, 2010 – $562). The Company and the joint venture partner have each provided a guarantee in the amount of $6,500 to Universal's banker as additional security for Universal's credit facilities.

The future aggregate minimum lease payments under operating leases on mobile equipment are as follows:

Year	$
2012	**47**
2013	**29**
	76

There are no other known contingencies and commitments of the joint venture and the Company is not responsible for any contingencies and commitments pertaining to the other venturer.

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

	2011 $	2010 $
Investment at January 1	**5,562**	1,567
Shareholder advances	**3,295**	4,800
Share of loss	**(8,857)**	(805)
Investment at December 31	**–**	5,562

The Company's share of the assets, liabilities, revenues and expenses for its 50% joint venture investment in Universal for the years ended December 31, 2011 and 2010 is summarized as follows:

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Current assets	**325**	515	578
Non-current assets	**6,107**	13,051	9,900
Current liabilities	**1,697**	2,152	2,299
Non-current liabilities	**4,735**	5,852	6,612
Shareholder advances	**16,251**	12,956	8,156
Revenues	**794**	1,378	
Expenses	**(9,651)**	(2,183)	
Loss	**(8,857)**	(805)	

December 31, 2011 and 2010 (in thousands of Canadian dollars, unless otherwise stated)

Notes to Consolidated Financial Statements

10. BANK OPERATING ADVANCES

Prior to October 4, 2011, the Company had a $15,000 operating credit facility. This was a demand facility which was secured primarily by trade receivables and inventories of the Company's Masonry Products and Landscape Products business segments in both Canada and the U.S. The actual amount that the Company could borrow under this facility was the lesser of $15,000 or the amount of the borrowing base determined according to standard margin formulae for trade receivables and inventories, less prior ranking claims and the mark-to-market exposure on the interest rate swap contract.

On October 4, 2011, the Company replaced its $15,000 operating credit facility with a new facility with a Canadian bank. The new facility provides for borrowings up to $20,000 based on margin formulae for trade receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts, if applicable. It is a demand facility secured primarily by trade receivables and inventories of the Company's Masonry Products and Landscape Products business segments in Canada and the U.S. The new agreement also contains certain financial covenants. The rate of interest as at December 31, 2011 is based on the Canadian bank prime rate plus a credit spread of 1.25%. As at December 31, 2011, the Company is in compliance with all the financial covenants.

As at December 31, 2011, the borrowing limit is $16,681 and the utilization was $5,376, including $5,147 for bank operating advances and $229 for outstanding letters of credit.

11. DEBT

Debt consists of the following:

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Term loan – due June 2016, instalments commenced in July 2011	**27,119**	29,523	29,432
Subordinated debentures due February 2013	**8,855**	8,729	–
Term loan – €129 due September 2012, instalments commenced October 2009	**170**	383	649
Other term loans	**543**	621	581
Promissory note	**–**	–	3,000
Obligations under finance leases	**1,570**	1,090	821
	38,257	40,346	34,483
Less: Payments due within one year – current portion	**3,091**	3,075	3,512
	35,166	37,271	30,971

On June 29, 2009, the Company completed a $30,000 term financing with a new lender. The proceeds were utilized to repay a term bank loan and to reduce bank operating advances. The new term loan, which is due June 2016, was secured primarily by real estate and production equipment of the Company's Masonry Products and Landscape Products business segments in both Canada and the U.S. and required interest payments only for the first two years. Principal repayments commenced in July 2011 at $500 per month in the months of July to November inclusive ($2,500 per year) to 2015, and a balloon payment of $17,500 in June 2016. The rate of interest is fixed at 8.00%.

This loan was recorded for accounting purposes at its fair value which, net of transaction costs incurred in the amount of $611, amounted to $29,389 and is being carried at amortized cost. The transaction costs are being amortized over the term of the loan resulting in an effective interest rate of 8.40%. As at December 31, 2011, the unamortized transaction costs were $381 (December 31, 2010 – $477, January 1, 2010 – $568).

The term loan agreement contains various financial covenants. As at December 31, 2011, the Company was in compliance with all the financial covenants.

On February 26, 2010, the Company completed a subordinated secured debenture financing in the amount of $9,000. The debentures have a three year term and are secured by a second ranking security interest in the Company's real estate and production equipment utilized in the Masonry Products and Landscape Products business segments in Ontario. The rate of interest is fixed at 10.0%. In addition, the Company paid an up-front fee of 2.0% to subscribers.

The subordinated debenture was recorded for accounting purposes at its fair value which, net of transaction costs incurred in the amount of $377, amounted to $8,623 and is being carried at amortized cost. The transaction costs are being amortized over the term of the loan resulting in an effective interest rate of 11.89%. As at December 31, 2011 the unamortized transaction costs were $145 (December 31, 2010 – $271).

In connection with this debenture issue, parties, including a Director of the Company, holding an indirect interest in $1,100 of the $3,000 promissory note payable which was due but not paid on December 7, 2009, subscribed for an equal or greater principal amount of the debenture issue. The remaining parties, holding an indirect interest in $1,900 of the $3,000 promissory note payable and who include a Director of the Company, agreed to accept a new unsecured promissory note with identical terms and conditions as the previous promissory note, except that the new promissory note was due in full on September 30, 2010. The new promissory note was repaid on the due date.

Substantially all of the debentures were acquired by insiders of the Company or by persons associated with or related to them.

Other term loans, including the term loan denominated in euros, represent vendor financing to acquire certain production assets.

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

	$
2012	2,751
2013	11,578
2014	2,565
2015	2,544
2016	17,543
Thereafter	232
Total debt repayments	**37,213**
Less: Amount representing transaction costs	**526**
Present value of debt repayments including $2,672 classified as current	**36,687**

Obligations under finance leases include the following:

Future minimum lease payments	$
2012	487
2013	572
2014	374
2015	237
2016	44
Total minimum lease payments	**1,714**
Less: Amount representing interest	**144**
Present value of minimum lease payments including $419 classified as current	**1,570**

The weighted average effective interest rate for obligations under finance leases during 2011 was approximately 5.16% (2010 – 4.97%).

12. DERIVATIVE FINANCIAL INSTRUMENT

In July 2007, the Company entered into an interest rate swap contract to hedge the risk arising from variability of cash flows related to anticipated borrowings under its term bank facility. The swap commenced in January 2008 with a notional principal amount of $3,000, increasing to $20,000 by September 2008. Under the contract, the notional principal amount would reduce by $3,000 per year from December 2010 to December 2013 and by $8,000 in December 2014. The fixed rate under the swap contract was 5.16%.

On inception, the swap contract was designated as an effective cash flow hedge and unrealized gains and losses, net of related income taxes, were recorded in other comprehensive loss.

