

BRAMPTON BRICK



2009 ANNUAL REPORT

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 stone veneer products marketed under the **Stoneworks™** trade name and concrete window sills.

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. Operations commenced in the second half of 2008.



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(In thousands of dollars, except per share amounts)

	2009	2008*
OPERATIONS		
Net sales	\$ 59,978	\$ 81,476
Operating (loss) income	(9,335)	1,634
Loss – continuing operations	(11,898)	(8,119)
– total	(11,898)	(8,474)
Cash (used for) provided by operations	(3,450)	14,001
Purchase of property, plant and equipment	11,013	48,967
Dividends	–	2,189
SHARE DATA		
Loss per share – continuing operations	\$ (1.09)	\$ (0.75)
– total	(1.09)	(0.78)
Dividends per share	–	0.20
Book value per share	10.95	11.83
Weighted average number of shares outstanding (thousands)	10,937	10,928
FINANCIAL POSITION		
Working capital	\$ 13,272	\$ 4,715
Total assets	186,054	192,131
Total liabilities (excluding non-controlling interests)	64,809	60,358
Shareholders' equity	119,799	129,247
Total liabilities (excluding non-controlling interests) to shareholders' equity	0.54:1	0.47:1

* Certain comparative amounts for 2008 have been restated to conform with the current year presentation.

SHARES OUTSTANDING

The Company has 10,936,554 common shares outstanding as at December 31, 2009 comprised of 8,507,554 Class A Subordinate Voting Shares and 2,429,000 Class B Multiple Voting Shares. The Class A shares trade on the Toronto Stock Exchange under the ticker symbol "BBL.A".

ANNUAL MEETING

The Annual General Meeting of the Shareholders of the Company will be held on May 12, 2010 at 9:30 a.m. at the Holiday Inn, 30 Peel Centre Drive, Brampton, Ontario.

ANNUAL REPORT

Additional copies of the 2009 Annual Report may be obtained from the Vice-President, Finance, Brampton Brick Limited, 225 Wanless Drive, Brampton, Ontario L7A 1E9.

In 2009, Brampton Brick was severely impacted by the turmoil that developed in financial markets, an environment which helped to create one of the worst residential construction market downturns in the last fifty years. In our key Ontario market, housing starts declined by one-third and in certain of our U.S. markets the magnitude of the decline was even more pronounced.

As a consequence, net sales from continuing operations in 2009 were only \$59,978, as compared to \$81,476 in 2008. The Company incurred a loss of \$11,898 or \$1.09 per share, compared to \$8,474 or \$0.78 per share in 2008.

Financial results for 2009 were also negatively impacted by certain unusual items that, in total, amounted to a pre-tax charge of \$2,243. The Company recorded a charge of \$1,784 in respect of an unrealized loss on an existing interest rate swap. As well, a loss of \$269 was incurred on the sale of a portion of an existing note receivable and a loss of \$190 was incurred in relation to the sale of non-strategic land in Quebec.

Impacting results in 2008 was a \$6,711 write-off of the Company's remaining balance of goodwill.

Each of these items is described in greater detail in Management's Discussion and Analysis of Financial

Condition and Results of Operations for the year ended December 31, 2009 and in the notes to the consolidated financial statements.

The current economic climate, in combination with the expansion of our operations and business profile, has required management to make a number of adjustments in operations and to introduce a variety of measures directed towards enhancing overall corporate productivity, competitiveness and customer focus. Operating plans, production and inventory levels, manpower requirements and all discretionary spending are being continuously monitored. However, it is imperative that we balance the need for restraint with the necessity to expand our product profile and to continually improve our quality and customer service, as we strive to expand our market coverage and penetration.

In conjunction with these objectives, Brampton Brick did have some notable achievements in 2009.

Production at our new, state-of-the-art Indiana clay brick plant began in April, 2009. This facility is undoubtedly one of the most efficient brick plants in the world and the products are of the highest quality. While extremely weak U.S. demand is affecting financial results to date, we

remain confident that this plant will achieve its potential as markets recover and our market share improves.

In Canada, reflecting a reorganized sales and marketing structure and the introduction of a number of new and complementary products, concrete masonry products sales were up 38% and the sales volume of landscape products increased 7%.

The waste composting operations of Universal Resource Recovery Inc., our joint venture operation which commenced start-up operations in the second half of 2008, ramped up significantly throughout 2009. However, we were not able to achieve full capacity utilization due to various issues encountered during the commissioning of this new operation. While the composting industry is not new, the scale of Universal's operations and the application of the related technology is quite new. We believe these fundamental issues will be resolved and Universal's financial results in 2010 are expected to improve.

The Company strengthened its balance sheet and increased its cash reserves through the placement of a new \$30,000 term loan in June 2009 and the recent completion of a \$9,000 subordinated debenture financing in February 2010.

Looking ahead, we are feeling more comfortable about the outlook for 2010. Economic conditions in Canada continue to improve. Sales of new homes in our Canadian markets have shown a marked increase, which is expected to result in a notable improvement in brick shipments. Additional new landscape and masonry products and further enhancements in production efficiencies are also expected to contribute to improved sales and operating results in 2010.

Finally, on behalf of the shareholders I would like to acknowledge and thank Mr. Lloyd S.D. Fogler, Q.C., who has advised the Company that he will not stand for re-election at the May 12, 2010 Annual General Meeting of Shareholders. Mr. Fogler has been a member of the Board of Directors of Brampton Brick since the Company's initial public offering in 1986. He has served as Chair of the Compensation Committee throughout his term as director and was also Chair of the Audit Committee from 1986 to May 2005. The Board wishes to acknowledge Mr. Fogler's commitment and valuable contribution to the Company and to thank him for his many years of dedicated service.

/s/Jeffrey G. Kerbel

Jeffrey G. Kerbel
President and Chief Executive Officer

FOR THE YEAR ENDED DECEMBER 31, 2009

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the year ended December 31, 2009 should be read in conjunction with the Company's accompanying consolidated financial statements, including the summary of significant accounting policies, and the Annual Information Form dated March 12, 2010 which may be found on SEDAR at www.sedar.com. This MD&A is dated as of March 12, 2010. All amounts are stated in thousands of Canadian dollars, except per share amounts, unless otherwise indicated.

Effective with the adoption of the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Intangible Assets*, on January 1, 2009, operating costs in the amount of \$1,832 pertaining to the pre-production period of the new Indiana clay brick plant and the Company's share of the unamortized balance of start-up costs related to Universal Resource Recovery Inc. ("Universal") in the amount of \$179 were adjusted to opening retained earnings. As at December 31, 2008 these costs were included in the Consolidated Balance Sheet under Other assets. This change has been applied retroactively and the prior year comparative financial statements have been restated accordingly. Commencing in 2009 any such costs are charged to operations as incurred.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31

For the year ended December 31, 2009, the Company incurred a loss of \$11,898, or \$1.09 per Class A Subordinate Voting Share ("Class A share") and Class B Multiple Voting Share ("Class B share") outstanding, compared to a loss of \$8,474, or \$0.78 per Class A share and Class B share outstanding, in 2008. The aggregate weighted average number of Class A shares and Class B shares outstanding was 10,937,000 in 2009 and 10,928,000 in 2008.

The major factors which impacted operating results from continuing operations in 2009 were:

- 1) Significantly lower sales and production volumes of clay brick products.

- 2) Start-up losses of the new Indiana clay brick plant, including pre-production costs charged against operations.
- 3) Operating losses incurred by Universal, in which the Company has a 50% joint-venture interest.
- 4) A charge of \$1,784 to reflect the unrealized loss on the interest rate swap contract.

Each of these items is explained in greater detail in the analysis which follows.

Net sales from continuing operations were \$59,978 in 2009 compared to \$81,476 in 2008, representing a net decline of \$21,498. Net sales in the Masonry Products business segment declined by \$23,137 due to the decline in housing starts. In the Landscape Products business segment, net sales declined marginally. Net sales from the new waste composting operations of Universal, which commenced operations in the third quarter of 2008, amounted to \$2,862 in 2009 compared to \$863 in 2008.

Substantially lower production volumes, primarily in the Masonry Products business segment, resulted in an increase in unabsorbed manufacturing costs charged against operations in 2009 compared to 2008. This matter is discussed in greater detail under the business segment results which follow.

The lower cost of goods sold and a significant decrease in selling, general and administrative expenses were partially offset by higher amortization charges pertaining to the new Indiana clay brick plant, which came on stream at the beginning of the second quarter of 2009, and to Universal's operations.

As a result of the above noted factors, the operating loss from continuing operations before interest and other items was \$9,335 in 2009 compared to operating income of \$1,634 in 2008.

Interest on long-term debt increased by \$1,198 to \$2,520 from \$1,322 primarily due to the increase in term financing outstanding during 2009 and the Company's proportionate share, amounting to \$7,500, of loans incurred by Universal in the second half of 2008 to finance a portion of the construction costs of its waste composting plant.

Other interest expense of \$461 in 2009 is comprised primarily of interest on bank operating advances during the first half of the year and interest differential payments after June 29, 2009 on the interest rate swap. This was partially offset by interest income earned on the promissory note receivable. Interest income of \$415 in 2008 is comprised primarily of interest income on the promissory note receivable plus interest earned on surplus cash balances.

The Company recorded a foreign currency exchange gain of \$539 for the year compared to a loss of \$123 in 2008. The exchange gain reported in 2009 reflected the positive impact of the strengthening of the Canadian dollar on settlement of foreign currency transactions during the year and on the translation of foreign currency denominated monetary assets and liabilities.

On April 9, 2009, the Company sold an undivided, co-ownership interest, representing approximately 59.9%, in the promissory note receivable, including future interest payments, for cash proceeds of \$3,793 resulting in a loss of \$269.

On June 17, 2009, the remaining surplus properties located in Quebec were sold for cash proceeds of \$1,200, resulting in a loss of \$190 after deduction of additional costs of \$343 incurred in 2009. In 2008, the sale of certain properties resulted in a gain of \$267.

On June 29, 2009, the Company entered into a new \$30,000 fixed-rate, term financing agreement with a new lender and repaid its previous term bank loan. The Company holds an interest rate swap contract which was previously designated as an effective cash flow hedge against the previous term bank loan. The repayment of this term bank loan resulted in the swap contract no longer being an effective cash flow hedge. Consequently, the Company has recorded a charge against operations to reflect the unrealized loss on the interest rate swap contract. As at December 31, 2009 this amount was \$1,784.

In 2008, the Company wrote off the remaining carrying value of goodwill in the amount of \$6,711. Net of the related income tax benefit of \$720, this resulted in a net charge of \$5,991, or \$0.55 per share.

The recovery of income taxes of \$2,444 in 2009 relates primarily to the Company's Canadian Masonry Products and Landscape Products operations. Valuation allowances

have been recorded in both the current and prior year against the future income tax benefit that would otherwise have been recorded with respect to the non-capital losses incurred in the Company's U.S. operations and by Universal. The losses incurred by the new Indiana clay brick plant, which commenced commercial production during the second quarter of 2009, and by Universal, which commenced operations in the second half of 2008, were higher in 2009 than in 2008.

Operating results for 2008 reflected an income tax expense of \$2,246 on a loss before income taxes of \$5,772. In 2008, the Company recorded a valuation allowance in the amount of \$1,903 against the future tax asset related to U.S. operations. In addition, a future tax benefit of only \$720 was recorded with respect to the \$6,711 write off of goodwill.

The loss from discontinued operations in 2008 amounted to \$355, or \$0.03 per share.

FOURTH QUARTER ENDED DECEMBER 31, 2009

For the fourth quarter ended December 31, 2009, the Company recorded a loss from continuing operations of \$2,320, or \$0.21 per share, on a weighted average 10,937,000 Class A shares and Class B shares outstanding, compared to a loss from continuing operations of \$9,907, or \$0.91 per share, on a weighted average 10,937,000 Class A shares and Class B shares outstanding, for the fourth quarter of 2008.

