2022 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Highlights 2
Organization 3
Management Services Agreement 5
Company Revenues 6
Overview of 2022 Operating Results 7
Variation of Operating Results for the Year Compared to the Prior Year 8
Variation of Operating Results for the Prior Year Compared to 2020 9
Key Performance Drivers 10
Stability of the Company's Revenue Streams 10
Number of REALTORS® in the Company Network 12
Transactional Dollar Volumes of the Canadian Market 13
REALTOR® Productivity 14
The Canadian Residential Real Estate Market 15
Fourth Quarter and Annual Operating Results and Cash Flows 17
Summary of Quarterly Results 20
Distributable Cash Flow 21
Distributable Cash Flow Reconciled to Cash Flow from Operating Activities 22
Debt Facilities 22
Liquidity 23
Cash and Capital Resources 24
Commitments and Contingencies 25
Off-Balance Sheet Arrangements 25
Transactions with Related Parties 25
Critical Accounting Estimates and Assumptions 26
Financial Instruments 27
Disclosure Controls and Internal Controls over Financial Reporting 28
Outstanding Restricted Voting Shares 28
Risk Factors 28
Forward-Looking Statements 29
Glossary of Terms 33

INTRODUCTION

This management's discussion and analysis ("MD&A") of the financial results and financial condition of Bridgemarq Real Estate Services Inc. for the three months and the year ended December 31, 2022, has been prepared as at March 8, 2023. The three months ended December 31, 2022 shall be referred to in this MD&A as the "Quarter" and the comparative period for the three months ended December 31, 2021 shall be referred to as the "Prior Year Quarter". The year ended December 31, 2022 shall be referred to as the "Year" and the comparative period for the year ended December 31, 2021 shall be referred to as the "Prior Year". The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS") and is expressed in Canadian dollars unless otherwise stated.

The definitions of terms capitalized in this MD&A are provided in the Glossary of Terms commencing on page 33.

This MD&A provides the reader with an assessment of the Company's past performance as well as its financial position, performance objectives and future outlook. The information in this document should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022, which are prepared in accordance with IFRS. Additional information relating to the Company, including its 2021 Annual Information Form, is available on SEDAR at www.sedar.com or on the Company's website at www.bridgemarq.com.

This MD&A makes reference to Distributable Cash Flow and Distributable Cash Flow per Share which are non-GAAP financial measures. These financial measures do not have any standardized meaning under IFRS and, accordingly, may not be comparable to similar measures used by other companies. Distributable Cash Flow represents operating income before deducting amortization and net impairment of intangible assets, minus current income tax expense, minus cash used in investing activities. Distributable Cash Flow per Share is calculated by dividing the Distributable Cash Flow by the total number of Restricted Voting Shares outstanding, on a diluted basis. Management believes that Distributable Cash Flow and Distributable Cash Flow per Share are useful supplemental measures of performance as they provide investors with an indication of the amount of cash flow generated after investing activities which is available to holders of Restricted Voting Shares and Exchangeable Unitholders, subject to working capital and other investment requirements. Please see *Distributable Cash Flow reconciled to Cash Flow from Operating Activities* for a reconciliation of Distributable Cash Flow to cash flow from operating activities in the consolidated statements of cash flows and *Distributable Cash Flow* for further information about Distributable Cash Flow and Distributable Cash Flow per Share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Highlights

The table below sets out selected historical information and other data for the Company.

- Revenues for the Quarter amounted to $10.4 million, compared to the $10.7 million generated in the Prior Year Quarter. For the Year, revenues were $49.9 million compared to $50.2 million in the Prior Year. The change in revenues is primarily due to weakness in the Canadian Market in the last half of the Year partly offset by an increase in the number of REALTORS® in the Company Network over the past twelve months.

- For the Quarter, the Company generated net earnings of $6.0 million or $0.18 per Share, compared to net earnings of $2.5 million or $0.22 per Share in the Prior Year Quarter. For the Year, net earnings improved to $21.0 million from net earnings of $4.8 million in the Prior Year as a result of an $11.5 million gain on the valuation of the Exchangeable Units, compared to a loss of $5.0 million in the Prior Year. The fair valuation adjustment on the Exchangeable Units is directly related to changes in the market price of the Corporation's Restricted Voting Shares.

- For the Quarter, Distributable Cash Flow amounted to $3.8 million, compared to $4.1 million in the Prior Year Quarter driven by lower revenues, higher franchise agreement expenses and higher administration expenses, partly offset by lower management fees. For the Year, Distributable Cash Flow per Share amounted $1.57, compared to $1.66 for the Prior Year.

- The board of directors of Bridgemarq (the "Board") declared cash dividends of $0.34 per Restricted Voting Share during the Quarter, unchanged from the Prior Year Quarter. Total dividends paid during the Year amounted to $1.35 per Restricted Voting Share, unchanged from the Prior Year.

(in 000's) except per Share amounts and number of REALTORS®	**Three months ended December 31, 2022**	Three months ended December 31, 2021	Three months ended December 31, 2020	**Year ended December 31, 2022**	Year ended December 31, 2021	Year ended December 31, 2020
Fixed franchise fees	**$ 8,445**	$ 7,931	$ 1,191	**$ 33,150**	$ 31,016	$ 11,247
Variable franchise fees	**1,249**	1,716	4,776	**12,465**	13,750	23,900
Other revenue	**730**	1,070	1,119	**4,256**	5,436	5,192
Revenues	**10,424**	10,717	7,086	**49,871**	50,202	40,339
Cost of other revenue	**(315)**	(253)	(235)	**(1,207)**	(1,035)	(716)
Administration expenses	**(210)**	(240)	171	**(1,120)**	(646)	(608)
Management fees	**(4,496)**	(4,631)	(4,185)	**(19,872)**	(20,158)	(16,875)
Interest expense	**(759)**	(735)	(758)	**(2,970)**	(2,960)	(3,001)
Current income tax expense	**(668)**	(715)	(82)	**(3,948)**	(3,818)	(2,090)
Cash used in investing activities	**(196)**	(66)	(84)	**(598)**	(275)	(3,109)
Distributable Cash Flow	**$ 3,780**	$ 4,077	$ 1,913	**$ 20,156**	$ 21,310	$ 13,940
Dividends	**$ 3,201**	$ 3,201	$ 3,201	**$ 12,803**	$ 12,803	$ 12,803
Interest on Exchangeable Units	**$ 1,452**	$ 1,452	$ 1,451	**$ 5,806**	$ 5,806	$ 5,806
Net and comprehensive earnings (loss)	**$ 6,005**	$ 2,518	$ (7,977)	**$ 20,969**	$ 4,762	$ 767
Number of REALTORS®	**20,686**	20,159	19,046	**20,686**	20,159	19,046
Net and comprehensive earnings (loss) per Share	**$ 0.18**	$ 0.22	$ (0.84)	**$ 1.19**	$ 0.50	$ 0.08
Dividends per Restricted Voting Share	**$ 0.34**	$ 0.34	$ 0.34	**$ 1.35**	$ 1.35	$ 1.35
Interest on Exchangeable Units per Exchangeable Unit	**$ 0.44**	$ 0.44	$ 0.44	**$ 1.74**	$ 1.74	$ 1.74
Distributable Cash Flow				**$ 20,156**	$ 21,310	$ 13,940
Distributable Cash Flow per Share				**$ 1.57**	$ 1.66	$ 1.09

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

From June of 2020 through the first quarter of 2022, real estate markets in Canada were strong. There was some slowdown in transaction volume during the second, third and fourth quarters of 2022 as interest rates increased and overall economic growth showed signs of slowing. It appears that any negative impact of the pandemic (declared by the World Health Organization in March 2020) on the Company's operations has lessened, however management continues to closely evaluate the impact of COVID-19, and Canadian real estate markets in general, on the Company's business. It is not possible to estimate the impact on the future financial results of the Company of any resurgence of COVID-19 or its variants.

Organization

Bridgemarq's Restricted Voting Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". Through its limited partnership holdings, Bridgemarq owns certain Franchise Agreements and Trademarks of real estate services Brands in Canada.

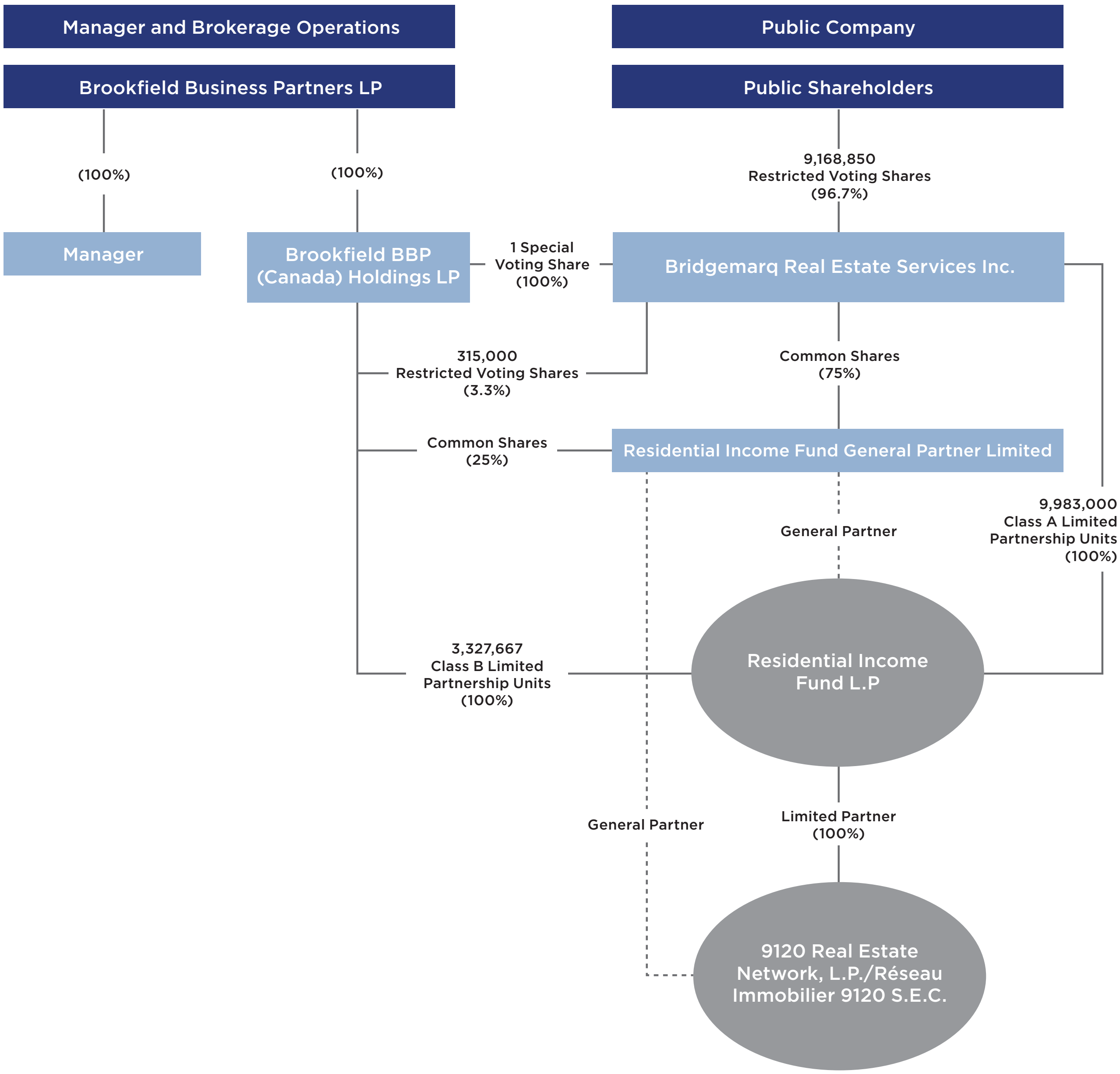
Bridgemarq directly owns a 75% interest in the Partnership which, in turn, owns VCLP. In addition, Bridgemarq directly owns a 75% interest in the General Partner. The Partnership and VCLP own and operate the assets from which Bridgemarq derives its revenue.

Brookfield owns the remaining 25% interest in the Partnership through its ownership of exchangeable units of the Partnership (the "Exchangeable Units"), the remaining 25% interest in the General Partner through its ownership of 25 common shares in the General Partner and one Special Voting Share of Bridgemarq. The Special Voting Share entitles Brookfield to a number of votes at any meeting of the restricted voting shareholders equal to the number of Restricted Voting Shares that may be obtained upon the exchange of all the Exchangeable Units held by the holder and/or its affiliates. In addition to its ownership of the Exchangeable Units, the common shares of the General Partner and the Special Voting Share, Brookfield indirectly owns 315,000 Restricted Voting Shares.

The Company receives certain management, administrative and support services from the Manager. Bridgemarq derives its revenue from franchise fees and other services it provides which are ancillary to the services it provides under Franchise Agreements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

The ownership structure of the Company and the Manager is set out below:



MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Business of the Company

The Company is a Canadian based real estate services firm that supplies REALTORS® with information, tools and services to assist them in providing efficient and effective delivery of real estate sales services in the communities they serve. Through a portfolio of prominent real estate services Brands, each of which offers a unique value proposition, the Company caters to the diverse service requirements of regional real estate professionals, in virtually all significant population centres across Canada.