On June 29, 2009, the Company entered into a new fixed-rate term financing agreement and repaid its term bank loan. The repayment of the term bank loan resulted in the interest rate swap contract no longer being an effective cash flow hedge. Consequently, the cumulative unrealized loss of $2,140 as at June 29, 2009 was charged to operations at that time and a future income tax recovery in the amount of $578 was recorded in respect of this charge.

Subsequent to June 29, 2009, changes in the fair value of the interest rate swap were reflected in current period earnings. The Company settled the interest rate swap contract on October 3, 2011 in the amount of $1,459. Current and non-current derivative financial liabilities at December 31, 2010, were $604 and $828, respectively and at January 1, 2010, were $867 and $917 respectively.

13. DECOMMISSIONING PROVISIONS

The Company makes a provision for the future rehabilitation of its shale quarries. The present value of the obligations was estimated using discount rates ranging from 0.99% to 1.28%, (2010 – 2.45% to 2.70%). The total undiscounted amount of the estimated cash flows required to settle the obligations at December 31, 2011 is $1,046, (2010 – $1,112). These obligations will be settled over a one to four 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 asset retirement obligations:

	2011 **$**	**2010** **$**
Balance at the beginning of the year	**992**	1,005
Increase in obligation	**3**	142
Payments during the year	**(59)**	(197)
Unwinding of the discount and effect of changes in the discount rate	**64**	42
Balance at the end of the year	**1,000**	992
Less: Payments due within one year – current portion	**(50)**	(50)
	950	942

Notes to Consolidated Financial Statements

December 31, 2011 and 2010 (in thousands of Canadian dollars, unless otherwise stated)

14. SHARE CAPITAL

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

No dividends were paid in 2011 and 2010.

On December 6, 2011, 690,369 Class B shares were converted to Class A shares. There were no changes in the Class A and Class B shares for the year ended December 31, 2010.

Class A shares	December 31, 2011		December 31, 2010	
	Number of shares (thousands)	Stated capital $	Number of shares (thousands)	Stated capital $
Balance at the beginning of the year	**8,508**	**33,687**	8,508	33,687
Conversion of Class B to Class A shares	**690**	**1**	–	–
Balance at the end of the year	**9,198**	**33,688**	8,508	33,687

Class B shares	December 31, 2011		December 31, 2010	
	Number of shares (thousands)	Stated capital $	Number of shares (thousands)	Stated capital $
Balance at the beginning of the year	**2,429**	**2**	2,429	2
Conversion of Class B to Class A shares	**(690)**	**(1)**	–	–
Balance at the end of the year	**1,739**	**1**	2,429	2

15. 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 1,080,965 (2010 – 1,080,965) Class A shares. The exercise price of each stock option is equal to the volume weighted average trading price of the Company's Class A shares for the five trading days immediately preceding the date of the grant and the maximum term of each option is ten years. As at December 31, 2011, a total of 170,865 (December 31, 2010 – 253,365 and at January 1, 2010 – 374,865) stock options were available for grant under the Plan.

The Company granted stock options to senior executive officers and to all non-management members of the Board of Directors of the Company during 2011 and 2010. Each option vested 20% on the date immediately following the date of the grant and an additional 20% shall vest on each anniversary thereof until fully vested.

Date of grant	March 23, 2011	March 24, 2010	August 19, 2010
Number of options granted	**90,000**	124,000	7,500
Market price	**$ 5.10**	$ 5.76	$ 6.01
Fair value of each stock option granted	**$ 1.05**	$ 1.31	$ 1.28
Assumptions:			
Risk-free interest rate	**2.9%**	3.2%	2.5%
Expected life	**7.9 years**	7.9 years	7.9 years
Volatility (determined by reference to historically observed prices of the Class A shares)	**28%**	28%	27%
Expected dividend yield	**3.9%**	3.5%	3.3%
Expected forfeitures	**Nil**	Nil	Nil

The total compensation cost charged against income for the year ended December 31, 2011 with respect to all stock options granted was $143 (2010 – $170).

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:

	2011		2010	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance at the beginning of the year	**600,900**	**9.64**	479,400	10.62
Granted during the year	**90,000**	**5.10**	131,500	5.77
Expired during the year	**(7,500)**	**6.75**	–	–
Forfeited during the year	**–**	**–**	(10,000)	5.76
Balance at the end of the year	**683,400**	**9.07**	600,900	9.64

At December 31, 2011 and 2010, outstanding stock options were as follows:

		Number of shares	
Year of expiry	**Option price $**	**2011**	**2010**
2011	6.75	–	7,500
2012	13.75	17,500	17,500
2014	14.60	44,000	44,000
2014	14.50	17,500	17,500
2015	14.00	43,500	43,500
2015	11.55	25,000	25,000
2016	11.50	32,400	32,400
2017	13.00	74,000	74,000
2018	10.51	105,500	105,500
2019	4.99	112,500	112,500
2020	5.76	114,000	114,000
2020	6.01	7,500	7,500
2021	5.10	90,000	–
		683,400	**600,900**

At December 31, 2011, an aggregate of 683,400 (2010 – 600,900) stock options were outstanding, of which 472,400 (2010 – 379,200) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $10.51 (2010 – $11.23) per share.

16. PENSION PLAN EXPENSE

The Company has a defined contribution pension plan covering all participating Canadian employees and a 401(k) plan covering all participating U.S. employees. The Company's pension plan expense in 2011 totaled $523 (2010 – $446).

17. EXPENSES BY NATURE

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

December 31, 2011 and 2010 (in thousands of Canadian dollars, unless otherwise stated)

	Year ended December 31, 2010							
	Personnel expenses	Cost of materials	Cost of energy	Depreciation	Freight	Other expense	Asset impairment	Total
Cost of sales	$ 14,296	$ 18,626	$ 7,751	$ 10,835	$ 4,980	$ 2,943	$ –	$ 59,431
Selling expenses	3,837	119	–	–	28	3,016	–	7,000
General and administrative expenses	3,144	249	–	239	47	1,646	–	5,325
Gain on sale of property, plant and equipment	–	–	–	–	–	(3)	–	(3)
Other income	–	–	–	–	–	(405)	–	(405)
Asset impairment reversal	–	–	–	–	–	–	(885)	(885)
	$ 21,277	**$ 18,994**	**$ 7,751**	**$ 11,074**	**$ 5,055**	**$ 7,197**	**$ (885)**	**$ 70,463**

18. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Year ended December 31	
	2011	**2010**
Salaries, incentives and short-term benefits	**$ 2,425**	$ 2,386
Share-based payments	**144**	170
Total	**$ 2,569**	$ 2,556

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

19. INCOME TAX

The Company computes an income tax provision in each of the jurisdictions in which it operates. The operations in Canada and the United States are subject to income tax at rates ranging from 25.0% - 28.3% in the Canadian jurisdictions and from 34.0% - 39.5% 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:

	2011		2010	
	$	**%**	$	%
Loss before recovery of income taxes	**(12,257)**		(2,784)	
Income tax recovery calculated at statutory federal and provincial income tax rates – 28.25% (2010 – 31.0%)	**3,463**	**28.3**	863	31.0
Increase (decrease) in rate resulting from				
Manufacturing and processing profits deduction	**(18)**	**(0.1)**	33	1.2
Tax rate difference in foreign subsidiaries	**251**	**2.0**	254	9.1
Difference in current and deferred income tax rates	**116**	**0.9**	(62)	(2.2)
Change in deferred tax assets not recognized	**(948)**	**(7.7)**	(805)	(28.9)
Other non-taxable and non-deductible items	**(112)**	**(0.9)**	210	7.5
Non-deductible loss from investment in joint venture	**(471)**	**(3.9)**	(247)	(8.9)
Effective recovery of income taxes	**2,281**	**18.6**	246	8.8

The movement in deferred income tax assets and liabilities is as follows:

	2011	**2010**
As at January 1	**$ (14,694)**	$ (14,740)
Credited to the statement of Comprehensive Income (Loss)	**1,531**	46
As at December 31	**$ (13,163)**	$ (14,694)

Deferred income taxes applicable to temporary differences are as follows:

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Depreciable property, plant and equipment	**(15,784)**	(16,851)	(14,734)
Losses and investment tax credits available for carry-forward	**18,236**	13,144	11,409
Capital gain	**(4,421)**	(4,421)	(4,421)
Cumulative eligible capital	**2,706**	3,017	3,435
Other	**(600)**	(205)	144
	137	(5,316)	(4,167)
Less: Deferred tax assets not recognized	**(13,300)**	(9,378)	(10,573)
Deferred tax liability	**(13,163)**	(14,694)	(14,740)

The analysis of deferred tax assets and liabilities is as follows:

Deferred tax liabilities	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Deferred tax liabilities to be settled within 12 months	**(316)**	193	(523)
Deferred tax liabilities to be settled later than 12 months	**(17,781)**	(18,078)	(17,887)
	(18,097)	(17,885)	(18,410)
Deferred tax assets			
Deferred tax assets to be settled within 12 months	**667**	307	569
Deferred tax assets to be settled later than 12 months	**4,267**	2,884	3,101
	4,934	3,191	3,670
Deferred tax liability, net	**(13,163)**	(14,694)	(14,740)

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

Year of expiry	$
2024	**2,858**
2025	**3,235**
2026	**2,931**
2027	**1,477**
2028	**3,501**
2029	**10,148**
2030	**10,788**
2031	**8,854**
	43,792

Non-capital losses on which a deferred tax asset was recorded were as follows:

Year of expiry	$
2026	**45**
2027	**285**
2028	**116**
2029	**1,184**
	1,630

20. LOSS PER SHARE

Loss per share is calculated on losses attributable to the parent using the weighted average number of shares outstanding for the year. As referred to in Note 3, the diluted loss per share is calculated to reflect the dilutive effect of the exercise of the outstanding stock options on loss per share.

December 31, 2011 and 2010 (in thousands of Canadian dollars, unless otherwise stated)

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

	Year ended December 31					
	2011			2010		
Total operations	Loss $	Shares (thousands)	Per share amount $	Loss $	Shares (thousands)	Per share amount $
Loss attributable to owners of the parent	**(9,979)**	**10,937**	**(0.91)**	(2,572)	10,937	(0.24)
Dilutive effect of options [(1)]		**–**	**0.00**		–	0.00
Diluted loss per share		**10,937**	**(0.91)**		10,937	(0.24)

(1) Excludes the effect of 683,400 options (2010 – 366,900) to purchase Class A shares that are anti-dilutive.

21. COMMITMENTS AND CONTINGENCIES

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

	$
2012	**119**
2013	**100**
2014	**60**
2015	**34**
2016	**14**
	327

As at December 31, 2011, the Company had capital expenditure commitments with suppliers totaling $703.

The Company normally enters into supply and transportation contracts for natural gas to cover future requirements. As at December 31, 2011, the Company has contracted for its estimated 2012 natural gas supply requirements at an aggregate estimated cost of $1,871, none of which was at fixed prices, and for its estimated 2012 transportation requirements at an aggregate estimated cost of $722, of which 85% was at fixed prices. The potential unrealized loss on the fixed price contracts was approximately $96 (2010 – unrealized gain of $99), 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, 2011 is $229 (December 31, 2010 – $323).

22. 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 3.5% (2010 – 5.2%) of revenues in aggregate for the year ended December 31, 2011. As at December 31, 2011 there was no trade receivable balance from these parties (2010 – $3).

Purchases from related parties amounted to $259 for the year ended December 31, 2011 (December 31, 2010 – $436). Trade payables to these parties amounted to $48 as at December 31, 2011 (2010 – $50). Dividends payable to a director of a subsidiary company amounted to $75 as at December 31, 2011.

Other related party transactions have been described in note 11.

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

23. OPERATING SEGMENTS

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

MASONRY PRODUCTS

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

LANDSCAPE PRODUCTS

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

Segmented information, with comparative information for 2010, is as follows:

BRAMPTON BRICK Limited

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

	Masonry $	Landscape $	2010 Total $
Revenues	51,758	20,865	72,623
Cost of sales	40,781	18,650	59,431
Selling expenses	4,301	2,699	7,000
General and administrative expenses	3,935	1,390	5,325
Gain on sale of property, plant and equipment	(3)	–	(3)
Other (income) expense	(413)	8	(405)
Asset impairment reversal	(885)	–	(885)
	47,716	22,747	70,463
Operating income (loss)	4,042	(1,882)	2,160
Finance costs			(4,191)
Finance income			52
Share of loss from investment in Universal Resource Recovery Inc.			(805)
Loss before income taxes			(2,784)
Income tax recovery			246
Loss for the year			(2,538)
Depreciation of property, plant and equipment	7,752	3,322	11,074

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.

Other business operations and assets consist of the proceeds of the promissory note receivable and the investment in Universal.

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

			2010
	Masonry and Landscape $	Other $	Total $
Additions to property, plant and equipment	3,755	–	3,755
Consolidated total assets	209,701	6,738	216,439

December 31, 2011 and 2010 (in thousands of Canadian dollars, unless otherwise stated)

Geographical information is as follows:

	2011		2010	
	Revenues $	Property, plant and equipment $	Revenues $	Property, plant and equipment $
Canada	**72,731**	**125,173**	65,193	127,095
United States	**7,282**	**47,456**	7,430	47,928
	80,013	**172,629**	72,623	175,023

24. FINANCIAL INSTRUMENTS

MEASUREMENT CATEGORIES

Financial assets and liabilities have been classified into categories which determine the basis of measurement. Those categories are: fair value through profit or loss; loans and receivables; available for sale assets; and, for liabilities, amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2011 and 2010 and January 1, 2010.