The loss incurred in the fourth quarter of 2008 reflected the goodwill impairment charge, net of income taxes, of \$5,991, or \$0.55 per share.

These losses also reflect valuation allowances against the future income tax benefit that would otherwise have been recorded with respect to the non-capital losses incurred by the Company's U.S. operations and by Universal. In addition, a valuation allowance of \$1,903 was recorded in 2008 against the future income tax asset pertaining to the U.S. operations.

Net sales from continuing operations were \$15,009, an increase of \$741 over net sales of \$14,268 in the fourth quarter of 2008. Most of the increase was the result of higher sales volumes in the Masonry Products business segment.

The operating loss from continuing operations, before interest and other items, was \$2,329 for the fourth quarter of 2009, an improvement of \$932 over the operating loss of \$3,261 incurred in the fourth quarter of 2008.

Interest on long-term debt and other interest expense were higher than the corresponding period in 2008 for the same reasons as outlined above for the annual results.

More detailed discussion of the results of operations of each business segment follows:

MASONRY PRODUCTS

For the year ended December 31, 2009, net sales were \$36,840 compared to \$59,977 in 2008, representing a decline of \$23,137, or 38.6%. The operating loss incurred in 2009 was \$4,730 compared to operating income of \$7,530 in 2008.

Clay brick shipments have been significantly impacted by the downturn in residential construction activity in the Company's primary market areas. Sales volumes of the new concrete masonry products were up over last year.

In addition to the impact of much lower sales, lower production volumes in the Canadian operations resulted in a higher proportion of fixed manufacturing costs being charged against operations in the current period, thus negatively impacting margins.

Lower distribution costs and lower selling, general and administrative expenses, due primarily to reductions in personnel costs and various discretionary expenditures, partially offset the negative impact of lower sales and production volumes.

The new Indiana clay brick plant commenced production in the second quarter of 2009. Due to the economic environment in the U.S., initial sales and production volumes have been below expectations. The increase in the loss incurred in the U.S. operations, which included pre-production costs of approximately \$1,478 and amortization charges of \$2,240 in 2009, also contributed to the decrease in operating results in this business segment.

For the fourth quarter of 2009 net sales increased by \$665, or 6.8%, from \$9,779 in 2008 to \$10,444 as a result of higher shipments of clay brick and concrete masonry products. The operating loss for the quarter was \$532 compared to \$2,171 for the same period in 2008.

LANDSCAPE PRODUCTS

Net sales of the Landscape Products business segment were \$20,276 for the year ended December 31, 2009 compared to \$20,636 in 2008. The decline of \$360 was due to lower sales in the U.S. which, in turn, was caused by economic factors affecting the Company's U.S. markets, primarily Michigan. Net sales in the Company's Canadian markets were higher in 2009 than in 2008.

For the year ended December 31, 2009, the Landscape Products business segment incurred an operating loss of \$2,866 compared to \$5,271 in 2008. The improvement in operating results was due to improved manufacturing efficiencies and cost reduction programs. Lower selling, general and administrative expenses and lower amortization charges also contributed to the improvement in operating results.

For the fourth quarter of 2009 net sales were \$3,706 compared to \$3,783 for the corresponding period in 2008 and the operating loss for the quarter was \$1,416 compared to \$965 in 2008.

Operating results for the fourth quarter of 2009 were impacted by higher manufacturing costs and provisions related to the closure of the Da Vinci Stone Craft operations.

OTHER OPERATIONS

Other operations include, among other things, the Company's 50% joint venture interest in Universal. This investment is accounted for using the proportionate consolidation method. Composting operations commenced in the third quarter of 2008.

For the year ended December 31, 2009 the Company's proportionate share of net sales was \$2,862 compared to \$863 in 2008 and the proportionate share of the operating loss incurred by Universal in 2009 was \$1,760 compared to \$621 in 2008.

Composting operations at Universal's site in Welland were temporarily suspended in early May 2009 in order to construct and install capital improvements and to modify operating processes to address various issues which arose during the commissioning and start-up phase of these new operations. Composting operations resumed in early August 2009.

DISCONTINUED OPERATIONS

Discontinued operations represent the Company's former joint venture interest in SharpSmart Canada Limited, which was sold in April 2008, and its interest in certain small quantity generator accounts which were disposed of effective September 1, 2008.

The loss from discontinued operations in 2008 was \$355, or \$0.03 per share.

CASH FLOWS

Cash flow used for operating activities of continuing operations totaled \$3,450 for the year ended December 31, 2009. In 2008, operating activities of continuing operations generated cash flow of \$14,001.

The decline in cash flow from continuing operations reflected the decrease in operating results in 2009, net of non-cash charges, and the net use of cash of \$3,909 for working capital items in 2009 compared to cash of \$7,298 generated from a significant reduction of working capital in 2008.

Cash utilized for purchases of property, plant and equipment totaled \$11,013 in 2009 compared to \$48,967 in 2008. Expenditures in 2009 included \$8,149 pertaining to the final construction costs of the Company's new clay brick plant in Indiana compared to \$34,521 spent in 2008. Expenditures in 2009 also included an amount of \$1,635, representing the Company's 50% share of expenditures incurred by Universal for the construction of its waste composting facility. In 2008, this amount was \$9,341.

Deferred costs of \$1,832 incurred in 2008 in connection with pre-operating costs for the Indiana clay brick plant during construction and in the testing and commissioning phase have been adjusted to opening retained earnings in accordance with CICA Handbook Section 3064, *Goodwill and Intangible Assets*, and the 2008 comparative financial statements have been restated accordingly. In addition, \$691 incurred in 2008 in relation to a proposed new quarry site was reclassified to capital expenditures.

The sale on April 9, 2009, of an undivided, co-ownership interest, representing approximately 59.9%, in the proceeds of the promissory note receivable, including future interest payments, generated cash proceeds of \$3,793. The proceeds were utilized to reduce bank

operating advances. The Company has provided a guarantee to secure repayment of the proceeds to the purchaser in the event of default. The promissory note receivable is secured by a letter of credit from a major financial institution.

Proceeds of \$2,958 from the first instalment and \$1,338, being the Company's remaining 40.1% interest therein, from the second instalment of this promissory note receivable were received in October 2008 and October 2009, respectively.

The sale of the remaining surplus properties in Quebec generated cash proceeds of \$1,200. The proceeds were utilized to reduce bank operating advances.

On June 29, 2009, the Company completed a new \$30,000 term financing arrangement. Proceeds of the new financing were utilized to repay a \$20,000 term bank loan with the balance utilized to reduce bank operating advances.

In 2008 term bank loans increased by \$24,500. Of this amount, \$17,000 represented financing of a portion of the costs of construction of the Indiana clay brick plant and \$7,500 represented the Company's proportionate share of the term bank loan incurred by Universal for the construction of its waste composting facility. Debt repayments, including the promissory note payable and other term loans, totaled \$4,451 in 2008.

A portion of the cash proceeds from the promissory note receivable were distributed by way of a cash dividend by a subsidiary company. The non-controlling interests' share of these distributions totaled \$1,085 in 2009 and \$1,750 in 2008.

Due to current economic conditions, the Board of Directors of the Company elected not to declare a dividend in 2009. The Company paid semi-annual dividends of \$0.10 per Class A share and \$0.10 Class B share in 2008.

In 2008, the Company purchased and cancelled 37,800 Class A shares for aggregate consideration of \$365 under a Normal Course Issuer Bid.

FINANCIAL CONDITION

The nature of the Company's products and primary markets dictates that its Masonry Products and Landscape Products business segments are seasonal. The Landscape

Products business is affected to a greater degree than the Masonry Products business. As a result of this seasonality, bank operating advances 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, 2009, bank operating advances were \$750, a decrease of \$1,831 from the amount outstanding at December 31, 2008. Accounts payable and accrued liabilities totaled \$10,866 at December 31, 2009 compared to \$15,146 at December 31, 2008, including amounts related to capital expenditures of approximately \$545 and \$4,495, respectively.

Working capital at December 31, 2009 was \$13,272, including cash and cash equivalents totaling \$2,868, representing a working capital ratio of 1.71:1. Comparable figures for working capital and the working capital ratio at December 31, 2008 were \$4,715, including cash and cash equivalents of \$2,088, and 1.18:1, respectively. The ratio of total liabilities to shareholders' equity at December 31, 2009 was 0.54:1 compared to 0.47:1 at December 31, 2008.

As noted above, the Company completed a new \$30,000 long-term financing arrangement with a new lender on June 29, 2009. The term of the new loan is seven years with payments of interest only for the first two years. Principal repayments commence 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%.

The loan is secured primarily by real estate and production equipment of the Company's Masonry Products and Landscape Products business segments in both Canada and U.S.

Transaction costs on the new term loan were netted against the principal amount and are being amortized over the term of the loan resulting in an effective interest rate of 8.40%.

The term loan agreement contains various financial covenants. Due to the seasonality of the Company's primary business segments and the low level of residential construction activity, the Company anticipated that it may not be able to maintain compliance with the minimum interest coverage requirement, which is calculated quarterly based on operating results for the previous four

quarters, as at December 31, 2009 and through the first half of 2010. Consequently, the Company sought and obtained an amendment to this financial covenant. As at December 31, 2009, the Company was in compliance with the amended financial covenant and anticipates that it will maintain compliance with all financial covenants in 2010.

On February 26, 2010, the Company completed a \$9,000 subordinated secured debenture financing. In connection therewith, the \$3,000 unsecured promissory note payable, which was due but not paid on December 7, 2009, was refinanced. These transactions are described in Note 25 to the Consolidated Financial Statements.

Excluding Universal, the Company had aggregate operating credit facilities as at December 31, 2009 totaling up to \$17,450, of which \$1,106 had been utilized, including \$356 for outstanding letters of credit. Subsequent to December 31, 2009 the aggregate availability was reduced to \$12,700. These credit facilities are demand facilities and are more fully described in Note 12 to the Consolidated Financial Statements.

The Company expects that future cash flows from operations, cash and cash equivalents on hand, the unutilized balances of its operating credit facilities and the net proceeds from the new debenture financing described above will be sufficient to satisfy its obligations as they become due.

Details of Universal's credit facilities are provided in Note 12 to the Consolidated Financial Statements.

During the second quarter of 2009, Universal's term loan facility was amended to commence monthly principal repayments in January 2010. Previously, the repayments were scheduled to commence in May 2009.

Universal's credit agreement contains various financial covenants. As a result of the losses being incurred in 2009, which were due to the additional costs incurred during the commissioning and start-up phase of this new operation and the temporary suspension of composting operations for a portion of the year, Universal anticipated that it would not be in compliance with the debt service coverage requirement which was to become effective for the first time for the year ended December 31, 2009. Consequently, Universal sought and obtained an amendment to this covenant. As at December 31, 2009 Universal was in

compliance with its financial covenants and anticipates that it will be able to maintain compliance throughout 2010.

Universal expects that future cash flows from operations, the unutilized balance of its operating credit facility and, to the extent required, further advances from the joint venture

partners, will be sufficient to satisfy its obligations as they become due.

A summary of the Company's contractual obligations over the next five years and thereafter, determined as at December 31, 2009, is as follows:

	2010	2011 - 2012	2013 - 2014	Thereafter	Total
Long-term debt ⁽¹⁾	\$ 4,380	\$ 7,786	\$ 8,383	\$ 21,440	\$ 41,989
Capital lease obligations ⁽²⁾	\$ 360	\$ 715	\$ 67	\$ –	\$ 1,142
Operating leases	\$ 171	\$ 175	\$ 33	\$ –	\$ 379
Purchase obligations ⁽³⁾	\$ 4,514	\$ –	\$ –	\$ –	\$ 4,514
Other long-term obligations ⁽⁴⁾	\$ 100	\$ 61	\$ 179	\$ 722	\$ 1,062
Total	\$ 9,525	\$ 8,737	\$ 8,662	\$ 22,162	\$ 49,086

(1) Long-term debt reflects the aggregate amount of future payments, excluding interest, and includes all debt items listed in Note 14 to the Consolidated Financial Statements, except capital lease obligations.