Bridgemarq has historically paid a substantial amount of its Distributable Cash Flow to its shareholders in the form of dividends. The Company's revenue is driven primarily by franchise fees derived from long-term Franchise Agreements. These franchise fees have historically been weighted toward fees that are fixed in nature. The Company believes that this has proven to be effective in moderating the variations in overall industry activity that can occur in the Canadian Market.

The number of REALTORS® in the Company Network, the transaction volumes generated in the markets the Company serves, the transaction price of residential and commercial real estate, the manner in which the Company structures the contracted revenue streams, the success in attracting REALTORS® to the Company's Brands through their value propositions and the track record of the Company's Brands are all important factors in the Company's financial and operating performance. These factors, including, among others, general economic conditions and government and regulatory activity impact the Company's performance and are discussed in greater detail throughout this MD&A and in the Company's 2021 Annual Information Form, which is available at www.sedar.com or on the Company's website at www.bridgemarq.com.

The Company seeks to increase its revenues and Distributable Cash Flow by increasing the number of REALTORS® in the Company Network through entering into Franchise Agreements and by attracting and retaining REALTORS® through the provision of services and additional fee for service offerings, which increases the productivity of the REALTORS®.

Management Services Agreement

The Company is party to a Management Services Agreement (the "MSA"), which governs the management of the Company and the delivery of services to Brokers and REALTORS® by the Manager. The MSA has a term of ten years expiring on December 31, 2028. On expiry, the MSA automatically renews for an additional ten-year term unless the Company or the Manager provides notice of their intention to terminate the MSA no later than six months prior to expiry.

Under the terms of the MSA, the Company pays a monthly management fee to the Manager comprised of:

- a fixed management fee of $840,000, plus
- a variable management fee equal to the greater of a) 23.5% of Distributable Cash (as such term is defined in the MSA) or 0.342% of the market value of the Restricted Voting Shares on a diluted basis for the first five years of the initial term of the MSA and b) 25% of Distributable Cash or 0.375% of the market value of the Restricted Voting Shares on a diluted basis thereafter.

As a result of the capitalization of certain Franchise Agreements and other contracts transferred to the Company upon entering into the MSA, a portion of management fees paid to the Manager is allocated toward reducing the Company's contract transfer obligation and associated interest expense, with the remainder charged to the Company's consolidated statement of net and comprehensive earnings.

The Company has deferred the payment of certain management fees to the Manager totaling $6.1 million. These deferred payments are non-interest bearing, are due no later than 2025 and are repayable in cash or the issuance of Exchangeable Units, at the option of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Company Revenues

As at December 31, 2022, the Company Network was comprised of 20,686 REALTORS® operating under 283 Franchise Agreements from 725 locations, providing services under the Royal LePage, Via Capitale and Johnston & Daniel Brands. During the Year, REALTORS® in the Company Network participated in approximately 28% of all home resales in Canada.

The Company generates revenue from franchise fees with both fixed and variable components as well as other revenues. Fixed franchise fees represent fees that are payable to the Company as a fixed monthly amount per REALTOR® without regard to transaction volumes generated by that REALTOR®. Approximately 66% of the Company's revenues for the Year (Prior Year – 62%) were derived from fixed franchise fees. Variable franchise fees represent franchise and other fees that are payable to the Company based on the transaction volumes generated by REALTORS®, subject to a cap. Approximately 25% of the Company's revenues for the Year (Prior Year – 27%) were derived from variable franchise fees. Other revenues are derived from ancillary services provided to Franchisees outside of the services provided under the Franchise Agreements and include lead management fees received from Franchisees and fees for referral services paid by third parties. During the Year, other revenues represented 9% of total revenues (Prior Year – 11%).

In 2022, approximately 81% of the Company's annual franchise fees were partly insulated from the fluctuations in the Canadian Market as they were not directly driven by transaction volumes. This includes a portion of variable franchise fees, which are effectively fixed in nature due to the fact that they are subject to a cap. The Company believes that the combination of a revenue stream based on the number of REALTORS® in the Network, increasing REALTOR® productivity and steady, long-term growth in the Canadian Market provides the base for strong and stable cash flows. A description of each type of revenue follows:

Fixed Franchise Fees are earned based on the number of REALTORS® in the Company Network. Royal LePage Franchisees pay a fixed monthly fee of $136 per REALTOR® (prior to April 1, 2022 – $133 per REALTOR®). Fixed fees from Via Capitale Franchisees consist primarily of a fixed monthly fee of $180 per REALTOR® (prior to September 1, 2022 – $170 per REALTOR®). For those approximately 492 Royal LePage REALTORS® who participate in the Royal LePage commercial real estate program, an additional monthly fee of $100 was paid to the Company during the Year and the Prior Year.

Variable Franchise Fees are calculated as a percentage of Gross Revenues earned by REALTORS® in the Company Network. Variable franchise fees are substantially all earned from Royal LePage Franchisees, are driven by the transactional dollar volume transacted by the REALTORS® and are derived as 1% of each REALTOR®'s Gross Revenues, subject to a cap of $1,450 per year (prior to January 1, 2022 – $1,400 per year). Certain REALTORS® in the Royal LePage Network work as part of a Team. All REALTORS® who are members of a Team pay fixed franchise fees. However, for the purposes of the variable fee cap of $1,450 (prior to January 1, 2022 – $1,400), the Gross Revenues of all Team members are aggregated to one cap.

The amount of variable franchise fees paid by an individual REALTOR® can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices. However, variable franchise fees are subject to a cap. For those REALTORS® or Teams who reach the cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® will not change based on changes in the Canadian Market. In 2022, the variable fees associated with approximately 3,608 REALTORS® (2021 – 4,559) and 1,502 Teams (2021 – 1,343) (representing more than 4,509 REALTORS® (2021 – 4,029)) that exceeded the cap accounted for approximately 15% of revenues (2021 – 17%).

Other Revenues consist of revenues earned for services provided to Franchisees and REALTORS® outside of the franchise fees earned under the Franchise Agreements. Other revenues include referral fees paid by financial institutions for mortgage referrals and fees earned from Franchisees and REALTORS® who purchase customer leads from the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Overview of 2022 Operating Results

Years ended December 31, (in 000's) except per Share amounts; Restricted Voting Shares outstanding; Exchangeable Units outstanding; Number of REALTORS®	2022	2021	2020
Fixed franchise fees	**$ 33,150**	$ 31,016	$ 11,247
Variable franchise fees	**12,465**	13,750	23,900
Other revenue	**4,256**	5,436	5,192
Revenues	**49,871**	50,202	40,339
Less:			
Cost of other revenue	**1,207**	1,035	716
Administration expenses	**1,120**	646	608
Management fees	**19,872**	20,158	16,875
Interest expense	**2,970**	2,960	3,001
	$ 24,702	$ 25,403	$ 19,139
Impairment and write-off of intangible assets	**(154)**	–	(368)
Amortization of intangible assets	**(7,168)**	(7,631)	(8,505)
Interest expense on Exchangeable Units	**(5,806)**	(5,806)	(5,806)
Gain (loss) on fair value of Exchangeable Units	**11,547**	(5,025)	(266)
Gain on deferred payments	**–**	–	1,191
Gain (loss) on interest rate swap	**2,203**	1,887	(2,208)
Current income tax expense	**(3,948)**	(3,818)	(2,090)
Deferred income tax expense	**(407)**	(248)	(320)
Net and comprehensive earnings	**$ 20,969**	$ 4,762	$ 767
Basic earnings per Restricted Voting Share	**$ 2.21**	$ 0.50	$ 0.08
Diluted earnings per Share	**$ 1.19**	$ 0.50	$ 0.08
Dividends paid per Restricted Voting Share	**$ 1.35**	$ 1.35	$ 1.35
Interest expense per Exchangeable Unit	**$ 1.74**	$ 1.74	$ 1.74
Restricted Voting Shares outstanding	**9,483,850**	9,483,850	9,483,850
Exchangeable Units outstanding	**3,327,667**	3,327,667	3,327,667
Number of REALTORS®	**20,686**	20,159	19,046

(in 000's) As at	December 31, 2022	December 31, 2021	December 31, 2020
Total assets	**$ 72,629**	$ 78,596	$ 88,959
Total liabilities	**$ 120,943**	$ 135,076	$ 137,398

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

VARIATION OF OPERATING RESULTS FOR THE YEAR COMPARED TO THE PRIOR YEAR

Revenues:
Revenues for the Year have decreased compared to the Prior Year as a result of weakness in the Canadian Market in the last half of the Year, partly offset by an increase in the number of REALTORS® in the Company Network.

Net Earnings:
For the Year, the Company generated net earnings of $21.0 million or $1.19 per Share, compared to net earnings of $4.8 million or $0.50 per Share in the Prior Year.

The primary drivers of the increase in net earnings compared to the Prior Year were:

- An $11.5 million gain on the fair valuation of the Exchangeable Units compared to a $5.0 million loss in the Prior Year;
- A $0.5 million decrease in amortization expense due to a number of intangible assets being fully amortized during the Year;
- A $0.3 million increase in the gain on the fair value of the interest rate swap; and
- A $0.3 million decrease in management fees; partly offset by
- A $0.5 million increase in administration expenses as a result of lower recoveries of bad debt expenses related to the Prior Year;
- A $0.3 million decrease in revenue as a result of weakness in the Canadian Market in the last half of the Year;
- A $0.3 million increase in income tax expense;
- Write offs of intangible assets of $0.2 million during the Year; and
- A $0.2 increase in the cost of other revenue.

Total Assets:
Total assets as at end of the Year decreased by $6.0 million compared to December 31, 2021. The main drivers of the net decrease were as follows:

- A $7.3 million decrease in the carrying value of intangible assets, driven by amortization expense during the Year;
- A $0.4 million decrease in the deferred income tax asset; and
- A $0.2 million decrease in current income tax receivable; partly offset by
- A $1.4 million increase in the interest rate swap asset (which was a liability in the Prior Year Period);
- A $0.3 million increase in prepaid expenses
- A $0.2 million increase in cash and
- A $0.1 million increase in accounts receivable.

Total Liabilities:
Total liabilities at the end of the Year decreased by $14.1 million compared to December 31, 2021. The main drivers of the net decrease were as follows:

- An $11.5 million decrease in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares (see further discussion under Fourth Quarter Operating Results and Cash Flows – Gain (loss) on fair value of Exchangeable Units);
- A $1.5 million decrease in debt facilities as a result of debt repayments during the Year;
- A $0.8 million decrease in the interest rate swap liability; and
- A $0.6 million decrease in the contract transfer obligation; partly offset by
- A $0.2 million increase in accounts payable and accrued liabilities; and
- A $0.2 million increase in deferred payments.

DIVIDENDS AND DISTRIBUTIONS:

Dividends approved by the Board on the Restricted Voting Shares were $1.35 per share in the Year, consistent with the Prior Year.

Interest on Exchangeable Units also remained consistent with the Prior Year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

VARIATION OF OPERATING RESULTS FOR THE PRIOR YEAR COMPARED TO 2020

Revenues:
Effective April 1, 2020, the Company introduced the Pandemic Fee Relief Plan (the "Relief Plan") which was implemented to provide support to REALTORS® and Franchisees to preserve our network and the presence of our Brands at a time when we believed the business revenues of our Franchisees could drop to unprecedented levels in a short period of time. Under the terms of the Relief Plan, certain rebates were offered to Franchisees while REALTORS® outside of Quebec were converted to a temporary, variable only fee structure.

Revenues in the Prior Year increased compared to 2020 as a result of an increase in agent count as well as the impact of the expiry of the Relief Plan on December 31, 2020.

Net Earnings:
For the Prior Year, the Company generated net earnings of $4.8 million or $0.50 per Share, compared to net earnings of $0.8 million or $0.08 per Share in 2020.

The primary drivers of the increase in net earnings compared to 2020 were:

- A $9.9 million increase in revenue as a result of strong real estate markets in 2021, the expiry of the Relief Plan on December 31, 2020 and an increase in agent count;
- A $1.9 million gain on the fair value of the interest rate swap compared to a $2.2 million loss in 2020;
- A $0.9 million decrease in amortization expense due to a number of intangible assets being fully amortized during the Year; and
- A $0.3 million reduction in impairment of intangible assets; partly offset by
- A $5.0 million loss on the fair valuation of the Exchangeable Units compared to a $0.3 million loss in 2020;
- A $3.3 million increase in management fees;
- A $1.7 million increase in current income tax expense due to increased taxable earnings; and
- A $1.2 million decrease in gain on deferred payments.

Total Assets:
Total assets decreased by $10.4 million during the Prior Year compared to 2020. The main drivers of the net decrease were as follows:

- A $7.9 million decrease in the carrying value of intangible assets, driven by amortization expense during the Prior Year;
- A $2.9 million reduction in cash due to repayments of outstanding debt during the Prior Year;
- A $0.3 million reduction in income taxes receivable due to tax refunds received during the Prior Year; and
- A $0.3 million reduction in deferred income tax asset; partly offset by
- A $1.1 million increase in accounts receivable due to higher revenues in the Prior Year Quarter compared to the fourth quarter of 2020.

