BRAMPTON BRICK Limited
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BRAMPTON BRICK LIMITED ANNUAL REPORT 2016

corporate profile

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

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

Concrete interlocking paving stones, retaining walls, garden walls and enviro products are manufactured in Markham, Hillsdale, Brockville and Brampton, Ontario, in Boisbriand, Quebec, 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.

BRAMPTON BRICK Limited

OAKS LANDSCAPE PRODUCTS

contents

Cover images; main: Vivace, Milano with Estate Series, Veridian
mid-left: Finesse PRP, Academy Black with Mineral Gray
mid-centre: Enviro Midori, Champagne with Hydr'eau Pave, Onyx
mid-right: Eterna Nickel, Dover & Oynx

Financial Overview

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

	2016	2015
OPERATIONS		
Revenues	**$ 143,026**	$ 127,028
Operating income	**13,478**	9,767
Net income	**7,474**	4,820
Cash provided by operations	**19,975**	14,281
Purchase of property, plant and equipment	**11,306**	4,441
SHARE DATA		
Net income per share	**$ 0.68**	$ 0.43
Book value per share	**13.92**	13.33
Weighted average number of shares outstanding (thousands)	**10,947**	10,944
FINANCIAL POSITION		
Working capital	**$ 36,382**	$ 27,125
Total assets	**236,387**	229,129
Total liabilities	**83,957**	83,250
Shareholders' equity attributable to shareholders of Brampton Brick Limited	**152,430**	145,842
Total liabilities to shareholders' equity attributable to shareholders of Brampton Brick Limited	**0.55:1**	0.57:1

SHARES OUTSTANDING

The Company has 10,947,254 common shares outstanding as at December 31, 2016 comprised of 9,208,623 Class A Subordinate Voting shares and 1,738,631 Class B Multiple Voting shares. The Class A Subordinate Voting shares trade on the Toronto Stock Exchange under the ticker symbol "BBL.A".

ANNUAL MEETING

The Annual General Meeting of the Shareholders of the Company will be held on May 25, 2017 at 9:30 a.m. at the Company's head office, 225 Wanless Drive, Brampton, Ontario.

ANNUAL REPORT

Additional copies of the 2016 Annual Report may be obtained from the Vice-President, Finance, Brampton Brick Limited, 225 Wanless Drive, Brampton, Ontario L7A 1E9.

President's Message

During the year 2016, Brampton Brick achieved a substantial increase in sales, margin and profitability. Overall revenues increased for the year 2016 by 13% to $143 million and net income rose to $7.5 million in 2016 from 2015 net income of $4.8 million.

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

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

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

Our landscape business had another strong year in 2016, with revenues up 13%. While favourably impacted by improving demand and good weather, the key to our success has been the ongoing development and introduction of new products, colours and textures as we strive to differentiate our company in the marketplace.

In the United States, sales of masonry products continue to be impacted by capacity utilization and a difficult pricing environment. During the year, the Farmersburg plant has been modified to produce architectural products. As a result, the company expects significant improvements in sales and margin.

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

During 2016 we completed a restructuring of corporate debt. The Company's financial flexibility is now enhanced, allowing Brampton Brick to further execute on our strategy and to be able to take advantage of additional market opportunities.

/s/Jeffrey G. Kerbel

Jeffrey G. Kerbel

President and Chief Executive Officer

FOR THE YEAR ENDED DECEMBER 31, 2016
PREPARED AS OF MARCH 21, 2017

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the year ended December 31, 2016, 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 21, 2017, which may be found on SEDAR at www.sedar.com. All amounts are stated in thousands of Canadian dollars, except per share amounts, unless otherwise indicated.

DISCUSSION OF OPERATIONS

YEAR ENDED DECEMBER 31, 2016

For the year ended December 31, 2016, the Company recorded net income of $7,474, or $0.68 per Class A Subordinate Voting share and Class B Multiple Voting share outstanding, compared to net income of $4,820, or $0.43 per Class A Subordinate Voting share and Class B Multiple Voting share outstanding in 2015. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding were 10,947,254 and 10,944,116 in 2016 and 2015, respectively.

Revenues for the year ended December 31, 2016 increased by 13% to $143,026 from $127,028 for the corresponding period in 2015. The increase in revenues was due to a significant increase in shipments in both the Masonry Products and Landscape Products business segments. Comparatively mild weather conditions in the first half of 2016, the continuing strength in Canadian residential construction and an expanded product portfolio resulted in relatively favourable business conditions throughout the year.

Cost of sales for the year ended December 31, 2016 increased by 10% to $109,145 from $99,158 for the corresponding period in 2015. This increase was primarily due to:

a) higher shipments which were partially offset by the favourable impact of higher production volumes on per unit costs;

b) plant costs incurred at the Farmersburg, Indiana clay brick facility totaling approximately $5.5 million and charged directly to operations as a result of:

   i) a temporary plant shutdown for maintenance during the first four months of 2016; and

   ii) the lost production volume as a result of the installation, commissioning and production trial runs of new and more efficient process equipment; and

c) costs charged to operations, in excess of $1.1 million, due to lost production volume as a consequence of equipment commissioning, retrofitting and product testing related to the concrete products manufacturing plant located in Boisbriand, Quebec. The plant's assets were acquired in April 2016 and commercial production commenced during the third quarter of 2016.

For the year ended December 31, 2016, gross margin increased to 24% from 22% for the prior year, primarily due to the effect of higher production volumes as noted above. The improvement in the gross margin was lower than expected due to a number of one-time expenses as described above and a decrease in property tax assessment refunds to $38 for the year ended December 31, 2016 compared to $680 for the corresponding prior year.

Selling expenses for the year ended December 31, 2016 increased to $11,617 from $10,602 in 2015. This increase was due to higher personnel costs and marketing expenses to support the increase in revenue.

General and administrative expenses for the year ended December 31, 2016 increased to $8,259 from $6,513 for the prior year. A large part of this year-over-year variance is because of the reversal of a provision for the allowance for doubtful accounts, associated with the customer accounts receivable previously provided for in the allowance, together with the reversal of other provisions totaling $900 in 2015. Additionally, increases in 2016 were due to professional and legal expenses associated with the changes in the Company's lender and general company-wide, personnel-related expenses, in particular at the new Boisbriand, Quebec facility.

Loss on disposal of property, plant and equipment amounted to $238 for the year ended December 31, 2016 and relates to the replacement of certain equipment at the Brampton clay brick plant and the Markham concrete products plant in order to increase long-term operational efficiencies and reduce production costs. The gain on sale of assets was $20 for the corresponding prior year.

Other expense of $289 for the year ended December 31, 2016 compared to $1,008 for the prior year was primarily due to the loss on translation of foreign currency transactions as a result of currency exchange fluctuations attributed to the U.S. dollar during the year. This decrease was smaller in 2016 due to the smaller movement in the U.S. dollar rate compared to 2015.

Operating income increased to $13,478 for the year ended December 31, 2016, compared to operating income of $9,767 in 2015 due to the strong growth in the Company's operations as described above.

Finance expense for the year ended December 31, 2016 was $1,456 compared to a finance expense of $2,265 in 2015. Excluding the unrealized gain on the interest rate swap of $145 (2015 – unrealized loss of $504), finance expense for the current year decreased to $1,601 compared to $1,761 for the corresponding prior year.

The decrease in finance expense was due to lower bank operating advances during the year and a decrease in debt balances outstanding as a result of scheduled repayments totaling $2,500 made in each of 2016 and 2015.

The provision for income taxes amounted to $4,548 for the year ended December 31, 2016, compared to a provision of $2,682 for the 2015 fiscal year. No deferred tax assets were recorded with respect to the potential deferred tax benefit pertaining to non-capital losses carried forward by the Company's U.S. operations.

FOURTH QUARTER ENDED DECEMBER 31, 2016

For the fourth quarter ended December 31, 2016, the Company recorded net income of $1,304, or $0.12 per Class A Subordinate Voting share and Class B Multiple Voting share, compared to a net loss of $534, or $0.05 per Class A Subordinate Voting share and Class B Multiple Voting share, for the fourth quarter of 2015. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding was 10,947,254 for the fourth quarter of each of 2016 and 2015.

For the fourth quarter of 2016, revenues grew by 14% to $36,739 from $32,362 for the same period in 2015. Shipments increased in the Company's Canadian markets in both the Masonry Products and Landscape Products business segments. Cost of sales increased due to higher shipments, but was largely offset by the positive impact of comparatively higher production volumes.

As a result, the operating income for the fourth quarter of 2016 increased to $2,441, compared to an operating income of $360 for the corresponding quarter in 2015.

For the fourth quarter of 2016, net finance income recognized amounted to $241 compared to finance expense of $410 for the corresponding period of 2015. Excluding the unrealized gain on the interest rate swap of $619 (2015 – unrealized loss of $26), finance expense for the fourth quarter of 2016 decreased to $378 compared to $384 for the corresponding quarter of 2015.

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

MASONRY PRODUCTS

For the year ended December 31, 2016, revenues increased 13% to $101,356 from $90,060 in 2015. The strong pace of residential construction during the current year was supported by both favourable first-half weather conditions and the implementation of enhanced customer service and marketing initiatives.

Cost of sales increased by 13% to $79,035 compared to $70,222 in 2015. The increase in cost of sales was due to higher shipments and was offset by lower per unit manufacturing costs on comparatively higher production volumes. Costs incurred at the Farmersburg, Indiana clay brick facility were significantly higher due to process improvement costs incurred during the year. Additionally, in 2016, the Company incurred start-up and other costs to commission the newly acquired plant assets located at Boisbriand, Quebec.

Operating income from the Masonry Products business segment for the year ended December 31, 2016 increased to $8,383 compared to an operating income of $6,889 in 2015, due to the aforementioned factors.

For the fourth quarter of 2016, revenues increased by 12% to $26,800 from $23,829 for the corresponding quarter in 2015.

The operating income for the fourth quarter of 2016 was $1,894 compared to operating income of $2,197 for the corresponding quarter in 2015.

LANDSCAPE PRODUCTS

Revenues of the Landscape Products business segment for the year ended December 31, 2016, increased 13% to $41,670 from $36,968 in 2015. This increase was supported by comparatively favourable weather conditions, a continuation of strong commercial and residential construction activity and the introduction of new products and customer service programs which resulted in gains in market share.

Cost of sales for the year ended December 31, 2016 increased by 4% to $30,110 compared to $28,936 in 2015. This increase was positively impacted by lower per unit manufacturing costs on comparatively higher production volumes.

For the year ended December 31, 2016, the Landscape Products business segment recorded operating income of $5,095 compared to $2,925 in 2015.

The operating income of the Landscape Products business segment was $547 for the fourth quarter of 2016 on revenues of $9,939 compared to operating loss of $1,793 on revenues of $8,533 for the fourth quarter of 2015. The loss in the fourth quarter of 2015 was attributable to lower production volumes in that period, which resulted in higher per unit manufacturing costs, as well as the timing of certain selling and related expenses that actually occurred in the fourth quarter of 2015.

CASH FLOWS

For the year ended December 31, 2016, cash flow provided by operating activities totaled $19,975 compared to $14,281 in 2015. An improvement in operating results and a comparative decrease in inventories held were partially offset by an increase in trade receivables, due to higher shipment levels and the timing of collections, higher disbursements of payables and higher income tax payments.