(2) Capital lease obligations disclosed above reflect the aggregate amount of future payments including interest.

(3) Purchase obligations include natural gas supply and transportation contracts totaling \$3,898 and capital expenditure commitments of \$616.

(4) Other long-term obligations represent the undiscounted estimated future costs for the asset retirement obligation with respect to the shale quarry.

SELECTED ANNUAL FINANCIAL INFORMATION

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

	2007	2008	2009
Net sales from continuing operations	\$ 82,352	\$ 81,476	\$ 59,978
Total assets	\$ 181,009	\$ 192,131	\$ 186,054
Total long-term financial liabilities	\$ 3,744	\$ 25,521	\$ 37,583
Cash dividends declared per share	\$ 0.20	\$ 0.20	\$ –
CONTINUING OPERATIONS			
Loss	\$ (4,906)	\$ (8,119)	\$ (11,898)
Loss per share			
Basic	\$ (0.45)	\$ (0.75)	\$ (1.09)
Diluted	\$ (0.45)	\$ (0.75)	\$ (1.09)
TOTAL			
	2007	2008	2009
Net income (loss)	\$ 3,288	\$ (8,474)	\$ (11,898)
Basic	\$ 0.30	\$ (0.78)	\$ (1.09)
Diluted	\$ 0.30	\$ (0.78)	\$ (1.09)

The comparative amounts for 2007 and 2008 have been reclassified to conform with the current year financial statement presentation.

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

NET SALES

- (1) Net sales decreased from 2007 to 2008 and from 2008 to 2009 as a result of lower sales volumes in the Masonry Products and Landscape Products business segments. Net sales of the waste composting operations in 2009 were \$2,862 (2008 – \$863 and 2007 – Nil).

TOTAL ASSETS

- (1) The increase in total assets from 2007 to 2008 was primarily the result of capital expenditures, including amounts pertaining to the Indiana clay brick plant and the Universal waste composting plant less the write-down of goodwill and the disposal of the remaining medical waste assets.
- (2) Total assets decreased from 2008 to 2009 primarily due to the sale of a portion of the promissory note receivable and the receipt of proceeds in 2009, the sale of the remaining properties held for sale and the net decrease in property, plant and equipment as a result of amortization charges exceeding capital expenditures.

TOTAL LONG-TERM FINANCIAL LIABILITIES

- (1) The increase in 2008 resulted primarily from a term loan of \$17,000 to finance the construction of the new clay brick plant in Indiana and \$7,500 for the Company's proportionate share of financing provided to Universal less a \$4,000 payment on the promissory note.
- (2) The increase in 2009 resulted from the completion of a new \$30,000 long-term financing arrangement with a new lender on June 29, 2009, net of repayment of the term bank loan.

CASH DIVIDENDS DECLARED PER SHARE

- (1) Due to economic conditions, the Board of Directors of the Company had determined not to declare a dividend in 2009. Cash dividends of \$0.10 per Class A share and \$0.10 per Class B share were paid on June 30 and December 31 in 2008 and 2007 respectively.

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

- (1) The increase in the loss from continuing operations in 2008 compared to 2007 was primarily due to lower sales volumes and a decrease in production volumes to more closely align inventories to anticipated demand which resulted in a significant increase in unabsorbed manufacturing expenses charged against operations.

Pre-production costs pertaining to the Indiana clay brick plant and the Company's share of operating losses incurred during the start-up of Universal's operations also contributed to the increase in the loss.

In 2008, the Company recorded a goodwill impairment charge of \$5,991 or \$0.55 per share, net of income taxes and in 2007 a goodwill impairment charge of \$13,068, or \$1.21 per share, net of income taxes, was recorded.

Net income for 2007 included a gain of \$7,942, net of income taxes and non-controlling interests, on the sale of the discontinued medical waste assets and business operations. In 2008, the Company reported a loss of \$355 from discontinued operations.

- (2) The increase in loss in 2009 reflected significantly lower clay brick shipments and lower landscape sales volumes in the U.S. plus operating losses, including amortization charges, incurred in the new Indiana clay brick plant and by Universal. Operating results for 2009 also include a pre-tax charge of \$1,784 to reflect the unrealized loss on the interest rate swap contract.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following is a summary of selected quarterly financial information for each of the eight most recently completed quarters:

2009					
CONTINUING OPERATIONS	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Net sales	\$ 7,457	\$ 18,278	\$ 19,234	\$ 15,009	\$ 59,978
Loss	\$ (6,256)	\$ (3,245)	\$ (77)	\$ (2,320)	\$ (11,898)
Loss per share					
Basic	\$ (0.57)	\$ (0.30)	\$ (0.01)	\$ (0.21)	\$ (1.09)
Diluted	\$ (0.57)	\$ (0.30)	\$ (0.01)	\$ (0.21)	\$ (1.09)

2008					
CONTINUING OPERATIONS	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Net sales	\$ 9,986	\$ 29,795	\$ 27,427	\$ 14,268	\$ 81,476
Net income (loss)	\$ (4,153)	\$ 3,483	\$ 2,458	\$ (9,907)	\$ (8,119)
Net income (loss) per share					
Basic	\$ (0.38)	\$ 0.32	\$ 0.22	\$ (0.91)	\$ (0.75)
Diluted	\$ (0.38)	\$ 0.32	\$ 0.22	\$ (0.91)	\$ (0.75)

TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Net income (loss)	\$ (4,191)	\$ 3,125	\$ 2,499	\$ (9,907)	\$ (8,474)
Net income (loss) per share					
Basic	\$ (0.39)	\$ 0.29	\$ 0.23	\$ (0.91)	\$ (0.78)
Diluted	\$ (0.39)	\$ 0.29	\$ 0.23	\$ (0.91)	\$ (0.78)

Comparative amounts for 2008 have been reclassified to conform with the current year financial statement presentation.

Basic net income (loss) per share by quarter may not add to the total for the year due to changes in the weighted average number of shares outstanding during the year or rounding. Diluted net income (loss) per share may not add due to rounding and changes in the number of dilutive shares for each period based on the average market price for the period.

The Company's Masonry Products and Landscape Products business segments which, combined, accounted for approximately 95.2% (2008 – 98.9%) of net sales from continuing operations, are seasonal. Historically, sales in these business segments are greater in the second and third quarters of each year than in the first and fourth quarters. Consequently, net sales, net income (loss) and net income (loss) per share reported each quarter reflect these seasonal fluctuations.

Major factors which affect the comparability of the quarterly results are as follows:

FIRST QUARTER

Net sales in the first quarter of 2009 declined compared to the first quarter of 2008 due to lower clay brick shipments. The Company's share of net sales generated by the new waste processing operations amounted to \$961 in 2009. There were no sales from these operations in the first quarter of 2008. The loss from continuing operations increased over the comparable period in 2008 primarily as a result of lower net sales and pre-production costs in the estimated amount of \$1,278 incurred in connection with the start-up of the Indiana clay brick plant.

SECOND QUARTER

The loss from continuing operations for the second quarter of 2009 compared to the second quarter of 2008 was impacted by much lower sales, the unrealized loss due to discontinued hedge accounting, the loss on sale of a portion of the promissory note, the loss on sale of properties and the valuation allowances recorded in respect of the future income tax benefit that would otherwise have been recorded with respect to losses incurred in the Company's U.S. operations and Universal's operations.

During the second quarter of 2008, the Company incurred a loss from discontinued operations in the amount of \$359.

THIRD QUARTER

Operating results of continuing operations for the third quarter of 2009 compared to the third quarter of 2008 were impacted primarily by significantly lower clay brick shipments, higher amortization charges and an increase in the loss incurred by Universal offset, in part, by improved operating performance in the Landscape Products business segment.

FOURTH QUARTER

Net sales increased in the fourth quarter of 2009 over the same period in 2008 as a result of higher shipments of clay brick, concrete masonry and landscape products. Operating results for the quarter were impacted by higher interest costs and an increase in the provision for income taxes. In 2008, the Company recorded a goodwill impairment charge of \$5,991, net of income taxes.

CRITICAL ACCOUNTING ESTIMATES

LONG-LIVED ASSETS

As at December 31, 2009, the Company conducted an impairment test of the carrying value of its long-lived assets as required under Canadian generally accepted accounting principles and determined that there had been no impairment in property, plant and equipment or other long-lived assets.

The carrying value of property, plant and equipment was assessed based on undiscounted estimated future cash flows which requires the Company to make various assumptions regarding, among other things, future sales volumes, selling prices, costs of manufacturing and operations including raw materials, labour, overhead, selling, general and administrative expenses, capital expenditures and proceeds of disposition, if any, as well as estimated future growth. Changes in these assumptions may have a material impact on the determination of impairment.

GOODWILL

As at December 31, 2008, the Company conducted an annual impairment test of the carrying value of goodwill as required under Canadian generally accepted accounting principles. The test determined that the carrying amount of goodwill exceeded its fair value. Consequently, a non-cash charge of \$6,711 was recorded to write off the remaining carrying amount of goodwill.

ASSET RETIREMENT OBLIGATION

As a condition of its licenses to mine shale from its quarries in Cheltenham, Ontario and Terre Haute, Indiana, the Company is obligated to rehabilitate these properties. Generally, rehabilitation work is to commence on each depleted phase prior to commencing shale extraction in the subsequent phase. The Company has recorded a liability and corresponding asset for the fair value of the legal obligations for these rehabilitation costs. Implicit in these amounts are estimates of the future costs, which may change subject to changes in laws and regulations, the estimated timing of the expenditure and changes in the estimated discount rate. These estimates are reviewed annually. All significant estimates are disclosed in Note 1 to the Consolidated Financial Statements.

INCOME TAXES

The current and future income tax assets and liabilities are recorded based on interpretation of tax legislation and assumptions about the realization and timing of future benefits and costs. 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 provisions.

At December 31, 2009, the Company has recorded cumulative valuation allowances of approximately \$11,540 against the future income tax benefits with respect to the tax losses carried forward, primarily in its U.S. businesses.

FUTURE CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2011 the Company will be required to prepare and report its financial statements in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, the conversion from Canadian generally accepted accounting principles ("GAAP") to IFRS will be applicable to the Company's reporting for the first quarter ending March 31, 2011. The 2010 comparative information to be included with the 2011 interim and annual financial statements must also be prepared utilizing IFRS. However, throughout 2010, including the 2010 year-end, the Company's financial statements will continue to be reported in accordance with current 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 has prepared a comprehensive changeover plan to address the impact IFRS will 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, disclosure controls and loan covenants.

In the fourth quarter of 2008, a preliminary diagnostic analysis was completed to identify the potential differences between IFRS and GAAP as they relate to the Company and its subsidiaries. During 2009, a more detailed assessment of the significant differences identified in the initial diagnostic review was completed for significant components. The Company has engaged its auditors,

PricewaterhouseCoopers LLP, to provide certain advisory services, primarily with respect to component evaluations and related issues.

The Company has identified certain IFRS standards that may have a significant impact on its financial statements. A general discussion of these standards and the key differences are summarized below. The summary is not comprehensive and does not include all the standards that may have a financial impact. As well, additional differences may be identified based on further detailed analysis or as a result of changes to IFRS prior to January 1, 2011.

Property, Plant and Equipment

IFRS requires an allocation of the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and that each such part be depreciated separately. This requirement to componentize property, plant and equipment may result in an increase in the number of component parts that are recorded and depreciated and, as a result, may impact the calculation of the annual depreciation expense.