Total Liabilities:
Total liabilities decreased by $2.3 million in the Year. The main drivers of the net decrease were as follows:

- A $5.0 million decrease in debt facilities due to repayments during the Prior Year;
- A $1.9 million decrease in the interest rate swap liability; and
- A $0.6 million decrease in the contract transfer obligation; partly offset by
- A $5.0 million increase in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares; and
- A $0.2 million increase in deferred payments due to accretion of interest during the Prior Year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

DIVIDENDS AND DISTRIBUTIONS:

Dividends approved by the Board on the Restricted Voting Shares were $1.35 per share in the Prior Year, consistent with 2020.

Interest on Exchangeable Units in the Prior Year remained consistent with 2020.

Key Performance Drivers

Key performance drivers of the Company's business include:

1. The stability of the Company's revenue streams;
2. The number of REALTORS® in the Company Network;
3. Transaction dollar volumes of the Canadian Market;
4. REALTOR® Productivity; and
5. Products and services offered to REALTORS®.

STABILITY OF THE COMPANY'S REVENUE STREAMS

The stability of the Company's revenue streams is derived from a number of factors, including the fixed-fee structure of the Company's franchise fees, the ability to increase franchise fees under the terms of the Franchise Agreements, the geographic distribution of the Company Network, and the length and renewal of the Franchise Agreements owned by the Company.

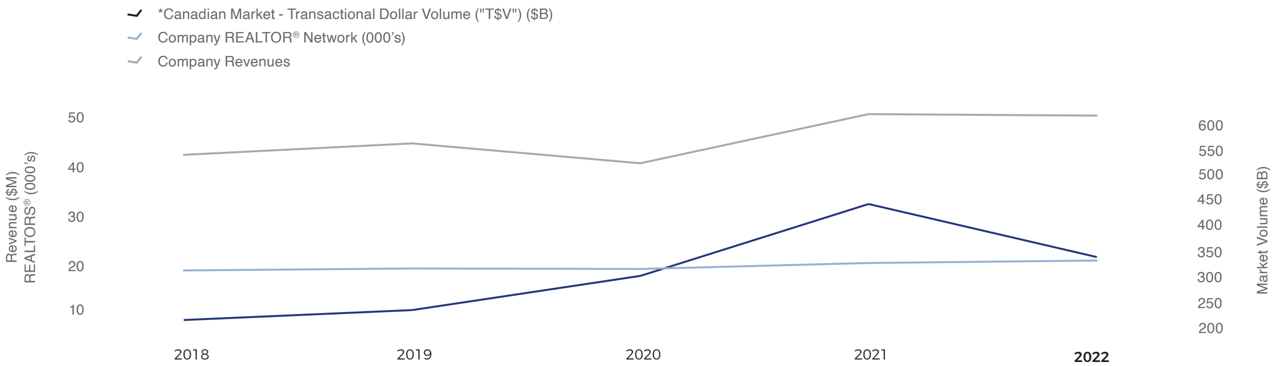
FIXED – FEE STRUCTURE

The Company estimates that for 2022, approximately 81% of its franchise fee revenues were fixed in nature. In addition to its fixed franchise fees, a substantial portion of the Company's variable franchise fees were effectively fixed in nature.

The amount of variable franchise fees paid by an individual REALTOR® can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices across Canada. However, variable franchise fees are subject to an annual cap of $1,450 per REALTOR® or Team of REALTORS® (2021 – $1,400). For those REALTORS® or Teams who reach the variable fee cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® or Team does not change based on changes in the Canadian Market.

The chart below compares the Company's annual revenues to the Canadian Market and the underlying number of REALTORS® in the Company Network for the past five calendar years.

REVENUES, MARKET AND REALTOR® TRENDS



*Source: Canadian Real Estate Association ("CREA")

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

INCREASE IN FEES

Under the terms of the Franchise Agreements, the Company is permitted to increase the franchise fees it charges based on changes in the Canadian consumer price index.

Effective for 2022, the Company increased the maximum annual variable franchise fee payable under its standard fee plan, which is based on 1% of each REALTOR®'s or Team's Gross Revenue, from $1,400 to $1,450. Effective April 1, 2022, the Company announced an increase in the monthly fixed franchise fees paid by Royal LePage and Johnston & Daniel Franchisees from $133 to $136 per REALTOR®.

Effective September 1, 2022, the Company increased the monthly fixed franchise fees paid by Via Capitale Franchisees from $170 to $180 per REALTOR®.

GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at December 31, 2022, the Company Network of 20,686 REALTORS® operated through 283 Franchise Agreements, providing services from 725 locations across the country. Of the Brokerages in the Company Network, approximately 60% operate with fewer than 50 REALTORS® and represent approximately 15% of the REALTORS® in the Company Network. The Company's smallest Franchisees have one REALTOR® while the largest has almost 1,500 REALTORS®.

The Company Network is geographically dispersed. As compared to the distribution of REALTORS® across Canada, the Company strives to grow the Company Network in all regions of Canada.

As at December 31, 2022	Canadian[1] REALTOR® Population	Company REALTOR® Population
Ontario	60%	58%
British Columbia	16%	13%
Quebec	10%	16%
Alberta	8%	5%
Maritimes	3%	4%
Prairies	3%	4%
Total	100%	100%

[1] *Source: CREA*

FRANCHISE AGREEMENTS

Franchise Agreements are contracts between the Company and Franchisees which govern matters such as use of the Trademarks, rights and obligations of Franchisees and the Company, renewal terms, services to be provided to Franchisees and franchise fees. Over the term of the Franchise Agreement, the Franchisee may undertake activities which require an amendment to the standard contract such as the opening of a new location. These changes are documented by way of an addendum to the standard contract and form part of the Franchise Agreement.

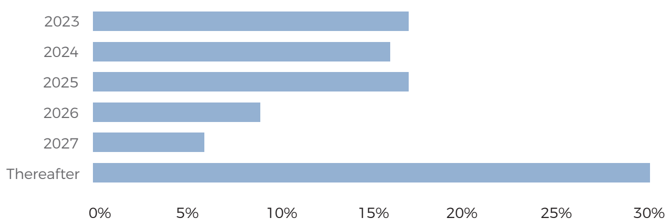
The Royal LePage Franchise Agreements, which represent 94% of the Company's REALTORS®, are for 10 to 20-year terms with a standard renewal term of ten years. These long-duration contracts exceed the industry standard of five years and thereby reduce agreement renewal risk. In addition, the Company regularly attempts to extend contract terms a further ten years in advance of renewal dates when opportunities present themselves.

The Via Capitale Franchise Agreements, which represent 6% of the Company's REALTORS®, are typically five years in duration with standard renewal terms extending five years.

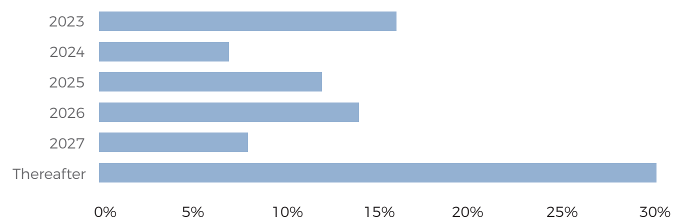
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

A summary of the Company's agreement renewal profiles as at December 31, 2022 for the Company Network is shown below.

% OF FRANCHISE AGREEMENTS UP FOR RENEWAL
(by Number of REALTORS®)



% OF FRANCHISE AGREEMENTS UP FOR RENEWAL
(by Number of Agreements)



RENEWALS
The Company has historically been able to achieve renewal success in more than 98% of Franchise Agreements as they come due, expressed as a percentage of the underlying number of REALTORS® associated with those agreements, over the past five years. Due to the ongoing success of the Company's Franchisees, a number of opportunities, such as increasing Franchisee locations, present themselves to renew Franchise Agreements before they come due.

During the Quarter, five (Prior Year Quarter – six) Franchisees, representing 86 REALTORS® (Prior Year Quarter – 505), extended the term of their Franchise Agreements or renewed.

During the Quarter, one (Prior Year Quarter – one) Franchise Agreement was terminated – with all the REALTORS® transferring to another franchise (Prior Year Quarter – five).

For the Year, 16 Franchisees (Prior Year – 22), representing 581 REALTORS® (Prior Year – 973) in the Company Network, extended the term of their Franchise Agreements or renewed.

For the Year, three Franchise Agreements (Prior Year – seven) were terminated, of which two were as a result of Franchisees joining other operations (Prior Year – five) and one (Prior Year – two) resulted in the loss of five REALTORS® (Prior Year – seven).

NUMBER OF REALTORS® IN THE COMPANY NETWORK
For the Year, the Company Network of 20,686 REALTORS® increased by 527 REALTORS® compared to a net increase of 1,113 REALTORS® in the Prior Year.

	2018	2019	2020	2021	**2022**
Company Network					
Opening REALTOR® Count	18,135	18,725	19,111	19,046	**20,159**
Net REALTOR® growth (attrition) for the period	590	386	(65)	1,113	**527**
Closing REALTOR® Count[1]	18,725	19,111	19,046	20,159	**20,686**
% Change in the period	3%	2%	0%	6%	**3%**

Canadian REALTOR® Population[1]	2018	2019	2020	2021	**2022**
CREA REALTOR® Membership	129,752	133,242	136,605	151,087	**160,064**
% Change in the period	4%	3%	3%	11%	**6%**

[1] Source: CREA

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

The Company strives to increase the number of REALTORS® in the Company Network through converting competing brokerages and REALTORS® to the Company's Brands and developing programs to increase REALTOR® growth. The number of REALTORS® in the Company Network increases when the Company enters into new Franchise Agreements with Franchisees and when our existing Franchisees are successful in increasing the number of REALTORS® at their Brokerage either through recruitment efforts or acquisitions.

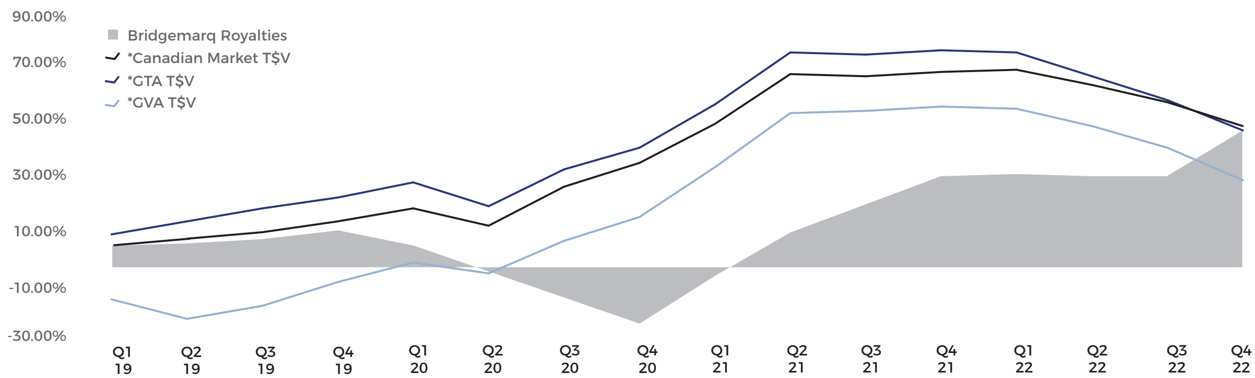
Since January 1, 2018, the Company Network has grown by 14% from 18,135 REALTORS® to 20,686 at December 31, 2022. Growth in the Company Network in 2020 was negatively impacted by the pandemic but improved significantly in 2021 and 2022.

During the Year, growth in the REALTOR® base included the conversion of four new Franchisees (Prior Year – three) representing 80 REALTORS® (Prior Year – 70). In addition, existing Franchisees acquired three brokerages (Prior Year – three) representing 118 REALTORS® (Prior Year – 38). The remainder of the growth was due primarily to successful recruitment and retention efforts at our existing Franchisees.

TRANSACTIONAL DOLLAR VOLUMES OF THE CANADIAN MARKET

The chart below shows the cumulative growth in the Canadian Market and select urban markets as compared to the growth in the Company's revenues since the first quarter of 2019.

QUARTERLY ROLLING TWELVE-MONTH % CHANGE



*Source: CREA

Real estate markets in the Greater Toronto Area ("GTA") showed their first year-over-year quarterly improvement in twelve months in the first quarter of 2019. This momentum continued into the second quarter of 2019 when the market in the Greater Vancouver Area ("GVA") came off of 30-year lows. After four consecutive quarters of growth in transactional dollar volume through Q1 2020, home sale volumes fell dramatically in the face of government actions to combat the spread of COVID-19 during the second quarter of 2020. However, during the last half of 2020, through the second quarter of 2021, activity across Canada rebounded dramatically (to record levels in many markets) as pent-up demand, low interest rates, changing work and commuting patterns, increasing requirements for people to work from home and other factors increased the demand for housing. Housing market activity tempered somewhat in the last half of 2021 but continued near historic highs supported by continued increases in selling prices. The first quarter of 2022 represented the strongest first quarter ever in the Canadian Market with transactional dollar volumes improving marginally over the first quarter of 2021. However, this increase was a result of a 12% drop in home sale volumes offset by increased prices. In the second quarter of 2022, the market began to retreat from its historic highs. Commencing in March 2022, the Bank of Canada embarked on an aggressive campaign to increase interest rates in an effort to curb inflationary pressures. Higher borrowing costs, as well as concerns over affordability in general, dampened consumer demand through the last three quarters of 2022. As a result, the Canadian Market dropped 24% in the second quarter compared to Q2 of 2021, 33% in the third quarter compared to Q3 of 2021 and 45% in the Quarter compared to the Prior Year Quarter. For the Year, the Canadian Market dropped 24% compared to the Prior Year, represented by a 25% reduction in home sale volumes and a 2% reduction in the selling price of homes.