Cash utilized for purchases of property, plant and equipment totaled $11,306 in 2016, compared to $4,441 in 2015. These purchases included equipment upgrades at both U.S. facilities and certain Canadian plants.

In addition, on April 9, 2016, the Company completed the acquisition of certain assets from Eurobloq Inc., a concrete products manufacturing company located in the Province of Quebec. The assets acquired included land, building and concrete products manufacturing equipment, all located in Boisbriand, Quebec. The purchase price for the assets of $5,000 plus other related acquisition costs of $138 was financed from the Company's committed revolving term loan and its demand operating credit facility. On April 1, 2016, an amount of $3,405 was drawn on the committed revolving term loan.

The Company has a 50% joint venture interest in Universal Resource Recovery Inc. ("Universal") located in Welland, Ontario. Universal is leasing its facility to a manufacturer of products used in the construction of wind turbines. During the third quarter of 2016, a loan repayment in the amount of $450 (2015 - $500) was received from Universal in respect of the secured, non-interest bearing, non-current loan receivable (the "loan receivable") from Universal. The loan receivable balance from Universal as at December 31, 2016 totaled $4,250 (2015 - $4,700).

In December 2016, the Company finalized a new credit agreement with a new lender and utilized the proceeds to retire the debt outstanding with its former lender. As at December 31, 2016, the new credit facilities utilized include a committed term A non-revolving loan ("Term A credit facility") totaling $27,000 and a committed term B non-revolving loan ("Term B credit facility") totaling $10,665. Both these credit facilities bear interest at the bankers' acceptance rate plus 1.60% and require monthly interest payments for the duration of the loan. Principal repayments are required from July to November each year from 2017 to 2019 on the Term A credit facility and on the Term B credit facility totaling $290 per month and $100 per month, respectively.

The repayment of the outstanding term loan balances in December 2016 to the former lender, from the proceeds of the new credit facilities, described in Note 12 to the Consolidated Financial Statements, amounted to $36,629, and comprised of:

a) $22,000 on the committed revolving reducing term loan;

b) $13,000 on the committed revolving term loan, which included an increase of $3,405 during 2016 to finance the acquisition of certain assets as described in Note 12 (e) to the Consolidated Financial Statements; and,

c) $1,629 on the demand non-revolving loan.

Scheduled and other principal repayments on term loans during 2016 amounted to $3,343.

The Company utilizes a floating-to-fixed interest rate swap to minimize its exposure to fluctuations in cash flows from changes in interest rates on term debt of the same amount. On December 29, 2016, a new interest rate swap contract was completed between the Company and its new banker with a notional value of $27,000, replacing the previous swap contract. This transaction is further described in Note 13 to the Consolidated Financial Statements.

FINANCIAL CONDITION

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

There were no bank operating advances as at December 31, 2016, and December 31, 2015, respectively.

Trade payables totaled $15,956 at December 31, 2016 compared to $17,655 at December 31, 2015.

The ratio of total liabilities to shareholders' equity was 0.55:1 at December 31, 2016 compared to 0.57:1 at December 31, 2015. The decrease in this ratio from December 2015 to December 2016 was primarily due to higher retained earnings resulting from the improvement in operating results in 2016, partially offset by a decrease in the foreign currency translation gain included in 'Accumulated other comprehensive income' due to the relative strengthening of the Canadian dollar against the U.S. dollar in 2016.

As at December 31, 2016, the Company's current ratio is 2.43:1, representing working capital of $36,382, compared to 1.94:1 and $27,125, respectively, as at December 31, 2015. The increase in working capital was primarily due to an increase in cash and cash equivalents and trade receivables, which increased due to higher fourth quarter revenues. In addition, a decrease in the trade payables and the current portion of debt in accordance with the new credit agreement with the Company's new lender also contributed to the increase in working capital. This increase was partially offset by a decrease in inventories held. Cash and cash equivalents totaled $10,923 at December 31, 2016 compared to $4,021 at December 31, 2015.

The Company's bank credit agreement provides for operating borrowings up to $22,000 based on margin formulae for trade receivables and inventories, less priority claims. It is a demand facility secured by a general security agreement over all assets. In December 2016, the Company executed a new credit agreement with a new lender, which replaced the Company's former credit facilities, as described above under 'Cash Flows'. The agreement contains certain financial covenants. As at December 31, 2016 and 2015, the Company was in compliance with all the financial covenants under its term financing agreement and operating credit facility and anticipates that it will maintain compliance throughout 2017.

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

A summary of the Company's contractual obligations over the next five years and thereafter, determined as at December 31, 2016, is as follows:

	2017	2018 - 2019	2020 - 2021	Thereafter	Total
Debt[(1)]	$ 3,064	$ 37,743	–	–	$ 40,807
Finance lease obligations[(2)]	$ 685	$ 191	–	–	$ 876
Other obligations[(3)]	$ 30	$ 438	$ 184	$ 7,316	$ 7,968
Accounts payable[(4)]	$ 19,880	–	–	–	$ 19,880
Operating leases[(5)]	$ 108	$ 111	$ 9	–	$ 228
Purchase obligations[(6)]	$ 7,888	–	–	–	$ 7,888
Total contractual obligations	**$ 31,655**	**$ 38,483**	**$ 193**	**$ 7,316**	**$ 77,647**

(1) Debt reflects the aggregate amount of future payments including interest, and includes all debt items listed in Note 12 to the Consolidated Financial Statements, except finance lease obligations.
(2) Finance lease obligations disclosed above reflect the aggregate amount of future payments including principal and interest.
(3) Other obligations represent the undiscounted estimated future costs for the decommissioning provisions with respect to the Company's shale quarries. These obligations are discussed in more detail in Note 14 to the Consolidated Financial Statements.
(4) Accounts payable represents vendor accounts and includes accrued and other liabilities.

Off Balance Sheet Commitments

(5) Operating leases represent future aggregate minimum lease payments (mobile equipment and vehicles), which are off balance sheet transactions.
(6) Off balance sheet commitments include purchase obligations relating to natural gas supply and transportation contracts totaling $3,416 and capital expenditure commitments of $4,472.

These commitments are described in more detail in Note 21 to the Consolidated Financial Statements.

SELECTED ANNUAL FINANCIAL INFORMATION

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

	2016	2015	2014
Revenues	**$ 143,026**	$ 127,028	$ 110,329
Total assets	**$ 236,387**	$ 229,129	$ 217,680
Total non-current financial liabilities	**$ 36,114**	$ 33,226	$ 26,064
Cash dividends declared per share	**$ –**	$ –	$ –
Net income (loss) attributable to shareholders of Brampton Brick Limited	**$ 7,474**	$ 4,670	$ (13,959)
Total net income (loss)	**$ 7,474**	$ 4,820	$ (13,961)
Net income (loss) per share			
Basic	**$ 0.68**	$ 0.43	$ (1.28)
Diluted	**$ 0.66**	$ 0.42	$ (1.28)

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

REVENUES

Revenues grew by 13% in 2016 over 2015 due to a combination of factors including comparatively mild weather conditions, strength in the Canadian housing market and an expanded product portfolio. The significant increase of 15% in revenues in 2015 compared to 2014 was due to the positive momentum in residential construction and favourable weather conditions for much of 2015.

TOTAL ASSETS

The increase in total assets in 2016 compared to 2015 was due to the increase in cash and cash equivalents and trade receivables, due to the increase in revenues during the fourth quarter of 2016, partially offset by a decrease in inventories held.

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

TOTAL NON-CURRENT FINANCIAL LIABILITIES

In April 2016, the non-current portion of term loans increased by $3,405 primarily due to the additional drawdown to finance the acquisition of certain assets from Eurobloq Inc., a concrete products manufacturing company located in Boisbriand, Quebec, as described in Note 7 to the Consolidated Financial Statements. Additionally, in December 2016, the Company finalized a new credit agreement with a new lender and utilized the proceeds to retire the debt outstanding with its former lender, as described in Note 12 to the Consolidated Financial Statements.

Excluding the decreases of $1,103 in the non-current finance leases, $76 in the non-current portion of other term loans and $52 in the non-current derivative financial instrument, the non-current portion of debt increased by $714. This increase was due to a reclassification from current to non-current in accordance with the repayment terms of the new credit facilities, as well as the excess proceeds from the issue of debt after repayment of the predecessor loans in December 2016.

The increase in the non-current portion of debt in 2015 from 2014 was due to the conversion of the demand revolving term loan to the committed revolving term loan effective December 16, 2015. The committed revolving term loan was classified as current and non-current liabilities in the amounts of $500 and $9,595, respectively, as at December 31, 2015. The predecessor term loan was classified as a current liability as at December 31, 2014 as it was payable on demand. Repayments on these term loans during 2015 partially offset this increase. In addition, the non-current portion of the interest rate swap contract amounting to $256 was included in 2015.

CASH DIVIDENDS DECLARED PER SHARE

The Board of Directors did not declare a dividend for years 2016, 2015 and 2014. Declaration of the amount and payment of future dividends will be subject to the discretion of the Board of Directors and will be dependent upon the results of operations, financial condition, cash requirements and other factors deemed relevant by the Board of Directors.

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

Net income for 2016 increased from 2015, primarily due to a significant increase in revenues across all product lines. This increase was supported by the strength in residential construction and generally favourable business conditions. Although the increase in the costs of sales during the current year was positively impacted by lower per unit costs on higher production volumes, process improvement costs incurred at the Farmersburg, Indiana plant and start-up and commissioning costs at the Boisbriand, Quebec plant contributed to the increased cost of sales in 2016.

The increase in net income in 2015 from the net loss in 2014 was due to a significant increase in shipments and lower per unit manufacturing costs on higher production volumes. In addition, the increase in net loss in 2014 was primarily due to an impairment loss recognized on the Farmersburg, Indiana plant. As well, the Company incurred start-up costs to commission the new plants in Hillsdale and Brockville, Ontario and made a payment of future interest in the amount of $3,305 on the early repayment of the term loan in January 2014. Collectively, these major cost items were partially offset by the increase in shipments from the two new concrete products plants, noted above, the gain on sale of the Milton Plant assets of $1,555, and the decrease in interest rates on the term loans outstanding.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

TOTAL OPERATIONS	December 31		September 30		June 30		March 31	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenues	$ 36,739	$ 32,362	$ 43,811	$ 40,465	$ 43,818	$ 39,138	$ 18,658	$ 15,063
Net income (loss) attributable to shareholders of Brampton Brick Limited								
	$ 1,304	$ (524)	$ 4,636	$ 4,324	$ 5,272	$ 5,507	$ (3,738)	$ (4,637)
Net income (loss)								
	$ 1,304	$ (534)	$ 4,636	$ 4,324	$ 5,272	$ 5,667	$ (3,738)	$ (4,637)
Net income (loss) per share								
Basic	$ 0.12	$ (0.05)	$ 0.42	$ 0.39	$ 0.48	$ 0.50	$ (0.34)	$ (0.42)
Diluted	$ 0.12	$ (0.05)	$ 0.41	$ 0.39	$ 0.47	$ 0.49	$ (0.34)	$ (0.42)

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

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

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

QUARTERS ENDED DECEMBER 31

Revenues for the fourth quarter of 2016 increased 14% over the same period in 2015 due to higher masonry and landscape product shipments. Costs of sales in the last quarter of 2016 increased by 8% due to higher shipments. This increase was partially offset by lower per unit manufacturing costs on higher production volumes.

