



**BRAMPTON
BRICK
Limited**



2010 ANNUAL REPORT
ONE TRUSTED SOURCE





Corporate Profile

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

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

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

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


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



ONE TRUSTED SOURCE

On the Cover

Clockwise from the top left:

1.  Your stepping stone to elegant outdoor living
2. Timeless beauty with clay brick
3. Elegante – the elegance of stone, the simplicity of brick
4. Vivace Stone – old world charm with textures inspired by natural elements

Contents

- 3 Financial Overview
- 4 President's Message
- 6 Management's Discussion and Analysis of Financial Condition and Results of Operations
- 20 Financial Statements
- 38 Auditors' Report
- 38 Five Year Financial Review
- 39 Corporate Directory



Financial Overview

(In thousands of dollars, except per share amounts)

	2010	2009
OPERATIONS		
Net sales	\$ 74,001	\$ 59,978
Operating loss	(506)	(9,335)
Loss	(4,840)	(11,898)
Cash provided by (used for) operations	1,032	(3,450)
Purchase of property, plant and equipment	3,883	11,013
SHARE DATA		
Loss per share	\$ (0.44)	\$ (1.09)
Book value per share	10.53	10.95
Weighted average number of shares outstanding (thousands)	10,937	10,937
FINANCIAL POSITION		
Working capital	\$ 17,106	\$ 13,272
Total assets	185,920	186,054
Total liabilities (excluding non-controlling interests)	70,655	64,809
Shareholders' equity	115,153	119,799
Total liabilities (excluding non-controlling interests) to shareholders' equity	0.61:1	0.54:1

SHARES OUTSTANDING

The Company has 10,936,554 common shares outstanding as at December 31, 2010 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, 2011 at 9:30 a.m. at the Holiday Inn, 30 Peel Centre Drive, Brampton, Ontario.

ANNUAL REPORT

Additional copies of the 2010 Annual Report may be obtained from the Vice-President, Finance, Brampton Brick Limited, 225 Wanless Drive, Brampton, Ontario L7A 1E9.



President's Message

Brampton Brick began 2010 with the expectation that an improving economic environment in both Canada and the U.S., in conjunction with the implementation of various strategic initiatives, would enable the company to return to profitability for the full year. While we accomplished the majority of our operating and marketing objectives, our ultimate goal was not achieved for a couple of fundamental reasons.

Significantly, the U.S. residential market has demonstrated no real recovery. After an initial pickup in activity, due in large part to a federal tax credit program, residential construction activity slowed dramatically through the remainder of the year. Overall, housing prices actually declined year over year in most major U.S. markets, influenced in no small part by foreclosure sales and a large inventory of unsold homes.

As well, our waste composting joint venture, Universal Resource Recovery Inc., had a difficult year in 2010. Various issues encountered during initial operations required major retrofits. It was, therefore, decided that it would be most appropriate to shut-down the plant until we could be satisfied that all the basic operating issues would be resolved. Consequently, this facility was not in operation for much of the year. The plant is now operational and the recommissioning is almost complete.

Irrespective of these issues, we did have a much better year in 2010. Net sales increased from \$59,978 in 2009 to \$74,001 in 2010 and the loss for the year decreased from \$11,898 to \$4,840. The Company's financial performance is described in greater detail in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for

the year ended December 31, 2010 and in the notes to the consolidated financial statements.

As we highlighted last year, management has been aggressively pursuing a variety of strategic and operating initiatives which were instrumental in achieving our improved results for the year. With the number of housing starts increasing in both Ontario and Quebec, we were able to increase volumes. At the same time, the introduction of a number of new products and the expansion of our geographic market coverage were also key elements of our improved performance.

Operating results in both the Canadian masonry and landscape products business segments improved substantially. In particular, sales of concrete masonry products grew by over 80% through the introduction of new products and increased recognition and acceptance in the marketplace for products brought to the market in 2009.

Measures directed towards quality, productivity and customer service also contributed to the improvement in operating results. Our commitment to excellence in quality and service has helped in the acquisition of new customers and the retention of existing ones in this very competitive market environment.

Product development in Brampton Brick's clay products culminated in the development of the **Elegante** line. This new product matches the beauty and elegance of stone facing, but with the multitude of colours and textures inherent to clay brick. It is anticipated that the acceptance and popularity of this product will expand over the coming years.

In April of 2011 the Company will enter the concrete block market when the non-compete agreement with the former operator of the Peel concrete plant, which we acquired in 2006, expires. The Company expects to become a major producer and seller of block products in Ontario. The additional production will increase capacity utilization which will contribute further to the profitability of the masonry products division.

With the addition of concrete block and associated products, Brampton Brick now offers a full range of masonry products. This large and varied assortment will enhance sales to builders, dealers and the industrial, commercial and institutional sector. The new concrete masonry products are complementary to the clay brick product line and provides the opportunity for further sales increases.

Operating results in the Canadian landscape operations also improved in 2010 as a result of increased sales and improved margins. This division was not affected by the downturn in 2009 to the same extent as the masonry products division.

In the United States, operating results have been severely impacted by the recession and its impact on new home construction. The outlook for the American housing market for 2011 remains poor, especially in the Midwest. Even so, our plant near Terre Haute, Indiana is operating well, producing a product which is well received in its marketplace. In 2010, the Company developed a line of through-the-body architectural products which is being sold both in Canada and the United States. Further improvement in sales is expected for 2011 and I remain confident that this plant will achieve its potential as markets recover.

The landscape products plant in Wixom, Michigan focused on productivity and operating costs in 2010, as demand for landscape products remained flat. This focus yielded improved operating results for this facility in 2010.

By now most shareholders are no doubt aware that, commencing with the first quarter of 2011, the Company will be required to prepare its financial statements in accordance with International Financial Reporting Standards. The impact of this conversion is described in the MD&A.

Looking ahead, we remain cautiously optimistic for 2011. Economic conditions in Canada are stable and those in the U.S. are improving, albeit slowly. Additional masonry and landscape products, the introduction of concrete block and the continued focus on production efficiencies are expected to contribute to improved sales and operating results for 2011.

/s/ Jeffrey G. Kerbel

Jeffrey G. Kerbel
President and Chief Executive Officer



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2010

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the year ended December 31, 2010 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 11, 2011 which may be found on SEDAR at www.sedar.com. This MD&A is dated as of March 11, 2011. All amounts are stated in thousands of Canadian dollars, except per share amounts, unless otherwise indicated.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31

For the year ended December 31, 2010, the Company incurred a loss of \$4,840, or \$0.44 per Class A Subordinate Voting Share ("Class A share") and Class B Multiple Voting Share ("Class B share") outstanding, compared to loss of \$11,898, or \$1.09 per Class A share and Class B share outstanding, in 2009. The aggregate weighted average number of Class A shares and Class B shares outstanding was 10,936,554 in both 2010 and 2009.

The improvement in operating results was primarily the result of a significant increase in shipments in the Masonry Products business segment as well as higher sales in the Landscape Products business segment. A reduction in amortization expense also contributed to the improvement.

Higher interest costs, a small income tax expense in 2010 compared to an income tax recovery in 2009 and an increase in the loss incurred by Universal Resource Recovery Inc. ("Universal"), in which the Company has a 50% joint venture interest, partially offset the improvement generated by higher sales.

The loss in 2009 was impacted by a pre-tax charge of \$1,784 to reflect the unrealized loss on an interest rate swap contract and pre-tax losses of \$269 on the sale of the promissory note and \$190 on the sale of property held for sale. These items are explained in greater detail below.

Net sales were \$74,001 in 2010 compared to \$59,978 in 2009, representing an increase of \$14,023 or 23.4%. Net sales in the Masonry Products business segment increased by \$14,917 primarily due to an increase in the level of

residential construction activity in Canada. Net sales in the Landscape Products business segment, which was not as significantly impacted by the downturn in economic activity in 2008 and 2009, increased moderately over the prior year.

Net sales from the waste composting operations of Universal declined to \$1,378 compared to \$2,862 in 2009 due to a voluntary curtailment of activity during the second half of the year to focus on completion of capital projects to address various operational and processing issues. Operations of Universal resumed in mid-December.