The Company's revenues fell during the third and fourth quarters of 2020 compared to 2019 as a result of revenues being lower under the Relief Plan. In 2021, the Company's revenues rebounded and improved by 24% compared to 2020. The Company's revenues in 2022 are flat compared to 2021 as the impact of a higher REALTOR® count has substantially offset the impact of the weaker Canadian Market.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

During the Quarter, the Canadian Market closed down 45%, at $54.1 billion, as compared to the Prior Year Quarter at $99.0 billion. The decrease in transactional dollar volume was driven by a 38% decrease in units sold and a 12% decrease in price.

During the Quarter, the GTA market closed down 53%, at $13.4 billion, as compared to the Prior Year Quarter. The decrease in transactional dollar volume was driven by a 49% decrease in units sold and a 7% decrease in price.

During the Quarter, the GVA market closed down 51%, at $5.9 billion, as compared to the Prior Year Quarter, driven by a 50% decrease in units sold.

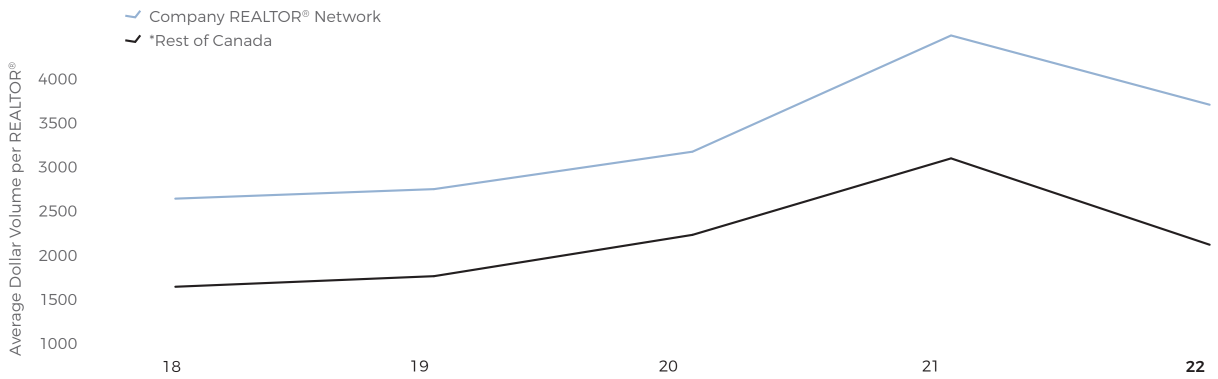
During the Quarter, the Greater Montreal Area market closed down 40%, at $4.2 billion, as compared to the Prior Year Quarter, driven by a 38% decrease in units sold.

REALTOR® Productivity

The average REALTOR® in the Company Network generated approximately $3.7 million in transactional dollar volume for the twelve months ended December 31, 2022, compared to an estimated $2.1 million in transactional dollar volume generated by an average Canadian REALTOR®, outside the Company Network. Management believes that the higher productivity of the Company's Network of REALTORS®, makes the Company less prone to a loss of REALTORS® during a period of reduced transactional dollar volume. The average transactional dollar volume per REALTOR® for the past five calendar years is summarized in the chart below.

CANADIAN RESIDENTIAL REAL ESTATE MARKET REALTOR® PRODUCTIVITY REALTOR

(Average T$V per REALTOR®, in '000 of Canadian dollars)



*Source: CREA

PRODUCTS AND SERVICES PROVIDED TO REALTORS®

The Company provides a broad array of innovative products and services to Franchisees and REALTORS®. Most of these products and services are provided in exchange for the franchise fees paid by our Franchisees. These include, among others, the use of our real estate Brands to promote their businesses, use of and access to internal and external communication tools including our websites and intranets, education and learning services, recruiting support, business development coaching and consulting, and access to fully integrated technology tools to help them manage their business.

In addition to those products and services, the Company provides additional services, which are useful to REALTORS® and Franchisees but are provided to Franchisees for an additional cost. These include access to branded promotional materials, including office supplies and clothing, a lead referral service and mortgage referral services on behalf of certain financial institutions. Certain of these products and services provide incremental revenue to the Company.

The Manager, on behalf of the Company, invests in new products, tools and services to assist Franchisees in managing their businesses. During the Quarter, the Company launched the Climate Risk Data tool on royallepage.ca. The tool provides consumers with information on heat and storm risks associated with the property.

During the Quarter, Via Capitale launched a market value assessment tool on its website, allowing consumers to receive a free estimate of the value of their home, and providing strong seller leads to REALTORS®.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

During the Year, the Manager launched an app designed for REALTORS® to help them complete and submit forms required to be filed with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). In addition, the Company launched QuickQuote™ on royallepage.ca, providing Canadians with an instant, current market home value estimate alongside helpful related neighbourhood analytics, and providing valuable seller leads to REALTORS®. The Company also launched a pilot project with a national digital mortgage finance company, to provide qualified buyer leads to the Company's REALTORS® across the country.

The Company, through its Royal Lepage and Via Capitale brands, has established a number of strategic partnerships with Canadian financial institutions operating in Quebec. During the Year, the Company announced a mortgage referral partnership between Royal LePage and Royal Bank of Canada, available to the Company's REALTORS® in the province of Quebec.

Via Capitale launched two benefits programs to its network during 2022- a health and wellness program that provides primary care and mental health benefits to REALTORS®, and a program that provides quickly accessible legal advice for professional and personal matters.

Publicity is an important component of the benefits provided to Franchisees and REALTORS®. In that vein, Royal LePage launched the marketing campaign 'It's that simple', including social media assets and marketing collateral for agents across the country, in addition to a brand campaign targeting first-time homebuyers.

Royal LePage received three awards from the Canadian Public Relations Society and the International Association for Business Communicators for excellence in media relations and government relations. Over the past four years, Royal LePage has earned ten awards for its communication and public relations campaigns. These awards support brand awareness and provide the Company Network with additional opportunities to promote their businesses under the Royal LePage Brand.

The Canadian Residential Real Estate Market

The Canadian residential real estate market posted further declines in the Quarter as sales volumes decreased nationally by 38% compared to the Prior Year Quarter, and 25% for the Year compared to the Prior Year.[1] According to the Canadian Real Estate Association, the national average selling price declined 12% in the Quarter compared to the Prior Year Quarter, however remains significantly higher than pre-pandemic levels, increasing 26% compared to Q4 of 2019.

A series of interest rate hikes in 2022, including a seventh consecutive increase in December, which brought the target overnight rate to 4.25%,[2] contributed to lower home sales throughout the Year. However, the central bank recently indicated that it would likely hold the policy rate steady (at 4.5% following another 25 basis-point increase in January, 2023) while it assesses the impact of the cumulative interest rate increases on the Canadian economy.[3]

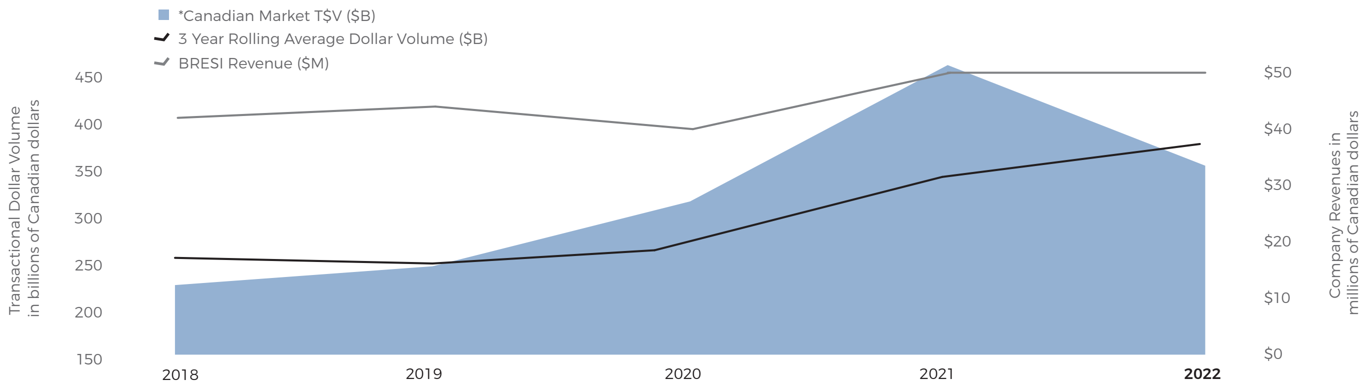
A nationwide shortage in housing supply helped to keep prices from declining further, as sellers have generally held off listing their homes until demand returns. Housing activity could increase in the coming months, as both buyers and sellers are expected to return to the market once interest rate increases slow and rates begin to show some stability.

Canada's inflation rate continued to decrease gradually, reaching 6.3% in December 2022. While inflation has not come down as much or as quickly as the Bank of Canada had indicated it had hoped, the country's strong job market continues to support the economy. In December, the national unemployment rate sat at 5.0%, a modest decline from the previous month and very low by historical standards.[4] These factors are supportive of long-term growth in the housing market.

[1] CREA Canadian Housing Market Statistics
[2] Bank of Canada increases policy interest rate by 50 basis points, continues quantitative tightening, December 7, 2022
[3] Bank of Canada increases policy interest rate by 25 basis points, continues quantitative tightening, January 25, 2023
[4] Statistics Canada Labour Force Survey, December 2022, January 6, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

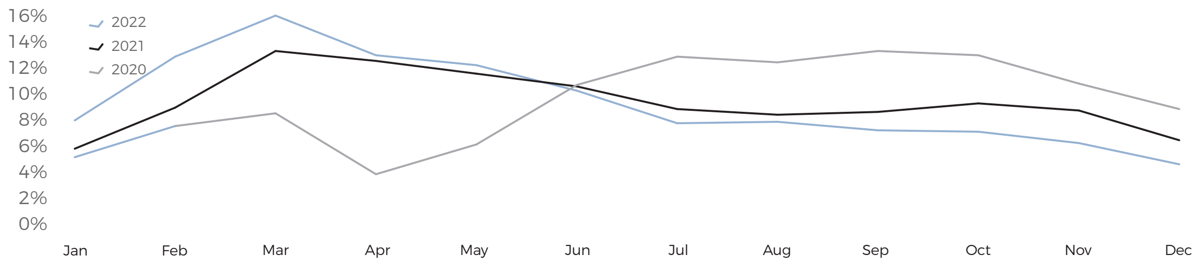
TRANSACTION DOLLAR VOLUME – CANADIAN RESIDENTIAL REAL ESTATE
(2018-2022)



*Source: CREA

The Company's revenues are affected by the seasonality of the Canadian Market, which typically sees stronger transactional dollar volumes in the second and third quarters of each year. The impact of the seasonality of the Canadian Market is somewhat mitigated by the fixed-fee nature of the Company's revenues. In the latter part of the year, variable franchise fees can be negatively impacted by the Royal LePage REALTORS® and Teams who have capped with respect to variable franchise fees.

CANADIAN RESIDENTIAL REAL ESTATE MARKET – SEASONALITY
(% Canadian Market T$V by month)



*Source: CREA

In the chart above, we can see that historical seasonality patterns for the Canadian Market did not hold true for 2020, primarily due to the pandemic. Government restrictions around social interaction and travel and economic uncertainty emerged in March 2020, contributing to the Canadian Market experiencing its largest ever year-over-year declines in April and May 2020. From May 2020 through December 2020, real estate markets were very strong with much of the Canadian Market experiencing all-time monthly highs during this period, as low interest rates, pent-up demand and changing work-from-home patterns emerged. The strength in the Canadian Market continued into 2021, when the Canadian Market saw unusually strong activity in the first quarter. Historical seasonality patterns emerged through the remainder of 2021 and 2022 with second quarter results higher than the last half of the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Fourth Quarter and Annual Operating Results and Cash Flows

(Unaudited) (in 000's) except per Share amounts and number of REALTORS®;	Three months ended December 31, 2022	Three months ended December 31, 2021	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
Revenues				
Fixed franchise fees	$ 8,445	$ 7,931	$ 33,150	$ 31,016
Variable franchise fees	1,249	1,716	12,465	13,750
Other revenue	730	1,070	4,256	5,436
	10,424	10,717	49,871	50,202
Less:				
Cost of other revenue	315	253	1,207	1,035
Administration expense	210	240	1,120	646
Management fees	4,496	4,631	19,872	20,158
Interest expense	759	735	2,970	2,960
	$ 4,644	$ 4,858	$ 24,702	$ 25,403
Impairment and write-off of intangible assets	–	–	(154)	–
Amortization of intangible assets	(1,761)	(1,862)	(7,168)	(7,631)
Interest on Exchangeable units	(1,452)	(1,451)	(5,806)	(5,806)
Gain (loss) on fair value of Exchangeable Units	5,191	1,132	11,547	(5,025)
Gain (loss) on interest rate swap	48	688	2,203	1,887
Gain on deferred payments	–	–	–	–
Earnings before income taxes	$ 6,670	$ 3,365	$ 25,324	$ 8,828
Current income tax expense	668	715	3,948	3,818
Deferred income tax expense	(3)	132	407	248
Net and comprehensive earnings	$ 6,005	$ 2,518	$ 20,969	$ 4,762
Basic earnings per Restricted Voting Share	$ 0.63	$ 0.27	$ 2.21	$ 0.50
Diluted earnings per Share	$ 0.18	$ 0.22	$ 1.19	$ 0.50
Number of REALTORS®	20,686	20,159	20,686	20,159

Cash Flow Information (in 000's)				
Cash provided by (used for):				
Operating activities	$ 2,213	$ 2,318	$ 15,103	$ 15,139
Investing activities	(196)	(66)	(598)	(275)
Financing activities	(3,201)	(5,701)	(14,303)	(17,803)

FOURTH QUARTER OPERATING RESULTS AND CASH FLOWS

During the Quarter, the Company generated net earnings of $6.0 million compared to net earnings of $2.5 million in the Prior Year Quarter.