Assets	Fair Value Hierarchy Level	December 31 2011		December 31 2010		January 1 2010	
		$	$	$	$	$	$
Loans and receivables		**Carrying values**	**Fair values**	Carrying values	Fair values	Carrying values	Fair values
Cash and cash equivalents	1	**1,180**	**1,180**	5,383	5,383	2,886	2,886
Trade and other receivables	2	**9,964**	**9,964**	6,136	6,136	6,278	6,278
Promissory note receivable	2	**–**	**–**	–	–	1,335	1,335
Liabilities							
Amortized cost							
Bank operating advances	2	**5,147**	**5,147**	1,824	1,824	750	750
Trade payables	2	**9,026**	**9,026**	9,638	9,638	8,526	8,526
Other liabilities	2	**2,010**	**2,010**	1,339	1,339	1,174	1,174
Debt	2	**38,257**	**39,862**	40,346	42,267	34,483	35,530
Fair value through profit or loss							
Derivative financial instrument	2	**–**	**–**	1,432	1,432	1,784	1,784

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

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

The Company's derivative interest rate swap contract was carried at fair value (see Note 12). The fair value determination of the interest rate swap contract is categorized as Level 2, based on independent information provided by a major financial institution.

FAIR VALUE HIERARCHY

Fair value measurements recognized in the consolidated balance sheet 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, 2011, four customers represented approximately 34.7%, in total, (December 31, 2010 – four customers – 31.3% and at January 1, 2010 – 43.2%) of the Company's trade receivables at year-end. Sales to these customers represented 24.5% (2010 – 28.8%) of the Company's revenues.

The Masonry Products business segment is characterized by a relatively small number of customers with higher average balances outstanding. Trade receivables attributable to this business segment represented approximately 77.8% (December 31, 2010 – 76.5% and at January 1, 2010 – 80.1%) of consolidated trade and other receivables outstanding as at December 31, 2011.

The Landscape Products business segment is characterized by a larger number of customers with lower average balances outstanding. This business segment represented approximately 22.2% (December 31, 2010 – 23.5% and at January 1, 2010 – 19.2%) of consolidated trade and other receivables outstanding as at December 31, 2011.

No receivables balance relating to the Other business segment remained outstanding as at December 31, 2011 (December 31, 2010 – nil% and at January 1, 2010 – 0.7%).

In aggregate, approximately 95.1% (December 31, 2010 – 88.0% and at January 1, 2010 – 91.0%) was due in Canadian dollars and 4.9% (December 31, 2010 – 12.0% and at January 1, 2010 – 9.0%) was due in U.S. dollars.

Accounts receivable that were past due as at December 31, 2011 totaled $1,816 (December 31, 2010 – $1,293 and at January 1, 2010 – $1,802), of which $1,509 (December 31, 2010 – $1,130 and at January 1, 2010 – $1,444) was less than three months past due, $31 (December 31, 2010 – $63 and at January 1, 2010 – $36) was more than three months but less than six months past due and $276 (December 31, 2010 – $100 and at January 1, 2010 – $322) was more than six months but less than one year past due.

Of the past due amount, accounts totaling $307 (December 31, 2010 – $152 and at January 1, 2010 – $379) were considered to be impaired and were recorded in the allowance for doubtful accounts and charged to general and administrative expenses in the Consolidated Statement of Comprehensive Income (Loss).

Changes in the allowance for doubtful accounts were as follows:

	2011 $	2010 $
Balance at the beginning of the year	**152**	379
Accounts added	**542**	144
Accounts removed	**(395)**	(169)
Accounts written off during the year as uncollectible	**–**	(195)
Foreign exchange translation (gain) loss	**8**	(7)
Balance at the end of the year	**307**	152

ii) Cash and counterparties

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

b) Liquidity Risk

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

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

	2011 $	2010 $
Not later than 3 months	**17,165**	13,829
Later than 3 months and not later than 12 months	**5,390**	5,502
Later than one year and not later than five years	**41,772**	29,062
Later than 5 years	**280**	18,347
	64,607	66,740

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

At December 31, 2011, the Company had an operating credit facility of $20,000, of which $5,376 had been utilized including operating bank advances of $5,147 and letters of credit of $229. The Company's proportionate share of operating credit facilities of Universal was $2,500, of which $417 had been utilized for letters of credit.

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

c) Market Risk

i) Foreign exchange risks

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

December 31, 2011 and 2010 (in thousands of Canadian dollars, unless otherwise stated)

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

	U.S. $	Euros €
January 1, 2010	1.0466	1.5000
December 31, 2010	0.9946	1.3319
December 31, 2011	1.0170	1.3193
High – 2011	1.0630	1.4092
Low – 2011	0.9383	1.3285
Average – 2011	0.9891	1.3767

Variances in the rate of exchange of U.S.$0.06 and €0.04 are considered reasonably possible.

At December 31, 2011, the Company had net monetary liabilities denominated in U.S. dollars totaling U.S. $710 and monetary liabilities denominated in euros totaling €129. A variance of U.S. $0.06 and €0.04 in the December 31, 2011 rates of exchange would have resulted in the loss before income taxes being approximately $49 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, 2011 or December 31, 2010.

ii) Interest rates

The Company has exposure to interest rate fluctuations as a result of having variable interest rate bearing financial liabilities and a floating-to-fixed interest rate swap contract.

The Canadian bank prime interest rate was 3.00% on January 1, 2011 and December 31, 2011 and averaged 3.00% for the year. At December 31, 2011, the Company had a total of $10,748 of variable interest rate bearing debt outstanding, including the Company's proportion of the term loan in Universal. A variance of 0.50% in the rate of interest would have resulted in the loss before income taxes being approximately $54 higher or lower, as the case may be, on an annualized basis.

Interest rate swap agreements are occasionally utilized to reduce interest rate risk arising from fluctuations in interest rates and to manage the fixed and floating interest rate mix of the Company's total debt portfolio and related overall cost of borrowing. Interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These payments are recorded as an adjustment of interest expense. As at December 31, 2011, there were no interest rate contracts outstanding. As at December 31, 2010, the Company held an interest rate swap contract with a notional principal amount of $17,000 as described in Note 12.

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 operations. There were no contracts outstanding as at December 31, 2011 and December 31, 2010.

25. 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 as shown in the consolidated balance sheets less subordinated debentures. Shareholders equity includes all components of equity.