Higher production volumes in 2010 resulted in lower per unit manufacturing costs which also contributed to the improvement in operating results in both the Masonry Products and Landscape Products business segments.

Increases in advertising and marketing expenses related to the introduction of new products and higher personnel costs partially offset the improvement in operating results noted above.

As a result of the above noted factors, the operating loss from operations before interest and other items was \$506 in 2010 compared to \$9,335 in 2009.

Interest on long-term debt increased by \$1,394 to \$3,914 from \$2,520. This increase was due to the issuance of subordinated debentures in February 2010 and higher interest expense in 2010 on the \$30,000 term financing arrangement completed in June 2009.

The increase in net other interest expense from \$461 in 2009 to \$863 in 2010 was the result of higher interest differential payments on the interest rate swap and lower interest income earned on the promissory note receivable.

The Company recorded a foreign currency exchange gain of \$179 in 2010 compared to \$539 in 2009. The decrease of \$360 reflected the effect of a stronger Canadian dollar combined with an increase in net monetary assets held in foreign currencies. The latter was due to an increase in working capital in the Company's U.S. subsidiaries.

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, in 2009 the Company recorded a pre-tax charge of \$1,784 against operations to reflect the unrealized loss on the interest rate swap contract to December 31, 2009. For the year ended December 31, 2010 the Company has recorded an unrealized gain of \$352.

In April 2009, the Company sold an undivided, co-ownership interest, representing approximately 59.9%, in the remaining balance of a promissory note receivable, including future interest payments, for cash proceeds of \$3,793 resulting in a loss of \$269. The note arose in 2007 in conjunction with the sale of the Company's former medical waste business.

In June 2009, the remaining properties located in Quebec were sold for cash proceeds of \$1,200, resulting in a loss of \$190.

The provision of income taxes of \$359 in 2010 and the income tax recovery of \$2,444 in 2009 related 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. subsidiaries and by Universal.

FOURTH QUARTER ENDED DECEMBER 31, 2010

For the fourth quarter ended December 31, 2010, the Company recorded a loss of \$1,865, or \$0.17 per share, on a weighted average 10,936,554 Class A shares and Class B shares outstanding, compared to a loss of \$2,320, or \$0.21 per share, on a weighted average 10,936,554 Class A shares and Class B shares outstanding, for the fourth quarter of 2009.

Net sales were \$16,209, an increase of \$1,200 over net sales of \$15,009 in the fourth quarter of 2009. The increase was the result of higher sales volumes in both the Masonry Products and Landscape Products business segments, offset, in part, by a decline in the Company's share of net sales of Universal.

The operating loss, before interest and other items, was \$1,473 for the fourth quarter of 2010, an improvement of \$856 over the operating loss of \$2,329 incurred in the fourth quarter of 2009.

Interest on long-term debt was higher than the corresponding period in 2009 for the same reasons as outlined above for the annual results. For the fourth quarter in 2010 other interest expense decreased compared to the same period in 2009 due to a lower interest rate swap spread which reduced the differential payments made on the interest rate swap contract during the current quarter.

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

MASONRY PRODUCTS

For the year ended December 31, 2010, net sales were \$51,757 compared to \$36,840 in 2009, representing an increase of \$14,917, or 40.5%. Operating income was \$3,114 in 2010 compared to an operating loss of \$4,730 in 2009.

A significant increase in the level of residential construction activity in Canada resulted in higher shipments of both clay brick and concrete masonry products. Clay brick shipments from the Company's Indiana plant, which commenced production in the second quarter of 2009, also increased in 2010 in spite of continuing difficult market conditions.

Higher production volumes combined with lower amortization charges in 2010 resulted in lower per unit manufacturing costs which also contributed to the improvement in operating results.

Increases in advertising and marketing expenses to promote new products and higher personnel costs partially offset the improvement in operating results noted above.

For the fourth quarter of 2010 net sales increased by \$1,659, or 15.9%, from \$10,444 in 2009 to \$12,103 as a result of higher shipments of both clay brick and concrete masonry products. Operating income for the quarter was \$178 compared to an operating loss of \$532 for the same period in 2009.

LANDSCAPE PRODUCTS

Net sales of the Landscape Products business segment were \$20,866 for the year ended December 31, 2010 compared to \$20,276 in 2009. The increase of \$590 resulted from higher sales in the Company's Canadian markets which were offset, in part, by lower sales in the Company's U.S. markets, primarily Michigan.

For the year ended December 31, 2010, the Landscape Products business segment incurred an operating loss of \$1,007 compared to \$2,866 in 2009. Higher sales volumes in the Canadian market and the positive impact of higher production volumes in both Canada and the U.S. were the primary drivers contributing to the improvement in operating results.

For the fourth quarter of 2010 net sales were \$4,049 compared to \$3,706 for the corresponding period in 2009 and the operating loss for the quarter was \$928 compared to \$1,416 in 2009.

OTHER

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.

For the year ended December 31, 2010 the Company's proportionate share of net sales was \$1,378 compared to \$2,862 in 2009 and the proportionate share of the operating loss incurred by Universal in 2010 was \$2,610 compared to \$1,760 in 2009.

For the fourth quarter of 2010 net sales were \$57 compared to \$859 for the corresponding period in 2009 and the operating loss for the quarter was \$722 compared to \$414 in 2009.

Composting operations were conducted at reduced capacity throughout much of the year and voluntarily suspended for part of the second half of the year in order to address various operational and processing issues. Operations resumed in December 2010 and are being ramped up in phases through the first quarter of 2011.

Universal's construction and demolition waste disposal operations were also suspended in 2010 to focus on the composting operations.

CASH FLOWS

Cash flow provided by operating activities totaled \$1,032 for the year ended December 31, 2010 compared to cash flow of \$3,450 used in operations in 2009.

The \$4,482 improvement in cash flow from operations was attributable to the improvement in operating results,

offset in part by a higher investment in inventories and other changes in non-cash working capital items.

Included in the above is the Company's proportionate share of cash flow utilized by Universal in its operations. The amounts were \$2,222 and \$832 in 2010 and 2009, respectively. Excluding Universal, the improvement in cash flow from operations attributable to the Company's primary operations, Masonry and Landscape Products, amounted to \$5,872.

Cash utilized for purchases of property, plant and equipment totaled \$3,883 in 2010 compared to \$11,013 in 2009. The Company's share of purchases of property, plant and equipment in Universal amounted to \$1,617 in 2010 and \$1,635 in 2009 and are included in these totals. Expenditures in 2009 included \$8,149 related to the final construction costs of the Company's new clay brick plant in Indiana.

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 as described in Note 4 to the Consolidated Financial Statements. The new \$1,900 promissory note payable was repaid on September 30, 2010.

The final principal and interest receivable due on October 2, 2010 under the promissory note receivable were received on September 29, 2010.

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 \$1,120 in 2010 and \$1,085 in 2009.

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

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

The sale in June 2009 of the remaining properties held for sale generated cash proceeds of \$1,200.

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, 2010 working capital was \$17,106, representing a working capital ratio of 1.88:1. Comparable figures for working capital and the working capital ratio at December 31, 2009 were \$13,272, and 1.71:1, respectively. Cash and cash equivalents totaled \$5,566 at December 31, 2010 compared to \$2,868 at December 31, 2009.

Accounts payable and accrued liabilities totaled \$12,015 at December 31, 2010 compared to \$10,866 at December 31, 2009, including amounts related to capital expenditures of approximately \$1,451 and \$545, respectively.

The ratio of total liabilities to shareholders' equity at December 31, 2010 was 0.61:1 compared to 0.54:1 at December 31, 2009. The increase in this ratio from December 31, 2009 was primarily due to the increase in long-term debt resulting from the issuance of the subordinated debenture and lower retained earnings resulting from the loss incurred for the year ended December 31, 2010.

Excluding Universal, the Company has an operating credit facility of \$12,000. This is a demand facility which is 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 under this facility is determined based on standard margin formulas for accounts receivable and inventories. The borrowing limit is reduced by the amount of the mark-to-market exposure

on the interest rate swap contract. Utilization at December 31, 2010 was \$3,579, including \$1,824 for bank operating advances, \$323 for outstanding letters of credit and \$1,432 for the mark-to-market exposure on the interest rate swap contract.