In addition, the unrealized gain on the interest rate swap in the fourth quarter of 2016 amounted to $619, compared to an unrealized loss of $26 recognized in the corresponding prior period.

The increase in the income tax provision, which was recorded on pre-tax income of the Canadian operations, was the result of a significant improvement in operating results due to a comparatively mild seasonal impact on construction and a strong housing market during the fourth quarter of 2016.

Net income improved significantly in the fourth quarter of 2016 for the reasons discussed above.

QUARTERS ENDED SEPTEMBER 30

The increase in shipment volumes in both the Masonry Products and Landscape Products business segments during the third quarter ended September 30, 2016, compared to the corresponding quarter of 2015, was supported by the underlying strength in residential construction in Ontario, Canada. Costs of sales increased due to higher shipments, and lower production volumes primarily in the Farmersburg, Indiana, clay brick plant during the quarter which increased per unit production costs. In addition, upgrades to process equipment at Farmersburg, Indiana continued through the third quarter of 2016, which impacted production activity and increased operating costs at the facility.

QUARTERS ENDED JUNE 30

Favourable weather conditions, sustained momentum in the housing market, as well as an expanded product portfolio produced an increase in revenues for the quarter ended June 30, 2016, compared to the same quarter of 2015. The increase in costs of sales during the second quarter of 2016 were due to increases in shipments and costs associated with both upgrades to process equipment installed at the Farmersburg, Indiana clay brick plant and the retrofit and other costs associated with the April 2016 acquisition of the Boisbriand, Quebec facility. In addition, higher selling expenses due to an increase in sales promotion and personnel costs related to the increase in revenues increased operating expenses during the second quarter of 2016.

For the quarter ended June 30, 2015, transactions that positively impacted the results were a property tax credit of $537, decreases in bad debt and other provisions, and an unrealized gain on the change in the fair value of the interest rate swap.

As a result, net income for the quarter ended June 30, 2016 was $5,272, compared to $5,667 for the same period in 2015.

QUARTERS ENDED MARCH 31

Revenues during the first quarter of 2016 increased across all product lines compared to the corresponding three months in 2015. Comparatively milder weather conditions and an increase in housing starts led to strong growth in the Company's Canadian markets.

Costs of sales increased due to higher shipments but were largely offset by lower per unit manufacturing costs on comparatively higher production levels. A shutdown for maintenance and process improvements at the Farmersburg plant also unfavourably impacted costs.

During the first quarter of 2016, higher marketing and customer service related expenses were also incurred.

As a result, the net loss for the first quarter of 2016 decreased by $899 compared to the same quarter in 2015.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

JUDGMENTS

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

Management's assessment of the external and internal indicators of impairment, as per IAS 36, *Impairment of Assets*, ("IAS 36") determined there was no indication that the Brampton clay brick plant, the Canadian concrete plants and the Michigan concrete plant may be impaired. Management also assessed the indicators of impairment for the Indiana clay brick plant and concluded, based on various factors, that impairment testing was necessary as at December 31, 2016.

DEFERRED TAXES

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

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

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

ESTIMATES

DEPRECIATION

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

The property, plant and equipment are assessed to determine whether there was any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell or the value in use (being the present value of the expected future cash flows of the relevant asset).

Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In the absence of an arm's length transaction, fair value for assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Value in use is determined as the present value of estimated future cash flows arising from continued use and eventual disposition of the asset, which excludes future capital expenditures that would increase the service potential of the asset. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks to the specific asset.

To the extent that future cash flows or discount rates differ from management estimates at the balance sheet date, the impairment results may be subject to change. The Company's assessment of the external and internal indicators of impairment, as per IAS 36, determined there was no indication that the Brampton clay brick plant, the Canadian concrete plants and the Michigan concrete plant may be impaired.

For the year ended December 31, 2016, the recoverable amount for the Farmersburg, Indiana clay brick plant was estimated using the Company's approved business plan for a period of five years from 2017 – 2021 (2015 – five years from 2016 – 2020) and includes various assumptions regarding, among other things, future sales volumes, selling prices, costs of manufacturing and operations including raw materials, labour, overhead, selling and general and administrative expenses, capital expenditures and proceeds of disposition, if any. The impairment test did not result in an asset impairment loss or impairment reversal for the years ended December 31, 2016 and December 31, 2015. The recoverable amount is sensitive to these assumptions and accordingly different assumptions could result in an impairment.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, the Company must determine the fair value of the non-interest bearing loan advanced to Universal in order to assess its recoverability and the resulting impairment, if any. The recoverability of the loan from Universal is determined, in part, by calculating the estimated fair value of Universal's property, plant and equipment ("PP&E") as at December 31, 2016.

The determination of the fair value of Universal's PP&E requires the application of professional judgment. As at December 31, 2016, the fair value of Universal's PP&E was determined based on general market factors, an assessment performed by independent property appraisers as at December 31, 2015 and the local environment for commercial real estate transactions. Based on this assessment and book values of other assets and liabilities, the recoverable amount determined closely approximated its carrying value of $4,250 as at December 31, 2016 (2015 - $4,700). These estimates were based on a range of technical and economic factors and conditions. Changes to these factors or conditions in future periods could alter the fair value assessment of these assets. A decrease in the estimated PP&E disposition proceeds would increase the potential shortfall in cash inflows required to repay the loan. There was no impairment loss or impairment reversal recognized during the year ended December 31, 2016 (2015 - Nil).

DECOMMISSIONING PROVISIONS

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

RISKS AND UNCERTAINTIES

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

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

Major production costs include natural gas, labour, electricity and depreciation of plant and equipment. As at December 31, 2016, the Company had contracted for its estimated 2017 Canadian natural gas supply requirements at an aggregate estimated cost of $2,221, forecasted by the supplier, none of which was at fixed prices, and for its estimated 2017 Canadian transportation requirements at an aggregate estimated cost of $1,185, of which 85% was at fixed prices. As at December 31, 2016, the Company's U.S. operations had only contracted for its January 2017 estimated natural gas transportation requirements.

The Company's Brampton clay brick manufacturing facility is subject to Ontario's Cap and Trade Regulation that came into effect on January 1, 2017. The actual cost of this program will vary with the plant's production volumes, plant greenhouse gas emissions, changes in carbon prices, supply and demand for allowances and the value of the Canadian dollar relative to the U.S. dollar.

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, 2016. The Company may enter into such contracts in the future if it deems it appropriate to do so.

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

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

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

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

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

In 2016, approximately 10.6% (2015 – 11.4%) of the Company's revenues were made in the U.S. or through exports to the U.S. Foreign currency forward purchase contracts are occasionally utilized to manage the foreign currency exchange exposure resulting from significant, anticipated future cash inflows and/or outflows denominated in a foreign currency. There were no such contracts outstanding at December 31, 2016.

Interest rate swap agreements are utilized to reduce interest rate risk arising from fluctuations in interest rates and to manage the fixed and floating interest rate mix of the Company's total debt portfolio and the related overall cost of borrowing. On December 31, 2016, the Company had in effect a floating-to-fixed interest rate swap with a notional value of $27 million to hedge its exposure to fluctuating cash flows from changes in interest rates. Further details regarding this swap contract are discussed in more detail in Note 13 to the Consolidated Financial Statements.

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

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

The Company, due to the nature of its masonry and landscape products manufacturing operations, is subject to various environmental laws and regulations. The Company maintains ongoing monitoring and testing by its own staff and selective external environmental consultants and must remain in compliance as a condition of retaining its Certificates of Approval to operate. In an effort to ensure environmental compliance, the Company has established an Environmental Management System that includes procedures on those processes and preventive maintenance plans for equipment that is listed in its Certificates of Approval, as well as emergency spill response and compliant handling processes.

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

The Company owns quarries in Cheltenham, Ontario and Farmersburg, Indiana to provide shale for the manufacture of clay brick. Quarry operations are required to comply with environmental standards established by provincial and state regulatory authorities, as the case may be. Among other things, these standards require the Company to undertake rehabilitation activities when mining operations are completed. Rehabilitation activities typically take place in phases over the life of the quarry. Estimated costs to rehabilitate the quarries are reflected in Note 14 to the Consolidated Financial Statements.

OTHER

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

The aggregate number of issued and outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares as at December 31, 2016 is disclosed in Note 15 to the Consolidated Financial Statements. There were no changes to share capital during the year ended December 31, 2016. On February 14, 2017, 17,500 stock options were exercised at an average price of $4.99. Proceeds from the issue of an equal number of Class A Subordinate Voting shares amounted to $87. There were no other changes to share capital to the date of this MD&A.

During the second quarter of 2016, the Toronto Stock Exchange (the "TSX") accepted a notice of intention (the "Notice') filed by the Company to make a normal course issuer bid ("NCIB"). The Notice provided that the Company, during the 12-month period which commenced on May 16, 2016 and ends on May 15, 2017, could purchase on the TSX up to 460,431 Class A Subordinate Voting shares in total, being approximately 5% of the total number of Class A Subordinate Voting shares outstanding as of May 5, 2016. The Company did not repurchase any Class A Subordinate Voting shares under the NCIB during the period ended December 31, 2016.

The aggregate number of outstanding stock options as at December 31, 2016 that were fully vested and convertible to Class A Subordinate Voting shares upon exercise by the option holders is disclosed in Note 16 to the Consolidated Financial Statements. Changes to the outstanding number of stock options to the date of the MD&A are noted above.

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. The Company has determined which of its customers are related to the Company via common directors or shareholders. Sales to these customers are made under competitive terms and conditions. These customers accounted for 4.6% (2015 - 3.3%) of revenues in aggregate for the year ended December 31, 2016, with none accounting for more than 3.0% (2015 - 2.6%). Purchases from related parties amounted to $14 for the year ended December 31, 2016 (2015 - $42).

As at December 31, 2016, the trade receivable balance from related customers was $12 (2015 - Nil). Trade payables to related parties was $118 as at December 31, 2016 (2015 - $125).

Information on the compensation of key management personnel comprising of the Company's directors and executive officers is discussed in Note 22 to the Consolidated Financial Statements.

CONTROLS AND PROCEDURES

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

DISCLOSURE CONTROLS AND PROCEDURES

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

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

An evaluation was carried out as at December 31, 2016, under the supervision of the CEO and the CFO, of the design and effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The CEO and CFO are responsible for establishing and maintaining internal control over financial reporting and, under their supervision, an evaluation was conducted on the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the Company's certifying officers concluded that as at December 31, 2016, the Company's internal control over financial reporting was effective.

There have been no changes to the Company's internal control over financial reporting during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTLOOK FOR 2017

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

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

Housing starts grew by low, single-digit percentages in 2016 in the low-rise segment of the Company's Canadian market. The growth for housing starts is projected to be within a similar range for 2017.

In addition to the anticipated organic growth for 2017, the Company is expecting additional growth due to its product and geographic expansion and various customer service and marketing initiatives implemented over the past few years.

The Company's U.S. clay brick plant has completed its modification project and can now produce high quality commercial sector products in addition to its residential product portfolio. The plant is forecasted to increase its production capacity utilization throughout 2017 with an increase in both commercial and residential production volumes. These increased volumes should result in lower per unit costs and higher margins for this business segment. However, the Company's results can still be impacted by the industry's historically low industry capacity utilization levels in its related market regions.