The Company's objective is to maintain the net adjusted funded debt to equity ratio at less than 0.4:1. The net adjusted funded debt to equity ratios at December 31, 2011, December 31, 2010 and January 1, 2010 were as follows:

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Bank operating advances	**5,147**	1,824	750
Debt	**38,257**	40,346	34,483
Less: Subordinate debentures	**(8,855)**	(8,729)	–
Net adjusted funded debt	**34,549**	33,441	35,233
Share capital	**33,689**	33,689	33,689
Contributed surplus	**1,801**	1,658	1,488
Accumulated other comprehensive loss	**(1,540)**	(2,616)	–
Retained earnings	**102,527**	112,506	115,078
Shareholders equity	**136,477**	145,237	150,255
Net adjusted funded debt to equity ratio	**0.25:1**	0.23:1	0.23:1

As at December 31, 2011, December 31, 2010 and January 1, 2010, the Company's objective with respect to the net adjusted funded debt to equity ratio was achieved.

The subordinate debentures are redeemable in 2013 and the Company is currently exploring refinancing alternatives.

26. CANADIAN GAAP TO IFRS TRANSITION

The date of transition to IFRS for the Company was January 1, 2010. IFRS 1 sets forth guidance for the initial adoption of IFRS. IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the transition date, except that IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to the general requirements of retrospective application.

The effect of the Company's transition to IFRS, described in note 2, is summarized in this note as follows:

(i) Transition elections;

(ii) Reconciliation of Equity as previously reported under Canadian GAAP to IFRS;

(iii) Reconciliation of the Consolidated Statement of Comprehensive Income (Loss) as previously reported under Canadian GAAP to IFRS for the year ended December 31, 2010;

(iv) Reconciliation of the Consolidated Statement of Cash Flows as previously reported under Canadian GAAP to IFRS; and

(v) Explanatory notes.

(I) TRANSITION ELECTIONS

The Company has applied the following optional transition exemptions from full retrospective application of IFRS:

	As described in Note 26(v)
Business combinations	a
Cumulative translation adjustment	b
Borrowing costs	e
Fair value as deemed cost for property, plant and equipment	f

IFRS 1 provides for a number of mandatory exceptions from full retrospective application of IFRS, with estimates being the only mandatory exception applicable to the Company. Estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

(II) RECONCILIATION OF EQUITY AS PREVIOUSLY REPORTED UNDER CANADIAN GAAP TO IFRS

(in thousands of Canadian dollars)	Notes 26(v)	December 31, 2010	January 1, 2010
Equity as reported under Canadian GAAP		**$ 115,153**	**$ 119,799**
IFRS adjustments increase (decrease)			
Exchange on translation of U.S. subsidiaries	b, c	(4,440)	(2,208)
Decommissioning provisions (net of tax)	j	(46)	(59)
Property, plant and equipment:			
Impairment	g	(9,686)	(10,571)
Depreciation relating to impairment	g	504	–
Revaluation (net of tax of $9,356)	f	46,042	46,042
Depreciation on revaluation (net of taxes of $509 – December 31, 2010)		(1,720)	–
Deferred tax impact on intercompany profits in inventory		94	–
Deferred tax asset recognized on capital tax losses carried forward		371	371
Investment in Universal Resource Recovery Inc.	d	(1,035)	(3,119)
Non-controlling interests	h	112	1,446
Equity as reported under IFRS		**$ 145,349**	**$ 151,701**

(III) RECONCILIATION OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) AS PREVIOUSLY REPORTED UNDER CANADIAN GAAP TO IFRS

		Year ended December 31		
(in thousands of Canadian dollars, except per share amounts)	Notes	2010	2010	2010
	26(v)	CGAAP	Total Adjustments	IFRS
Revenues	d	$ 74,001	$ (1,378)	$ 72,623
Cost of sales	d, f, g, j	61,941	(2,510)	59,431
Selling expenses	d	7,022	(22)	7,000
General and administrative expenses	d, i	5,544	(219)	5,325
Gain on sale of property, plant and equipment		(3)	–	(3)
Other income	d	(481)	76	(405)
Asset impairment reversal	g	–	(885)	(885)
		74,023	(3,560)	70,463
Operating income (loss)		(22)	2,182	2,160
Finance (expense) income				
Finance costs	d, j	(4,478)	287	(4,191)
Finance income	d	53	(1)	52
		(4,425)	286	(4,139)
Share of loss from investment in Universal Resource Recovery Inc.	d	–	(805)	(805)
Loss before income taxes		(4,447)	1,663	(2,784)
Recovery of (provision for) income taxes	k			
Current		200	–	200
Deferred		(559)	605	46
		(359)	605	246
Loss for the year		$ (4,806)	$ 2,268	$ (2,538)
Net income (loss) attributable to:				
Owners of the parent		$ (4,840)	$ 2,268	$ (2,572)
Non-controlling interests		34	–	34
Loss for the year		$ (4,806)	$ 2,268	$ (2,538)
Other comprehensive income (loss)				
Foreign currency translation	c	$ –	$ (2,616)	$ (2,616)
Total comprehensive loss for the year		$ (4,806)	$ (348)	$ (5,154)
Total comprehensive income (loss) attributable to:				
Owners of the parent		$ (4,840)	$ (348)	$ (5,188)
Non-controlling interests		34	–	34
Total comprehensive loss for the year		$ (4,806)	$ (348)	$ (5,154)
Loss per Class A and Class B share				
Basic		$ (0.44)	$ 0.20	$ (0.24)
Diluted		$ (0.44)	$ 0.20	$ (0.24)

(IV) RECONCILIATION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS AS PREVIOUSLY REPORTED UNDER CANADIAN GAAP TO IFRS

(in thousands of Canadian dollars)	Notes 26(v)	2010 CGAAP December 31	Total Adjustments	2010 IFRS December 31
Cash provided by (used for)				
Operating activities				
Loss for the year		$ (4,806)	$ 2,268	$ (2,538)
Items not affecting cash and cash equivalents				
Depreciation	d, f, g	10,399	675	11,074
Current income taxes	n	–	(200)	(200)
Deferred income taxes	k	559	(605)	(46)
Unrealized foreign currency exchange gain	c	(55)	(280)	(335)
Gain on sale of property, plant and equipment		(3)	–	(3)
Share of loss on investment in Universal Resource Recovery Inc.	d	–	805	805
Asset impairment reversal	g	–	(885)	(885)
Gain on derivative financial instrument		(352)	–	(352)
Net interest expense	n	–	4,536	4,536
Other	d	142	(35)	107
		5,884	6,279	12,163
Changes in non-cash items				
Trade and other receivables	d	345	(229)	116
Inventories	d	(6,249)	10	(6,239)
Other assets	n	47	(31)	16
Trade payables	d	226	(230)	(4)
Income tax credits applied		976	1,055	2,031
Other liabilities	d	–	550	550
		(4,655)	1,125	(3,530)
Income tax payments		–	(855)	(855)
Payments for decommissioning of assets		(197)	–	(197)
Cash provided by operating activities		1,032	6,549	7,581
Investing activities				
Purchase of property, plant and equipment	d	(3,883)	1,617	(2,266)
Advances to Universal Resource Recovery Inc.	d	–	(4,800)	(4,800)
Proceeds from promissory note		1,338	–	1,338
Proceeds from sale of property, plant and equipment		12	–	12
Cash used for investing activities		(2,533)	(3,183)	(5,716)
Financing activities				
Increase in bank operating advances		1,074	–	1,074
Issuance of subordinated debentures		7,523	–	7,523
Repayment of promissory note		(1,900)	–	(1,900)
Repayment of term loans	d	(972)	707	(265)
Interest paid on term loans and bank operating advances	n	–	(4,327)	(4,327)
Payments on obligations under finance leases	d	(382)	53	(329)
Payment of dividends by subsidiary to non-controlling interests		(1,120)	–	(1,120)
Cash provided by financing activities		4,223	(3,567)	656
Foreign exchange on cash held in foreign currency		(24)	–	(24)
Increase in cash and cash equivalents		2,698	(201)	2,497
Cash and cash equivalents at the beginning of the year		2,868	18	2,886
Cash and cash equivalents at the end of the year		$ 5,566	$ (183)	$ 5,383