As noted above, the Company completed a \$9,000 subordinated secured debenture financing on February 26, 2010. The new financing has enhanced the Company's overall liquidity and cash availability.

The term loan agreement completed in June 2009 contains various financial covenants. As at December 31, 2010, the Company is in compliance with the financial covenants and anticipates that it will maintain compliance with all financial covenants in 2011.

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.

Universal's credit agreement provides for a non-revolving term loan facility of \$15,000 which has been fully drawn. Monthly principal repayments which commenced in January 2010 were deferred for the period August 2010 until November 2010 and recommenced in December 2010. The Company's proportionate share of the principal balance outstanding at December 31, 2010 was \$6,793.

Borrowings under Universal's demand operating facility are available by way of a combination of overdrafts and letters of credit. As at December 31, 2010, the Company's proportionate share was \$562, all of which was represented by the issuance of letters of credit.

Universal's credit agreement contains various financial covenants. Universal was in compliance with the financial covenants under its credit agreement as at December 31, 2010 and anticipates that it will maintain compliance in 2011.

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, 2010, is as follows:

	2011	2012 - 2013	2014 - 2015	Thereafter	Total
Long-term debt ⁽¹⁾	\$ 7,470	\$ 22,315	\$ 11,370	\$ 19,310	\$ 60,465
Capital lease obligations ⁽²⁾	\$ 467	\$ 709	\$ 204	\$ –	\$ 1,380
Operating leases	\$ 191	\$ 210	\$ 19	\$ –	\$ 420
Purchase obligations ⁽³⁾	\$ 3,940	\$ –	\$ –	\$ –	\$ 3,940
Other long-term obligations ⁽⁴⁾	\$ 50	\$ –	\$ 909	\$ –	\$ 959
Total	\$ 12,118	\$ 23,234	\$ 12,502	\$ 19,310	\$ 67,164

(1) Long-term debt reflects the aggregate amount of future payments and includes all debt items listed in Note 4 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 \$3,317 and capital expenditure commitments of \$623.

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

SELECTED ANNUAL FINANCIAL INFORMATION

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

	2008	2009	2010
Net sales from continuing operations	\$ 81,476	\$ 59,978	\$ 74,001
Total assets	\$ 192,131	\$ 186,054	\$ 185,920
Total long-term financial liabilities	\$ 25,521	\$ 37,583	\$ 43,123
Cash dividends declared per share	\$ 0.20	\$ –	\$ –
CONTINUING OPERATIONS			
Loss	\$ (8,119)	\$ (11,898)	\$ (4,840)
Loss per share			
Basic	\$ (0.75)	\$ (1.09)	\$ (0.44)
Diluted	\$ (0.75)	\$ (1.09)	\$ (0.44)
TOTAL			
Loss	\$ (8,474)	\$ (11,898)	\$ (4,840)
Loss per share			
Basic	\$ (0.78)	\$ (1.09)	\$ (0.44)
Diluted	\$ (0.78)	\$ (1.09)	\$ (0.44)

The comparative amounts for 2008 and 2009 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 2008 to 2009 as a result of lower sales volumes in the Masonry Products and Landscape Products business segments but increased from 2009 to 2010 due a significant increase in the level of residential construction activity in the Canadian market. Net sales of the waste composting operations in 2010 declined to \$1,378 (2009 – \$2,862 and 2008 – \$863) as a result of operating at reduced capacity in 2010 to address operational and processing issues.

TOTAL ASSETS

- (1) Total assets decreased from 2008 to 2009 primarily due to the sale of a portion of the promissory note receivable, the disposal of properties held for sale and the net decrease in property, plant and equipment as a result of amortization charges exceeding capital expenditures.
- (2) Total assets were substantially unchanged from 2009 to 2010. A refund of income taxes, receipt of proceeds from the promissory note receivable and amortization charges in excess of capital expenditures were offset by a higher investment in inventories to meet expected sales requirements.

TOTAL LONG-TERM FINANCIAL LIABILITIES

- (1) 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 the repayment of the term bank loan.
- (2) The increase in 2010 reflected the \$9,000 subordinated secured debenture financing completed on February 26, 2010, net of the repayment of the \$3,000 promissory note payable.

CASH DIVIDENDS DECLARED PER SHARE

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

LOSS AND LOSS PER SHARE

- (1) The increase in the loss in 2009 compared to 2008 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 included a pre-tax charge of \$1,784 to reflect the unrealized loss on the interest rate swap contract and pre-tax losses incurred on the sale of the promissory note receivable and disposal of properties held for sale.

In 2008, the Company recorded a goodwill impairment charge of \$5,991 or \$0.55 per share, net of income taxes.

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

SELECTED QUARTERLY FINANCIAL INFORMATION

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

2010					
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Net sales	\$ 12,825	\$ 24,351	\$ 20,616	\$ 16,209	\$ 74,001
Net income (loss)	\$ (3,626)	\$ 370	\$ 281	\$ (1,865)	\$ (4,840)
Net income (loss) per share					
Basic	\$ (0.33)	\$ 0.03	\$ 0.03	\$ (0.17)	\$ (0.44)
Diluted	\$ (0.33)	\$ 0.03	\$ 0.03	\$ (0.17)	\$ (0.44)

2009					
	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)

Comparative amounts for 2009 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 98.1% (2009 – 95.2%) of net sales from 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 2010 increased compared to the first quarter of 2009 due to significantly higher shipments of masonry products resulting from the increase in residential construction activity in Canada. The

loss declined over the comparable period in 2009 primarily as a result of higher net sales and improved margins.

SECOND QUARTER

The increase in net sales in the second quarter of 2010 compared to the same period in 2009 was primarily due to much higher shipments in the Masonry Products business segment corresponding to an increase in residential construction activity in Canada.

The improvement in operating results was the result of much higher sales, improved profit margins due to the positive impact on unit manufacturing costs of higher production volumes and the recording in 2009 of certain unusual charges, including the unrealized loss on derivative financial instruments, the loss on sale of a portion of the promissory note receivable and the loss on sale of properties held for sale.

THIRD QUARTER

Higher shipments in the Masonry Products business segment in 2010 resulted in an increase in net sales which resulted in an improvement in operating results. The variance in the provision for income taxes also contributed to the increase in net income compared to the same period in 2009.

FOURTH QUARTER

Net sales increased in the fourth quarter of 2010 over the same period in 2009 as a result of higher shipments of clay brick, concrete masonry and landscape products. Operating results for the quarter were negatively impacted by higher interest costs and a decrease in income tax recovery.

CRITICAL ACCOUNTING ESTIMATES

LONG-LIVED ASSETS

As at December 31, 2010, 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.

ASSET RETIREMENT OBLIGATIONS

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, 2010, the Company has recorded cumulative valuation allowances of approximately \$11,006 against the future income tax benefits with respect to the tax losses carried forward.

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 were 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.

The Company has reported on its progress under the plan in prior annual and quarterly reports to shareholders, commencing with the December 31, 2008 Annual Report.

Areas of accounting that were identified to have the highest potential financial statement impact include property, plant and equipment, impairment of assets, foreign currency translation, interests in joint ventures,

financial statement presentation and disclosure and the initial adoption of IFRS under the provisions of IFRS 1, *First-Time Adoption of International Financial Reporting Standards*.

During the most recently completed quarter, the Company has continued its detailed analyses of the various accounting policy choices and alternative methodologies provided under IFRS. The selections which the Company has concluded upon are outlined below. However, certain evaluations have not yet been completed and, consequently, the full financial impact of adopting IFRS cannot be determined at this time.