Revenues for the Quarter totaled $10.4 million, compared to $10.7 million for the Prior Year Quarter. Fixed franchise fees represented 81% of revenues for the Quarter (Prior Year Quarter – 74%). Variable franchise fees represented 12% of revenues for the Quarter (Prior Year Quarter – 16%). Revenues decreased due to weakness in the Canadian Market partly offset by an increase in the number of REALTORS® in the Company Network.

Fixed franchise fees for the Quarter increased by 6% as compared to the Prior Year Quarter, due to an increase in the number of REALTORS® in the Company Network over the past twelve months as well as the implementation of an increase in fixed fees during 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Variable franchise fees for the Quarter decreased by 27%, due to weakness in the Canadian Market partly offset by an increase in the number of REALTORS® in the Company Network and an increase in variable fees for Royal LePage Franchisees compared to the Prior Year Quarter.

Other Revenues for the Quarter decreased by 32% driven primarily by a decrease in mortgage referrals from financial institutions and a decline in lead referral volumes due to lower housing activity during the Quarter.

Cost of other revenue represents the direct costs associated with lead management referrals and other revenues. These costs increased during the Quarter due to the costs associated with the QuickQuote™ seller lead product which was introduced during the Year.

Administration expenses of $0.2 million for the Quarter were consistent with the Prior Year Quarter.

Management fee expense of $4.5 million for the Quarter decreased due to the decrease in revenues compared to Prior Year Quarter.

Interest expense of $0.8 million was marginally higher than the Prior Year Quarter due to the impact of increased interest rates, which was substantially offset by debt repayments over the past twelve months.

Amortization of Intangible Assets for the Quarter totaled $1.8 million compared to $1.9 million in the Prior Year. The lower charge is due to a number of intangible assets becoming fully amortized during 2021 and 2022.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. For the Quarter, total distributions amounted to $0.44 per Exchangeable Unit, unchanged from the Prior Year Quarter. Distributions to Exchangeable Unitholders are determined with reference to dividends paid on Bridgemarq's Restricted Voting Shares.

Gain (loss) on fair value of Exchangeable Units represents the change in the fair value of the Exchangeable Units. The Exchangeable Units are valued based on the market value of the Company's Restricted Voting Shares. At December 31, 2022, the Company's Restricted Voting Shares were valued at $12.84 per share compared to $14.40 at September 30, 2022, resulting in a gain of $5.2 million for the Quarter. This gain represents a decrease in the obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Quarter, the price of the Company's Restricted Voting Shares decreased from $16.65 per share at September 30, 2021 to $16.31 at December 31, 2021 resulting in a gain of $1.1 million.

Gain on interest rate swap is a non-cash item which represents the change in fair value of the Company's interest rate swaps. The Company has entered into an interest rate swap agreement to swap the variable interest rate obligation on $55.0 million of the Company's outstanding debt facilities to a fixed rate obligation of 3.94% through maturity of the debt facilities on December 31, 2023.

Income tax expense. The effective income tax rate paid by the Company for the Quarter was 10% (Prior Year Quarter – 25%). The Company's effective income tax rate is significantly different than the Company's enacted income tax rate of 26.5%. The difference in the effective income tax rate is driven by a number of items that are included in the determination of net earnings but excluded from the determination of taxable income (including, among other things, non-deductible amortization of intangible assets, interest on Exchangeable Units, fair valuation adjustments on Exchangeable Units, interest expense on accretion of deferred payments and gains or losses associated with the interest rate swaps) as well as items that are excluded from the determination of net earnings but included in the determination of taxable income (including, among other things, payments associated with the contract transfer obligation and franchise agreement expenses).

Cash provided by operating activities decreased by $0.1 million compared to the Prior Year Quarter, primarily due to decreased revenues.

Cash used in investing activities increased by $0.1 million compared to the Prior Year Quarter due to higher net franchise agreement expenses.

Cash used in financing activities is comprised of dividends paid to shareholders and decreased by $2.5 million compared with the Prior Year Quarter as there was a $2.5 million repayment of the term facility in the Prior Year Quarter.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

ANNUAL OPERATING RESULTS AND CASH FLOWS

For the Year, the Company generated net earnings of $21.0 million compared to net earnings of $4.8 million in the Prior Year.

Revenues for the Year totaled $49.9 million, compared to $50.2 million for the Prior Year. Fixed franchise fees represented 66% of revenues for the Year (Prior Year – 62%). Variable franchise fees represented 25% of revenues for the Year (Prior Year – 27%). Revenues decreased slightly due to the impact of weakness in the Canadian Market partly offset by an increase in the number of REALTORS® in the Company Network.

Fixed franchise fees for the Year increased by 7% as compared to the Prior Year, due to an increase in the number of REALTORS® in the Company Network over the past twelve months and fee increases implemented in 2022.

Variable franchise fees for the Year decreased by 9%, due to weakness in the Canadian Market partly offset by an increase in the number of REALTORS® in the Company Network.

Other Revenues for the Year decreased by 22% due to a weaker Canadian Market. Other revenues consist of revenues earned from referral fees (including mortgage referrals and lead referrals to franchisees) which experienced significant decreases in volumes due to lower web traffic and lower mortgage initiations during the weaker real estate markets in the last half of the Year.

Cost of other revenue represents the direct costs associated with lead management referrals and other revenues. These costs increased during the Year due to the costs associated with the QuickQuote™ seller lead product which was introduced during the Year.

Administration expenses of $1.1 million for the Year were higher than the Prior Year primarily due to higher legal expenses (see – *Commitments and Contingencies).* In addition, administration expenses in the Prior Year included a recovery of bad debt expense of $0.3 million.

Management fee expense of $19.9 million for the Year were marginally lower than in the Prior Year due to lower revenues.

Interest expense of $3.0 million was consistent compared to the Prior Year as the impact of increased interest rates was substantially offset by the impact of debt repayments in the Year and the Prior Year.

Amortization of Intangible Assets for the Year totaled $7.2 million compared to $7.6 million in the Prior Year. The lower charge is due to a number of intangible assets becoming fully amortized during 2021 and 2022.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. For the Year, total distributions amounted to $1.74 per Exchangeable Unit unchanged from the Prior Year. Distributions to Exchangeable Unitholders are determined with reference to dividends paid on Bridgemarq's Restricted Voting Shares.

Loss on fair value of Exchangeable Units represents the change in the fair value of the Exchangeable Units. The Exchangeable Units are valued based on the value of the Company's Restricted Voting Shares. At December 31, 2022, the Company's Restricted Voting Shares were valued at $12.84 per share compared to $16.31 at December 31, 2021, resulting in a gain of $11.5 million for the Year. This gain represents a decrease in the obligation associated with the conversion features of the Exchangeable Units. For the Prior Year, the price of the Company's Restricted Voting Shares increased from $14.80 per share at December 31, 2020 to $16.31 at December 31, 2021, resulting in a loss of $5.0 million.

Gain on interest rate swap of $2.2 million is a non-cash item which represents the change in fair value of the Company's interest rate swaps. The Company is party to an interest rate swap agreement to swap the variable interest rate obligation on $55.0 million of the Company's outstanding debt facilities to a fixed rate obligation of 3.94% through December 31, 2023.

Income tax expense. The effective income tax rate paid by the Company for the Year was 17% (Prior Year – 59%). The Company's effective income tax rate is significantly different than the Company's enacted income tax rate of 26.5%. The difference in the effective income tax rate is driven by a number of items that are included in the determination of net earnings but excluded from the determination of taxable income (including, among other things, non-deductible amortization of intangible assets, interest on Exchangeable Units, fair valuation adjustments on Exchangeable Units, interest expense on accretion of deferred payments and gains or losses associated with the interest rate swaps) as well as items that are excluded from the determination of net earnings but included in the determination of taxable income (including, among other things, payments associated with the contract transfer obligation and franchise agreement expenses).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Cash provided by operating activities was consistent with the Prior Year.

Cash used in investing activities increased by $0.3 million due to lower recovery of franchise agreement expenses.

Cash used in financing activities decreased by $3.5 million due to a $1.5 million debt repayment in the Year compared to a $2.5 million debt repayment in the Prior Year. Dividends paid to shareholders were consistent with the Prior Year.

Summary of Quarterly Results

For three months ended,	**2022**				2021			
(in 000's) except per Share amounts and number of REALTORS®;	**Dec. 31**	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenues								
Fixed franchise fees	**$ 8,445**	$ 8,452	$ 8,258	$ 7,995	$ 7,931	$ 7,836	$ 7,665	$ 7,584
Variable franchise fees	**1,249**	2,732	4,332	4,152	1,716	3,483	4,806	3,745
Other revenue	**730**	1,041	1,206	1,279	1,070	1,115	1,481	1,770
	10,424	12,225	13,796	13,426	10,717	12,434	13,952	13,099
Less:								
Cost of other revenue	**315**	353	288	251	253	215	294	273
Administration expenses (recovery)	**210**	335	307	268	240	264	90	52
Management fees	**4,496**	4,884	5,276	5,216	4,631	4,986	5,364	5,177
Interest expense	**759**	754	743	714	735	740	745	740
	4,644	5,899	7,182	6,977	4,858	6,229	7,459	6,857
Impairment and write-off of intangible assets, net	**–**	(154)	–	–	–	–	–	–
Amortization of intangible assets	**(1,761)**	(1,771)	(1,817)	(1,819)	(1,862)	(1,905)	(1,913)	(1,951)
Interest on Exchangeable units	**(1,452)**	(1,452)	(1,452)	(1,452)	(1,451)	(1,452)	(1,452)	(1,452)
Gain (loss) on fair value of Exchangeable Units	**5,191**	(3,028)	8,119	1,265	1,132	1,730	(2,529)	(5,358)
Gain on interest rate swap	**48**	368	651	1,136	688	254	380	565
Gain on deferred payments	**–**	–	–	–	–	–	–	–
Earnings (loss) before income tax	**6,670**	(138)	12,683	6,107	3,365	4,856	1,945	(1,339)
Current income tax expense	**668**	911	1,222	1,147	715	987	1,008	1,108
Deferred income tax expense (recovery)	**(3)**	47	122	241	132	4	23	89
Net and comprehensive earnings (loss)	**$ 6,005**	$(1,096)	$ 11,339	$ 4,719	$ 2,518	$ 3,865	$ 914	$ (2,536)
Basic earnings (loss) per Restricted Voting Share	**$ 0.63**	$ (0.12)	$ 1.20	$ 0.50	$ 0.27	$ 0.41	$ 0.10	$ (0.27)
Diluted earnings (loss) per Share	**$ 0.18**	$ (0.12)	$ 0.36	$ 0.38	$ 0.22	$ 0.28	$ 0.10	$ (0.27)
Number of REALTORS®	**20,686**	20,761	20,538	20,321	20,159	19,934	19,588	19,316

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

DISTRIBUTABLE CASH FLOW

Distributable Cash Flow represents operating income, before deducting amortization and net impairment of intangible assets, minus current income tax expense minus cash used in investing activities. Distributable Cash Flow is used by the Company to measure the amount of cash generated from operations, which is available for distribution to the Company's shareholders on a diluted basis, subject to working capital and other investment requirements.

The calculation of Distributable Cash Flow for the Quarter and the Year is presented in the table below with comparative amounts for 2021.