The Company's landscape and concrete masonry business grew significantly in 2016 due to favourable market conditions and the positive effect of various strategic initiatives implemented over the past number of years, notwithstanding the one-time setup costs associated with the Company's new facility in Boisbriand, Quebec.

For 2017, the Company is forecasting continued growth, in this segment, supplemented by the full year's benefit of the now operational Quebec facility which will facilitate increased distribution of all product lines in Quebec and Eastern Ontario.

Since the signing of the Universal lease with its tenant, Universal has been self sufficient on a cash basis. As a result, the Company did not need to fund any cash shortfalls in 2016. Additionally, any excess cash flow at Universal is expected to be used to repay the loan receivable of the Company and the other joint venture partner during the lease period.

Additional information about the Company, including the Company's Annual Report for the year ended December 31, 2015 and Annual Information Form for the year ended December 31, 2016, may be found on SEDAR at www.sedar.com. The Company's Annual Report for the year ended December 31, 2016, and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders to be held on May 25, 2017, will later be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

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

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

Such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others: changes in economic conditions, including the demand for the Company's primary products and the level of new home, commercial and other construction; large fluctuations in production levels; fluctuations in energy prices and other production costs; changes in transportation costs; foreign currency exchange and interest rate fluctuations; legislative and regulatory developments; as well as those assumptions, risks, uncertainties and other factors identified and discussed above under "Risks and Uncertainties" and those identified and reported in the Company's other public filings (including the Annual Information Form for the year ended December 31, 2016), which may be accessed at www.sedar.com.

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

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

To the Shareholders of Brampton Brick Limited;

We have audited the accompanying consolidated financial statements of Brampton Brick Limited, which comprise of the consolidated balance sheets as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Brampton Brick Limited as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
March 21, 2017
Toronto, Ontario

Consolidated Balance Sheets

BRAMPTON BRICK Limited

(in thousands of Canadian dollars)	Notes	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	4	**$ 10,923**	$ 4,021
Trade and other receivables	5, 24	**21,108**	18,711
Inventories	6	**29,031**	32,163
Other assets		**756**	1,111
Loan receivable	9	**89**	85
		61,907	56,091
Non-current assets			
Loans receivable	9	**4,408**	4,947
Property, plant and equipment	7, 23	**170,072**	168,091
		174,480	173,038
Total assets	23	**$ 236,387**	$ 229,129
LIABILITIES			
Current liabilities			
Trade payables		**$ 15,956**	$ 17,655
Income tax payable	19	**2,822**	1,729
Current portion of debt	12	**2,638**	6,380
Current derivative financial instrument	13	**155**	248
Decommissioning provisions	14	**30**	30
Other liabilities		**3,924**	2,924
		25,525	28,966
Non-current liabilities			
Non-current portion of debt	12	**35,910**	32,970
Non-current derivative financial instrument	13	**204**	256
Decommissioning provisions	14	**6,429**	5,377
Deferred tax liabilities	19	**15,889**	15,681
		58,432	54,284
Total liabilities		**83,957**	83,250
EQUITY			
Equity attributable to shareholders of Brampton Brick Limited			
Share capital	15	**33,755**	33,755
Contributed surplus	16	**3,101**	2,641
Accumulated other comprehensive income		**10,829**	12,176
Retained earnings	10	**104,745**	97,270
		152,430	145,842
Non-controlling interests	10	**–**	37
Total equity		**152,430**	145,879
Total liabilities and equity		**$ 236,387**	$ 229,129

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

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

Consolidated Statements of Comprehensive Income

		Year ended December 31	
(in thousands of Canadian dollars, except per share amounts)	**Notes**	**2016**	2015
Revenues	22, 23	**$ 143,026**	$ 127,028
Cost of sales	6, 7, 18, 23	**109,145**	99,158
Selling expenses	18, 23	**11,617**	10,602
General and administrative expenses	7, 18, 23	**8,259**	6,513
Loss (gain) on disposal of property, plant and equipment	18, 23	**238**	(20)
Other expense	18, 23	**289**	1,008
	18, 23	**129,548**	117,261
Operating income	23	**13,478**	9,767
Finance expense	11, 12, 13	**(1,456)**	(2,265)
Income before income taxes		**12,022**	7,502
Provision for income taxes	19		
Current		**(4,340)**	(1,839)
Deferred		**(208)**	(843)
		(4,548)	(2,682)
Net income for the year		**$ 7,474**	$ 4,820
Net income attributable to:			
Shareholders of Brampton Brick Limited		**$ 7,474**	$ 4,670
Non-controlling interests		**–**	150
Net income for the year		**$ 7,474**	$ 4,820
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Foreign currency translation (loss) gain		**$ (1,347)**	$ 7,603
Total comprehensive income for the year		**$ 6,127**	$ 12,423
Total comprehensive income attributable to:			
Shareholders of Brampton Brick Limited		**$ 6,127**	$ 12,273
Non-controlling interests		**–**	150
Total comprehensive income for the year		**$ 6,127**	$ 12,423
Net income per Class A Subordinate Voting share and Class B Multiple Voting share attributable to shareholders of Brampton Brick Limited			
Basic	20	**$ 0.68**	**$ 0.43**
Diluted	20	**$ 0.66**	**$ 0.42**

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

Consolidated Statements of Changes in Equity

BRAMPTON BRICK Limited

(in thousands of Canadian dollars)	Notes	Attributable to shareholders of Brampton Brick Limited Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Non-controlling interest	Total Equity
Balance – January 1, 2015		**$ 33,711**	**$ 2,293**	**$ 4,573**	**$ 92,600**	**$ 133,177**	**$ 27**	**$ 133,204**
Net income for the year		–	–		4,670	4,670	150	4,820
Other comprehensive income (net of taxes, $nil)		–	–	7,603		7,603		7,603
Total comprehensive income for the year		**–**	**–**	**7,603**	**4,670**	**12,273**	**150**	**12,423**
Stock options exercised	15	44	(8)			**36**		**36**
Share-based compensation	16		356			**356**		**356**
Dividends paid to non-controlling interests			–			**–**	(140)	**(140)**
Balance – December 31, 2015		**$ 33,755**	**$ 2,641**	**$ 12,176**	**$ 97,270**	**$ 145,842**	**$ 37**	**$ 145,879**
Balance – January 1, 2016		**$ 33,755**	**$ 2,641**	**$ 12,176**	**$ 97,270**	**$ 145,842**	**$ 37**	**$ 145,879**
Net income for the year					7,474	7,474	-	7,474
Other comprehensive loss (net of taxes, $nil)				(1,347)		(1,347)		(1,347)
Total comprehensive (loss) income for the year		**–**	**–**	**(1,347)**	**7,474**	**6,127**	**–**	**6,127**
Cash-settled, share-based compensation	15		(9)			**(9)**		**(9)**
Share-based compensation	15, 16		469			**469**		**469**
Dividends paid to non-controlling interests	10					**–**	(36)	**(36)**
Acquisition of non-controlling interests' in the net book value of 1813435 Ontario Limited	10				1	**1**	(1)	**–**
Balance – December 31, 2016		**$ 33,755**	**$ 3,101**	**$ 10,829**	**$ 104,745**	**$ 152,430**	**$ –**	**$ 152,430**

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

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Notes	Year ended December 31 2016	2015
Cash provided by (used for)			
Operating activities			
Net income for the year		**$ 7,474**	$ 4,820
Items not affecting cash and cash equivalents			
Depreciation	7	**9,749**	9,119
Current tax provision	19	**4,340**	1,839
Deferred tax provision	19	**208**	843
Loss (gain) on disposal of property, plant and equipment		**238**	(20)
Unrealized foreign currency exchange loss (gain)		**146**	(636)
Net interest expense	11, 12	**1,601**	1,761
Derivative financial instrument (gain) loss	13	**(145)**	504
Other	15, 16	**469**	356
		24,080	18,586
Changes in non-cash items			
Trade and other receivables		**(2,379)**	(1,715)
Inventories		**2,790**	(1,900)
Other assets		**333**	(501)
Trade payables		**(2,518)**	(367)
Other liabilities		**939**	236
		(835)	(4,247)
Income tax payments		**(3,246)**	(42)
Payments for decommissioning of assets	14	**(24)**	(16)
Cash provided by operating activities		**19,975**	14,281
Investing activities			
Purchase of property, plant and equipment	7	**(11,306)**	(4,441)
Loan advances	9	**–**	(400)
Proceeds from repayments of loans receivable	9	**535**	568
Proceeds from disposal of property, plant and equipment		**31**	198
Cash used for investing activities		**(10,740)**	(4,075)
Financing activities			
Decrease in bank operating advances	11	**–**	(1,610)
Proceeds from issuance of committed term loans	12	**37,665**	–
Proceeds from issuance of committed revolving term loan	12	**3,405**	–
Payment of term loans	12	**(39,972)**	(2,832)
Interest paid	11, 12	**(1,489)**	(1,656)
Payments on obligations under finance leases		**(1,885)**	(1,504)
Proceeds from exercise of stock options	15	**–**	36
Payment of dividends by subsidiary to non-controlling interests	10	**(36)**	(140)
Cash used for financing activities		**(2,312)**	(7,706)
Foreign exchange on cash held in foreign currency		**(21)**	102
Increase in cash and cash equivalents		**6,902**	2,602
Cash and cash equivalents at the beginning of the year		**4,021**	1,419
Cash and cash equivalents at the end of the year	4	**$ 10,923**	$ 4,021

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

1. GENERAL INFORMATION

Brampton Brick Limited and its subsidiaries, together referred to as the ("Company"), primarily manufacture and sell masonry and landscape products. The Company has clay brick manufacturing plants located in Brampton, Ontario and in Farmersburg, Indiana. Plants located in Markham, Hillsdale, Brampton and Brockville, Ontario and in Wixom, Michigan manufacture concrete masonry and landscape products. On April 9, 2016, the Company completed the acquisition of certain assets of a concrete products manufacturing company, located at Boisbriand, in the Province of Quebec.

Brampton Brick Limited is incorporated and domiciled in Canada. The address of its registered office is 225 Wanless Drive, Brampton, Ontario.

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

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 21, 2017.

BASIS OF MEASUREMENT

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

BASIS OF CONSOLIDATION

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

These consolidated financial statements include the accounts of Brampton Brick Limited and its wholly-owned operating subsidiaries, Brampton Brick Inc. and Oaks Concrete Products Inc. In addition, the Company holds a 100% (2015 – 65%) interest in 1813435 Ontario Limited. On December 21, 2016, the Company acquired the 350 common shares held by the non-controlling interests of 1813435 Ontario Limited for a nominal sum of two dollars. This transaction is described in Note 10.

All significant intercompany transactions, balances and gains and losses from intercompany transactions are eliminated on consolidation.