IFRS 1 EXEMPTIONS AND ELECTIONS

a) Property, plant and equipment

Upon transition to IFRS, the Company has elected to use the fair value as deemed cost election for all properties and certain production equipment utilized in its Canadian Masonry Products and Landscape Products business operations. All other property, plant and equipment, including the entire amount related to the U.S. Masonry Products and Landscape Products business operations will be carried forward at their historical carrying values as at January 1, 2010. The increase in the net carrying value of land and machinery and equipment as at January 1, 2010 is estimated to be the range of \$31,000 to \$36,000 and \$18,000 to \$22,000, respectively.

b) Business combinations

IFRS 1 permits a first-time adopter to elect not to apply IFRS 3 *Business Combinations* retrospectively to any business combinations that occurred before the date of transition to IFRS. The Company has elected to not retrospectively apply IFRS 3 to business combinations that occurred prior to January 1, 2010 and such business combinations will not be restated.

c) Cumulative translation differences

IFRS 1 permits a first-time adopter to not comply with the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates* for cumulative translation differences that exist at the date of transition to IFRS. Retrospective application of IAS 21 would require the Company to recalculate cumulative translation differences from the date the Company's U.S. subsidiaries were formed or acquired. IFRS 1 permits cumulative translation differences for foreign operations

computed under GAAP to be recorded as an adjustment to retained earnings at the date of transition to IFRS. The Company has elected to apply this exemption and adjust the opening retained earnings by \$3,829.

d) Borrowing costs

IAS 23, *Borrowing Costs*, requires that borrowing costs directly attributable to the acquisition, production and construction of a qualifying asset to be capitalized, if incurred on or after January 1, 2009. IFRS 1 permits a first-time adopter to elect not to capitalize borrowing costs prior to the date of transition. The Company has elected to apply the transitional provisions of IFRS 1 pertaining to borrowing costs related to the construction of its Indiana clay brick manufacturing facility which were incurred prior to January 1, 2010 and which were previously expensed under GAAP.

IFRS ACCOUNTING POLICY CHANGES

a) Property, plant and equipment – cost model vs. revaluation model

After transition to IFRS, and after initial recognition, the Company can elect to utilize the cost model or the revaluation model as its accounting policy, on a class by class basis, for property, plant and equipment. The Company has elected to utilize the cost model. After initial recognition, property, plant and equipment will be carried at its cost less accumulated depreciation and any accumulated impairment losses.

b) Asset impairment

Under IAS 36, asset impairments are determined based on the assessment of the difference between the carrying amount and recoverable amount of the assets in a cash generating unit (CGU). The Company has determined that the Brampton clay brick plant, the Canadian concrete plants (Markham, Milton and Brampton), the Farmersburg, Indiana clay brick plant and the Wixom, Michigan concrete plant are the CGUs for purposes of the asset impairment tests. The standard requires that an impairment is determined based on the recoverable amount of the CGU. The recoverable amount is the higher of the amount determined under the "value in use" or "fair value less cost to sell" basis. An impairment charge is recognized when the carrying value of a CGU exceeds its recoverable amount. Under IFRS, an impairment loss for a CGU can be reversed if there has been a change in the estimates used to

determine the recoverable amount, however the reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the CGU in prior periods.

The Company has completed its asset impairment evaluations under IFRS with respect to its Brampton clay brick plant and its Canadian concrete plants and concluded that there is no impairment as at the January 1, 2010 transition date or at December 31, 2010.

The Company has not finalized its asset impairment evaluations pertaining to its Farmersburg, Indiana clay brick plant, the Wixom, Michigan concrete plant or its joint venture investment in Universal.

The Company has prepared the impairment analyses for these CGUs initially using the “value in use” methodology which indicates a potential impairment. Consequently, in accordance with IFRS requirements, the Company is required to compute the recoverable amount for each CGU using the “fair value less costs to sell” methodology. These analyses are in process but have not been finalized. Accordingly, the Company cannot estimate the financial impact of any potential impairment of these CGU’s at this time. The Company will have these analyses finalized in conjunction with the preparation of the interim consolidated financial statements for the first quarter of fiscal 2011.

c) Accounting for joint ventures

The Company’s 50% interest in Universal is accounted for under GAAP using the proportionate consolidation method. On transition to IFRS, the Company has elected to account for this investment on the equity basis of accounting. The impact on the opening balance sheet as at January 1, 2010 will be a reduction of total assets and total liabilities.

The Company’s proportionate share of Universal’s net sales, expenses and cash flows will be excluded, on a line by line basis, from the Consolidated Statements of Operations and Cash Flows and replaced with the Company’s share of the equity income or loss and the related cash inflows or cash outflows, respectively. However, there will be no change in the consolidated results of operations or net cash flows for the year.

d) Foreign currency translation

The Company’s U.S. subsidiaries are currently classified under GAAP as integrated and accounted for under the temporal method. Under this method, monetary assets and liabilities of the Company’s subsidiaries are translated into Canadian dollars at the exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at the exchange rates in effect at the dates of the transactions. Revenues and expenses are translated at average exchange rates prevailing during the period. Unrealized gains or losses are recognized in the income statement.

Under IFRS, the Company has concluded that the functional currency of the U.S. subsidiaries is the U.S. dollar. The sales, operating expenses and related cash flow transactions of these U.S. subsidiaries are denominated in U.S. dollars. The Company will be required to translate all assets and liabilities included in the financial statements of its U.S. subsidiaries into Canadian dollars at the exchange rates in effect at the balance sheet dates. Revenues and expenses will be translated at average exchange rates prevailing during the period. Translation gains or losses will be reflected in other comprehensive income. These changes under IFRS are expected to impact the Balance Sheet as at December 31, 2010.

e) Income statement presentation – nature vs. function

IFRS provides a choice in the classification of expenses by either nature or function. The Company will classify expenses by function as it more closely resembles the current method of presentation. Additional details on the nature of expenses will be disclosed in notes to the consolidated financial statements as required under IAS 1 *Presentation of Financial Statements*.

f) Other

The Company will be required to adopt IFRS accounting policies with respect to Share-based Compensation and Provisions for Decommissioning Costs (Asset Retirement Obligations). The impact on the opening balance sheet as at January 1, 2010 is approximately \$129 and \$59, respectively.

Under IFRS, all deferred tax assets and liabilities must be classified as non-current. Therefore, the future income tax asset of \$896 which was reflected in the

December 31, 2009 balance sheet under current assets will be reclassified to non-current assets, along with any deferred tax liabilities that may arise on the IFRS transition adjustments on the opening balance sheet as at January 1, 2010.

The Company has completed its assessment of its business processes, procedures and controls with respect to internal control over financial reporting and disclosure controls and procedures. No significant changes are required.

The Company has completed its assessment of its information technology and data systems and has determined that no significant modifications are required.

During the year, all accounting and financial reporting personnel received additional training in IFRS. The Audit Committee and Board of Directors continued to receive quarterly presentations and progress reports from management on the status of the conversion.

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

RISKS AND UNCERTAINTIES

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

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

The Company outsources its quarry operations in both Brampton and Indiana. The contracted services include quarry preparation, earth-moving and shale excavation.

Major production costs include natural gas, labour, electricity and depreciation of plant and equipment. The Company's estimated natural gas supply requirements for 2011, 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, 2010. Approximately 76% of the natural gas transportation requirements for 2011 were at fixed prices as at December 31, 2010.

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, 2010. 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 2010, approximately 10.0% (2009 – 11.8%) 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, 2010.

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 and continues to record mark-to-market adjustments at each reporting date. As at December 31, 2010, the notional principal amount was \$17,000 (December 31, 2009 – \$20,000).

The Company has 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 its plants in Ontario. Customers may also make their own arrangements to pick up finished products.

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

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

The Company does not anticipate any material costs, or any significant impact on its operations, to remain in compliance with environmental regulations. To the date of this MD&A there are no pending environmental audit assessments.

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

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 and, from time to time, from other sources on a non-contract basis. Wood is either purchased directly or sourced through receipt of construction and demolition (“C&D”) waste 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 C&D operations were suspended in 2010 to focus on the composting operations.

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, including Certificates of Approval issued by the Ontario Ministry of Environment (“MOE”).

OTHER

Information with respect to transactions with related parties is disclosed in Notes 10, 11 and 18 to the Consolidated Financial Statements.

The aggregate number of issued and outstanding Class A shares and Class B shares as at December 31, 2010 is disclosed in Note 6 to the Consolidated Financial Statements. There were no changes to share capital to the date of this MD&A.