($ 000's)	**Three months ended December 31, 2022**	Three months ended December 31, 2021	**Twelve months ended December 31, 2022**	Twelve months ended December 31, 2021
Revenues	**10,424**	10,717	**49,871**	50,202
Less:				
Cost of other revenue	**315**	253	**1,207**	1,035
Administration expenses	**210**	240	**1,120**	646
Management fees	**4,496**	4,631	**19,872**	20,158
Interest expense	**759**	735	**2,970**	2,960
Current income tax expense	**668**	715	**3,948**	3,818
Cash used for investing activities	**196**	66	**598**	275
Distributable Cash Flow	**$ 3,781**	$ 4,077	**$ 20,156**	$ 21,310
Distributable Cash Flow per Share	**$ 0.30**	$ 0.32	**$ 1.57**	$ 1.66

Distributable Cash Flow per Share is calculated by dividing Distributable Cash Flow by the number of outstanding Restricted Voting Shares on a diluted basis. Distributable Cash Flow per Share is used by the Company to measure the amount of cash per Share generated from operations, which is available for distribution to the Company's shareholders on a diluted basis, subject to working capital and other investment requirements.

Distributable Cash Flow for the Quarter totaled $3.8 million, a decrease of $0.3 million from the $4.1 million generated in the Prior Year Quarter. The reduction is primarily due to lower revenues and higher franchise agreement expenses partly offset by lower income tax expenses and lower management fees.

Distributable cash for the Year was $20.2 million compared to $21.3 million in the Prior Year. The reduction is due to lower revenues, higher administration expenses, higher income taxes and lower recovery of franchise agreement expenses partly offset by lower management fees.

Distributable Cash Flow and Distributable Cash Flow per Share are non-GAAP financial measures and do not have standardized meanings under IFRS and, accordingly, may not be comparable to similar measures used by other companies. Management believes that Distributable Cash Flow and Distributable Cash Flow per Share are useful supplemental measures of performance as they provide investors with an indication of the amount of cash flow generated after investing activities which is available to holders of Restricted Voting Shares and Exchangeable Unitholders, subject to working capital and other investment requirements. Investors are cautioned, however, that Distributable Cash Flow and Distributable Cash Flow per Share should not be interpreted as alternatives to using net earnings or net earnings per Share (as measures of profitability) or cash provided by operating activities (as a measure for cash flows) to evaluate the Company's financial performance.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

DISTRIBUTABLE CASH FLOW RECONCILED TO CASH FLOW FROM OPERATING ACTIVITIES

The tables below present reconciliations of cash flow from operating activities, as presented in the consolidated statements of cash flows, to Distributable Cash Flow for the Quarter and the Year. Distributable Cash Flow is a measure used by the Company to assess the resources available to the Company for distribution to holders of Restricted Voting Share and holders of Exchangeable Units subject to other uses for the cash.

($ 000's)	**Three months ended December 31, 2022**	Three months ended December 31, 2021	**Twelve months ended December 31, 2022**	Twelve months ended December 31, 2021
Cash flow from operating activities	**$ 2,213**	$ 2,318	**$ 15,103**	$ 15,139
Add (deduct):				
Interest on Exchangeable Units	**1,452**	1,451	**5,806**	5,806
Current Income tax expense	**(668)**	(715)	**(3,948)**	(3,818)
Income taxes paid	**825**	1,470	**4,075**	4,350
Changes in non-cash working capital	**159**	(319)	**(241)**	358
Interest expense	**(2,250)**	(2,148)	**(8,763)**	(8,602)
Interest paid	**2,246**	2,086	**8,722**	8,353
Interest income	**72**	–	**129**	(28)
Interest received	**(72)**	–	**(129)**	27
Cash used for investing activities	**(196)**	(66)	**(598)**	(275)
Distributable Cash Flow	**$ 3,781**	$ 4,077	**$ 20,156**	$ 21,310

The Company has paid out, in the past, and could pay out, in any given period, cash in excess of net earnings to shareholders as a significant portion of the Company's operating expenses is made up of non-cash amortization of intangible assets and other non-cash charges to net earnings. Management does not view the payment of cash in excess of net earnings as an economic return of capital as these intangible assets and other non-cash charges are not expected to require a further cash outlay in the future. The Company has paid out a significant portion of its Distributable Cash Flow in the past in the form of dividends to holders of Restricted Voting Shares and interest to Exchangeable Unitholders. It is management's expectation, at the discretion of the Board, that for the foreseeable future, the Company will continue to pay out a significant portion of its Distributable Cash Flow to holders of Restricted Voting Shares and Exchangeable Unitholders, subject to working capital requirements and other investment opportunities.

Debt Facilities

As at December 31, 2022 the Company's $80.0 million financing is comprised of the following three arrangements:

- A $55.0 million term facility (the "Term Facility"). The Term Facility bears interest at a variable rate of Banker's Acceptances ("Bas") +1.70% or Prime + 0.5%;
- A $20.0 million acquisition facility (the "Acquisition Facility") to support acquisitions pursued by the Company, bearing interest at a variable rate of Bas +1.70% or Prime + 0.5%. A standby fee of 0.15% applies on undrawn amounts under this facility; and
- A $5.0 million revolving operating facility (the "Operating Facility") to meet the Company's day-to-day operating requirements, bearing interest at a variable rate of Bas +1.70% or Prime + 0.5%.

As at December 31, 2022, the Company has drawn $55.0 million on the Term Facility, $12 million on the Acquisition Facility and nil on the Operating Facility. During the Year, the Company repaid $1.5 million of the amount outstanding under the Acquisition Facility.

Borrowings under each of these arrangements are secured by a first ranking security interest in substantially all assets of the Company.

The Company's debt facilities mature on December 31, 2023 and have been classified as current liabilities in the Company's

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

audited financial statements for the year ended December 31, 2022. The Company is currently in discussions with its lender to renew or otherwise extend the maturity of these facilities beyond that date and expects to successfully complete such renewal or extension during 2023.

The covenants of this financing prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 3:1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4:1 as outlined in the loan agreement. Consolidated EBITDA is defined as earnings before income tax adjusted for amortization and net impairment or recovery of intangible assets, interest expense, hedging activities and fair value adjustments on the Exchangeable Units. Senior Indebtedness is defined as borrowings on the Company's debt facilities. Senior Interest Expense is defined as interest on Senior Indebtedness. The Company is compliant with these covenants for all periods presented.

The Company has entered into an interest rate swap agreement to swap the variable interest rate obligation on the $55.0 million Term Facility to a fixed rate obligation of 3.94% through December 31, 2023. This interest rate swap is a financial instrument and is disclosed at its fair value with any change in that fair value recorded as a gain or loss in the Company's consolidated statements of net and comprehensive earnings. At December 31, 2022 the Company determined that the fair value of the interest rate swap represents an asset of $1.4 million (December 31, 2021 – a liability of $0.8 million). The interest rate swap matures on December 28, 2023 and has been classified as a current asset in the Company's audited financial statements for the year ended December 31, 2022. For the Year, the Company recognized a fair value gain of $2.2 million (Prior Year – $1.9 million).

Liquidity

Revenues from franchise fees and other services provided to Franchisees are the largest source of liquidity for the Company. Given that Franchisees are contractually obligated to pay franchise fees for up to ten years under the Franchise Agreements and given the high degree of success the Company has had in renewing its Franchise Agreements in the past when they come due, the Company believes that the existing portfolio of Franchise Agreements, along with its non-cash working capital and capital resources, will generate sufficient cash flow for the Company to meet its operating commitments.

The Company's ability to grow its revenues and Distributable Cash Flow is dependent upon its ability to increase the size of the Network, which it can do by, a) supporting Franchisees in their efforts to recruit REALTORS® to their Brokerages, b) assisting Franchisees to acquire Brokerages from outside the Network and, c) entering into new Franchise Agreements. In addition, the Company has the opportunity to grow its sources of other revenue and may consider other types of investments in the future. The Company has entered into the Acquisition Facility to provide capital resources for the Company to pursue growth opportunities. The Company meets regularly with the Manager during the year to determine the Manager's progress in identifying potential new Franchise Agreements.

During the Year, the Company generated Distributable Cash Flow of $20.2 million, compared to $21.3 million in the Prior Year. The decrease is due to lower revenues, higher administration expenses, higher income taxes and lower recovery of franchise agreement expenses partly offset by lower management fees.

The Company paid dividends to shareholders and interest to holders of Exchangeable Units totaling $18.6 million for the Year, unchanged from the Prior Year.

WORKING CAPITAL

Changes in the Company's net working capital are primarily driven by cash flow from operating activities, collections of accounts receivable, payments of accounts payable and payment of dividends and interest.

Overall, working capital decreased from $6.9 million as at December 31, 2021 to a deficit of $58.4 million as at December 31, 2022. The decrease in working capital resulted primarily from:

- The reclassification of debt facilities from non-current liabilities to current liabilities; and
- A $0.2 million decrease in income tax receivable; partly offset by
- A $0.1 million increase in accounts receivable;
- A $0.2 million increase in cash;
- A $0.3 million increase in prepaid expenses due to higher prepaid costs; and
- The reclassification of the interest rate swap asset from non-current assets to current assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

A summary of the Company's working capital is presented below:

($ 000's) As at	**Dec. 31, 2022**	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021	Mar. 31, 2021	Change in Quarter	Change in Year
Current assets										
Cash	**$ 6,419**	$ 7,603	$ 6,536	$ 6,457	$ 6,217	$ 9,666	$ 8,608	$9,065	$ (1,184)	$ 202
Accounts receivable and current portion of notes receivable	**3,523**	3,821	4,484	4,593	3,458	3,918	4,436	4,260	(298)	65
Prepaid expenses	**406**	342	223	154	139	139	120	131	64	267
Current income tax receivable	**154**	–	450	523	320	–	35	294	154	(166)
Interest rate swap asset	**1,386**	–	–	–	–	–	–	–	1,386	1,386
	11,888	11,766	11,693	11,727	10,134	13,273	13,199	13,750	122	1,754
Debt facilities										
Current liabilities										
Accounts payable and accrued liabilities	**$ 1,138**	$ 1,594	$ 1,701	$ 1,516	$ 1,107	$ 1,377	$ 1,778	$ 1,650	$ (456)	$ 31
Contract transfer obligation	**602**	595	588	580	573	566	559	552	7	29
Current income tax liability	**–**	–	–	–	–	315	–	–	–	–
Interest payable to Exchangeable Unitholders	**484**	484	484	484	484	484	484	484	–	–
Dividends payable to Restricted Voting shareholders	**1,067**	1,067	1,067	1,067	1,067	1,067	1,067	1,067	–	–
Debt facilities	**66,959**								66,959	66,959
	70,250	3,740	3,840	3,647	3,231	3,809	3,888	3,753	66,510	67,019
Net working capital	**$ (58,362)**	$ 8,026	$ 7,853	$ 8,080	$ 6,903	$ 9,914	$ 9,311	$ 9,997	$(66,388)	$(65,265)

Working capital, before considering the interest rate swap and debt facilities (which are reclassifications from balance sheet presentation in the Prior Year), increased by $0.3 million from $6.9 million as at December 31, 2021 to $7.2 million as at December 31, 2022.

Cash and Capital Resources

A summary of cash and capital resources available to the Company as at December 31, 2022 and December 31, 2021 is presented below:

(in 000's) As at	**December 31, 2022**	December 31, 2021
Cash	**$ 6,419**	$ 6,217
Acquisition Facility	**8,000**	6,500
Operating Facility	**5,000**	5,000
Net borrowing capacity	**$ 13,000**	$ 11,500
Available resources	**$ 19,419**	$ 17,717

As at December 31, 2022, $12.0 million of the Acquisition Facility has been drawn by the Company, leaving $13.0 million of net borrowing capacity under the debt facilities.

In addition to the cash and capital resources included in the table above, the Company generates substantial Distributable Cash Flow, which can be used to fund dividend payments and interest on Exchangeable Units and to repay amounts owing under the debt facilities, subject to working capital and other investment requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Commitments and Contingencies

The estimated contractual liabilities and their dates of maturity are summarized in the chart below.

As at December 31,	2023	2024	2025	2026	2027	Beyond 2027	Total
Accounts payable and accrued liabilities	$ 1,138	$ –	$ –	$ –	$ –	$ –	$ 1,138
Current contract transfer obligation	602	–	–	–	–	–	$ 602
Interest payable to Exchangeable Unitholders	484	–	–	–	–	–	$ 484
Dividends payable to shareholders	1,067	–	–	–	–	–	$ 1,067
Interest on long-term debt	2,705	–	–	–	–	–	$ 2,705
Interest on contract transfer obligation	114	90	72	53	33	12	$ 374
Long term contract transfer obligation	–	356	374	393	413	438	$ 1,974
Debt facilities	67,000	–	–	–	–	–	$ 67,000
Deferred payments	–	–	6,616	–	–	–	$ 6,616
Exchangeable Units	–	–	–	–	–	42,727	$ 42,727
Total	$ 73,110	$ 446	$ 7,062	$ 446	$ 446	$ 43,177	$ 124,687

The Company has been named as a defendant in two legal actions. Each of these actions include, among other things, allegations of anti-competitive behaviour against various real estate entities and/or the Company. The Company is preparing responses to these allegations, and believes them to be entirely without merit. The claims are in their very early stages, however management believes that the likelihood of any negative impact on the Company is remote.

Off-Balance Sheet Arrangements

The Company has no off–balance sheet arrangements.

Transactions with Related Parties

As at the date of this MD&A, Brookfield controlled approximately 28.4% of the Company through its ownership of the Exchangeable Units of the Partnership and 315,000 Restricted Voting Shares. The Exchangeable Units were issued by the Company at its inception to affiliates of Brookfield as consideration for certain assets purchased from those affiliates. These assets included the Trademarks and existing Franchise Agreements related to the business of its Royal LePage residential real estate brokerage franchise operations.