NON-CONTROLLING INTERESTS

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

BUSINESS COMBINATIONS

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

INVESTMENT IN JOINT VENTURE

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

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

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

FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

Impairment of financial assets: At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss or as available for sale) is impaired. The criteria used to determine if there is objective evidence of an impairment loss include:

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

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

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

TRADE RECEIVABLES

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

INVENTORIES

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

Depreciation

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

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

Land improvements	10 to 20 years
Buildings	10 to 40 years
Machinery and equipment	3 to 40 years
Mobile equipment	4 to 10 years

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

LEASES

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

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

TRADE PAYABLES

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

PROVISIONS

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

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

BORROWING COSTS

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

DECOMMISSIONING PROVISIONS

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

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

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

INCOME TAXES

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

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

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

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

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

SHARE CAPITAL

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

DIVIDENDS

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

REVENUE RECOGNITION

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

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

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

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

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

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

COST OF SALES

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

EARNINGS PER SHARE

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

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

SHARE-BASED COMPENSATION

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

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

EMPLOYEE BENEFITS — DEFINED CONTRIBUTION PENSION PLANS

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

ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET APPLIED

The following is a brief overview of accounting standard changes and amendments that the Company will be required to adopt in future years.

IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after January 1, 2018 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

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

The Company has not completed evaluating the impact of this standard on its consolidated financial statements. The standard outlines the expected credit loss approach to monitor changes in credit risk for the recognition of credit impairment losses, which will apply in the measurement of trade and other receivables and loans receivable. No significant changes to the consolidated financial statements are expected to result from the adoption of the standard.

IFRS 15 *Revenue from contracts with customers* is effective for annual periods beginning on or after January 1, 2018 and is based on the principle that revenues should reflect the consideration to which the entity expects to be entitled to, in exchange for the transfer of promised goods or services. The standard provides a single, principle-based, five-step model for revenue recognition to be applied to all customer contracts and requires enhanced disclosures.

The Company has not completed evaluating the impact of this standard on the consolidated financial statements. The standard requires revenue recognized to be determined by estimating the impact of variable consideration on the transaction price which is allocated over multiple, time-based performance obligations. The accounting treatment prescribed will apply to variable consideration in the transaction price due to customer volume and prompt payment rebates. No significant changes to the consolidated financial statements are expected to result from the adoption of the standard.

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

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

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

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

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

The Company has not completed evaluating the impact of this standard on the consolidated financial statements. The standard specifies the measurement and disclosure requirements where an asset is represented by the lessee's right to use the underlying asset. A right-of-use asset and an offsetting liability must be recognized at inception of the lease. The transitional provisions on adoption of this standard are expected to have disclosure requirements in the consolidated financial statements.

Amendment to IFRS 2, *Share-based payment* is effective for annual periods beginning on or after January 1, 2018 and clarifies that:

a) the accounting for the impact of vesting and non-vesting conditions on the measurement of cash-settled, share-based payments should follow the equity-settled, share-based payments approach which is based on an assessment of the satisfaction of market conditions and performance conditions;

b) a share-based payment transaction with a net settlement feature, permitting an entity to settle the net share-based payment arrangement by withholding a portion of the equity instruments to meet the statutory tax withholding obligation, should be classified as an equity-settled transaction in its entirety if the transaction would have otherwise been classified as equity-settled if it had not included the net settlement feature; and

c) where the classification of a cash-settled, share-based payment is changed to an equity-settled, share-based payment, then the transaction is measured at the fair value of the equity instrument at the modification date and recognized for services rendered up to the modification date. Any difference between the carrying amount of the liability with respect to the cash-settled, share-based payment and the amount recognized in equity is recorded in profit or loss, immediately.

This amendment is not expected to impact the consolidated financial statements.

Amendments effective for annual periods beginning on or after January 1, 2017 are as below:

Amendment to IAS 7, *Statement of cash flows* requires the following disclosure for changes in liabilities arising from cash flows classified in the statement of cash flows as cash flows from financing activities:

a) changes from financing cash flows;

b) changes arising from obtaining or losing control of subsidiaries or other businesses;

c) the effect of changes in foreign exchange rates;

d) changes in fair values; and

e) other changes.

This amendment has disclosure requirements and is not expected to impact the consolidated financial statements.

Amendment to IAS 12, *Income taxes* clarifies that in determining the deferred tax assets to be recognized on unrealized losses, taxation law restrictions on the sources of future taxable profits, against which deductions may be made on the reversal of deductible temporary differences, should be considered. Additionally, in estimating the probable future taxable profit, if there is sufficient evidence to conclude that it is probable that the entity will recover from a financial asset more than its carrying value, such amounts may be included. This amendment is not expected to significantly impact the consolidated financial statements.

3. SUMMARY OF CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Judgments

i) *Impairment of non-financial assets*

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

Management's assessment of the external and internal indicators of impairment, as per IAS 36, Impairment of Assets, ("IAS 36") determined there was no indication that the Brampton clay brick plant, the Canadian concrete plants and the Michigan concrete plant may be impaired. Management also assessed the indicators of impairment for the Indiana clay brick plant and concluded, based on various factors, that impairment testing was necessary for this CGU as at December 31, 2016.

ii) *Deferred taxes*

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

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

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

Estimates

i) *Depreciation*

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

ii) *Impairment of non-financial assets*

As a result of ongoing economic pressures impacting the construction industry in the U.S. markets, the Company assessed property, plant and equipment to determine whether there was any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. The recoverable amount is the higher of an asset's: fair value less costs to sell; and value in use (being the present value of the expected future cash flows of the relevant asset).

Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In the absence of an arm's length transaction, fair value of assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Value in use is determined as the present value of estimated future cash flows arising from continued use and eventual disposition of the asset, which excludes future capital expenditures that would increase the service potential of the asset. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks to the specific asset.

To the extent that future cash flows or discount rates differ from management estimates at the balance sheet date, the impairment results may be subject to change. The Company's assessment of the external and internal indicators of impairment, as per IAS 36, determined there was no indication that the Brampton clay brick plant, the Canadian concrete plants and the Michigan concrete plant may be impaired.

For the year ended December 31, 2016, the recoverable amount for the Farmersburg, Indiana clay brick plant was estimated using the Company's approved business plan for a period of five years from 2017 – 2021 (2015 – five years from 2016 – 2020) which includes various assumptions regarding, among other things, future sales volumes, selling prices, costs of manufacturing and operations including raw materials, labour, overhead, selling and general and administrative expenses, capital expenditures and proceeds of disposition, if any. The impairment test did not result in any impairment loss or impairment reversal as at December 31, 2016 (2015 - Nil). The recoverable amount is sensitive to these assumptions and accordingly different assumptions could result in an impairment.

December 31, 2016 and 2015 (in thousands of Canadian dollars, unless otherwise stated)

(iii) Impairment of financial assets

At each reporting date, the Company must determine the fair value of the non-interest bearing loan advanced to Universal Resource Recovery Inc. ("Universal") in order to assess its recoverability and the resulting impairment, if any. The recoverability of the loan from Universal is determined, in part, by calculating the estimated fair value of Universal's property, plant and equipment ("PP&E") as at December 31, 2016.

The determination of the fair value of Universal's PP&E requires the application of professional judgment. As at December 31, 2016, the fair value of Universal's PP&E was determined based on general market factors, an assessment performed by independent property appraisers as at December 31, 2015 and the local environment for commercial real estate transactions. Based on this assessment and book values of other assets and liabilities, the recoverable amount determined closely approximated its carrying value of $4,250 as at December 31, 2016 (2015 - $4,700). These estimates were based on a range of technical and economic factors and conditions. Changes to these factors or conditions in future periods could alter the fair value assessment of these assets. A decrease in the estimated PP&E disposition proceeds would increase the potential shortfall in cash inflows required to repay the loan. There was no impairment loss or impairment reversal recognized during the year ended December 31, 2016 (2015 - Nil).

iv) Decommissioning provisions

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

4. CASH AND CASH EQUIVALENTS

	December 31, 2016 $	**December 31, 2015 $**
Cash on hand and balances with banks	**9,973**	3,776
Short-term investments	**950**	245
Cash and cash equivalents	**10,923**	4,021

5. TRADE AND OTHER RECEIVABLES

	December 31, 2016 $	**December 31, 2015 $**
Trade receivables	**21,467**	19,144
Less: Allowance for doubtful accounts (note 24)	**(444)**	(544)
Trade receivables – net	**21,023**	18,600
Other receivables	**85**	111
Trade and other receivables	**21,108**	18,711
Trade receivables from related parties (included above)	**12**	–

6. INVENTORIES

	December 31, 2016 $	**December 31, 2015 $**
Merchandise	**23,612**	27,105
Raw materials and production supplies	**5,419**	5,058
Inventories	**29,031**	32,163

The cost of inventories recognized as an expense and included in cost of sales was $92,066 (2015 - $83,706), which includes inventories written off primarily for damaged or obsolete product and cycle count adjustments in the amount of $1,462 (2015 - $106). These amounts related primarily to non-saleable product at the Company's shipping yards located in Boisbriand, Quebec and Farmersburg, Indiana.

7. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at December 31, 2014					
Cost	83,968	32,114	140,513	6,444	263,039
Accumulated depreciation and impairment loss	(16,235)	(14,957)	(61,946)	(4,665)	(97,803)
Net book value	**67,733**	**17,157**	**78,567**	**1,779**	**165,236**
For the year ended December 31, 2015					
Additions	968	145	3,028	1,350	5,491
Disposals	–	–	–	(178)	(178)
Depreciation	(909)	(915)	(6,361)	(934)	(9,119)
Exchange differences	1,053	1,178	4,387	43	6,661
	1,112	**408**	**1,054**	**281**	**2,855**
As at December 31, 2015					
Cost	86,991	34,665	153,234	7,391	282,281
Accumulated depreciation and impairment loss	(18,146)	(17,100)	(73,613)	(5,331)	(114,190)
Net book value	**68,845**	**17,565**	**79,621**	**2,060**	**168,091**
For the year ended December 31, 2016					
Additions	2,853	1,554	8,257	535	13,199
Disposals	–	–	(237)	(28)	(265)
Depreciation	(848)	(986)	(6,949)	(966)	(9,749)
Exchange differences	(195)	(218)	(782)	(9)	(1,204)
	1,810	**350**	**289**	**(468)**	**1,981**
As at December 31, 2016					
Cost	89,462	35,774	159,149	7,712	292,097
Accumulated depreciation and impairment loss	(18,807)	(17,859)	(79,239)	(6,120)	(122,025)
Net book value	**70,655**	**17,915**	**79,910**	**1,592**	**170,072**

For the year ended December 31, 2016, depreciation expense totaled $9,749 (2015 - $9,119) of which $9,429 (2015 - $8,801) was included in Cost of sales and $320 (2015 - $318) was included in General and administrative expenses. Refer to Note 18, 'Expenses by nature'.

On April 9, 2016, the Company completed the acquisition of certain assets from Eurobloq Inc., a concrete products manufacturing company located in the Province of Quebec. The assets acquired include land, building and concrete products manufacturing equipment, all located in Boisbriand, Quebec.

No asset impairment loss or impairment reversal was recorded for the year ended December 31, 2016 (2015 - Nil).

During the year, property, plant and equipment were acquired at an aggregate cost of $13,199, including $5,000 for the purchase of the Boisbriand assets, as noted above, plus related transaction costs of $138 (2015 - $5,491), of which no assets (2015 - $1,119), were acquired by means of finance leases. Capital expenditures incurred and unpaid were $872 (2015 - $31).

Non cash capital expenditure relating to estimated future quarry rehabilitation costs amounted to $1,021 (2015 - decreased by $100).