Effective July 1, 2010 the Ontario provincial government harmonized its retail sales tax system with the Federal goods and services tax (“GST”). The tax base and basic operational rules of the new harmonized sales tax (“HST”) are substantially the same as the GST.

The vast majority of goods purchased by the Company are used directly in the manufacture of goods for sale. As such, these purchases were previously exempt from provincial sales tax. Under the new HST, the Company is required to pay provincial sales tax with respect to these purchases, but is also eligible to claim an input tax credit for the taxes paid.

Similarly, most services provided to the Company by third parties (e.g. audit and legal fees, consulting services) were previously exempt from provincial sales tax. After July 1, these services are subject to the HST, but are also eligible for an input tax credit.

Consequently, the impact of the HST on the Company should be tax neutral for goods purchased for use in the manufacturing process or for services provided by third parties.

Purchases of goods which are not used directly in the production of goods for sale, and upon which the Company previously paid provincial sales tax, are now eligible for an input tax credit. Previously there was no credit for the provincial sales taxes paid with respect to these purchases. However, as the Company has annual taxable sales in excess of \$10,000, the provincial portion of the HST is not recoverable, for the first five years, for certain costs, including energy (except when used to produce goods for sale), telecommunication services, automobiles (including fuel, parts and services) and food, beverages and entertainment expenses. During the subsequent three year period, full input tax credits are to be phased in for these items.

Overall, the net effect of the provincial portion of the new HST is not expected to have a significant impact on the Company’s operating results.

The imposition of the provincial portion of HST on goods sold by the Company, and the expected pass-through to the ultimate consumer of those goods, may have resulted in some work (e.g. new home construction, landscaping projects) being moved forward into the first half of 2010, to the extent possible, to avoid the potential additional tax after July 1. While it is not possible to accurately determine the magnitude of such a shift in timing, the Company believes that it did not have a material impact on aggregate sales volumes for the year.

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, 2010 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, 2010 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, 2010, 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, 2010 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, 2009 and Annual Information Form for the year ended December 31, 2010 may be found on SEDAR at www.sedar.com. The Company's Annual Report for the year ended December 31, 2010 and the Management Information Circular to be issued in connection with the Annual General Meeting of Shareholders to be held on May 11, 2011 will later be found on SEDAR at www.sedar.com.

OUTLOOK FOR 2011

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

Overall economic conditions in Canada are positive and modest growth in economic activity is expected in 2011. Economic conditions in the U.S. have shown improvement but growth in economic activity is still expected to remain gradual in 2011.

Recent economic forecasts project a decrease in housing starts in 2011 in the Company's primary Canadian market areas of Ontario and Quebec. While sales of masonry products can be expected to be impacted by this decline, the Company has undertaken a number of steps to mitigate the potential decline. These steps include the introduction of new concrete based masonry products, targeted marketing strategies and customer service initiatives.

The Company will also be entering the concrete block market in 2011. In addition to generating increased sales, it is also expected to positively impact manufacturing costs through improved capacity utilization.

Sales of landscape products in Canada are expected to show improvement in 2011 as a result of the introduction of new products and new sales and marketing initiatives.

As noted above, overall economic conditions in the U.S. have begun to show some improvement. However, the economic environment remains challenging. Housing starts are forecasted to increase only moderately over 2010.

Operations at Universal's waste composting operations resumed in mid-December 2010 following a voluntary shutdown in the second half of the year to address various operational and processing matters. Receipt of incoming SSO material is being ramped-up in phases over the first quarter of 2011.

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, 2010	December 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents (note 1)	\$ 5,566	\$ 2,868
Accounts receivable	6,307	6,678
Inventories (note 1)	24,057	17,809
Income taxes recoverable	7	1,730
Future income taxes (note 9)	-	896
Other current assets	675	737
Promissory note receivable, current (note 10)	-	1,335
	36,612	32,053
Property, plant and equipment, at cost (note 2)	256,759	251,138
Less: Accumulated amortization	(107,451)	(97,158)
	149,308	153,980
Other assets		
Future income taxes (note 9)	-	21
	\$ 185,920	\$ 186,054
LIABILITIES		
Current liabilities		
Bank operating advances (note 3)	\$ 1,824	\$ 750
Accounts payable and accrued liabilities	12,015	10,866
Income taxes payable	825	1,572
Long-term debt, current portion (note 4)	4,188	4,626
Derivative financial instrument, current (note 5)	604	867
Asset retirement obligation (note 1)	50	100
	19,506	18,781
Long-term debt (note 4)	43,123	37,583
Derivative financial instrument (note 5)	828	917
Future income taxes (note 9)	6,343	6,701
Asset retirement obligation (note 1)	855	827
	70,655	64,809
Non-controlling interests	112	1,446
SHAREHOLDERS' EQUITY		
Capital stock (note 6)	33,689	33,689
Contributed surplus (note 7)	1,553	1,359
Retained earnings	83,740	88,580
Accumulated other comprehensive loss	(3,829)	(3,829)
	115,153	119,799
	\$ 185,920	\$ 186,054

Commitments and Contingencies (note 17)

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

	2010	2009
Net sales	\$ 74,001	\$ 59,978
Cost of goods sold	51,824	47,035
Selling, general and administrative expenses	12,317	10,949
Amortization	10,366	11,329
	74,507	69,313
Operating loss before the undernoted items	(506)	(9,335)
Other (expense) income		
Interest on long-term debt	(3,914)	(2,520)
Other interest expense (net)	(863)	(461)
Foreign currency exchange gain	179	539
Other income (expense)	305	(317)
	(4,293)	(2,759)
Loss before the following items	(4,799)	(12,094)
Gain (loss) on derivative financial instrument (note 5)	352	(1,784)
Loss on sale of promissory note (note 10)	–	(269)
Loss on sale of property held for sale (note 11)	–	(190)
Loss before income taxes and non-controlling interests	(4,447)	(14,337)
(Provision for) recovery of income taxes (note 9)		
Current	200	1,485
Future	(559)	959
	(359)	2,444
Loss before non-controlling interests	(4,806)	(11,893)
Non-controlling interests	(34)	(5)
Loss for the year	\$ (4,840)	\$ (11,898)
Loss per Class A and Class B share (note 12)		
Basic	\$ (0.44)	\$ (1.09)
Diluted	\$ (0.44)	\$ (1.09)

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

	2010	2009
Cash provided by (used for) activities of continuing operations		
Operating activities		
Loss from continuing operations for the year	\$ (4,840)	\$ (11,898)
Items not affecting cash and cash equivalents		
Amortization and accretion	10,399	11,367
Future income taxes	559	(959)
Non-controlling interests	34	5
Unrealized foreign currency exchange gain	(55)	(305)
(Gain) loss on derivative financial instrument (note 5)	(352)	1,784
Loss on sale of promissory note (note 10)	-	269
Loss on sale of property held for sale (note 11)	-	190
(Gain) loss on disposal of property, plant and equipment	(3)	118
Other	142	228
	5,884	799
Changes in non-cash operating items		
Accounts receivable	345	(1,015)
Inventories	(6,249)	253
Accounts payable and accrued liabilities	226	(456)
Income taxes payable (net)	976	(2,667)
Other	47	(24)
	(4,655)	(3,909)
Payments of asset retirement obligation (note 1)	(197)	(340)
Cash provided by (used for) operating activities of continuing operations	1,032	(3,450)
Investing activities		
Purchase of property, plant and equipment	(3,883)	(11,013)
Proceeds from promissory note (note 10)	1,338	1,338
Proceeds from sale of promissory note (note 10)	-	3,793
Proceeds from sale of property held for sale (note 11)	-	1,200
Proceeds from disposal of property, plant and equipment	12	3
Cash used for investment activities of continuing operations	(2,533)	(4,679)
Financing activities		
Increase (decrease) in bank operating advances	1,074	(1,831)
Issuance of subordinated debentures (note 4)	7,523	-
Repayment of promissory note (note 4)	(1,900)	-
Increase in term loans	-	32,388
Repayment of term loans	(972)	(20,345)
Payments on obligations under capital leases	(382)	(364)
Payment of dividends by subsidiary to non-controlling interests	(1,120)	(1,085)
Cash provided by financing activities of continuing operations	4,223	8,763
Net cash used for discontinued operations	-	(62)
Foreign exchange on cash held in foreign currency	(24)	208
Increase in cash and cash equivalents	2,698	780
Cash and cash equivalents at the beginning of the year	2,868	2,088
Cash and cash equivalents at the end of the year	\$ 5,566	\$ 2,868
Supplementary information		
Interest paid	\$ 4,616	\$ 3,019
Income taxes paid	\$ 855	\$ 1,309