Impairment of Assets

IFRS requires an entity to recognize an impairment charge if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or value in use, is less than its carrying value. Value in use is defined as being equal to the discounted present value of estimated future cash flows expected to be derived from the planned use of the asset. The use of discounted future cash flows under IFRS differs from GAAP, which uses undiscounted future cash flows. This may result in more frequent write-downs in the carrying value of assets under IFRS. In addition, under IFRS, previous impairment losses may be reversed where circumstances change such that the impairment is reduced.

Foreign Exchange Translation

IFRS requires an entity to determine its functional currency and translate all foreign currency items into its functional currency. For the consolidation of financial statements, an entity is required to translate all assets and liabilities of foreign operations at the closing rate as at the balance sheet date. GAAP requires an entity to classify each foreign operation as either integrated or self-sustaining and the translation of the assets and liabilities of foreign operations differs significantly from IFRS. This

difference may impact the accounting measurement of the Company's U.S. operations.

Interests in Joint Ventures

It is expected that a new IFRS standard will be issued in 2010 to eliminate the option to proportionately consolidate interests in joint ventures in favour of the equity method of accounting. GAAP currently requires utilization of the proportionate consolidation method. The proposed IFRS standard would reduce the reported amount of assets, liabilities, revenues and expenses. No impact on net income is expected.

Presentation of Financial Statements and Disclosure

IFRS requires significantly more disclosure for certain standards. As well, on transition, the Company must include numerous notes disclosing transitional information and disclosure of all new IFRS accounting policies. The Company may have to change some of its current business processes and data systems to ensure that the required information is collected to satisfy the increased disclosure requirements.

First-Time Adoption of International Financial Reporting Standards ("IFRS 1")

IFRS 1 provides a number of optional exemptions and mandatory exceptions in certain areas to the general requirement for full retrospective application of IFRS. The following are the optional exemptions available under IFRS 1 that may be of significance to the Company:

a) Property, Plant and Equipment

At the date of transition to IFRS the Company may elect to measure an item of property, plant and equipment at its fair value and use the fair value as its deemed cost at that date, instead of actual cost. This option can be applied on an asset-by-asset basis. The impact of applying this elective option is currently being evaluated.

b) Cumulative Translation Differences ("CTA")

On transition to IFRS, the Company may elect to recognize all CTA of its foreign subsidiaries into retained earnings. This will result in elimination of the CTA balance in Accumulated other comprehensive loss as at January 1, 2010. The requirements of foreign exchange translation outlined above are then applied prospectively from January 1, 2010.

c) Business Combinations

IFRS 1 permits an entity to elect not to apply IFRS 3R retrospectively to business combinations that occurred before the date of transition to IFRS, January 1, 2010. Accordingly, the Company may carry forward its previous GAAP accounting for business combinations that occurred prior to that date.

The Company has not yet completed its evaluation of the various accounting policy choices and alternative methodologies provided under IFRS. Consequently, the full financial impact of adopting IFRS cannot be determined at this time.

The Company also continues to monitor and address the impact of the transition to IFRS on:

Training and education

All accounting and financial reporting personnel have received and continue to receive training in IFRS. Members of the Audit Committee of the Board of Directors, in addition to receiving quarterly progress reports on the status of the conversion, have been provided with various IFRS information packages and have attended an IFRS information session presented by the Company's auditors;

Information technology and data systems

Upon conversion to IFRS in 2011, comparative information under IFRS will also be required for 2010. Some modifications to the existing general ledger account structures will be necessary to facilitate capture of the required information under both GAAP and IFRS. As well, several new or modified reports may have to be created to assist in the preparation of the increased disclosure requirements;

Business processes

The transition to IFRS will require increased financial statement disclosure. This may require some process changes in order to report more detailed information in the notes of the financial statements; and

Internal control over financial reporting

For all accounting policy changes, the Company will have to assess the design effectiveness of internal controls over financial reporting, determine the implications, and implement appropriate changes, where necessary.

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.

Major production costs include natural gas, labour, electricity and depreciation of plant and equipment. The Company's estimated natural gas supply requirements for 2010, 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, 2009. Approximately 82% of the natural gas transportation requirements were at fixed prices as at December 31, 2009.

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, 2009. 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.

The U.S. operations are considered integrated foreign operations; consequently, gains or losses on translation of the Company's net monetary assets in U.S. subsidiaries are included in income. A strengthening in the value of the U.S. dollar against the Canadian dollar results in higher net sales and earnings or losses, as the case may be, when translated into Canadian dollars.

Exchange fluctuations affecting monetary assets and liabilities denominated in foreign currencies are recorded against operations.

In 2009, approximately 11.8% (2008 – 8.9%) of the Company's sales 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, 2009.

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 new \$30,000 fixed rate term financing agreement in June 2009, the interest rate swap is no longer an effective cash flow hedge. However, the Company has not closed out the contract.

In February 2006 the Company entered into a transportation contract with a third party to outsource shale transportation from the quarry to the Brampton clay brick plant and delivery of finished products from all its plants in Ontario which, prior to that date, were carried on by a subsidiary.

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, and are not expected to have, a significant impact on such operations.

The Company is subject to ongoing monitoring and testing 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 conducts ongoing reviews of its operations, including testing and measurement, by its own staff and on a selective basis by external environmental consultants. The Company does not anticipate any material costs, or any significant impact on its operations, to remain in compliance with environmental regulations. To the date of this MD&A there are no pending environmental audit assessments.

The operations of Universal are not generally expected to be significantly influenced by seasonal or cyclical factors.

The primary inputs for the waste composting operations are source-separated organics ("SSO") material, primarily organic kitchen waste, and wood. SSO material is currently secured under contract with two municipalities in the Greater Toronto Area. Wood is either purchased directly or sourced through receipt of construction and demolition ("C&D") material. Receipt of C&D material is not normally subject to contract and is generally expected to fluctuate with the overall level of construction and demolition activity in the area.

Universal's business is subject to various risks associated with the waste composting and material recycling industry, primarily with respect to environmental matters. Virtually all aspects of the operation of this business are subject to environmental protection regulations.

OTHER

Information with respect to transactions with related parties is disclosed in Notes 7, 8, 23 and 25 to the Consolidated Financial Statements.

The aggregate number of issued and outstanding Class A shares and Class B shares as at December 31, 2009 is disclosed in Note 15 to the Consolidated Financial Statements. There were no changes to share capital to the date of this MD&A.

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, 2009 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, 2009 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, 2009, the Company's internal control over financial reporting was effective.

There have been no changes in the Company's internal control over financial reporting that occurred during the period ended December 31, 2009 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, 2008 and Annual Information Form for the year ended December 31, 2009 may be found on SEDAR at www.sedar.com. The Company's Annual Report for the year ended December 31, 2009 and the Management Information Circular to be issued in connection with the Annual General Meeting of Shareholders to be held on May 12, 2010 will later be found on SEDAR at www.sedar.com.

OUTLOOK FOR 2010

New home sales increased considerably in the Company's Canadian market areas in the second half of 2009 compared to the latter part of 2008 and the early months of 2009. Consequently, housing starts are expected to increase in 2010 and the Company anticipates that sales of its clay brick and concrete masonry products will improve accordingly. Sales of landscape products are also expected to benefit from the improvement in general economic conditions in Canada.

The U.S. markets for both masonry and landscape products in 2010, however, are expected to remain challenging. While recent economic reports indicate that the U.S. economy has likely "bottomed-out", these reports also project only a gradual recovery, particularly with respect to new home construction.

Construction of the Company's new clay brick plant in Indiana was completed in early 2009 and commercial production began in April 2009. As noted above, current market conditions remain difficult. However, production costs at this state-of-the-art facility are expected to be among the lowest in the industry, product quality is high and customer acceptance of the new product offerings has been exceptional. As a result of these factors, and with the

introduction of targeted marketing strategies, the Company anticipates meaningful sales growth in 2010.

In June 2009, the Company completed an important refinancing of its debt by securing a new \$30,000 term loan with a new lender. The proceeds were utilized to repay a term bank loan and reduce bank operating advances. In addition, a \$9,000 subordinated secured debenture issue was completed in February 2010. These new financing arrangements have improved the Company's overall financial position by providing additional balance sheet strength and cash availability.

Universal's waste composting operations commenced in the second half of 2008. A number of challenges were encountered in 2009 during the start-up of this new business. As a result, the plant did not operate at capacity and additional costs were incurred. Management of Universal believes that these matters will be resolved.

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 the 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.

Consolidated Balance Sheets

(in thousands of dollars)

	December 31, 2009	December 31, 2008 (note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (note 9)	\$ 2,868	\$ 2,088
Accounts receivable	6,678	5,691
Inventories (note 1)	17,809	18,062
Income taxes recoverable	1,730	10
Future income taxes (note 18)	896	40
Other current assets	737	988
Promissory note receivable, current (notes 4(a) and 8)	1,335	3,358
	32,053	30,237
Property, plant and equipment, at cost (note 10)	251,138	194,157
Construction in progress	–	49,149
Less: Accumulated amortization	(97,158)	(86,308)
	153,980	156,998
Other assets		
Promissory note receivable, long-term (notes 4(a) and 8)	–	3,244
Property held for sale (note 7)	–	1,047
Future income taxes (note 18)	21	605
	21	4,896
	\$ 186,054	\$ 192,131
LIABILITIES		
Current liabilities		
Bank operating advances (note 12)	\$ 750	\$ 2,581
Accounts payable and accrued liabilities	10,866	15,146
Income taxes payable	1,572	2,579
Long-term debt, current portion (notes 14 and 25)	4,626	4,137
Derivative financial instruments, current (note 13)	867	834
Asset retirement obligation (note 1)	100	245
	18,781	25,522
Long-term debt, less current portion (notes 14 and 25)	37,583	25,521
Derivative financial instruments, non-current (note 13)	917	2,267
Future income taxes (note 18)	6,701	6,552
Asset retirement obligation (note 1)	827	496
	64,809	60,358
Non-controlling interests	1,446	2,526
SHAREHOLDERS' EQUITY		
Capital stock (note 15)	33,689	33,689
Contributed surplus (note 16)	1,359	1,173
Retained earnings	88,580	100,478
Accumulated other comprehensive loss	(3,829)	(6,093)
	119,799	129,247
	\$ 186,054	\$ 192,131

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

Approved by the Board of Directors

/s/Jeffrey G. Kerbel

Jeffrey G. Kerbel,
Director

/s/John M. Piecuch

John M. Piecuch,
Director

Consolidated Statements of Operations



(in thousands of dollars, except per share amounts)

Year ended December 31

	2009	2008 (note 2)
Net sales from continuing operations	\$ 59,978	\$ 81,476
Cost of goods sold	47,035	57,610
Selling, general and administrative expenses	10,949	13,402
Amortization	11,329	8,830
	69,313	79,842
Operating (loss) income from continuing operations before the undernoted items	(9,335)	1,634
Other income (expense)		
Interest on long-term debt	(2,520)	(1,322)
Other interest (expense) income (net)	(461)	415
Foreign currency exchange gain (loss)	539	(123)
Other	(317)	68
	(2,759)	(962)
(Loss) income from continuing operations before the following items	(12,094)	672
Goodwill impairment (note 11)	–	(6,711)
(Loss) gain on sale of property held for sale (note 7)	(190)	267
Loss on sale of promissory note (note 8)	(269)	–
Loss on derivative financial instruments (note 13)	(1,784)	–
Loss from continuing operations before income taxes and non-controlling interests	(14,337)	(5,772)
Recovery of (provision for) income taxes (note 18)		
Current	1,485	(1,871)
Future	959	(375)
	2,444	(2,246)
Loss from continuing operations before non-controlling interests	(11,893)	(8,018)
Non-controlling interests	(5)	(101)
Loss from continuing operations	(11,898)	(8,119)
Loss from discontinued operations (note 6)	–	(355)
Loss for the year	\$ (11,898)	\$ (8,474)
Loss per Class A and Class B share (note 17)		
Basic – from continuing operations	\$ (1.09)	\$ (0.75)
– for the year	\$ (1.09)	\$ (0.78)
Diluted – from continuing operations	\$ (1.09)	\$ (0.75)
– for the year	\$ (1.09)	\$ (0.78)