The Manager operates 25 corporately owned Royal LePage residential Brokerage locations. These locations are serviced by more than 1,900 REALTORS® with 1,477 REALTORS® operating out of 15 locations in the GTA market, 430 REALTORS® operating from 7 locations in the GVA market and 25 REALTORS® operating from two locations in Quebec.

The Manager also operates three corporately owned Via Capitale residential Brokerage locations in the greater Montreal region of Quebec serviced by more than 169 REALTORS®.

All of the corporately owned operations operate under Franchise Agreements with standard fixed and variable franchise fees. The Franchise Agreements for GTA based locations are up for renewal in 2023, while the Franchise Agreements for the GVA operations are up for renewal between 2023-2024. The Franchise Agreements for the Royal LePage Quebec locations are up for renewal in 2028. The Franchise Agreements for the Via Capitale Brokerages expire between 2023-2025.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

The management of the Company is provided by the Manager under the terms of the MSA. The Manager is a company controlled by the Exchangeable Unitholders. Under the MSA, the Manager provides certain management, administrative and support services to the Company and its subsidiaries and, in return, is paid a monthly fee equal to $840,000 plus:

a) during the first five years of the initial term of the MSA, the greater of:

(i) 23.5% of the Distributable Cash (as such term is defined in the MSA) of the Company; and

(ii) 0.342% of the Current Market Value (as such term is defined in the MSA), and

b) after the first five years of the initial term of the MSA, the greater of:

(i) 25.0% of the Distributable Cash of the Company; and

(ii) 0.375% of the Current Market Value.

Under certain circumstances, the Company can pay the monthly fees to the Manager through the issuance of Exchangeable Units of the Partnership.

As a result of the capitalization of certain Franchise Agreements and other contracts transferred to the Company upon entering into the MSA, a portion of future payments for management fees is allocated toward reducing the Company's contract transfer obligation and associated interest expense, with the remainder charged to the Company's consolidated statement of net and comprehensive earnings.

The related party transactions entered into by the Company were transacted at contracted rates or at exchange amounts approximating fair market value. A summary of these amounts can be found in Note 13 of the consolidated financial statements.

Critical Accounting Estimates and Assumptions

Substantially all of the Company's activities are based on cash transactions, with revenue and expenditures based on contracted terms. The operating activities not based on contractual terms include bad debt expense (which is included in the Company's administration costs), and the amortization of intangible assets.

The Company's intangible assets are regularly monitored for indications of impairment and reversal of impairment in the carrying value of these assets. The Company's accounts receivable are regularly monitored to determine their collectability.

The preparation of financial statements requires management to select appropriate accounting policies and to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the Company's consolidated financial statements require the determination of cash generating units, estimating of future cash flows utilized in assessing the fair value and related net impairment or recovery of intangible assets, determining the useful life of intangible assets, assessing the recoverability of accounts receivable, measuring deferred income taxes, measuring the fair value of deferred payments, measuring the fair value of the Exchangeable Units and the interest rate swap and measuring fair values used for disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with prior periods. While the Company believes that the potential impact of the ongoing pandemic has lessened, it is possible that any future resurgence may affect the Company's future earnings, cash flows and financial condition and such effects are uncertain, including the nature, severity and duration of any resulting economic curtailment and the short to medium-term effect on Canadian real estate markets and the Canadian economy in general. Accordingly, estimates used in the preparation of our financial statements including those associated with evaluations of intangible assets and collectability of accounts receivable may be subject to significant adjustments in future periods. The estimates are impacted by, among other things, movements in interest rates and cash flow forecasts, which involve judgements and are uncertain. The interrelated nature of these factors prevents the Company from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgements that have been made in applying the Company's accounting policies and that have the most significant impact on the amounts recorded in the consolidated financial statements.

Forward Looking Information for Accounts Receivable and Notes Receivable

The measurement of estimated credit losses for accounts receivable and notes receivable and the assessment of increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement and is uncertain. In assessing the valuation of accounts receivable, the Company evaluates the franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether an allowance for doubtful accounts should be recorded or reversed.

Impairment of Intangible Assets and recovery of impairment

Under IAS 36, Impairment of Assets, the Company ensures that the carrying value of intangible assets are not more than their recoverable amount (i.e. the higher of: a) fair value less costs of disposal, and b) value-in-use). The Company regularly reviews intangible assets to determine whether indicators of impairment or a reversal of impairment exist on individual Franchise Agreements, other contracts or Trademarks. Determining whether the value of an intangible asset or the portfolio of intangible assets is impaired or has increased requires considerable judgement. When reviewing indicators of impairment for Franchise Agreements or other contracts or recovery of previously impaired intangible assets, the Company considers certain factors including, financial performance of the business, franchise fees earned, term to maturity, historical REALTOR® count, collectability of receivables, estimated future revenues expected to be earned and underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges if the carrying amount of a Franchise Agreement exceeds its recoverable amount or if the recovery of the carrying amount is no longer reasonably assured. The estimation of future cash flows and other forward-looking information requires significant judgement and is highly uncertain, particularly as a result of, among other things, the potential impact of the COVID-19 pandemic. When an intangible asset has been previously written down to its recoverable amount as a result of recording an impairment loss and the conditions causing such an impairment loss have become more favourable, the previously recorded impairment loss may be reversed and is recorded as a recovery of impairment.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivable, interest rate swap asset or liability, accounts payable and accrued liabilities, contract transfer obligation, interest payable to Exchangeable Unitholders, dividends payable to holders of Restricted Voting Shares, debt facilities and deferred payments.

The Company is exposed to credit risk with respect to accounts and notes receivable to the extent that any Franchisees are unable to pay their fees. The Company's credit risk is limited to the recorded amount of accounts and notes receivable. Management reviews the financial position of all Franchisees during the application process and closely monitors outstanding amounts receivable on an ongoing basis to evaluate the risk of a default occurring over the expected life of the accounts receivable. This monitoring includes evaluating the franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether an allowance for doubtful accounts should be recorded.

The Company is party to an interest rate swap agreement which swaps the variable interest rate obligation on the $55.0 million Term Facility to a fixed rate obligation of 3.94% through to the expiry of the Company's Term Facility on December 31, 2023.

The Company is exposed to the risk of interest rate fluctuations on its $20.0 million Acquisition Facility and its $5.0 million Operating Facility as the interest rates on these facilities are based on Prime or Banker's Acceptance interest rates. As at December 31, 2022, the Company has drawn $12.0 million on the Acquisition Facility, and nil on the Operating Facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Disclosure Controls and Internal Controls over Financial Reporting

The Company takes all necessary steps to ensure that material information regarding the Company's reports filed or submitted under securities legislation fairly presents the financial information of the Company. Responsibility for this resides with management, including the President and Chief Executive Officer and the Chief Financial Officer. Management is responsible for establishing, maintaining and evaluating disclosure controls and procedures as well as internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

The evaluation of the effectiveness of DC&P, as defined in National Instrument 52-109 Certification of *Disclosures in Issuers' Annual and Interim Filings,* was performed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. They conclude that these DC&P were adequate and effective as at December 31, 2022. The Company's management can therefore provide reasonable assurance that it receives material information relating to the Company in a timely manner so that it can provide investors with complete and reliable information.

INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management has designed ICFR to provide reasonable assurance that the Company's financial reporting is reliable and that the Company's consolidated financial statements were prepared in accordance with IFRS. The design and effectiveness of ICFR was evaluated as defined in National Instrument 52-109 under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. Based on the evaluations, they conclude that ICFR is adequate and effective to provide such assurance as at December 31, 2022. The design of ICFR is undertaken in accordance with the 2013 COSO framework.

Outstanding Restricted Voting Shares

Bridgemarq is authorized to issue an unlimited number of Restricted Voting Shares, an unlimited number of preferred shares and one Special Voting Share. As of March 8, 2023, Bridgemarq has issued 9,483,850 Restricted Voting Shares, no preferred shares and one Special Voting Share.

Each Restricted Voting Share represents a proportionate voting right in Bridgemarq, and holders of Bridgemarq's Restricted Voting Shares are entitled to dividends declared and distributed by Bridgemarq.

The Special Voting Share is owned by Brookfield and represents the proportionate voting rights of Exchangeable Unitholders in the Company. The Special Voting Share is not eligible to receive dividends and can be redeemed at $0.01 per share.

Risk Factors

Risks related to the real estate brokerage industry and the business of the Company are outlined in the Company's Annual Information Form, which is available at www.sedar.com and on the Company's website at www.bridgemarq.com under *Investor Centre/Other Disclosure Reports.* Additional discussion regarding these risks as appropriate is provided in this MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Forward-Looking Statements

This MD&A contains forward-looking information and other "forward-looking statements" within the meaning of applicable securities legislation. Words such as "assessing", "automatically", "can", "change", "continues", "could", "decreases", "dependent", "determination", "estimate", "estimated", "estimating", "estimation", "expectation", "expected", "expects", "extend", "forecasts", "future", "grow", "growth", "increase", "increases", "increasing", "likely", "may", "measuring", "not expected", "outlook", "possible", "potential", "renew", "renewal", "seeks", "should", "to be", "to be", "will", "will not", "would" and other expressions that are predictions of or could indicate future events and trends and that do not relate to historical matters, identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those indicated in the forward looking statements include, but are not limited to: any resurgence of COVID-19 (including any impact of COVID-19 on the economy and the Company's business), changes in the supply or demand of houses for sale in Canada or in any particular region within Canada, changes in the selling price for houses in Canada or any particular region within Canada, changes in the Company's cash flow, changes in the Company's strategy with respect to and/or ability to pay dividends, changes in the productivity of the Company's REALTORS® or the commissions they charge their customers, changes in government policy, laws or regulations which could reasonably affect the housing markets in Canada or the economy in general, changes to any products or services developed or offered by the Company, consumer response to any changes in the housing markets in Canada or any changes in government policy, laws or regulations, changes in general economic conditions (including interest rates, consumer confidence and other general economic factors or indicators), changes in global and regional economic growth, changes in the demand for and prices of natural resources on local and international markets, the level of residential real estate transactions, competition from other real estate brokers or from discount and/or Internet-based real estate alternatives, the closing of existing real estate brokerage offices, other developments in the residential real estate brokerage industry or the Company that reduce the number of REALTORS® in the Company's Network or revenue from the Company's Network, our ability to maintain brand equity through the use of trademarks, the methods used by shareholders or analysts to evaluate the value of the Company and its publicly traded securities, changes in tax laws or regulations, and other risks detailed in the Company's annual information form, which is filed with securities commissions and posted on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to management. Material factors or assumptions that were applied in drawing conclusions or making estimates set out in the forward-looking statements include, but are not limited to: anticipated economic conditions, anticipated impact of government policies, anticipated financial performance, anticipated market conditions, business prospects, the successful execution of the Company's business strategies and recent regulatory developments, including as the foregoing relate to COVID-19. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Supplemental Information

HISTORY OF DIVIDENDS DECLARED

(per Restricted Voting Share*)

Month Declared	2022	2021	2020	2019	2018
January	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1125
February	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1125
March	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1125
April	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1125
May	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1125
June	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1125
July	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1125
August	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1125
September	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1125
October	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1125
November	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1125
December	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1125
	$ 1.3500	$ 1.3500	$ 1.3500	$ 1.3500	$ 1.3500

* Amounts declared prior to 2011 represent distributions declared to unitholders, prior to the Company's re-organization from an income trust to a corporate structure on December 31, 2010.