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

	2010	2009
Balance at the beginning of the year	\$ 88,580	\$ 100,478
Loss for the year	(4,840)	(11,898)
Balance at the end of the year	\$ 83,740	\$ 88,580

Consolidated Statements of Comprehensive Loss

(in thousands of dollars)

Year ended December 31

	2010	2009
Loss for the year	\$ (4,840)	\$ (11,898)
Other comprehensive income		
Gain on cash flow hedge, net of taxes (note 5)	–	702
Cumulative losses on derivatives designated as cash flow hedges at June 29, 2009 transferred to net income, net of taxes (note 5)	–	1,562
Comprehensive loss for the year	\$ (4,840)	\$ (9,634)

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

Notes to Consolidated Financial Statements

December 31, 2010 and 2009 (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., and 1813435 Ontario Limited (65% owned – formerly 1312082 Ontario Limited). Da Vinci Stone Craft Ltd. and 1329171 Ontario Limited were amalgamated with Brampton Brick Limited effective January 1, 2010. 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").

REVENUE RECOGNITION

For masonry and landscape product sales, revenue is recognized when goods are shipped to customers.

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

Cartage charges are invoiced at the time of shipment.

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

The Company offers a Dealer Stocking Program to a limited number of customers. Under this program, these customers may purchase up to a specific quantity of product that the Company will store on its site for a specified period of time. These transactions meet the criteria outlined under EIC-141 Revenue Recognition for "Bill and Hold" arrangements. In these instances, revenue is recognized at the time the product is manufactured and placed into the designated area in the yard. If ultimate delivery is arranged by the Company, cartage is charged and revenue for cartage is recognized at the time of delivery.

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

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

Revenue of Universal consists of tipping fees for receipt of source-separated organic ("SSO") waste materials and construction and demolition ("C&D") waste. Universal also earns revenue on the sale of processed compost and recycled material such as wood, steel etc.

Tipping fee revenue for SSO waste materials is recognized in proportion to the costs incurred over total processing costs. All unearned revenue is deferred. Tipping fee revenue for C&D waste is recognized on receipt of the material. Revenue from the sale of compost and recycled materials is recognized upon shipment.

CASH AND CASH EQUIVALENTS

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

	2010 \$	2009 \$
Cash on hand and balances with banks	476	272
Short term investments	5,090	2,596
Cash and cash equivalents	5,566	2,868

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:

	2010 \$	2009 \$
Merchandise	19,883	14,087
Raw materials and production supplies	4,174	3,722
	24,057	17,809

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 OBLIGATIONS

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 \$959. The obligations will be settled over a one to five year period and are expected to be funded from general Company resources.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligations:

	2010 \$	2009 \$
Balance at the beginning of the year	827	741
Increase in obligation	242	487
Payments during the year	(197)	(340)
Accretion expense	33	39
Balance at the end of the year	905	927
Less: Payments due within one year – current portion	50	100
	855	827

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 the consolidated statement of 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 in 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 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 test for impairment of long-lived assets; the valuation of future income tax assets; the estimation of shale inventory 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 are measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which are 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 is 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.

2. PROPERTY, PLANT AND EQUIPMENT

	2010		
	Cost \$	Accumulated amortization \$	Net \$
Land, land improvements and quarries	42,269	10,982	31,287
Buildings	34,413	8,784	25,629
Machinery and equipment – purchased	176,859	85,940	90,919
Machinery and equipment – leased	195	8	187
Mobile equipment – purchased	384	316	68
– leased	2,639	1,421	1,218
Total property, plant and equipment	256,759	107,451	149,308

	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
Machinery and equipment – 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

During the year, property, plant and equipment were acquired at an aggregate cost of \$5,703 (2009 – \$8,432) of which \$621 (2009 – \$195) was acquired by means of capital leases and \$93 (2009 – \$730) was acquired through vendor financing.

3. BANK OPERATING ADVANCES

Excluding Universal, the Company has a \$12,000 operating credit facility. This is a demand facility which is 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 (note 5).

Utilization as at December 31, 2010 totaled \$3,579, including bank operating advances of \$1,824, outstanding letters of credit of \$323, and the mark-to-market exposure on the interest rate swap contract of \$1,432.

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, 2010, \$1,123 had been utilized through the issuance of letters of credit. The Company's proportionate share was \$562.

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2010 \$	2009 \$
Term loan - due June 2016, instalments commence in July 2011	29,523	29,432
Subordinated debenture due February 2013	8,729	–
Term bank loan due June 2014, instalments commenced in January 2010	4,472	5,000
Term bank loan due April 2019, instalments commenced in January 2010	2,321	2,500
Term loan - €287 due September 2012, instalments commenced October 2009	383	649
Other term loans	621	581
Promissory note	–	3,000
Obligations under capital leases	1,262	1,047
	47,311	42,209
Less: Payments due within one year – current portion	4,188	4,626
	43,123	37,583

All amounts are Canadian dollars unless otherwise stated.

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, 2010 the unamortized transaction costs were \$477 (2009 – \$568).

The term loan agreement contains various financial covenants. As at December 31, 2010, the Company was in compliance with the financial covenants and anticipates that it will maintain compliance with all financial covenants in 2011.

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

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

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

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

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, 2010, the credit spread was 1.50% and the aggregate rate of interest was 4.50%.

Monthly principal repayments of \$88,359 commenced in January 2010 and were postponed for the period August 2010 to November 2010 and recommenced in December 2010.

As at December 31, 2010 Universal is in compliance with its financial covenants and anticipates that it will maintain compliance throughout 2011.

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

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

	\$
2011	3,870
2012	3,847
2013	12,656
2014	5,048
2015	2,847
Thereafter	18,531
Total long-term debt repayments	46,799
Less: Amount representing transaction costs	748
Present value of long-term debt repayments including \$3,779 classified as current	46,051

Obligations under capital leases include the following:

	\$
Future minimum lease payments	
2011	467
2012	518
2013	191
2014	147
2015	57
Total minimum lease payments	1,380
Less: Amount representing interest	120
Present value of minimum lease payments including \$409 classified as current	1,260

The weighted average effective interest rate for obligations under capital leases during 2010 was approximately 5.26% (2009 – 4.80%).

5. 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 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 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, 2010 the fair value of the interest rate swap was \$1,432 of which \$604 (December 31, 2009 – \$867) and \$828 (December 31, 2009 – \$917) have been classified as current and non-current derivative financial liabilities, respectively.

6. 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.

There were no changes in the Class A shares during the year as noted below:

	2010		2009	
	Number of shares (thousands)	Stated capital \$	Number of shares (thousands)	Stated capital \$
Balance at the beginning of the year	8,508	33,687	8,508	33,687
Options exercised	–	–	–	–
Class A shares purchased and cancelled	–	–	–	–
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 2010 or 2009.

No dividends were paid in 2010 and 2009.

7. 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 (2009 – 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, 2010, a total of 253,365 (2009 – 374,865) stock options were available for grant under the Plan.

On March 24, 2010, the Company granted stock options to nine senior executive officers and to all non-management members of the Board of Directors of the Company to acquire an aggregate of 124,000 Class A shares at the market price of \$5.76 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 \$1.31, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.2%
Expected life	7.9 years
Volatility	28%
Expected dividend yield	3.5%

On August 19, 2010, the Company granted stock options to a director of the Company to acquire an aggregate of 7,500 Class A shares at the market price of \$6.01 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 \$1.28, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.5%
Expected life	7.9 years
Volatility	27%
Expected dividend yield	3.3%

The total stock-based compensation cost for the year ended December 31, 2010 with respect to all stock options granted after January 1, 2002 was \$194 (2009 – \$186). 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, 2010.