December 31, 2011 and 2010 (in thousands of Canadian dollars, unless otherwise stated)

(V) EXPLANATORY NOTES

(a) Business combinations

In accordance with the IFRS transitional provisions, the Company elected not to apply IFRS 3, *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. As such, Canadian GAAP balances relating to business combinations entered into before the date of transition have been carried forward without adjustment.

(b) Cumulative translation adjustment

In accordance with the IFRS transitional provisions, the Company has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of the Company's U.S. subsidiaries, to zero at the date of transition to IFRS. Accumulated other comprehensive loss and retained earnings has been reduced by $3,829.

(c) Foreign currency translation

The financial statements of the Company's U.S. subsidiaries, which have the U.S. dollar as their functional currency, are translated into Canadian dollars as follows: assets and liabilities – at the closing rate on the balance sheet date and income and expenses – at the average rates prevailing during the period (as this is considered a reasonable approximation of actual rates). Foreign currency differences are recognized in other comprehensive income (loss). Under Canadian GAAP, the Company's U.S. subsidiaries were classified as integrated and accounted for under the temporal method. Under this method, monetary assets and liabilities of subsidiaries were translated into Canadian dollars at the exchange rate in effect at the balance sheet dates. Non-monetary assets and liabilities were translated at the exchange rate in effect at the date of the transaction. Revenues and expenses were translated at average exchange rates prevailing during the period. Resulting unrealized gains or losses were recognized in the income statement.

As a result of the transition from Canadian GAAP to IFRS, translation of the financial statements of the Company's U.S. subsidiaries as at January 1, 2010 gave rise to a foreign exchange loss totaling $2,208, which was recognized in other comprehensive income (loss). In accordance with the IFRS transitional provisions, this account was set to zero and retained earnings was reduced by the same amount. In addition, other comprehensive loss increased by $2,616 for the year ended December 31, 2010. (See note 26(v)(l) for summary of transition adjustments to accumulated other comprehensive loss.)

(d) Investment accounted for using the equity method

The Company has a 50% interest in Universal. This investment was accounted for under Canadian GAAP using the proportionate consolidation method. Under this method of accounting, the Company's consolidated financial statements included its 50% share of Universal's assets, liabilities, revenues, expenses and cash flows. On transition to IFRS, the Company changed the accounting policy for this investment to the equity method. As a result, the Company's share of Universal's assets and liabilities were removed from the Company's consolidated balance sheet and the aggregate amount was netted against the Company's investment in Universal Resource Recovery Inc.

Furthermore, Universal is a private company in Canada and is not required to comply with IFRS. However, the accounting policies of Universal have been reviewed and adjustments have been made for reporting purposes, where necessary, to ensure consistency with the policies adopted by the Company. On January 1, 2010, an impairment assessment of Universal's property, plant and equipment was performed in accordance with IAS 36, *Impairment of Assets* ("IAS 36") which resulted in an impairment charge that increased the loss that is shared by the joint venture partners under the equity method of accounting. Accordingly, the Company recorded an increase in its share of the loss in Universal of $3,119 on transition to IFRS. The recoverability of Universal's property, plant and equipment was re-evaluated at December 31, 2010 in accordance with IAS 36 which resulted in a partial reversal of the impairment charge recorded as at January 1, 2010. This resulted in a reduction in the Company's share of the loss in Universal for the fourth quarter and year ended December 31, 2010 by $1,880 as compared to the previously reported share of loss under Canadian GAAP. The Company's share of loss in Universal measured under IFRS was $805 for the year ended December 31, 2010. The following summarizes the Canadian GAAP to IFRS transitional adjustments with respect to this policy change on the Company's balance sheets as at January 1, 2010 and December 31, 2010.

	December 31, 2010 $	January 1, 2010 $
Current assets – decrease	515	578
Non-current assets – decrease	14,086	13,019
Current liabilities – decrease	2,152	2,299
Non-current liabilities – decrease	5,852	6,612
Share of loss from Universal – increase	(1,035)	(3,119)
Investment in Universal Resource Recovery – increase	5,562	1,567

(e) Borrowing costs

In accordance with the IFRS transitional provisions, the Company elected not to capitalize certain borrowing costs pertaining to the construction of its Indiana clay brick manufacturing facility which were incurred prior to January 1, 2010 and which had previously been expensed under Canadian GAAP.

(f) Fair value as deemed cost for property, plant and equipment

In accordance with the IFRS transitional provisions, the Company applied the fair value as deemed cost election as at January 1, 2010 to certain parcels of land and to certain production equipment located at its Canadian production facilities. In the second quarter of 2011 the Company decided to revisit the use of certain elections, and for consistency, it also decided to apply the fair value as deemed cost election as at January 1, 2010 to certain production equipment utilized in its U.S. landscape operations.

An independent appraisal report for land prepared as at January 1, 2010 estimated the fair value of the Company's land located in Brampton, Markham and Milton to be $61,610 using the direct comparison approach as permitted under IFRS. This represents an aggregate increase of $35,366 compared to the carrying amount of $26,244 under Canadian GAAP.

Certain production equipment located at the Company's four Canadian manufacturing plants (located in Brampton, Markham and Milton) was revalued to $57,760 as at January 1, 2010, representing an aggregate increase of $20,025 compared to the carrying amount of $37,735 under Canadian GAAP. The production equipment was appraised by management personnel using the depreciated replacement cost approach and was subsequently supported by independent appraisal reports.