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

Consolidated Statements of Cash Flows

(in thousands of dollars)

Year ended December 31

	2009	2008 (note 2)
Cash provided by (used for) activities of continuing operations		
Operating activities		
Loss from continuing operations for the year	\$ (11,898)	\$ (8,119)
Items not affecting cash and cash equivalents		
Amortization and accretion	11,367	8,879
Future income taxes	(959)	375
Non-controlling interests	5	101
Unrealized foreign currency exchange gain	(305)	(313)
Loss on disposal of property, plant and equipment	118	–
Loss (gain) on sale of property held for sale (note 7)	190	(267)
Loss on sale of promissory note (note 8)	269	–
Loss on derivative financial instruments (note 13)	1,784	–
Goodwill impairment	–	6,711
Other	228	229
	799	7,596
Changes in non-cash operating items		
Accounts receivable	(1,015)	1,743
Inventories	253	4,547
Accounts payable and accrued liabilities	(456)	88
Income taxes payable (net)	(2,667)	1,173
Other	(24)	(253)
	(3,909)	7,298
Payments of asset retirement obligation	(340)	(893)
Cash provided by (used for) operating activities of continuing operations	(3,450)	14,001
Investing activities		
Purchase of property, plant and equipment	(11,013)	(48,967)
Proceeds from sale of promissory note (note 8)	3,793	–
Proceeds from promissory note	1,338	2,958
Proceeds from sale of property held for sale (note 7)	1,200	428
Proceeds from mortgage receivable	–	150
Proceeds from disposal of property, plant and equipment	3	13
Inter-company advances repaid by discontinued operations (note 6)	–	715
Cash used for investment activities of continuing operations	(4,679)	(44,703)
Financing activities		
Increase (decrease) in bank operating advances	(1,831)	1,931
Increase in term loans (note 14)	32,388	24,500
Repayment of term loans (note 14)	(20,345)	(4,451)
Payments on obligations under capital leases	(364)	(277)
Payment of dividends by subsidiary to non-controlling interests	(1,085)	(1,750)
Payment of dividends to shareholders	–	(2,189)
Proceeds from exercise of stock options	–	634
Class A shares repurchased	–	(365)
Cash provided by financing activities of continuing operations	8,763	18,033
Net cash provided by (used for) discontinued operations	(62)	490
Foreign exchange on cash held in foreign currency	208	407
Increase (decrease) in cash and cash equivalents	780	(11,772)
Cash and cash equivalents at the beginning of the year	2,088	13,860
Cash and cash equivalents at the end of the year	\$ 2,868	\$ 2,088
Supplementary information		
Interest paid	\$ 3,019	\$ 1,505
Income taxes paid	\$ 1,309	\$ 3,241

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

Consolidated Statements of Retained Earnings

(in thousands of dollars)

Year ended December 31

	2009	2008 (note 2)
Balance at the beginning of the year as previously reported	\$ 102,489	\$ 111,587
Impact of accounting standard changes under CICA Handbook Section 3064 applied retroactively (note 2)	(2,011)	(231)
Balance at the beginning of the year as restated	100,478	111,356
Loss for the year	(11,898)	(8,474)
Premiums paid on repurchase of capital stock (note 15)	–	(215)
Dividends	–	(2,189)
Balance at the end of the year	\$ 88,580	\$ 100,478

Consolidated Statements of Comprehensive Loss

(in thousands of dollars)

Year ended December 31

	2009	2008 (note 2)
Loss for the year	\$ (11,898)	\$ (8,474)
Other comprehensive income (loss)		
Gain (loss) on cash flow hedges, net of taxes (note 13)	702	(878)
Cumulative losses on derivatives designated as cash flow hedges at June 29, 2009 transferred to net income, net of taxes (note 13)	1,562	–
Comprehensive loss for the year	\$ (9,634)	(9,352)

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

Notes to Consolidated Financial Statements

December 31, 2009 and 2008 (in thousands of dollars, except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

These consolidated financial statements include the accounts of Brampton Brick Limited and its operating subsidiaries, Brampton Brick Inc., Oaks Concrete Products Inc., Da Vinci Stone Craft Ltd., 1329171 Ontario Limited and 1312082 Ontario Limited (65% owned – formerly Medical Waste Management Inc.). The Company's interest in Universal Resource Recovery Inc. (a 50-50 joint venture of the Company) ("Universal") is accounted for using the proportionate consolidation method. All significant intercompany transactions and balances have been eliminated.

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The assets and liabilities, operating results and cash flows relating to the former medical waste operations and SharpSmart Canada Limited business have been classified as discontinued operations.

REVENUE RECOGNITION

For masonry and landscape product sales, revenue is recognized when goods are shipped to customers. Sales discounts, including prompt payment discounts, sales incentives and volume rebates to customers, are classified under net sales.

Revenue from waste recycling comprises tipping fees received for receipt, mixing and composting of source separated organics ("SSO") and for sorting and disposal of construction and demolition ("C&D") waste. Revenue is recognized upon performance of the service.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash and short-term deposits with original maturities of three months or less.

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.

Inventories are classified as follows:

	2009 \$	2008 \$
Merchandise	14,087	14,207
Raw materials and production supplies	3,722	3,855
	17,809	18,062

PROPERTY, PLANT AND EQUIPMENT

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

Land improvements	10% to 20%
Buildings	2.5% to 10%
Machinery and equipment	5% to 33%
Mobile equipment	10% to 25%

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

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An estimate of undiscounted future cash flows produced by the assets, or the appropriate grouping of assets, is compared with the carrying value to determine whether an impairment exists. If an impairment is determined to exist, the assets are written down to fair value.

ASSET RETIREMENT OBLIGATION

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.

In determining the present value of the asset retirement obligations, the estimated cash flows have been discounted using credit-adjusted risk-free interest rates ranging from 2.5% to 5.5%. The total undiscounted amount of the estimated cash flows required to settle the obligation is \$1,062. The obligation will be settled over a one to six year period and is 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 obligation:

	2009 \$	2008 \$
Balance at the beginning of the year	741	1,048
Increase in obligation	487	537
Payments during the year	(340)	(893)
Accretion expense	39	49
Balance at the end of the year	927	741
Less: Payments due within one year – current portion	100	245
	827	496

GOODWILL

Goodwill represents the excess of the purchase price over the estimated fair value of the assets acquired of the Company's subsidiaries. Goodwill is not amortized but is reviewed for impairment annually, or more frequently if impairment indicators arise, based on an assessment of the fair value of the related business unit.

The Company uses discounted expected future cash flows to determine the fair value of the related business unit. Goodwill impairment is then assessed based upon a comparison of the fair value of the Company's related business unit to the fair values of the business unit's net assets, including goodwill. A goodwill impairment loss is recognized in net income if the fair value of the goodwill is less than its carrying amount.

INCOME TAXES

Future income taxes are provided on the asset and liability method whereby future income tax assets are recognized for deductible temporary differences and operating loss or tax credit carry-forwards, and future income tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the amounts of assets and liabilities recorded for income tax and financial reporting purposes. The income tax expense or benefit is the income tax payable or recoverable for the year plus or minus the change in future income tax assets and liabilities during the year. These are measured using the substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets and liabilities are expected to be settled or realized. Valuation allowances are provided to the extent that it is more likely than not that the future income tax assets may not be realized.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities and revenues and expenses arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Foreign exchange gains or losses arising from the translation are included in operations.

Integrated subsidiaries are accounted for under the temporal method. Under this method, monetary assets and liabilities of subsidiaries are translated into Canadian dollars at the exchange rate in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at the exchange rate in effect at the date of the transaction. Revenues and expenses are translated at average exchange rates prevailing during the period. Resulting unrealized gains or losses are recorded through the consolidated statements of operations.

LEASES

Leases are classified as capital or operating depending upon the terms and conditions of the contracts. Leases that transfer substantially all of the risks and benefits of ownership to the Company and meet the criteria for capital leases set out in The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3065, *Leases*, are accounted for as an acquisition of an 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 capital leases are amortized on a straight-line basis over the period of expected use. Obligations recorded under capital leases are reduced by lease payments net of imputed interest. Lease rentals under operating leases are expensed over the lease term on a straight-line basis.

DILUTED EARNINGS PER SHARE

The Company uses the treasury stock method for purposes of calculating the dilutive effect of outstanding stock options.

Under the treasury stock method, 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.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

Stock options granted after January 1, 2002 are accounted for under the fair value method. Under this method, compensation expense is measured at the estimated fair value at the grant date using the Black-Scholes option pricing model and recognized over the vesting period with a corresponding credit to contributed surplus. Stock options granted prior to January 1, 2002 continue to be accounted for using the intrinsic value method, which does not give rise to compensation expense.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of the contingent assets and liabilities at the dates of the consolidated financial statements and revenues and expenses for the periods reported. The most significant assumptions made by management in the preparation of the consolidated financial statements relate to the annual test for impairment of goodwill to assess if there is other than a temporary decline; the test for impairment of long-lived assets; the valuation of future income tax assets; and, the determination of the asset retirement obligation. Actual results could differ from those estimates.

FINANCIAL INSTRUMENTS

All financial assets are classified as held for trading, held-to-maturity investments, loans and receivables or available-for-sale categories. Also, all financial liabilities must be classified as held for trading or other financial liabilities. All financial instruments are recorded on the consolidated balance sheets at fair value on inception. After initial recognition, the financial instruments should be measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which should be measured at amortized cost. The effective interest related to the financial liabilities and the gain or loss arising from a change in the fair value of a financial asset or financial liability classified as held for trading is included in net income for the period in which it arises. If a financial asset is classified as available-for-sale, the gain or loss should be recognized in other comprehensive income until the financial asset is derecognized and the cumulative gain or loss is then recognized in net income.

All derivatives, including embedded derivatives that must be separately accounted for, must be recorded at fair value in the consolidated balance sheets. Additionally, the Emerging Issues Committee (“EIC”) Abstract 173 of the CICA Handbook, *Credit Risk and Valuation of Financial Assets and Financial Liabilities*, requires that the credit quality of a financial instrument should be taken into account in determining fair value for a financial instrument. This requires that the credit risk of the entity and the credit risk of the counterparty be taken into account in determining the fair value of financial liabilities, including derivative instruments. The changes in fair value must be recorded in the consolidated statements of operations, except as described in the next paragraph for certain hedging derivatives.

Derivative instruments specifically designated as a hedge and meeting the criteria for hedge effectiveness may offset changes in fair values or cash flows of hedged items. A hedge must be designated as a cash flow hedge, fair value hedge, or a hedge of net investments in self-sustaining foreign operations. A fair value hedge requires the change in fair value of the hedging derivative and the change in fair value of the hedged item relating to the hedged risk to both be recorded in the consolidated statements of income. A cash flow hedge requires the change in fair value of the derivative, to the extent effective, to be recorded in other comprehensive income, which is reclassified to the consolidated statements of income when the hedged transaction impacts earnings or is settled. The ineffective portion of the derivative must be recorded in net income. The notional amounts of the derivatives represent the amount to which a rate or price is applied in order to calculate the amount of cash that must be exchanged under the contract. Notional amounts do not represent assets or liabilities and therefore are not recorded in the consolidated balance sheets. When the hedge accounting relationship is discontinued because the hedging item ceases to exist due to its maturity, expiry, sale, termination, cancellation or exercise for a cash flow hedge of an anticipated transaction, any gains, losses, revenues or expenses associated with the hedging item continue to be reported in accumulated other comprehensive income until the related hedged item is settled.