During the year 10,000 stock options were forfeited.

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:

	2010		2009	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance at the beginning of the year	479,400	10.62	366,900	12.34
Granted during the year	131,500	5.77	112,500	4.99
Forfeited during the year	(10,000)	5.76	–	–
Balance at the end of the year	600,900	9.64	479,400	10.62

At December 31, 2010, 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
114,000	5.76	2020
7,500	6.01	2020
600,900		

As at December 31, 2010, a total of 379,200 (2009 – 290,020) options were fully vested and exercisable by the holders thereof at a weighted average exercise price of \$11.23 (2009 – \$12.12).

8. PENSION PLAN EXPENSE

The Company has a defined contribution pension plan covering all participating Canadian employees and a 401(k) plan covering all participating U.S. employees. The Company's pension plan expense in 2010 totaled \$446 (2009 – \$396).

9. INCOME TAXES

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

	2010		2009	
	\$	%	\$	%
Income taxes calculated at statutory federal and provincial income tax rates – 31.0% (2009 – 33.0%)	1,379	31.0	4,731	33.0
Increase (decrease) in rate resulting from				
Manufacturing and processing profits deduction	74	1.7	(93)	(0.7)
Tax rate difference in foreign subsidiary	254	5.7	375	2.6
Difference in future income tax rates	20	0.5	543	3.8
Change in valuation allowance	(2,065)	(46.4)	(2,854)	(19.9)
Other non-taxable and non-deductible items	(21)	(0.5)	(258)	(1.8)
Effective recovery of (provision for) income taxes	(359)	(8.0)	2,444	17.0

Future income taxes applicable to temporary differences are as follows:

	2010	2009
	\$	\$
Depreciable property, plant and equipment	(14,852)	(11,607)
Losses and investment tax credits available for carry-forward	16,710	13,573
Cumulative eligible capital	3,017	3,435
Other	(212)	355
	4,663	5,756
Less: Valuation allowances	(11,006)	(11,540)
	(6,343)	(5,784)
Future tax asset – current	–	896
Future tax asset – long-term	–	21
Future tax liability	(6,343)	(6,701)
	(6,343)	(5,784)

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

Year of expiry	\$
2024	2,891
2025	3,272
2026	3,288
2027	1,916
2028	6,543
2029	16,676
2030	16,538
	51,124

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

Year of expiry	\$
2026	188
2027	285
2028	116
2029	1,184
	1,773

10. SALE OF PROMISSORY NOTE

In April 2009, the Company sold an undivided, co-ownership interest, representing approximately 59.9%, in the remaining proceeds of a promissory note receivable, including future interest payments, for cash proceeds of \$3,793, resulting in a loss of \$269. Three directors of the Company had a minority interest in the purchaser. This note arose in 2007 in conjunction with the sale of the Company's former medical waste business.

11. SALE OF PROPERTY HELD FOR SALE

Properties held for sale were sold in June 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.

12. 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 on loss per share.

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

Total operations	2010			2009		
	Loss \$	Shares (thousands)	Per share amount \$	Loss \$	Shares (thousands)	Per share amount \$
Basic loss per share	4,840	10,937	0.44	11,898	10,937	1.09
Dilutive effect of options ⁽¹⁾		–	0.00		–	0.00
Diluted loss per share		10,937	0.44		10,937	1.09

(1) Excludes the effect of 366,900 options (2009 – 359,400) to purchase Class A Subordinate Voting shares that are anti-dilutive.

13. 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, 2010 and December 31, 2009 due to the short-term maturity of these financial instruments. Long-term debt with a carrying value of \$46,051 has an estimated fair value of approximately \$46,799. The promissory note receivable was discounted to its estimated fair value. Derivative financial instruments are marked to market each reporting period and accounted for as described in Note 5.

A) CREDIT RISK

The Company has credit risk exposure with respect to accounts receivable, 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, 2010, four customers represented approximately 30.4%, in total, (2009 – four customers – 40.6%) of the Company's accounts receivable at year-end. Sales to these customers represented 28.2% (2009 – 24.2%) 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 74.4% (2009 – 75.7%) of consolidated accounts receivable outstanding as at December 31, 2010.

The Landscape Products business segment is characterized by a larger number of customers with lower average balances outstanding. This business segment represented approximately 22.9% (2009 – 18.2%) of consolidated accounts receivable outstanding as at December 31, 2010.

Other accounts receivable accounted for the remaining 2.7% (2009 – 6.1%).

In aggregate, approximately 88.3% (2009 – 91.5%) was due in Canadian dollars from Canadian based customers and 11.7% (2009 – 8.5%) was due in U.S. dollars from U.S. based customers.

Accounts receivable that were past due as at December 31, 2010 totaled \$1,326 (2009 – \$1,884), of which \$1,153 (2009 – \$1,499) was less than three months past due, \$63 (2009 – \$45) was more than three months but less than six months past due and \$110 (2009 – \$340) was more than six months but less than one year past due.

Of the past due amount, accounts totaling \$153 (2009 – \$401) 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:

	2010 \$	2009 \$
Balance at the beginning of the year	401	606
Accounts added	144	278
Accounts removed	(169)	(269)
Accounts written off	(217)	(177)
Exchange rate change on opening balance	(6)	(37)
Balance at the end of the year	153	401

ii) Cash and counterparties

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

B) LIQUIDITY RISK

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

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

	2010 \$	2009 \$
Due within 3 months	15,224	15,625
Due within 4 to 6 months	1,378	1,119
Due within 7 to 12 months	5,176	2,242
Due within 1 to 5 years	34,867	28,822
Due over 5 years	19,041	20,915
	75,686	68,723

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:

	2010 \$	2009 \$
Interest rate swap (net floating to fixed)		
Due within 3 months	158	233
Due within 4 to 6 months	157	231
Due within 7 to 12 months	290	404
Due within 1 to 6 years	831	918
Net cash outflows on interest rate swap	1,436	1,786

At December 31, 2010, the Company had an operating credit facility of \$12,000, of which \$3,579 had been utilized including operating bank advances of \$1,824, letters of credit of \$323 and the mark-to-market exposure on the interest rate swap of \$1,432. 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 and the unutilized balances of its credit facilities will be sufficient to satisfy these obligations as they become due.

C) MARKET RISK

i) Foreign exchange 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, 2009	1.0466	1.5000
December 31, 2010	0.9946	1.3319
High – 2010	1.0778	1.5067
Low – 2010	0.9946	1.2478
Average – 2010	1.0299	1.3661

Variances in the rate of exchange of U.S.\$0.07 and €0.13 are considered reasonably possible.

At December 31, 2010, the Company had net monetary liabilities denominated in U.S. dollars totaling U.S. \$402 and monetary liabilities denominated in euros totaling €287. A variance of U.S. \$0.07 and €0.13 in the December 31, 2010 rates of exchange would have resulted in the loss before income taxes being approximately \$65 higher or lower, as the case may be.

Foreign currency forward purchase contracts are occasionally utilized to manage the foreign currency exchange exposure resulting from future cash flows. There were no contracts outstanding as at December 31, 2010 and December 31, 2009.

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 2.25% on January 1, 2010 and 3.00% on December 31, 2010 and averaged 2.60% for the year. A variance in interest rates of 0.50% is considered reasonably possible.

At December 31, 2010, the Company had a total of \$8,617 of variable interest rate bearing debt outstanding including the Company's proportion of the term loan in Universal. A variance of 0.50% in the rate of interest would have resulted in the loss before income taxes being approximately \$43 higher or lower, as the case may be, on an annualized basis.

Interest rate swap agreements are occasionally utilized to reduce interest rate risk arising from fluctuations in interest rates and to manage the fixed and floating interest rate mix of the Company's total debt portfolio and related overall cost of borrowing. Interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These payments are recorded as an adjustment of interest expense. As at December 31, 2010, the Company holds an interest rate swap contract with a notional principal amount of \$17,000 (December 31, 2009 – \$20,000) as described in Note 5.

iii) Energy contracts

The Company occasionally enters into fixed price swap contracts to fix the price of its electricity requirements. Settlements on the swap contracts are made monthly and recorded in the consolidated statements of operations. There were no contracts outstanding as at December 31, 2010 and December 31, 2009.