Net cash flow used for the purchase of property, plant and equipment was $11,306 (2015 - $4,441).

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

	December 31, 2016	December 31, 2015
Cost – finance leases	**$ 6,580**	$ 7,879
Accumulated depreciation	**(5,081)**	(4,703)
	$ 1,499	$ 3,176

December 31, 2016 and 2015 (in thousands of Canadian dollars, unless otherwise stated)

8. INVESTMENT IN UNIVERSAL RESOURCE RECOVERY INC.

The Company's investment in Universal is accounted for using the equity method of accounting. Under this method, if the Company's share of losses equals or exceeds the investment value of its interest in Universal, including long-term unsecured advances, the Company does not recognize further losses, unless it had incurred obligations or made payments on behalf of Universal. The Company's share of losses incurred by Universal is limited to the value of its investment in Universal which was reduced to nil as at December 31, 2011. For the year ended December 31, 2016, the Company's share of Universal's net income amounted to $78 (December 31, 2015 – net income of $87). As a result, the Company's total share of cumulative unrecognized losses decreased to $3,801 (2015 - $3,879) as at December 31, 2016.

The Company has a secured loan receivable from Universal in the amount of $4,250 which is described below in Note 9, 'Loans receivable'.

9. LOANS RECEIVABLE

The secured, non-interest bearing, non-current loan receivable ("loan receivable") from Universal totaled $4,250 as at December 31, 2016 (December 31, 2015 - $4,700). A repayment in the amount of $450 was received during 2016 (2015 - $500).

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

Other Loans Receivable as at December 31, 2016 total $247 (2015 - $332) , of which $158 (2015 - $247) is classified as non-current.

10. INTERESTS IN SUBSIDIARIES

The Company's interest in subsidiaries as at December 31, 2016 are detailed below. These subsidiaries have share capital consisting of common shares and are held by the Company as noted below. The proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

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

On December 21, 2016, the Company acquired the 350 common shares held by the non-controlling interests of 1813435 Ontario Limited for a nominal sum of two dollars. The book value of the common shares transferred was $2. A dividend of $3.00 per share was paid in final settlement to the non-controlling shareholders. There were no non-controlling interests in 1813435 Ontario Limited as at December 31, 2016 (December 31, 2015 - 35% ownership interest totaling $37). During the second quarter of 2016, dividends amounting to $35 (2015 - $140) were paid to the non-controlling shareholders of 1813435 Ontario Limited.

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

11. BANK OPERATING ADVANCES

The Company's operating credit facility provides for borrowings of up to $22,000 (2015 - $22,000) based on margin formulae for trade receivables and inventories, less priority claims. It is a demand facility secured by a general security agreement over all assets. In December 2016, the Company executed a new credit agreement with a new lender. This new credit agreement replaces the Company's former credit facility. The agreement contains certain financial covenants. As at December 31, 2016 and 2015, the Company was in compliance with all the financial covenants.

As at December 31, 2016, the borrowing limit was $22,000 (2015 - $22,000). The utilization was $333 (2015 - $343) and comprised only of outstanding letters of credit. As at January 6, 2017, the outstanding letters of credit with the new lender increased to $380.

As at December 31, 2016, the rate of interest on the current account overdraft is based on the Canadian bank prime rate plus a credit spread of 0.25%.

12. DEBT

Debt consists of the following:

		December 31, 2016 $	December 31, 2015 $
Committed term A credit facility – monthly instalments commence July 2017 to November 2019, maturing December 29, 2019	(a)	**27,000**	–
Committed term B credit facility – monthly instalments commence July 2017 to November 2019, maturing December 29, 2019	(b)	**10,665**	–
Committed revolving reducing term loan – monthly instalments commenced July 2015 to November 2016	(d)	**–**	24,000
Committed revolving term loan – monthly instalments commenced July 2016 to November 2016	(e)	**–**	10,095
Demand non-revolving loan – monthly instalments commenced January 2014 to December 2016	(f)	**–**	2,252
Other term loans	(g)	**19**	245
	(h)	**37,684**	36,592
Obligations under finance leases	(i)	**864**	2,758
		38,548	39,350
Less: Payments due within one year – current portion		**2,638**	6,380
Non-current portion of debt		**35,910**	32,970

In December 2016, the Company finalized a new credit agreement with a new lender and utilized the proceeds to retire the debt outstanding with its former lender. The new credit agreement is secured by a general security agreement over all assets and a first-priority mortgage over certain properties located in Canada. The new credit facilities available are as follows:

(a) The committed term A credit facility is a non-revolving term loan, which bears interest at the bankers' acceptance rate plus 1.60% totalling $27,000. The term of the loan is three years and requires monthly interest payments for the duration of the loan. This term loan will be repaid by way of principal repayments of $290 per month from July to November each year, commencing from 2017 to 2019, with the loan balance payable on December 29, 2019.

On December 29, 2016, the Company entered into a floating-to-fixed interest rate swap agreement to fix the interest rate on this term loan, as further described in Note 13, 'Derivative Financial Instrument'.

(b) The committed term B credit facility is a non-revolving term loan, bearing interest at the bankers' acceptance rate plus 1.60% and provides up to a maximum borrowing of $10,665, which was fully drawn down. The term of the loan is three years and requires monthly interest payments for the duration of the loan. This term loan will be repaid by way of principal repayments of $100 per month from July to November each year, commencing from 2017 to 2019, with the loan balance payable on December 29, 2019.

(c) The committed capital expenditure credit facility is a revolving term loan, which provides up to a maximum amount of $5,000, none of which has been utilized, as at December 31, 2016.

(d) The outstanding balance of $22,000 on the committed revolving reducing term loan ("committed term loan") was repaid on December 29, 2016, from the proceeds of the Company's new credit facility. At inception, the $24,000 committed term loan bore interest at the bank's prime rate plus 0.30% until January 29, 2015. Thereafter, the 30 day bankers' acceptance rate plus a stamp fee of 1.80% was effective. Principal repayments of $400 per month, from July to November were made during the current and prior years. The committed term loan was secured only by a mortgage on the Company's 225 Wanless Drive, Brampton, Ontario property.

On January 30, 2015, the Company had entered into a floating-to-fixed interest rate swap agreement to fix the interest rate on this term loan, as further described in Note 13, 'Derivative Financial Instrument'.

(e) The outstanding balance of $13,000 on the committed revolving term loan was repaid on December 29, 2016 from the proceeds of the Company's new credit facility. The committed revolving term loan bore interest at the bank's prime rate plus 0.50%. Principal repayments of $100 per month from July to November were made during the current and prior years.

On April 1, 2016 an amount of $3,405 was drawn on the committed revolving term loan. The Company acquired certain assets from Eurobloq Inc., a concrete products manufacturing company located in Boisbriand, Quebec, as described in Note 7. The purchase price including other related costs on this transaction was financed from both the demand operating credit facility and a drawdown on this committed revolving term loan.

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

(f) The outstanding balance of $1,629 on the demand non-revolving loan was repaid on December 29, 2016 from the proceeds of the Company's new credit facility. The loan obtained in 2013 totaling $2,598 was advanced to Universal to repay its then outstanding term loan balance and was recognized as a loan receivable, which is described in Note 9. An amount of $450 was received from Universal in July 2016 (2015 - $500) and was applied towards the repayment of this demand non-revolving loan balance.

December 31, 2016 and 2015 (in thousands of Canadian dollars, unless otherwise stated)

The agreements for these loans contain certain financial covenants. As at December 31, 2016, the Company was in compliance with all the financial covenants.

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

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

	$
2017	1,959
2018	1,960
2019	33,765
	37,684

(i) Obligations under finance leases include the following:

Future minimum lease payments	$
2017	685
2018	67
2019	124
Total minimum lease payments	**876**
Less: Amount representing interest	**12**
	864

The weighted average effective interest rate for obligations under finance leases during 2016 was approximately 3.80% (2015 - 3.95%).

13. DERIVATIVE FINANCIAL INSTRUMENT

The Company utilizes a floating-to-fixed interest rate swap to minimize its exposure to fluctuations in cash flows from changes in interest rates on term debt of the same amount. On December 29, 2016, the Company entered into a Novation Agreement with the Company's former and new lender. Under the Novation Agreement, the Company's new lender assumed all of the Company's rights, liabilities, duties and obligations it had under the interest rate swap contract with the former lender. The agreement effectively discharged the Company of its outstanding liability to the previous counterparty.

On December 29, 2016, a new interest rate swap contract was completed between the Company and its new lender with a notional value of $27,000, replacing the previous swap contract. The swap notional value will decrease proportionately with the outstanding balance of the underlying committed term A credit facility as scheduled repayments are made over its duration. As a result of this transaction, the Company's interest rate for the committed term A credit facility is fixed at 3.48%.

The previous interest rate swap contract was entered into on January 30, 2015, with a notional value of $26,000, fixing the net interest rate at 3.69% on the Company's term debt.

The Company has not applied hedge accounting for the year ended December 31, 2016 or in the prior year. The change in fair value of the interest rate swap recognized in 'Finance expense' on the Consolidated Statement of Comprehensive Income (Loss) for the year ended December 31, 2016 amounted to an unrealized gain of $145 (2015 - unrealized loss of $504). The fair value of the interest rate swap derivative in the amounts of $155 (December 31, 2015 - $248) and $204 (December 31, 2015 - $256) were classified as current and non-current derivative financial liabilities, respectively.

14. DECOMMISSIONING PROVISIONS

The Company makes a provision for the future rehabilitation of its shale quarries. The present value of the obligations was estimated using discount rates ranging from 0.78% to 2.34% (2015 - 0.50% to 2.16%). The total undiscounted amount of the estimated cash flows required to settle the obligations at December 31, 2016 is $7,968 (2015 - $6,458). These obligations are expected to be settled over a one to sixteen year period (2015 - one to fourteen year period) and are expected to be funded from general Company resources.

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

	2016 $	2015 $
Balance at the beginning of the year	**5,407**	5,243
Increase (decrease) in provision	**1,021**	(100)
Payments during the year	**(24)**	(16)
Unwinding of the discount and effect of changes in the discount rate	**90**	101
Impact of currency exchange on opening balance	**(35)**	179
Balance at the end of the year	**6,459**	5,407
Less: Payments due within one year – current portion	**(30)**	(30)
	6,429	5,377

15. SHARE CAPITAL

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

No dividends were paid in 2016 and 2015.

During the year, there were no Class A Subordinate Voting shares purchased under the Company's Normal Course Issuer Bid, which commenced May 16, 2016 and will end on May 15, 2017.

In the fourth quarter of 2016, 8,800 stock options were exercised and cash-settled in the amount of $34, of which $9 had been charged to compensation cost in prior years. Cash paid in excess of the fair value at grant date amounted to $25 and was expensed to compensation cost during the current year. No Class A Subordinate Voting shares were issued on exercise of these options.

In the second quarter of 2015, 6,900 stock options were exercised for Class A Subordinate Voting shares at an average price of $5.16. Proceeds from the issue of an equal number of Class A Subordinate Voting shares amounted to $36.