The accumulated gains and losses recognized in other comprehensive income are included in the initial carrying amount of the asset acquired or liability incurred where the hedged transaction results in the recognition of a non-financial asset or non-financial liability or recognized in net income where the hedged transaction results in the recognition of a financial asset or financial liability.

2. CHANGES IN ACCOUNTING POLICIES

On January 1, 2009, the Company adopted the new CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces CICA Handbook Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development*. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. CICA Handbook Section 1000, *Financial Statement Concepts*, is amended to clarify criteria for recognition of an asset while EIC 27, *Revenues and Expenditures During the Pre-Operating Period*, is no longer applicable for entities that have adopted CICA 3064. CICA Accounting Guideline (AcG) 11, *Enterprises in the Development Stage*, is also amended to delete references to deferred costs and to provide guidance on development costs as intangible assets under CICA 3064.

Deferred costs pertaining to the pre-production period of the Indiana plant amounted to \$1,832 and \$8 as at December 31, 2008 and 2007, respectively, and were included in Other assets. Similarly, the Company's share of the unamortized balance of start-up costs related to Universal amounted to \$179 and \$223 as at December 31, 2008 and 2007, respectively, and were also included in Other assets.

This standard has been adopted on a retroactive basis and accordingly, opening retained earnings as at January 1, 2009 and January 1, 2008 have been adjusted by \$2,011 and \$231, respectively, to expense all previously deferred pre-operating costs. The loss for the year ended December 31, 2008, has been increased by \$1,780 to expense the pre-operating costs incurred in that period.

In 2009, the Company adopted the amendments to Section 3862, *Financial Instruments – Disclosures*. These amendments resulted in enhanced disclosures regarding fair value measurement including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The adoption of these amendments impacted disclosures in the financial statements. See Note 4, Financial Instruments.

In 2009, Section 3855, *Financial Instruments – Recognition and Measurement*, was amended. The amendment clarified the calculation of the effective interest rate method which is a method of calculating the amortized cost of financial assets and financial liabilities and of allocating the interest income or interest expense over the relevant period. The impact of the clarification had no effect on the Company's financial statements.

The CICA issued Abstract EIC – 173, *Credit Risk and the Fair Value of Financial Assets*, which states that the Company's own credit risk and the credit risk of the counterparty should be taken into consideration in determining the fair value of financial assets and financial liabilities, including derivative instruments. The Abstract was effective January 20, 2009. The Company is in compliance with the Abstract when determining the fair value of its financial assets and financial liabilities.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2011 the Company will be required to prepare and report its financial statements in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter ending March 31, 2011. The 2010 comparative information to be included with the 2011 interim and annual financial statements must also be prepared utilizing IFRS. However, throughout 2010, including the 2010 year-end, the Company's financial statements will continue to be reported in accordance with current GAAP.

The Company has not yet completed its evaluation of the various accounting policy choices and alternative methodologies provided under IFRS. Consequently, the full financial impact of adopting IFRS cannot be determined at this time.

4. FINANCIAL INSTRUMENT DISCLOSURES

The Company's financial instruments recorded in the consolidated balance sheets include cash and cash equivalents, accounts receivable, promissory note receivable, bank operating advances, accounts payable and accrued liabilities, promissory note payable and long-term debt. Cash and cash equivalents were classified as held for trading. Accounts receivable and the promissory note receivable were classified as loans and receivables. Accounts payable and accrued liabilities, bank operating advances, promissory note payable and long-term debt were classified as other financial liabilities. Excluding long-term debt, the carrying values approximate their fair values at both December 31, 2009 and December 31, 2008 due to the short-term maturity of these financial instruments. Long-term debt with a carrying value of \$41,162 has an estimated fair value of approximately \$41,730. The promissory note receivable has been discounted to its estimated fair value. Derivative financial instruments are marked to market each reporting period and accounted for as described in Note 13.

A) CREDIT RISK

The Company has credit risk exposure with respect to accounts receivable and the promissory note receivable. The Company also has credit risk with respect to its cash and cash equivalents and the counterparties to its financial instruments.

i) Accounts receivable

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 and the financial statements take into account an allowance for bad debts. At December 31, 2009, four customers represented approximately 46.9%, in total, (2008 – two customers 37.6%) of the Company's accounts receivable. Sales to these customers represented 22.8% (2008 – 19.5%) of the Company's net sales.

The Masonry Products business segment is characterized by a relatively small number of customers with higher average balances outstanding. Accounts receivable attributable to this business segment represented approximately 75.7% (2008 – 63.8%) of consolidated accounts receivable outstanding as at December 31, 2009.

The Landscape Products business segment is characterized by a larger number of customers with lower average balances outstanding. This business segment represented approximately 18.2% (2008 – 28.6%) of consolidated accounts receivable outstanding as at December 31, 2009.

Other accounts receivable accounted for the remaining 6.1% (7.6%).

In aggregate, approximately 91.5% (2008 – 87.3%) was due in Canadian dollars from Canadian based customers and 8.5% (2008 – 12.7%) was due in U.S. dollars from U.S. based customers.

Accounts receivable that were past due as at December 31, 2009 totaled \$1,884 (2008 – \$2,257), of which \$1,499 (2008 – \$1,722) was less than three months past due, \$45 (2008 – \$112) was more than three months but less than six months past due and \$340 (2008 – \$423) was more than six months but less than one year past due.

Of the past due amount, accounts totaling \$401 (2008 – \$606) were considered to be impaired and were provided for in the allowance for doubtful accounts. Changes in the allowance for doubtful accounts were as follows:

	2009 \$	2008 \$
Balance at the beginning of the year	606	417
Accounts added	278	600
Accounts removed	(269)	(347)
Accounts written off	(177)	(105)
Exchange rate change on opening balance	(37)	41
Balance at the end of the year	401	606

ii) Promissory note receivable

The promissory note receivable arose on the sale of the medical waste assets and business operations in October 2007. At December 31, 2009, the Company's share of the outstanding principal amount was \$1,335 (December 31, 2008 – \$6,602) which is due October 2010, bears interest at a fixed rate of 3.5% per annum and has been discounted for accounting purposes at an effective rate of 5.0% per annum. The principal and interest are secured by a letter of credit from a major financial institution (see Note 8).

iii) 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 was as follows:

	2009 \$	2008 \$
Due within 3 months	14,942	17,451
Due within 4 to 6 months	439	812
Due within 7 to 12 months	887	3,671
Due within 1 to 5 years	17,316	24,320
Due over 5 years	21,049	1,320
	54,633	47,574

Non-derivative financial liabilities include bank operating advances, accounts payable and accrued liabilities and long-term debt.

The summary of contractual maturities applicable to undiscounted derivative financial liabilities was as follows:

Interest rate swap (net floating to fixed)	2009 \$	2008 \$
Due within 3 months	233	177
Due within 4 to 6 months	231	221
Due within 7 to 12 months	404	439
Due within 1 to 6 years	918	2,276
Net cash outflows on interest rate swap	1,786	3,113

At December 31, 2009, the Company had operating credit facilities totaling up to \$17,450 (reduced to \$12,700 subsequent to December 31, 2009), of which \$1,106 had been utilized including letters of credit of \$356. In addition, the Company's proportionate share of operating credit facilities of Universal was \$2,500, of which \$562 had been utilized for letters of credit.

The Company expects that future cash flows from operations, cash and cash equivalents on hand, the proceeds from the promissory note receivable and the unutilized balances of its credit facilities will be sufficient to satisfy these obligations as they become due. The Company also expects some of its liabilities to be paid later than the earliest date on which they may be required to be paid. In addition, on February 26, 2010 the Company completed a new subordinated debenture financing which resulted in net cash proceeds of \$7,900 (see Note 25).

C) MARKET RISK

i) Foreign exchange rates

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

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

	U.S. \$	Euros €
December 31, 2008	1.2246	1.7046
December 31, 2009	1.0466	1.5000
High - 2009	1.3000	1.6920
Low - 2009	1.0292	1.4936
Month-end average - 2009	1.1420	1.5855

Variances in the rate of exchange of U.S. \$0.15 and €0.10 are considered reasonably possible.

At December 31, 2009, the Company had net monetary liabilities denominated in U.S. dollars totaling U.S. \$675 and monetary liabilities denominated in euros totaling €432. A variance of U.S. \$0.15 and €0.10 in the December 31, 2009 rates of exchange would have resulted in the loss before income taxes being approximately \$145 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 at December 31, 2009 and December 31, 2008.

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, 2009 and 2.25% on December 31, 2009 and averaged 2.40% for the year. A variance in interest rates of 0.50% is considered reasonably possible.

At December 31, 2009, the Company had a total of \$8,268 of variable interest rate bearing debt outstanding. A variance of 0.50% in the rate of interest would have resulted in the loss before income taxes being approximately \$41 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. The 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, 2009, the Company holds an interest rate swap contract with a notional principal amount of \$20,000 as described in Note 13.

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 taken into income. There were no contracts outstanding as at December 31, 2009 and December 31, 2008.

D) FAIR VALUE HIERARCHY

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

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

The Company's derivative interest rate swap contract is carried at fair value (see Note 13). 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.

5. CAPITAL DISCLOSURES

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 funded debt to adjusted capital ratio. This ratio is calculated as net funded debt divided by adjusted capital. Net funded debt is calculated as total interest-bearing debt as shown in the consolidated balance sheets less cash and cash equivalents. Adjusted capital comprises all components of equity other than amounts included in accumulated other comprehensive loss.

The Company's objective is to maintain the net funded debt to adjusted capital ratio at less than 0.4:1. The net funded debt to adjusted capital ratios at December 31, 2009 and December 31, 2008 were as follows:

	2009 \$	2008 \$
Bank operating advances	750	2,581
Long-term debt	42,209	29,658
Less: Cash and cash equivalents	(2,868)	(2,088)
Net funded debt	40,091	30,151
Capital stock	33,689	33,689
Contributed surplus	1,359	1,173
Retained earnings	88,580	100,478
Adjusted capital	123,628	135,340
Net funded debt to adjusted capital ratio	0.32:1	0.22:1

As at December 31, 2009 and December 31, 2008, the Company's objective with respect to the net funded debt to adjusted capital ratio was achieved.

6. SALE OF SHARPSMART CANADA LIMITED AND DISPOSAL OF MEDICAL WASTE ASSETS

On April 21, 2008, the Company sold its joint venture interest in Sharpsmart Canada Limited, excluding the Company's interest in certain small quantity generator accounts which were disposed of effective September 1, 2008 as noted below. In accordance with CICA Handbook Section 3475, *Disposal of Long-Term Assets and Discontinued Operations*, the assets and liabilities, operating results and cash flows of these businesses were classified as discontinued operations.

The aggregate sale proceeds of \$1,180 included the repayment of shareholder advances of \$715, proceeds from the sale of shares of \$385 and proceeds from the sale of certain other assets of \$80.

Certain financial information with respect to discontinued operations for the year ended December 31, 2008 was as follows:

	2008 \$
Discontinued operations	
Net sales	632
Amortization of property, plant and equipment	49
Operating loss	(119)
Other expense	(619)
Income tax recovery	310
Non-controlling interests	150
Loss from discontinued operations	(278)
Loss on sale of medical waste assets	(375)
Gain on sale of Sharpsmart operations	255
Income tax recovery	2
Non-controlling interests	41
Loss on sale of medical waste assets and Sharpsmart	(77)
Total loss from discontinued operations	(355)

On a per share basis the total loss from discontinued operations was \$0.03.

During the second quarter of 2008, the Company agreed to settle a dispute with the purchaser of the medical waste assets and business operations sold in October, 2007 by reducing the principal amount of the \$10,000 promissory note by \$375 and by transferring to the purchaser, effective September 1, 2008, the Company's interest in certain small quantity generator accounts which it had retained as part of the sale of its interest in Sharpsmart. The Company also recorded a provision of \$625 with respect to certain other expenditures expected to be incurred.