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 5). 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.

14. 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, 2010 and December 31, 2009 were as follows:

	2010 \$	2009 \$
Bank operating advances	1,824	750
Long-term debt	47,311	42,209
Less: Cash and cash equivalents	(5,566)	(2,868)
Net funded debt	43,569	40,091
Capital stock	33,689	33,689
Contributed surplus	1,553	1,359
Retained earnings	83,740	88,580
Adjusted capital	118,982	123,628
Net funded debt to adjusted capital ratio	0.37:1	0.32:1

As at December 31, 2010 and December 31, 2009, the Company's objective with respect to the net funded debt to adjusted capital ratio was achieved.

15. 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 which was repaid in September 2010 and, in the first half of 2009, property which was surplus to the Company's requirements. These properties were sold in June 2009 (Note 11).

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 2009, is as follows:

				2010
	Masonry	Landscape	Other	Total
	\$	\$	\$	\$
Net sales to external customers	51,757	20,866	1,378	74,001
Amortization of property, plant and equipment	6,937	2,516	913	10,366
Consolidated operating income (loss)	3,114	(1,007)	(2,613)	(506)
Other expense (net)				(4,293)
Gain on derivative financial instrument				352
Income tax provision				(359)
Non-controlling interests				(34)
Loss from operations				(4,840)
				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 derivative financial instrument				(1,784)
Income tax recovery				2,444
Non-controlling interests				(5)
Loss from operations				(11,898)
				2010
	Masonry and Landscape		Other	Total
	\$		\$	\$
Additions to property, plant and equipment	3,723		1,980	5,703
Consolidated total assets	170,143		15,777	185,920
				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

Certain long-term assets are used for both the Masonry Products and Landscape Products business segments. 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:

	2010		2009	
	Net Sales \$	Property, plant and equipment \$	Net Sales \$	Property, plant and equipment \$
Canada	66,571	87,847	52,920	89,296
United States	7,430	61,461	7,058	64,684
	74,001	149,308	59,978	153,980

16. INVESTMENT IN JOINT VENTURE

The Company's share of the assets, liabilities, revenues and expenses and cash flows for its 50% joint venture investment in Universal for the year ended December 31, 2010, with comparative information for 2009, is as follows:

	2010 \$	2009 \$
Current assets	515	578
Long-term assets	14,086	13,019
Current liabilities	2,152	2,299
Long-term liabilities	5,852	6,612
Revenues	1,378	2,862
Loss	(2,883)	(1,996)
Cash flow generated from (used in)		
Operating activities	(2,222)	(832)
Financing activities	4,040	2,560
Investing activities	(1,617)	(1,790)

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.

17. COMMITMENTS AND CONTINGENCIES

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

	\$
2011	191
2012	130
2013	80
2014	19
	420

As at December 31, 2010, the Company had commitments with suppliers to purchase production equipment totaling \$569. In addition, the Company's share of commitments by Universal totaled approximately \$54.

The Company normally enters into supply and transportation contracts for natural gas to cover future requirements. As at December 31, 2010, the Company had contracted for most of its estimated 2011 natural gas supply requirements at an aggregate estimated cost of \$2,587, none of which was at fixed prices, and for its estimated 2011 transportation requirements at an aggregate estimated cost of \$730, of which approximately 76% was at fixed prices. The potential unrealized gain on the fixed price contracts was approximately \$99 (2009 – \$29), which was not taken into income since these are supply contracts that will be charged to operations in the period the gas is consumed.

Letters of credit are issued by the Company's banker to provide security to certain service providers and in connection with certain governmental operating permits. The aggregate amount of letters of credit outstanding as at December 31, 2010 was \$323 (2009 – \$356).

The Company's proportionate share of letters of credit issued by Universal's banker with respect to its operations was \$562 at December 31, 2010 (2009 – \$562). The Company has provided a guarantee in the amount of \$6,500 to Universal's bankers as additional security for Universal's credit facilities.

18. 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 5.1% (2009 – 3.5%) of net sales in aggregate for the year ended December 31, 2010. Accounts receivable from these parties as at December 31, 2010 represented \$3 (2009 – \$9). Purchases from related parties amounted to \$524 for the year ended December 31, 2010 (2009 – \$503).

A former director, who retired from the Board on May 12, 2010, is a senior partner in the law firm that acts as general counsel to the Company. Fees for services rendered by that firm for the period from January 1, 2010 to May 12, 2010 were \$176 (2009 – \$318).

Other related party transactions have been described in notes 10 and 11.

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

19. COMPARATIVE AMOUNTS

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

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

We have audited the accompanying consolidated financial statements of Brampton Brick Limited, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations, retained earnings, comprehensive loss and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Brampton Brick Limited as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Mississauga, Canada
March 11, 2011

FIVE YEAR FINANCIAL REVIEW

(In thousands of dollars, except per share amounts)

Operations	2010	2009	2008*	2007*	2006*
Net sales	\$ 74,001	\$ 59,978	\$ 81,476	\$ 82,352	\$ 93,986
Net income (loss) – continuing operations	(4,840)	(11,898)	(8,119)	(4,906)	13,572
– total	(4,840)	(11,898)	(8,474)	3,288	13,971
Amortization	10,366	11,329	8,830	8,523	9,015
Cash provided by (used for) operations	1,032	(3,450)	14,001	13,638	16,557
Purchase of property, plant and equipment	3,883	11,013	48,967	21,144	13,215
Dividends	–	–	2,189	2,170	2,165
Financial Position					
Current assets	\$ 36,612	\$ 32,053	\$ 30,237	\$ 51,814	\$ 56,310
Working capital	17,106	13,272	4,715	25,424	32,935
Property, plant and equipment (net)	149,308	153,980	156,998	112,607	98,504
Total assets	185,920	186,054	192,131	181,009	185,403
Long-term debt	43,123	37,583	25,521	3,744	8,106
Shareholders' equity	115,153	119,799	129,247	137,731	140,179
Financial Ratios					
Current ratio	1.87:1	1.71:1	1.18:1	1.96:1	2.41:1
Total liabilities (excluding non-controlling interests) to shareholders' equity	0.61:1	0.54:1	0.47:1	0.28:1	0.32:1
Return on average shareholders' equity (%)	(4.1)	(9.6)	(6.4)	2.5	10.4
Share Data					
Net income (loss) per share – continuing operations	\$ (0.44)	\$ (1.09)	\$ (0.75)	\$ (0.45)	\$ 1.25
– total	(0.44)	(1.09)	(0.78)	0.30	1.29
Book value per share	10.53	10.95	11.83	12.71	12.95
Dividends per share	–	–	0.20	0.20	0.20
Weighted average number of shares outstanding (thousands)	10,937	10,937	10,928	10,836	10,823

*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.



Corporate Directory

Directors

Rudolph P. Bratty, Q.C. *†

Douglas J. Buhler

Jim V. De Gasperis

P. David Grant, C.A.*

Howard C. Kerbel

Jeffrey G. Kerbel

Barry Kornhaber

John M. Piecuch*†

Peter R. Smith

*Member of Audit Committee

†Member of Compensation Committee

Senior Officers

Jeffrey G. Kerbel

President and Chief Executive Officer

Kenneth J. Mondor

Vice-President, Finance and Chief Financial Officer

David R. Carter

Executive Vice-President

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

Corporate Office

225 Wanless Drive

Brampton, Ontario L7A 1E9

Telephone: (905) 840-1011

Facsimile: (905) 840-1535

Web site: www.bramptonbrick.com

e-mail: sales@bramptonbrick.com

Investor Relations

e-mail: investor.relations@bramptonbrick.com

Stock Listing

Toronto Stock Exchange

Share Symbol

"BBL.A"

Registrar and Transfer Agent

CIBC Mellon Trust Company

Halifax, Montreal, Toronto, Calgary and Vancouver

Shareholder Enquiries

of CIBC Mellon Trust Company

Toll free in Canada and United States: 1-800-387-0825

In Toronto: 416-643-5500

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

1645 Sydenham Road, Kingston, 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

**BRAMPTON
BRICK
Limited**

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