Class A Subordinate Voting shares	**December 31, 2016**		**December 31, 2015**	
	Number of shares (thousands)	**Stated capital $**	**Number of shares (thousands)**	**Stated capital $**
Balance at the beginning of the year	**9,209**	**33,754**	9,202	33,710
Stock options exercised for Class A Subordinate Voting Shares	**–**	**–**	7	44
Balance at the end of the year	**9,209**	**33,754**	9,209	33,754

Class B Multiple Voting shares	**December 31, 2016**		**December 31, 2015**	
	Number of shares (thousands)	**Stated capital $**	**Number of shares (thousands)**	**Stated capital $**
Balance at the beginning of the year	**1,739**	**1**	1,739	1
Balance at the end of the year	**1,739**	**1**	1,739	1

16. SHARE-BASED COMPENSATION

Under the Brampton Brick Limited Stock Option Incentive Plan ("the Plan"), the Company may grant stock options to the directors, officers and full-time employees of the Company and its subsidiaries up to an aggregate of 1,680,965 (2015 - 1,680,965) Class A Subordinate Voting shares. The exercise price of each stock option is equal to the volume weighted average trading price of the Company's Class A Subordinate Voting shares for the five trading days immediately preceding the date of the grant and the maximum term of each option is ten years. As at December 31, 2016, a total of 62,265 (December 31, 2015 - 225,365) stock options were available for grant under the Plan.

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

Date of grant	**April 4, 2016**	**April 3, 2015**
Number of options granted	**195,500**	180,500
Market price	**$ 7.90**	$ 6.90
Fair value of each stock option granted	**$ 2.87**	$ 2.75
Assumptions:		
Risk-free interest rate	**1.1%**	1.1%
Expected life	**8.0 years**	8.0 years
Volatility (determined by reference to historically observed prices of the Class A shares)	**30.6%**	34.0%
Expected dividend yield	**0.0%**	0.0%
Expected forfeitures	**Nil**	Nil

For the year ended December 31, 2016, the total compensation cost charged against income with respect to all stock options granted was $494 (2015 - $356).

December 31, 2016 and 2015 (in thousands of Canadian dollars, unless otherwise stated)

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:

	2016		2015	
	Number of stock options	Weighted average exercise price $	Number of stock options	Weighted average exercise price $
Balance at the beginning of the year	**1,218,200**	**6.48**	1,135,100	6.78
Granted during the year	**195,500**	**7.90**	180,500	6.90
Exercised during the year	**(8,800)**	**5.24**	(6,900)	5.16
Forfeited during the year	**–**	**–**	(22,000)	5.49
Expired during the year	**(32,400)**	**11.50**	(68,500)	13.11
Balance at the end of the year	**1,372,500**	**6.57**	1,218,200	6.48

At December 31, 2016 and 2015, outstanding stock options were as follows:

		Number of shares	
Year of expiry	**Option price $**	**2016**	2015
2016	11.50	–	32,400
2017	13.00	74,000	74,000
2018	10.51	105,500	105,500
2019	4.99	104,000	110,000
2020	5.76	108,700	111,500
2021	5.10	85,000	85,000
2022	3.60	142,500	142,500
2022	4.61	30,800	30,800
2023	5.52	175,500	175,500
2024	5.60	170,500	170,500
2025	6.90	180,500	180,500
2026	7.90	195,500	
		1,372,500	**1,218,200**

At December 31, 2016, an aggregate of 1,372,500 (2015 - 1,218,200) stock options were outstanding, of which 1,004,500 (2015 - 866,000) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $6.43 (2015 - $6.70) per share.

17. 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 2016 totaled $796 (2015 - $754).

18. EXPENSES BY NATURE

	Year ended December 31, 2016						
	Personnel expenses	**Cost of Materials**	**Cost of Energy**	**Depreciation**	**Freight**	**Other expense**	**Total**
Cost of sales	**$ 22,101**	**$ 55,220**	**$ 8,020**	**$ 9,429**	**$ 10,513**	**$ 3,862**	**$ 109,145**
Selling expenses	**7,233**	**177**	**–**	**–**	**15**	**4,192**	**11,617**
General and administrative expenses	**4,574**	**267**	**–**	**320**	**63**	**3,035**	**8,259**
Loss on disposal of property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**238**	**238**
Other expense	**–**	**–**	**–**	**–**	**–**	**289**	**289**
	$ 33,908	**$ 55,664**	**$ 8,020**	**$ 9,749**	**$ 10,591**	**$ 11,616**	**$ 129,548**

	Year ended December 31, 2015						
	Personnel expenses	Cost of Materials	Cost of Energy	Depreciation	Freight	Other expense	Total
Cost of sales	$ 20,488	$ 48,657	$ 8,600	$ 8,801	$ 9,931	$ 2,681	$ 99,158
Selling expenses	6,852	114	–	–	20	3,616	10,602
General and administrative expenses	4,163	267	–	318	72	1,693	6,513
Gain on disposal of property, plant and equipment	–	–	–	–	–	(20)	(20)
Other expense	–	–	–	–	–	1,008	1,008
	$ 31,503	**$ 49,038**	**$ 8,600**	**$ 9,119**	**$ 10,023**	**$ 8,978**	**$ 117,261**

19. INCOME TAX

The Company computes an income tax provision in each of the jurisdictions in which it operates. The operations in Canada and the United States are subject to income tax at the following rates 26.5% (2015 – 26.5%) in the Canadian jurisdictions and from 34.0% to 38.2% (2015 – 34.0% to 38.5%) in the U.S. jurisdictions.

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

	2016		2015	
	$	%	$	%
Income before income taxes	**12,022**		7,502	
Income tax provision calculated at statutory federal and provincial income tax rates – 26.50% (2015 – 26.50%)	**(3,186)**	**(26.5)**	(1,988)	**(26.5)**
Increase (decrease) in rate resulting from:				
Manufacturing and processing profits deduction	**269**	**2.2**	143	**1.9**
Tax rate and other differences in foreign subsidiaries	**701**	**5.8**	52	**0.7**
Change in deferred tax assets not recognized	**(1,332)**	**(11.0)**	(4,658)	**(62.1)**
Change in deferred tax assets due to changes in exchange rates	**(953)**	**(7.9)**	4,506	**60.1**
Other non-taxable and non-deductible items	**(47)**	**(0.4)**	(737)	**(9.8)**
Effective provision for income taxes	**(4,548)**	**(37.8)**	(2,682)	**(35.7)**

The movement in deferred tax liabilities is as follows:

	2016	2015
As at January 1	**$ (15,681)**	$ (14,833)
Debited to the Statement of Comprehensive Income	**(208)**	(848)
As at December 31	**$ (15,889)**	$ (15,681)

Deferred taxes applicable to temporary differences are as follows:

	December 31, 2016 $	December 31, 2015 $
Depreciable property, plant and equipment	**(16,992)**	(16,798)
Losses available for carry-forward	**35,182**	33,172
IFRS transition adjustment, January 1, 2010 – land	**(4,432)**	(4,432)
Cumulative eligible capital	**1,088**	1,488
Other	**(1,113)**	(821)
	13,733	12,609
Less: Deferred tax assets not recognized	**(29,622)**	(28,290)
Deferred tax liability	**(15,889)**	(15,681)

December 31, 2016 and 2015 (in thousands of Canadian dollars, unless otherwise stated)

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

Year of expiry	$
2024	**3,903**
2025	**4,417**
2026	**4,002**
2027	**2,016**
2028	**4,780**
2029	**13,856**
2030	**14,731**
2031	**12,168**
2032	**9,041**
2033	**6,907**
2034	**5,656**
2035	**4,451**
2036	**8,086**
	94,014

20. NET INCOME PER SHARE

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

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

	Year ended December 31					
	2016			2015		
	Net income $	Shares (thousands)	Per share amount $	Net Income $	Shares (thousands)	Per share amount $
Net income attributable to shareholders of Brampton Brick Limited	**7,474**	**10,947**	**0.68**	4,670	10,944	0.43
Dilutive effect of options		**362**	**(0.02)**		242	(0.01)
Diluted income per share		**11,309**	**0.66**		11,186	0.42

In determining the diluted earnings per share, for the year ended December 31, 2016, 185,608 options to purchase Class A Subordinate Voting shares were considered anti-dilutive (2015 - 211,900).

21. COMMITMENTS AND CONTINGENCIES

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

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

	$
2017	**108**
2018	**70**
2019	**41**
2020	**7**
2021	**2**
	228

As at December 31, 2016, the Company had capital expenditure commitments with suppliers totaling $4,472.

The Company normally enters into supply and transportation contracts for natural gas to satisfy its future requirements. As at December 31, 2016, the Company had contracted for its estimated 2017 Canadian natural gas supply requirements at an aggregate estimated cost of $2,221, forecasted by the supplier, none of which was at fixed prices, and for its estimated 2017 Canadian transportation requirements at an aggregate estimated cost of $1,185, of which 85% was at fixed prices. As at December 31, 2016, the Company's U.S. operations, have contracted for its January 2017 estimated natural gas transportation requirements at an estimated cost of $10. The potential unrealized gain on the fixed price contracts was approximately $33 (2015 - unrealized gain of $66), which was not taken to income since these are supply contracts that will be charged to operations in the period the gas is consumed.

Letters of credit are issued by the Company's lender 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, 2016 was $333 (2015 - $343).

22. RELATED PARTIES

a) *Compensation of key management personnel*

	Year ended December 31	
	2016	**2015**
Salaries, incentives, short-term benefits and pension expense	**$ 3,888**	$ 3,518
Share-based payments	**494**	356
Total	**$ 4,382**	$ 3,874

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

b) *Other related party transactions*

The Company has determined which of its customers are related to the Company via common directors or shareholders. Sales to these customers are made under competitive terms and conditions. These customers accounted for 4.6% (2015 - 3.3%) of revenues in aggregate for the year ended December 31, 2016, with none accounting for more than 3.0% (2015 - 2.6%). Purchases from related parties amounted to $14 for the year ended December 31, 2016 (2015 - $42).

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

c) *Other related party balances*

As at December 31, 2016, the trade receivable balance from related customers was $12 (2015 - Nil). Trade payables to related parties was $118 as at December 31, 2016 (2015 - $125).

23. OPERATING SEGMENTS

The Company considers that for purposes of operating decision making and assessing performance it operates within two dominant business segments: Masonry Products and Landscape Products. Although the Company operates several plants, the nature of products, production methods and type of customers for their products and services, share similar economic characteristics within each segment.

MASONRY PRODUCTS

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

LANDSCAPE PRODUCTS

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

OTHER

Other business operations and assets consist of a loan receivable from Universal, described further in Note 9.