7. SALE OF PROPERTY HELD FOR SALE

All of the remaining properties held for sale were sold on June 17, 2009 for net proceeds of \$1,200, resulting in a loss of \$190, after deducting additional costs of \$343 incurred prior to disposition. Two directors of the Company held a minority interest in the purchaser. During the year ended December 31, 2008, certain properties were sold for net proceeds of \$428, resulting in a gain of \$267.

8. SALE OF PROMISSORY NOTE

On April 9, 2009, the Company sold an undivided, co-ownership interest, representing approximately 59.9%, in the proceeds of the promissory note receivable, including future interest payments, for cash proceeds of \$3,793, resulting in a loss of \$269. The Company has provided a guarantee to secure repayment of the proceeds to the purchaser in the event of default. Three directors of the Company have a minority interest in the purchaser.

9. CASH AND CASH EQUIVALENTS

	2009 \$	2008 \$
Cash on hand and balances with banks	272	2,088
Short term investments	2,596	-
Cash and cash equivalents	2,868	2,088

10. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	2009		
	Cost \$	Accumulated amortization \$	Net \$
Land, land improvements and quarries	41,150	10,173	30,977
Buildings	34,227	7,750	26,477
Machinery and equipment – purchased	170,809	75,588	95,221
– leased	195	6	189
Mobile equipment – purchased	383	289	94
– leased	4,374	3,352	1,022
Total property, plant and equipment	251,138	97,158	153,980

	2008		
	Cost \$	Accumulated amortization \$	Net \$
Land, land improvements and quarries	34,589	9,329	25,260
Buildings	25,826	6,736	19,090
Machinery and equipment	129,528	66,989	62,539
Mobile equipment – purchased	321	277	44
– leased	3,893	2,977	916
Total property, plant and equipment	194,157	86,308	107,849
Construction in progress	49,149	–	49,149
Total	243,306	86,308	156,998

During the year, property, plant and equipment were acquired at an aggregate cost of \$8,432 (2008 – \$51,221) of which \$195 (2008 – \$1,213) was acquired by means of capital leases and \$730 (2008 – \$118) was acquired through vendor financing.

11. GOODWILL

As at December 31, 2008 the Company performed its annual test for impairment of goodwill in accordance with the recommendation of CICA Handbook Section 3062, *Goodwill and Other Intangible Assets*. As a result of this test, management determined that there had been an impairment in the carrying value of goodwill and, accordingly, wrote off the remaining amount of \$6,711 as at December 31, 2008.

12. BANK OPERATING ADVANCES

Bank operating credit facilities of the Company are demand facilities and are secured primarily by accounts receivable 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 may borrow is determined based on standard margin formulas for accounts receivable and inventories, which amount is reduced by the amount of the mark-to-market exposure of the interest rate swap contract.

Aggregate credit facilities at December 31, 2009 totaled \$17,450 which was reduced to \$12,700 subsequent to December 31, 2009. Utilization as at December 31, 2009 totaled \$1,106, including \$356 for outstanding letters of credit, and the mark-to-market exposure on the interest rate swap contract was \$1,784.

Universal's operating and term credit facilities are secured by substantially all of its assets and undertakings and a guarantee in the amount of \$6,500 from each of the joint venture partners.

Borrowings under the demand operating facility are available by way of a combination of overdrafts of up to \$3,000 and letters of credit of up to \$3,000, subject to an overall maximum of \$5,000. Overdrafts are further limited to the lesser of: (i) 75% of under 90 day accounts receivable minus the face value of letters of credit in excess of \$1,000, and (ii) \$3,000. As at December 31, 2009, \$1,123 had been utilized through the issuance of letters of credit. The Company's proportionate share was \$562.

13. DERIVATIVE FINANCIAL INSTRUMENTS

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. The notional principal amount reduces 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 is 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 income (loss). For the year ended December 31, 2008, the Company recorded an unrealized loss of \$2,418 less related income taxes of \$627 in other comprehensive income (loss). The cumulative fair value of the swap contract as at December 31, 2008 (a liability of \$3,101), less related income taxes of \$837, was included in accumulated other comprehensive loss.

For the period January 1, 2009 through June 29, 2009, the Company recorded an unrealized gain of \$962, less related income taxes of \$260, in other comprehensive income (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 are reflected in current period earnings. As at December 31, 2009 the fair value of the interest rate swap was a liability of \$1,784 of which \$867 (December 31, 2008 – \$834) and \$917 (December 31, 2008 – \$2,267) have been classified as current and non-current derivative financial liabilities, respectively.

As at January 1, 2008, the Company had U.S. dollar foreign exchange forward contracts totaling U.S. \$16,100 to hedge the underlying exposure on a portion of its anticipated future cash outflows. These contracts were designated as effective cash flow hedges. During 2008, a gain of \$913, not affecting period earnings, was recorded in other comprehensive income (loss) and an exchange gain of \$5 was recorded on the ineffective portion. All of the contracts were executed prior to December 31, 2008 and the Company reclassified \$2,790 from Accumulated other comprehensive loss to the carrying value of the non-financial asset.

14. LONG-TERM DEBT

Long-term debt consists of the following:

	2009 \$	2008 \$
Promissory note	3,000	3,000
Term loan – due June 2016, instalments commence in July 2011	29,432	–
Term bank loan settled June 2009	–	17,000
Term bank loan due June 2014, instalments commence in January 2010	5,000	5,000
Term bank loan due April 2019, instalments commence in January 2010	2,500	2,500
Term loan – €432 due September 2012, instalments commenced October 2009	649	–
Other term loans	581	862
Obligations under capital leases	1,047	1,296
	42,209	29,658
Less: Payments due within one year – current portion	4,626	4,137
	37,583	25,521

All amounts are Canadian dollars unless otherwise stated.

The \$3,000 promissory note is unsecured and bears interest at 5.00%. This note was due in December 2009 but was refinanced as described under Note 25.

On June 29, 2009, the Company completed a new \$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 due June, 2016 is secured primarily by real estate and production equipment of the Company's Masonry Products and Landscape Products business segments in both Canada and the U.S. and requires interest payments only for the first two years. Principal repayments commence 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, 2009 the unamortized transaction costs were \$568.

The term loan agreement contains various financial covenants. Due to the seasonality of the Company's primary business segments and the low level of residential construction activity, the Company anticipated that it may not be able to maintain compliance with the minimum interest coverage requirement, which is calculated quarterly based on operating results for the previous four quarters, as at December 31, 2009 and through the first half of 2010. Consequently, the Company sought and obtained an amendment to this financial covenant. As at December 31, 2009, the Company was in compliance with the amended financial covenant and anticipates that it will maintain compliance with all financial covenants in 2010.

The term bank loans due June 2014 and April 2019 represent the Company's proportionate share of term bank loans of Universal. These loans bear interest on a floating rate basis of bank prime plus a credit spread of 1.50% to 2.00% depending on Universal's ratio of Total Debt to Tangible Net Worth as those terms are defined in the bank credit agreement. As at December 31, 2009, the credit spread was 1.75% and the aggregate rate of interest was 4.00%.

In April 2009, Universal's term loan facility was amended to commence monthly principal repayments in January 2010. Previously, the repayments were scheduled to commence in May 2009. Payments under the \$5,000 term bank loan due June 2014 are due in monthly instalments of \$66 plus interest from January 2010 to May 2014 and a balloon payment of \$1,500 plus interest in June 2014. Payments under the \$2,500 term bank loan due April 2019 are due in monthly instalments of \$23 plus interest from January 2010 to April 2019.

Universal's credit agreement contains various financial covenants. As a result of the losses being incurred in 2009, which were due to the additional costs incurred during the commissioning and start-up phase of this new operation and the temporary suspension of composting operations for a portion of the year, Universal anticipated that it would not be in compliance with the debt service coverage requirement which was to become effective for the first time for the year ended December 31, 2009. Consequently, Universal sought and obtained an amendment to this covenant. As at December 31, 2009 Universal was in compliance with its financial covenants and anticipates that it will be able to maintain compliance throughout 2010.

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

Repayments on long-term debt (excluding capital leases) include the following:

	\$
2010	4,400
2011	3,931
2012	3,873
2013	3,667
2014	4,718
Thereafter	21,400
Total long-term debt repayments	41,989
Less: Amount representing interest	827
Present value of long-term debt repayments including \$4,312 classified as current	41,162

Obligations under capital leases include the following:

	\$
Future minimum lease payments	
2010	360
2011	328
2012	387
2013	47
2014	20
Total minimum lease payments	1,142
Less: Amount representing interest	95
Present value of minimum lease payments including \$314 classified as current	1,047

The weighted average effective interest rate for obligations under capital leases during 2009 was approximately 4.80% (2008 – 5.12%).

15. CAPITAL STOCK

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.

No dividends were paid in 2009. In 2008 dividends on Class A shares and Class B shares were paid at the rate of \$0.10 per share on June 30, 2008 to shareholders of record on June 15, 2008 and at the rate of \$0.10 per share on December 31, 2008 to shareholders of record on December 15, 2008.

At December 31, 2009, the issued and outstanding shares consisted of 8,507,554 Class A shares (December 31, 2008 – 8,507,554) and 2,429,000 Class B shares (December 31, 2008 – 2,429,000).

Changes in the Class A shares during the year were as follows:

	2009		2008	
	Number of shares (thousands)	Stated capital \$	Number of shares (thousands)	Stated capital \$
Balance at the beginning of the year	8,508	33,687	8,425	33,203
Options exercised	–	–	121	634
Class A shares purchased and cancelled	–	–	(38)	(150)
Balance at the end of the year	8,508	33,687	8,508	33,687

With respect to the Class B shares, there were no changes in the number of shares outstanding of 2,429,000 and the stated capital of \$2 during 2009 or 2008.

No Class A shares were purchased in 2009. In 2008, 37,800 Class A shares were purchased under the Company's Normal Course Issuer Bid at a weighted average price of \$9.66. This resulted in a premium of \$215. All of the Class A shares purchased in 2008 were cancelled.

16. STOCK-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 (2008 – 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, 2009, a total of 374,865 (2008 – 487,365) stock options were available for grant under the Plan.

On April 3, 2009, the Company granted stock options to eight senior officers and to all non-management members of the Board of Directors of the Company to acquire an aggregate of 112,500 Class A shares at the market price of \$4.99 per share. 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.

As of the date of the grant, the fair value of each stock option granted was estimated to be \$0.83, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.34%
Expected life	7.9 years
Volatility	27%
Expected dividend yield	4%

The total stock-based compensation cost for the year ended December 31, 2009 with respect to all stock options granted after January 1, 2002 was \$186 (2008 – \$265). The Company did not record a compensation cost with respect to stock options granted prior to January 1, 2002, of which 7,500 options remain outstanding as at December 31, 2009.

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:

	2009		2008	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance at the beginning of the year	366,900	12.34	386,900	10.66
Granted during the year	112,500	4.99	105,500	10.51
Exercised during the year	–	–	(120,500)	5.26
Forfeited during the year	–	–	(5,000)	14.13
Balance at the end of the year	479,400	10.62	366,900	12.34

At December 31, 2009, outstanding stock options were as follows:

Number of shares	Option price \$	Expiry
7,500	6.75	2011
17,500	13.75	2012
44,000	14.60	2014
17,500	14.50	2014
43,500	14.00	2015
25,000	11.55	2015
32,400	11.50	2016
74,000	13.00	2017
105,500	10.51	2018
112,500	4.99	2019
479,400		

As at December 31, 2009, a total of 290,020 (2008 – 211,440) options were fully vested and exercisable by the holders thereof at a weighted average exercise price of \$12.12 (2008 – \$12.94).

17. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding during the year. As referred to in Note 1, the diluted loss per share is calculated to reflect the dilutive effect of the exercise of the outstanding stock options.