Election applied in Q2 2011

An independent appraisal report prepared as at January 1, 2010 estimated the fair market value for certain production equipment utilized in the Company's U.S. landscape operations in Wixom, Michigan, to be $3,596, representing an aggregate increase of $7 compared to the carrying amount of $3,589 under Canadian GAAP. This revaluation was not reflected in the Company's first quarter 2011 interim consolidated report. Consequently, the opening IFRS consolidated balance sheet as at January 1, 2010, the reconciliations of equity as at January 1 and December 31, 2010 and consolidated comprehensive income (loss) for the year ending December 31, 2010 presented in the first quarter 2011 interim consolidated report have been restated to reflect this change. The changes to the first quarter interim consolidated report are summarized as follows: Retained earnings on transition increased by $77, including a deferred tax recovery of $70; and depreciation and income tax expense for the year ended December 31, 2010 increased by $152 and $10 respectively.

As a consequence of all of the revaluations noted above, the aggregate increase to retained earnings on transition, net of the tax impact of $9,356 (note 26(v)(k)), is $46,042. As a result of the increase in the IFRS carrying amount of these assets, the amount of depreciation recorded related to such assets will be greater than the amount that was charged to income under Canadian GAAP. Depreciation expense for the year ended December 31, 2010 is greater under IFRS than Canadian GAAP by $2,229. The resulting increase in depreciation was included in cost of sales.

(g) Asset impairment

Under Canadian GAAP, an impairment was recognized if an asset's carrying value exceeded the sum of the asset's undiscounted future cash flows. Impairments recognized under Canadian GAAP were not reversed.

The Company determined that the Brampton clay brick plant, the Canadian concrete plants (in Brampton, Markham and Milton), the Wixom, Michigan concrete plant and the Farmersburg, Indiana clay brick plant were the CGUs for the purposes of asset impairment testing under IFRS.

As a result of ongoing economic pressures impacting the construction industry, the Company completed IFRS asset impairment evaluations with respect to its Brampton clay brick plant and Canadian concrete plants and concluded that there was no impairment using the value in use methodology as at January 1, 2010. For the Wixom, Michigan concrete plant, the impairment evaluation was initially performed using the value in use methodology which indicated potential impairment as at January 1, 2010. As a result, the Company performed the analysis under the fair value less costs to sell methodology and the recoverable amount under this methodology was higher than the value in use methodology and was therefore used for the impairment assessment. As a result of this assessment, the Company concluded there was no impairment for the Wixom, Michigan concrete plant as at January 1, 2010.

On the transition date, the asset impairment evaluation with respect to the Farmersburg, Indiana clay brick plant was also initially performed using the value in use methodology which indicated a potential impairment. As a result, the Company performed an impairment analysis utilizing the fair value less costs to sell methodology. As the recoverable amount determined under the fair value less costs to sell methodology was higher than the amount determined using the value in use methodology, in accordance with IAS 36 – *Impairment of Assets*, the fair value less costs to sell methodology was used to record an impairment charge of $10,571 in the opening IFRS balance sheet relating to the Company's Farmersburg, Indiana clay brick plant. The effect of the impairment was a decrease in property, plant and equipment of $10,571 from a carrying value of $55,986 in accordance with Canadian GAAP, to $45,415 in accordance with IFRS. The impairment loss was recorded on a pro-rata basis to the individual assets of the CGU, with a corresponding charge to retained earnings. The recoverable amount was estimated using the approved business plan for a period of five years. Cash flows beyond five years were extrapolated using an estimated terminal growth rate of 2%. The cash flows were discounted using a post-tax discount rate of 10.15%.

The Company revisited the impairment indicators at December 31, 2010 and performed impairment tests for all CGUs on this date using the value in use methodology. Consistent with the opening balance sheet, there was no impairment identified for the Brampton clay brick plant and Canadian concrete plants at this date. The assessment for the Wixom, Michigan concrete plant indicated a potential impairment under the value in use methodology but indicated no impairment under the fair value less costs to sell methodology as at December 31, 2010. The assessment for the Farmersburg, Indiana clay brick plant under the value in use methodology continued to indicate impairment. Under the fair value less costs to sell methodology, the CGU for the Indiana clay brick plant indicated that the recoverable amount exceeded the carrying amount by $885, net of exchange differences, as at December 31, 2010.

December 31, 2011 and 2010 (in thousands of Canadian dollars, unless otherwise stated)

Under IFRS an impairment loss for a CGU can be reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the CGU in prior periods. Accordingly, a partial reversal of the impairment loss in the amount of $885 was allocated to the carrying value of the Farmersburg, Indiana assets recorded on a pro-rata basis, with a corresponding amount reflected in the statement of comprehensive income (loss) for the year ended December 31, 2010.

The reversal of the impairment is primarily due to an improvement in the 5 year estimated future cash flows for this CGU as a result of forecasted improvements in the economic environment for the construction industry. Cash flows beyond 5 years were extrapolated using an estimated terminal growth rate of 2%. The cash flows were discounted using a post tax discount rate of 11.96% as at December 31, 2010.

(h) Non-controlling interests

Under IFRS, the non-controlling interests' share of the net assets of the Company's subsidiary, 1813435 Ontario Limited, (65% owned – formerly 1312082 Ontario Limited), is included in equity and the subsidiary's share of its comprehensive income is allocated directly to equity. Under Canadian GAAP, non-controlling interests' share of income and other comprehensive income were deducted in calculating net income and comprehensive income of the entity. Non-controlling interest of $1,446 at January 1, 2010 ($112 at December 31, 2010) as determined under Canadian GAAP has been reclassified to equity.

(i) Share-based compensation

Under IFRS, each tranche of employee stock options granted with different vesting dates is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of the respective tranches. Under Canadian GAAP the fair value of stock options granted with graded vesting was considered one grant and the resulting fair value was recognized on a straight-line basis over the vesting period. This increased contributed surplus and reduced retained earnings at the date of transition by $129 and decreased general and administrative expenses by $24 for the year ended December 31, 2010.

(j) Decommissioning costs

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. Under Canadian GAAP, the obligation to rehabilitate the Company's shale quarries was not adjusted for changes in the discount rate. Under IFRS, the provision for the rehabilitation of the Company's shale quarries must be adjusted annually for any changes in the discount rate. The unwinding of the discount rate is recognized as a finance cost under IFRS and was recognized in cost of sales under Canadian GAAP. The financial statement impact on the opening January 1, 2010 balance sheet is a decrease of $59 to retained earnings net of taxes, and a corresponding increase to non-current decommissioning costs to reflect changes in the discount rate. For the year ended December 31, 2010 the unwinding of the discount expense, reclassified from cost of sales to finance expense, was $23. As at December 31, 2010, the decommissioning liability increased by $19 due to the change in the discount rate from 3.08% to 2.45%.