Segmented information, with comparative information for 2015, is as follows:

				2016
	Masonry $	**Landscape $**	**Other $**	**Total $**
Revenues	**101,356**	**41,670**	**–**	**143,026**
Cost of sales	**79,035**	**30,110**	**–**	**109,145**
Selling expenses	**7,191**	**4,426**	**–**	**11,617**
General and administrative expenses	**6,237**	**2,022**	**–**	**8,259**
Loss on disposal of property, plant and equipment	**171**	**67**	**–**	**238**
Other expense (income)	**339**	**(50)**	**–**	**289**
	92,973	**36,575**	**–**	**129,548**
Operating income	**8,383**	**5,095**	**–**	**13,478**
Finance expense				**(1,456)**
Income before income taxes				**12,022**
Income tax provision				**(4,548)**
Net income for the year				**7,474**
Depreciation of property, plant and equipment	**7,434**	**2,315**	**–**	**9,749**

December 31, 2016 and 2015 (in thousands of Canadian dollars, unless otherwise stated)

	Masonry $	Landscape $	Other $	2015 Total $
Revenues	90,060	36,968	–	127,028
Cost of sales	70,222	28,936	–	99,158
Selling expenses	6,646	3,956	–	10,602
General and administrative expenses	5,053	1,413	47	6,513
Gain on disposal of property, plant and equipment	(12)	(8)	–	(20)
Other expense (income)	1,262	(254)	–	1,008
	83,171	34,043	47	117,261
Operating income (loss)	6,889	2,925	(47)	9,767
Finance expense				(2,265)
Income before income taxes				7,502
Income tax provision				(2,682)
Net income for the year				4,820
Depreciation of property, plant and equipment	7,015	2,104	–	9,119

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

	Masonry and Landscape $	Other $	2016 Total $
Additions to property, plant and equipment	**13,199**	**–**	**13,199**
Consolidated total assets	**232,134**	**4,253**	**236,387**

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

Geographical information is as follows:

	2016		2015	
	Revenues $	Property, plant and equipment $	Revenues $	Property, plant and equipment $
Canada	**127,874**	**129,067**	112,535	125,619
United States	**15,152**	**41,005**	14,493	42,472
	143,026	**170,072**	127,028	168,091

24. FINANCIAL INSTRUMENT DISCLOSURES

MEASUREMENT CATEGORIES

Financial assets and liabilities have been classified into categories which determine the basis of measurement. Those categories are: fair value through profit or loss; loans and receivables; available for sale assets; financial liabilities measured at amortized cost; and financial liabilities at fair value through profit or loss. The following table shows the carrying values and fair values of assets and liabilities for each of these categories at December 31, 2016 and 2015.

Assets	Fair Value Hierarchy Level	December 31, 2016 $ Carrying values	 $ Fair values	December 31, 2015 $ Carrying values	 $ Fair values
Loans and receivables					
Cash and cash equivalents	**1**	**10,923**	**10,923**	4,021	4,021
Trade and other receivables	**2**	**21,108**	**21,108**	18,711	18,711
Loans receivable	**2**	**4,497**	**4,497**	5,032	5,032
Liabilities					
Financial liabilities at amortized cost					
Trade payables	**2**	**15,956**	**15,956**	17,655	17,655
Other liabilities	**2**	**3,924**	**3,924**	2,924	2,924
Debt	**2**	**38,548**	**38,548**	39,350	38,292
Financial liabilities at fair value through profit or loss					
Derivative financial instrument	**2**	**359**	**359**	504	504

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

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

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

FAIR VALUE HIERARCHY

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

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

FINANCIAL RISK FACTORS

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

a) Credit Risk

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

i) Trade receivables

The Company grants credit to its customers in the normal course of business on terms that are consistent with the industries in which it operates. Credit evaluations are performed on a regular basis taking into consideration the customer's financial position, past experience and other factors which form part of the ongoing credit evaluations. Based on these evaluations, credit limits were established for each customer and are monitored and amended as appropriate throughout the year. The financial statements take into account an allowance for bad debts. At December 31, 2016, four customers represented approximately 27.3%, in aggregate, (2015 - four customers - 29.7%) of the Company's trade receivables at year-end. Sales to these customers represented 15.7% (2015 - 22.3%) of the Company's revenues.

The Masonry Products business segment is characterized by a relatively small number of customers with higher average balances outstanding. Trade receivables attributable to this business segment represented 74.3% (2015 - 79.2%) of consolidated trade and other receivables outstanding as at December 31, 2016.

The Landscape Products business segment is characterized by a larger number of customers with lower average balances outstanding. This business segment represented 25.7% (2015 - 20.8%) of consolidated trade and other receivables outstanding as at December 31, 2016.

In aggregate, approximately 94.8% (2015 - 93.0%) was due in Canadian dollars and 5.2% (2015 - 7.0%) was due in U.S. dollars.

Accounts receivable that were past due as at December 31, 2016 totaled $9,101 (2015 - $5,293), of which $7,734 (2015 - $4,673) was less than three months past due, $1,327 (2015 - $620) was more than three months but less than six months past due and $40 (2015 - Nil) was more than six months but less than one year past due.

December 31, 2016 and 2015 (in thousands of Canadian dollars, unless otherwise stated)

Of the past due amount, accounts totaling $444 (2015 - $544) were considered to be impaired and were recorded in the allowance for doubtful accounts and charged to general and administrative expenses in the consolidated statements of comprehensive income (loss).

Changes in the allowance for doubtful accounts were as follows:

	2016 $	2015 $
Balance at the beginning of the year	**544**	630
Accounts added	**777**	906
Accounts removed	**(820)**	(965)
Accounts written off during the year as uncollectible	**(57)**	(45)
Foreign exchange translation loss	**–**	18
Balance at the end of the year	**444**	544

ii) Cash and counterparties

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

b) Liquidity Risk

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

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

	2016 $	2015 $
Not later than 3 months	**20,654**	23,427
Later than 3 months and not later than 12 months	**2,945**	4,638
Later than one year and not later than five years	**37,962**	35,294
Later than 5 years	**–**	–
	61,561	63,359

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

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

	2016 $	2015 $
Not later than 3 months	**64**	59
Later than 3 months and not later than 12 months	**183**	190
Later than one year and not later than five years	**330**	479
Later than 5 years	**–**	(238)
	577	490

At December 31, 2016, the Company had a borrowing limit of $22,000, on an operating credit facility of $22,000, of which $333 had been utilized. The Company's operating credit facility is further described in Note 11.

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

c) Market Risk

i) Foreign exchange risks

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

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

	USD $1 =
December 31, 2015	1.3840 CAD
December 31, 2016	1.3427 CAD
High – 2016	1.4559 CAD
Low – 2016	1.2536 CAD
Average – 2016	1.3248 CAD

Variances in the rate of exchange of USD $0.10 are considered reasonably possible.

At December 31, 2016, the Company had net monetary liabilities denominated in U.S. dollars totaling USD $2,022. A variance of USD $0.10 in the December 31, 2016 rates of exchange would have resulted in the total comprehensive income before income taxes being approximately $205 higher or lower, as the case may be.

For the year ended December 31, 2016, the Company's U.S. dollar revenues amounted to USD $11,555. A variance of USD $0.10 in average rates of exchange during 2016 would have resulted in the revenues being approximately $1,169 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, 2016 or December 31, 2015.

ii) Interest rates

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

The Canadian bank prime interest rate was 2.70% on December 31, 2016. At December 31, 2016, the Company had a total of $10,665 of variable interest rate bearing debt outstanding. A variance of 0.25% in the rate of interest would have resulted in the income before income taxes being approximately $27 higher or lower, as the case may be, on an annualized basis.

The Company utilizes a floating-to-fixed interest rate swap to minimize its exposure to fluctuations in cash flows from changes in interest rates on the committed term loan of the same amount. The interest rate swap contract as at December 31, 2016 is described further in Note 13. As a result of this transaction, the Company's interest rate for the committed term A credit facility is fixed at 3.48%.

The Company has not applied hedge accounting for the years ended December 31, 2016 and December 31, 2015. The change in fair value of the interest rate swap recognized in 'Finance expense' on the Consolidated Statement of Comprehensive Income (Loss) amounted to $145 of unrealized gain for the year ended December 31, 2016 (December 31, 2015 - $504).

iii) Energy contracts

The Company occasionally enters into fixed price swap contracts to fix the price of its electricity requirements. Settlements on the swap contracts are made monthly and recorded in the consolidated statements of comprehensive income (loss). There were no swap contracts outstanding as at December 31, 2016 or December 31, 2015.

25. CAPITAL MANAGEMENT

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

The Company monitors capital on the basis of the total liabilities to tangible net worth ratio. This ratio is calculated as total liabilities divided by tangible net worth. Tangible net worth is the total of shareholders' equity reduced by the loan receivable from Universal as shown in the consolidated balance sheets.

The Company's objective is to maintain the total liabilities to tangible net worth ratio at less than 2.00:1. The net adjusted funded debt to shareholders equity ratios at December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016 $	December 31, 2015 $
Total Liabilities	**83,957**	83,250
Share capital	**33,755**	33,755
Contributed surplus	**3,101**	2,641
Accumulated other comprehensive income	**10,829**	12,176
Retained earnings	**104,745**	97,270
Shareholders equity	**152,430**	145,842
Less: Loan receivable from Universal	**(4,250)**	(4,700)
Tangible Net Worth	**148,180**	141,142
Total Liabilities to Tangible Net Worth ratio	**0.57:1**	**0.59:1**

As at December 31, 2016 and December 31, 2015, the Company's objective with respect to the total liabilities to tangible net worth ratio was achieved.

Five Year Financial Review

(Unaudited, in thousands of Canadian dollars, except per share amounts)

Operations	2016	2015	2014	2013	2012
Revenues	**$ 143,026**	$ 127,028	$ 110,329	$ 95,286	$ 97,061
Net income (loss)	**7,474**	4,820	(13,961)	2,629	1,485
Depreciation	**9,749**	9,119	8,215	7,300	7,070
Cash provided by operations	**19,975**	14,281	8,713	9,695	16,153
Payments for purchase of property, plant and equipment	**11,306**	4,441	11,377	3,422	3,101
Financial Position					
Current assets	**$ 61,907**	$ 56,091	$ 47,244	$ 38,969	$ 36,498
Working capital	**36,382**	27,125	8,878	7,766	7,325
Property, plant and equipment (net)	**170,072**	168,091	165,236	168,095	168,848
Total assets	**236,387**	229,129	217,680	212,264	205,346
Non-current portion of debt	**35,910**	32,970	26,064	20,980	23,554
Shareholders' equity attributable to shareholders of Brampton Brick Limited	**152,430**	145,842	133,177	142,721	136,961
Financial Ratios					
Current ratio	**2.43:1**	1.94:1	1.23:1	1.25:1	1.25:1
Total liabilities (excluding non-controlling interests) to shareholders' equity attributable to shareholders of Brampton Brick Limited	**0.55:1**	0.57:1	0.63:1	0.49:1	0.50:1
Return on average shareholders' equity attributable to shareholders of Brampton Brick Limited (%)	**5.0**	3.3	(10.1)	1.9	1.1
Share Data					
Net income (loss) per share	**$ 0.68**	$ 0.43	$ (1.28)	$ 0.23	$ 0.14
Book value per share	**13.92**	13.33	12.17	13.05	12.52
Dividends per share	**–**	–	–	–	–
Weighted average number of shares outstanding (thousands)	**10,947**	10,944	10,940	10,940	10,938

corporate directory

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Jim V. De Gasperis

P. David Grant, CPA, CA*

Howard C. Kerbel

Jeffrey G. Kerbel

Adam K. Peterson

John M. Piecuch*†

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Kenneth M. Tanenbaum†

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†Member of Compensation Committee

senior officers

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President and Chief Executive Officer

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

David R. Carter
Chief Operating Officer

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

Bradley S. Cobbledick
Vice-President, Technical Services

J. Bradley Duke
Senior Vice-President, Manufacturing

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

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

Marilia Macias
Controller

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

Judy H. Pryma
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stock listing

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share symbol

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