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

Continuing operations	2009			2008		
	Loss \$	Shares (thousands)	Per share amount \$	Loss \$	Shares (thousands)	Per share amount \$
Basic loss per share	11,898	10,937	1.09	8,119	10,928	0.75
Dilutive effect of options ⁽¹⁾		–	0.00		28	0.00
Diluted loss per share		10,937	1.09		10,956	0.75

Total	2009			2008		
	Loss \$	Shares (thousands)	Per share amount \$	Loss \$	Shares (thousands)	Per share amount \$
Basic loss per share	11,898	10,937	1.09	8,474	10,928	0.78
Dilutive effect of options ⁽¹⁾		–	0.00		28	0.00
Diluted loss per share		10,937	1.09		10,956	0.78

(1) Excludes the effect of 359,400 options (2008 – 359,400) to purchase Class A Subordinate Voting shares that are anti-dilutive.

18. INCOME TAXES

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

	2009		2008	
	\$	%	\$	%
Income taxes calculated at statutory federal and provincial income tax rates – 33.0% (2008 – 33.5%)	4,731	33.0	1,932	33.5
Increase (decrease) in rate resulting from				
Manufacturing and processing profits deduction	(93)	(0.7)	58	1.0
Tax rate difference in foreign subsidiary	375	2.6	375	6.4
Difference in future income tax rates	543	3.8	–	–
Change in valuation allowance	(2,854)	(19.9)	(3,181)	(54.6)
Non-deductible portion of goodwill	–	–	(994)	(17.1)
Other non-taxable and non-deductible items	(258)	(1.8)	(436)	(9.1)
Effective recovery of (provision for) income taxes	2,444	17.0	(2,246)	(39.9)

Future income taxes applicable to temporary differences are as follows:

	2009	2008
	\$	\$
Depreciable property, plant and equipment	(11,607)	(9,882)
Losses and investment tax credits available for carry-forward	13,573	8,143
Cumulative eligible capital	3,550	4,382
Other	240	721
	5,756	3,364
Less: Valuation allowances	(11,540)	(9,271)
	(5,784)	(5,907)
Future tax asset – current	896	40
Future tax asset – long-term	21	605
Future tax liability	(6,701)	(6,552)
	(5,784)	(5,907)

Valuation allowances were recorded on the following non-capital losses carried forward:

Year of expiry	\$
2024	2,740
2025	3,443
2026	3,443
2027	2,296
2028	8,445
2029	6,410
	26,777

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

Year of expiry	\$
2010	98
2011	550
2015	480
2026	373
2027	285
2028	116
2029	593
	2,495

19. 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 totaled \$396 (2008 – \$450).

20. OPERATING SEGMENT DISCLOSURES

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.

Other business operations and assets consist primarily of the Company's 50% joint venture interest in Universal, the promissory note receivable and property held for sale.

MASONRY PRODUCTS

Manufacture of clay brick and a range of concrete masonry products including stone veneer, window sills and concrete brick 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.

Accounting policies for the operating segments are the same as those described in Note 1.

Segmented information, with comparative information for 2008, is as follows:

				2009
	Masonry \$	Landscape \$	Other \$	Total \$
Net sales to external customers	36,840	20,276	2,862	59,978
Amortization of property, plant and equipment	8,452	2,076	801	11,329
Consolidated operating loss	(4,730)	(2,866)	(1,739)	(9,335)
Other expense (net)				(2,759)
Loss on sale of promissory note				(269)
Loss on sale of property held for sale				(190)
Loss on discontinued hedge accounting				(1,784)
Income tax recovery				2,444
Non-controlling interests				(5)
Loss from continuing operations				(11,898)
				2008
	Masonry \$	Landscape \$	Other \$	Total \$
Net sales to external customers	59,977	20,636	863	81,476
Amortization of property, plant and equipment	6,195	2,456	179	8,830
Consolidated operating income (loss)	7,530	(5,271)	(625)	1,634
Other expense (net)				(962)
Goodwill impairment		(6,711)		(6,711)
Gain on sale of property held for sale				267
Income tax provision				(2,246)
Non-controlling interests				(101)
Loss from continuing operations				(8,119)

	2009		
	Masonry and Landscape \$	Other \$	Total \$
Additions to property, plant and equipment	7,028	1,404	8,432
Consolidated total assets	169,203	16,851	186,054

	2008		
	Masonry and Landscape \$	Other \$	Total \$
Additions to property, plant and equipment	41,010	10,211	51,221
Total segment assets	169,921	21,163	191,084
Property held for sale			1,047
Consolidated total assets			192,131

Assets do not form a part of management's evaluation of performance of individual business segments and therefore are not reported on a segmented basis.

Geographical information is as follows:

	2009		2008	
	Net Sales \$	Property, plant and equipment \$	Net Sales \$	Property, plant and equipment \$
Canada	52,920	89,296	74,250	97,647
United States	7,058	64,684	7,226	59,351
	59,978	153,980	81,476	156,998

21. INVESTMENT IN JOINT VENTURE

The Company's share of the assets, liabilities, revenues and expenses and cash flows for its joint venture investment in Universal for the year ended December 31, 2009, with comparative information for 2008, is as follows:

	2009 \$	2008 \$
Current assets	578	541
Long-term assets	13,019	12,417
Current liabilities	2,299	1,653
Long-term liabilities	6,612	7,070
Revenues	2,862	863
Net loss	(1,996)	(717)
Cash flow generated from (used in)		
Operating activities	(832)	(702)
Financing activities	2,560	10,165
Investing activities	(1,790)	(9,493)

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

Universal has provided security for performance guarantees with certain regulatory and municipal government bodies in the form of letters of credit. The Company's proportionate share is \$562.

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

22. COMMITMENTS AND CONTINGENCIES

Future minimum lease payments due under mobile equipment and vehicle operating leases are as follows:

	\$
2010	171
2011	108
2012	67
2013	33
	379

As at December 31, 2009, the Company (excluding Universal) had commitments with suppliers to purchase production equipment totaling \$616.

The Company normally enters into supply and transportation contracts for natural gas to cover future requirements. As at December 31, 2009, the Company had contracted for its estimated 2010 natural gas supply requirements at an aggregate estimated cost of \$3,293 none of which was at fixed prices, and for its estimated 2010 transportation requirements at an aggregate estimated cost of \$605, of which approximately 82% was at fixed prices. The potential unrealized gain on the fixed price contracts was approximately \$29 (2008 – unrealized loss of \$156), which was not taken into income since these are supply contracts that will be charged to operations in the period the gas is consumed.

Under the contract for trucking services entered into in 2006, the Company retains the right to acquire the transportation equipment if the contract is cancelled by the service provider before the end of the term in February 2011. Similarly, the Company may be obligated to acquire the transportation equipment if the Company cancels the contract before the end of the term.

Letters of credit are issued by the Company's banker to provide security to certain service providers. The aggregate amount of letters of credit outstanding as at December 31, 2009 was \$918 (2008 – \$1,190). This amount includes \$562 (December 31, 2008 – \$562) representing the Company's proportionate share of letters of credit issued by Universal's banker with respect to its operations.

23. 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% (2008 – 5.8%) of net sales from continuing operations in aggregate for the year ended December 31, 2009. Accounts receivable from these parties as at December 31, 2009 represented \$9 (2008 – \$54). Purchases from related parties amounted to \$453 for the year ended December 31, 2009 (2008 – \$315).

A director of the Company is a senior partner in the law firm that acts as general counsel to the Company. Fees for services rendered by that firm in 2009 amounted to \$318 (2008 – \$219). Accounts payable to this firm as at December 31, 2009 were \$33 (2008 – \$34).

The 30% non-controlling interest in Oaks Concrete Products Ltd. acquired by the Company on December 7, 2006 was held by a consortium of developers, builders and contractors active in the Greater Toronto Area, including two directors of the Company. In connection with this transaction a \$3,000 promissory note payable plus interest remained outstanding as at December 31, 2009.

Other related party transactions have been described in notes 7, 8 and 25.

24. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year financial statement presentation.

25. SUBSEQUENT EVENT

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.

In connection with this transaction, 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 existing promissory note, except that the new promissory note is due and payable in full on September 30, 2010.

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

AUDITORS' REPORT TO THE SHAREHOLDERS OF BRAMPTON BRICK LIMITED

We have audited the consolidated balance sheets of Brampton Brick Limited as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Mississauga, Canada
March 12, 2010

FIVE YEAR FINANCIAL REVIEW

(In thousands of dollars, except per share amounts)

Operations	2009	2008*	2007*	2006*	2005*
Net sales	\$ 59,978	\$ 81,476	\$ 82,352	\$ 93,986	\$ 112,045
Net income (loss) – continuing operations	(11,898)	(8,119)	(4,906)	13,572	N/A
– total	(11,898)	(8,474)	3,288	13,971	5,734
Amortization	11,329	8,830	8,523	9,015	10,398
Cash (used for) provided by operations	(3,450)	14,001	13,638	16,557	25,139
Purchase of property, plant and equipment	11,013	48,967	21,144	13,215	7,343
Dividends	–	2,189	2,170	2,165	2,165
Financial Position					
Current assets	\$ 32,053	\$ 30,237	\$ 51,814	\$ 56,310	\$ 47,084
Working capital	13,272	4,715	25,424	32,935	26,494
Property, plant and equipment (net)	153,980	156,998	112,607	98,504	101,063
Total assets	186,054	192,131	181,009	185,403	175,949
Long-term debt	37,583	25,521	3,744	8,106	5,136
Shareholders' equity	119,799	129,247	137,731	140,179	128,024
Financial Ratios					
Current ratio	1.71:1	1.18:1	1.96:1	2.41:1	2.29:1
Total liabilities (excluding non-controlling interests) to shareholders' equity	0.54:1	0.47:1	0.28:1	0.32:1	0.29:1
Return on average shareholders' equity (%)	(9.6)	(6.4)	2.5	10.4	4.5
Share Data					
Net income (loss) per share – continuing operations	\$ (1.09)	\$ (0.75)	\$ (0.45)	\$ 1.25	N/A
– total	(1.09)	(0.78)	0.30	1.29	\$ 0.53
Book value per share	10.95	11.83	12.71	12.95	11.80
Dividends per share	–	0.20	0.20	0.20	0.20
Weighted average number of shares outstanding (thousands)	10,937	10,928	10,836	10,823	10,845

*Certain information for 2008 has been stated to conform with the current year presentation. Certain information for 2006 and 2007 has been restated with respect to the sale of the medical waste assets and business operations which were sold on October 2, 2007 and the Sharpsmart operations which were sold on April 21, 2008. Information for 2005 has not been restated.

Directors

Rudolph P. Bratty, Q.C. *†

Jim V. De Gasperis

Lloyd S.D. Fogler, Q.C. †

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

Kenneth J. Mondor

Vice-President, Finance and Chief Financial Officer

David R. Carter

Executive Vice-President

Frank J. Buck

Senior Vice-President, Strategic Development, Masonry Products

J. Bradley Duke

Vice-President, Manufacturing, Clay Brick

Judy H. Pryma

Vice-President, Sales and Marketing, Masonry Products

Antonio M. Neves

Vice-President, Sales and Marketing, Landscape Products

George S. Housh

Vice-President, Manufacturing, Concrete Products

Marilia Macias

Controller

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Stock Listing

Toronto Stock Exchange

Share Symbol

"BBL.A"

Registrar and Transfer Agent

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General Counsel

Fogler, Rubinoff LLP

Auditors

PricewaterhouseCoopers LLP

Operations

Brampton Brick Limited

225 Wanless Drive, Brampton, Ontario

475 Harrop Drive, Milton, Ontario

455 Rodick Road, Markham, Ontario

Oaks Concrete Products Inc.

51744 Pontiac Trail, Wixom, Michigan

Brampton Brick Inc.

1256 East County Road 950 North, Farmersburg, Indiana

Universal Resource Recovery Inc.

615 Rusholme Road, Welland, Ontario



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