(k) Deferred income tax assets and liabilities

The following summarizes Canadian GAAP to IFRS adjustments to deferred income tax liabilities, increase (decrease):

	Ref. 26(v)	December 31, 2010	January 1, 2010
		$	$
Property, plant and equipment:			
- Revaluation net of depreciation	f	8,850	9,356
- Tax benefit of capital losses carried forward recognized		(371)	(371)
Tax impact on intercompany profits in inventory		(94)	–
Decommissioning provision	j	(22)	(19)
Foreign exchange translation	c	(12)	(10)
Total		**8,351**	**8,956**

The above adjustments increased deferred tax recovery recognized in the statement of comprehensive income (loss) by $605 for the year ended December 31, 2010.

On transition to IFRS, the carrying value of land located in Canada was increased by $35,366 and a corresponding deferred tax liability of $4,421 was recorded. (See note 26(v)f for discussion of fair value as deemed cost election). This deferred tax liability was partially offset by a deferred tax asset of $371 recognized in respect of capital losses carried forward for which no tax benefit had previously been recorded.

No deferred tax asset was recognized against the deferred tax benefit that would otherwise have been recorded with respect to the impairment of property, plant and equipment pertaining to the company's Farmersburg, Indiana plant.

Under IFRS, all deferred tax assets and liabilities must be classified as non-current. Under Canadian GAAP, the future income tax asset totaling $917 (January 1, 2010) and $nil (December 31, 2010) were netted against deferred income tax liabilities.

BRAMPTON BRICK Limited

(l) Accumulated other comprehensive income (loss)

The following is a summary of transition adjustments to accumulated other comprehensive loss from Canadian GAAP to IFRS:

	Ref. 26(v)	December 31, 2010	January 1, 2010
		$	$
Accumulated other comprehensive loss as reported under Canadian GAAP		(3,829)	(3,829)
IFRS adjustments increases (decreases):			
- Cumulative translation adjustment	b	3,829	3,829
- Foreign exchange translation on financial statements	c	(2,616)	–
- Cumulative translation adjustment on translation of opening balance sheet as at January 1, 2010	c	(2,208)	(2,208)
- Reclassified to Retained Earnings	c	2,208	2,208
Accumulated other comprehensive loss as reported under IFRS		**(2,616)**	**–**

(m) Retained earnings

The following is a summary of transition adjustments to retained earnings from Canadian GAAP to IFRS:

	Ref. 26(v)	December 31, 2010	January 1, 2010
		$	$
Retained earnings as reported under Canadian GAAP		83,740	88,580
IFRS adjustments increases (decreases)			
Property, plant and equipment			
- Revaluation (net of taxes)	f, k	46,042	46,042
Depreciation on revaluation (net of taxes of $509 – December 31, 2010)		(1,720)	–
- Tax benefit of capital losses carried forward recognized		371	371
- Impairment	g	(9,686)	(10,571)
Depreciation on impairment		504	–
Cumulative translation adjustment	b	(3,829)	(3,829)
Foreign exchange translation	c	(1,824)	(2,208)
Investment in Universal Resource Recovery Inc.	d	(1,035)	(3,119)
Decommissioning costs (net of tax)	j	(46)	(59)
Tax impact on intercompany profit in inventory		94	–
Share-based compensation	i	(105)	(129)
Retained earnings as reported under IFRS		**112,506**	**115,078**

(n) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company except that, under IFRS, cash flows relating to interest are classified as financing activities, income taxes paid and credits applied are reflected in cash flows from operations and cash flows relating the Company's equity investment in Universal were excluded from operating, investing and financing activities. Under Canadian GAAP, cash flows relating to interest payments were classified as operating.

Independent Auditor's Report to the Shareholders of Brampton Brick Limited

We have audited the accompanying consolidated financial statements of Brampton Brick Limited and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise 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 and its subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Mississauga, Canada
March 20, 2012

Five Year Financial Review

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

	IFRS	IFRS	GAAP*	GAAP*	GAAP*
Operations	**2011**	2010	2009	2008	2007
Revenues	**$ 80,013**	$ 72,623	$ 59,978	$ 81,476	$ 82,352
Net income (loss) – continuing operations	**(9,976)**	(2,538)	(11,898)	(8,119)	(4,906)
– total	**(9,976)**	(2,538)	(11,898)	(8,474)	3,288
Depreciation	**6,756**	11,074	11,329	8,830	8,523
Cash (used for) provided by operations	**7,642**	7,581	(3,450)	14,001	13,638
Purchase of property, plant and equipment	**2,981**	2,266	11,013	48,967	21,144
Dividends	**–**	–	–	2,189	2,170
Financial Position					
Current Assets	**$ 33,290**	$ 35,854	$ 32,053	$ 30,237	$ 51,814
Working Capital	**13,137**	18,499	13,272	4,715	25,424
Property, plant and equipment (net)	**172,629**	175,023	153,980	156,998	112,607
Total assets	**205,919**	216,439	186,054	192,131	181,009
Non-current portion of debt	**35,166**	37,271	37,583	25,521	3,744
Shareholders' equity attributable to owners of the parent	**136,477**	145,237	119,799	129,247	137,731
Financial Ratios					
Current ratio	**1.65:1**	2.07:1	1.71:1	1.18:1	1.96:1
Total liabilities to shareholders' equity attributable to owners of the parent	**0.51:1**	0.49:1	0.54:1	0.47:1	0.28:1
Return on average shareholders' equity attributable to owners of the parent (%)	**(7.1)**	(1.9)	(9.6)	(6.4)	2.5
Share Data					
Net income (loss) per share – continuing operations	**$ (0.91)**	$ (0.24)	$ (1.09)	$ (0.75)	$ (0.45)
– total	**(0.91)**	(0.24)	(1.09)	(0.78)	0.30
Book value per share	**12.48**	13.28	10.95	11.83	12.71
Dividends per share	**–**	–	–	0.20	0.20
Weighted average number of shares outstanding (thousands)	**10,937**	10,937	10,937	10,928	10,836

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

BRAMPTON BRICK Limited

Corporate Directory

DIRECTORS

Rudolph P. Bratty, Q.C.*†

Douglas J. Buhler

Jim V. De Gasperis

P. David Grant, C.A.*

Howard C. Kerbel

Jeffrey G. Kerbel

Barry Kornhaber

John M. Piecuch*†

Peter R. Smith

*Member of Audit Committee

†Member of Compensation Committee

SENIOR OFFICERS

Jeffrey G. Kerbel
President and Chief Executive Officer

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

David R. Carter
Executive Vice-President

J. Bradley Duke
Senior Vice-President, Manufacturing

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

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

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

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

Marilia Macias
Controller

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Toronto Stock Exchange

SHARE SYMBOL

"BBL.A"

REGISTRAR AND TRANSFER AGENT

CIBC Mellon Trust Company

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