SHARE PERFORMANCE

(in Canadian dollars) except shares outstanding and average daily volume For three months ended,	**Dec. 31, 2022**	Sept. 30, 2022	June 30, 2022	Mar.31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021	Mar.31, 2021
Trading price range of units (TSX: "BRE")								
Close	**$ 12.84**	$ 14.40	$ 13.49	$ 15.93	$ 16.31	$ 16.65	$ 17.17	$ 16.41
High	**$ 15.13**	$ 14.70	$ 16.31	$ 17.13	$ 17.44	$ 17.46	$ 18.00	$ 17.00
Low	**$ 12.54**	$ 12.40	$ 13.10	$ 14.99	$ 16.19	$ 16.07	$ 15.80	$ 14.33
Average daily volume	**12,131**	11,454	13,394	10,490	7,651	8,578	11,397	14,371
Number of restricted voting shares outstanding at period end	**9,483,850**	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850
Market capitalization ($000's)	**$ 164,500**	$184,486	$ 172,827	$204,087	$208,956	$ 213,312	$ 219,974	$ 210,237

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

CANADIAN RESIDENTIAL REAL ESTATE MARKET

For Three months ended	**Dec. 31 2022**	Sept. 30 2022	June 30 2022	Mar. 31 2022	Dec. 31 2021	Sept. 30 2021	June 30 2021	Mar. 31 2021
Canada								
Transaction dollar volume[1]	**$ 54,104**	$ 70,044	$ 110,678	$ 115,894	$ 98,999	$ 104,328	$ 141,746	$ 113,813
Average selling price	**$ 631,959**	$ 635,733	$ 708,655	$ 792,176	$ 716,728	$ 680,485	$ 685,108	$ 682,552
Number of units sold	**85,613**	110,178	156,180	146,298	138,126	155,849	206,274	166,746
Number of REALTORS® at period end[2]	**160,064**	158,905	153,744	151,087	147,556	144,058	140,331	136,605
Housing starts	**60,801**	67,146	67,660	44,983	61,761	61,380	66,498	54,502
Greater Toronto Area								
Transaction dollar volume[1]	**$ 13,428**	$ 16,553	$ 26,100	$ 33,324	$ 28,620	$ 29,275	$ 40,139	$ 35,298
Average selling price	**$ 1,074,049**	$ 1,076,779	$ 1,207,055	$ 1,299,591	$ 1,158,686	$ 1,079,381	$ 1,075,636	$ 1,053,585
Number of units sold	**12,502**	15,373	21,623	25,642	24,700	26,879	36,630	33,503
Housing starts	**12,209**	13,380	9,599	9,921	11,813	11,872	8,588	9,625
Greater Vancouver Area								
Transaction dollar volume[1]	**$ 5,864**	$ 6,647	$ 11,171	$ 13,540	$ 12,070	$ 11,414	$ 15,786	$ 14,084
Average selling price	**$1,208,656**	$1,209,223	$1,284,773	$1,325,262	$1,234,888	$ 1,175,834	$ 1,179,171	$ 1,159,167
Number of units sold	**4,852**	5,497	8,695	10,217	9,774	9,779	13,181	12,150
Housing starts	**7,626**	6,647	7,402	4,308	5,527	5,192	7,972	7,322
Greater Montreal Area								
Transaction dollar volume[1]	**$ 4,243**	$ 4,644	$ 8,462	$ 7,380	$ 7,028	$ 5,898	$ 8,837	$ 7,719
Average selling price	**$ 554,311**	$ 567,804	$ 605,958	$ 579,785	$ 566,879	$ 556,034	$ 551,624	$ 534,155
Number of units sold	**7,654**	8,178	13,964	12,728	12,397	10,842	16,254	15,425
Housing starts	**4,442**	5,597	9,053	5,057	7,362	7,660	9,241	8,080

[1] (in millions Canadian dollars)
[2] CREA Membership data as of Dec 31, 2022
Source: CREA, CMHC, TREB

For Twelve months ended	**Dec. 31 2022**	Sept. 30 2022	June 30 2022	Mar. 31 2022	Dec. 31 2021	Sept. 30 2021	June 30 2021	Mar. 31 2021
Canada								
Transaction dollar volume[1]	**$ 350,719**	$ 395,614	$ 429,899	$ 460,967	$ 458,886	$ 449,958	$ 454,715	$ 368,917
Average selling price	**$ 703,875**	$ 718,277	$ 720,758	$ 712,968	$ 687,990	$ 663,965	$ 642,802	$ 605,569
Number of units sold	**498,269**	550,782	596,453	646,547	666,995	677,683	707,395	609,208
Housing starts	**240,590**	241,550	235,784	234,622	244,141	239,837	237,428	218,455
Greater Toronto Area								
Transaction dollar volume[1]	**$ 89,405**	$ 104,597	$ 117,319	$ 131,358	$ 133,332	$ 129,874	$ 131,842	$ 106,104
Average selling price	**$ 1,189,850**	$ 1,197,613	$ 1,186,912	$ 1,153,774	$1,095,475	$ 1,052,716	$ 1,019,568	$ 974,916
Number of units sold	**75,140**	87,338	98,844	113,851	121,712	123,370	129,312	108,834
Housing starts	**45,109**	44,713	43,205	42,194	41,898	38,587	38,870	41,372
Greater Vancouver Area								
Transaction dollar volume[1]	**$ 37,223**	$ 43,428	$ 48,195	$ 52,810	$ 53,353	$ 52,270	$ 51,695	$ 41,252
Average selling price	**$ 1,272,096**	$1,270,462	$ 1,252,957	$ 1,229,531	$ 1,188,693	$ 1,156,789	$ 1,136,872	$ 1,102,638
Number of units sold	**29,261**	34,183	38,465	42,951	44,884	45,185	45,471	37,412
Housing starts	**25,983**	23,884	22,429	22,999	26,013	26,678	27,901	25,313
Greater Montreal Area								
Transaction dollar volume[1]	**$ 24,727**	$ 27,512	$ 28,766	$ 29,142	$ 29,481	$ 30,171	$ 31,564	$ 27,056
Average selling price	**$ 581,490**	$ 582,059	$ 576,119	$ 558,042	$ 536,826	$ 518,395	$ 503,100	$ 477,680
Number of units sold	**42,524**	47,267	49,931	52,221	54,918	58,200	62,739	56,641
Housing starts	**24,149**	27,069	29,132	29,320	32,343	32,962	33,319	30,346

[1] (in millions Canadian dollars)
Source: CREA, CMHC, TREB

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

DISTRIBUTABLE CASH FLOW AND ITS UTILIZATION

($ 000's)	**Year ended Dec. 31, 2022**	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Fixed franchise fees	**$ 33,150**	$ 31,016	$ 11,247	$ 29,285	$ 28,326
Variable franchise fees	**12,465**	13,750	23,900	10,638	10,737
Other revenue	**4,256**	5,436	5,192	4,426	–
Premium franchise fees	**–**	–	–	–	2,964
Revenues	**49,871**	50,202	40,339	44,349	42,027
Less:					
Cost of other revenue	**1,207**	1,035	716	524	–
Administration expenses	**1,120**	646	608	1,196	1,259
Management fees	**19,872**	20,158	16,875	15,478	7,616
Interest Expense	**2,970**	2,960	3,001	3,031	2,686
Current income tax expense	**3,948**	3,818	2,090	2,989	5,183
Cash used for investing activities	**598**	275	3,109	3,934	10,849
Distributable Cash Flow	**$ 20,156**	$ 21,310	$ 13,940	$ 17,197	$ 14,434
Less:					
Dividends to shareholders	**12,803**	12,803	12,803	12,803	12,803
Interest to Exchangeable Unitholders	**5,806**	5,806	5,806	5,806	5,806
Total distributions	**$ 18,609**	$ 18,609	$ 18,609	$ 18,609	$ 18,609
Total distributions as a percentage of Distributable Cash Flow[1]	**92%**	87%	133%	108%	129%

[1] This represents the total distributions paid as a percentage of Distributable Cash Flow. A percentage greater than 100% indicates periods where the Company utilized its existing cash resources or its debt facilities to finance certain of its investing activities or its distributions to shareholders and holders of Exchangeable Units.

CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO DISTRIBUTABLE CASH FLOW

($ 000's)	**Year ended Dec. 31, 2022**	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Cash Flow from Operating activities	**$ 15,103**	$ 15,139	$ 19,866	$ 15,600	$ 18,971
Add (deduct):					
Changes in non-cash working capital items	**(241)**	358	(2,585)	(924)	(229)
Interest on Exchangeable Units	**5,806**	5,806	5,806	5,806	5,806
Change in accrued income taxes	**127**	532	790	698	758
Change in accrued interest expense	**(41)**	(249)	(209)	(49)	(23)
Change in accrued interest income	**–**	(1)	(3)	–	–
Deferral of payments	**–**	–	(6,616)	–	–
Cash used in investing activities	**(598)**	(275)	(3,109)	(3,934)	(10,849)
Distributable Cash Flow	**$ 20,156**	$ 21,310	$ 13,940	$ 17,197	$ 14,434

SELECTED OPERATING INFORMATION

As at	**Dec. 31, 2022**	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Number of REALTORS®	**20,686**	20,761	20,538	20,321	20,159	19,046	19,111	18,725
Number of locations	**725**	722	730	723	723	662	678	673
Number of franchise agreements	**283**	283	283	282	281	289	301	291

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Glossary of Terms

"Brands" means the real estate services brands owned or controlled by Bridgemarq namely, Royal LePage, Johnston & Daniel and Via Capitale.

"Bridgemarq" means Bridgemarq Real Estate Services Inc., a corporation incorporated under the laws of the Province of Ontario.

"Broker" means a REALTOR® who is licensed with the relevant regulatory body to manage a Brokerage.

"Broker-Owner" means the individual or a controlling group of individuals who have entered into Franchise Agreements to provide services under the Royal LePage, Johnston & Daniel or Via Capitale brands and are licensed with the relevant regulatory body to manage a Brokerage.

"Brokerage" means a real estate brokerage company, usually owned or controlled by a Broker, which may operate one or more offices or divisions.

"Brookfield" means Brookfield BBP (Canada) Holdings LP, a limited partnership governed by the laws of Ontario and a subsidiary of Brookfield Business Partners LP, together with its affiliates but excluding the Manager and the subsidiaries of the Manager.

"Canadian Market" means the real estate market in Canada.

"Company" means Bridgemarq, together with its subsidiaries.

"Company Network" means collectively the Royal LePage Network and the Via Capitale Network.

"Distributable Cash Flow" means operating income before deducting amortization and net impairment or recovery of intangible assets minus current income tax expense and minus cash used in investing activities. Distributable Cash Flow is used by the Company to measure the amount of cash generated from operations which is available to the Company's shareholders and holders of Exchangeable Units, subject to working capital and other investment requirements. Distributable Cash Flow is a non-GAAP financial measure and does not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

"Distributable Cash Flow per Share" means Distributable Cash Flow divided by the number of outstanding Restricted Voting Shares on a diluted basis where such dilution represents the total number of shares of the Company that would be outstanding if holders of Exchangeable Units converted those Units into Restricted Voting Shares. Distributable Cash Flow per Share is a non-GAAP financial ratio and does not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

"Exchangeable Units" means the 3,327,667 Class B LP Units the Partnership issued at the inception of the Company to an affiliate of Brookfield in partial consideration for the Partnership's acquisition of the assets of the Partnership from that affiliate. The Class B LP Units, except as otherwise noted, have economic and voting rights equivalent in all material respects to the Class A LP Units which are owned by Bridgemarq. The Class B LP Units are indirectly exchangeable, on a one-for-one basis, subject to adjustment, for Restricted Voting Shares.

"Franchise" means a residential real estate Brokerage franchise operated pursuant to a Franchise Agreement with the Manager's comprehensive systems consisting of proprietary technological, marketing, promotional, communication and support systems.

"Franchise Agreements" means the franchise agreements and addendums thereto pursuant to which Brokerage offices offer residential brokerage services to their REALTORS®, including use of the Trademarks.

"Franchisees" means Brokerages which pay franchise fees under the Franchise Agreements.

"General Partner" means Residential Income Fund General Partner Limited, a corporation incorporated under the laws of the Province of Ontario to be the general partner of the Partnership and a subsidiary of Bridgemarq.

"Gross Revenue" means, in respect of a Franchisee, the gross commission income (net of payments to cooperating Brokerages) earned in respect of the closings of residential resale real estate transactions through REALTORS® associated with such Franchisee.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

"International Financial Reporting Standards" or **"IFRS"** means a set of accounting standards developed by an independent, not-for-profit organization called the International Accounting Standards Board (IASB). IFRS is a global framework that provides general guidance for the preparation of financial statements and its disclosure to the public to convey measurable and comparable financial information.

"Interest Rate Swaps" means the financial arrangements entered into with a Canadian Chartered Bank to fix the interest rate on \$53.0 million of the Company's Term Facility at 3.64% to October 28, 2019 and to fix the interest rate on the Company's \$55.0 million Term Facility at 3.94% from October 29, 2019 to December 31, 2023. The fluctuation of the fair value of the Interest Rate Swaps is primarily driven by changes in the expected variable interest rate yield curve from the expected variable interest rate yield curve at the inception of the financial arrangements.

"Management Services Agreement" or **"MSA"** means the fourth amended and restated management services agreement, made effective November 6, 2018, together with any amendments thereto, between the Company and the Manager pursuant to which, among other things, the Manager provides management and administrative services to the Company including management of the assets of the Company.

"Manager" means Bridgemarq Real Estate Services Manager Limited (formerly known as Brookfield Real Estate Services Manager Limited), a corporation incorporated under the laws of the Province of Ontario and an indirectly, wholly-owned subsidiary of Brookfield, together with its subsidiaries. The Manager provides management and administrative services to the Company, including management of the assets of the Company.

"Network" means the collection of Brokerages and REALTORS® which operate under one of the Brands controlled by the Company.

"Partnership" means Residential Income Fund L.P., a limited partnership established under the laws of the Province of Ontario, and a subsidiary of Bridgemarq.

"REALTOR®" and **"REALTORS®"** are the exclusive designation for a member/members of The Canadian Real Estate Association and are defined as an individual/group of individuals licensed to trade in real estate.

"Restricted Voting Share(s)" means the restricted voting shares in the capital of Bridgemarq.

"Royal LePage" means a nationally recognized real estate Brand controlled by the Company.

"Royal LePage Network" means the network of Franchisees operating under the Royal LePage and Johnston & Daniel Brands.

"Share" means a Restricted Voting Share on a diluted basis, where such dilution represents the total number of shares of the Company that would be outstanding if holders of Exchangeable Units converted Class B LP units into Restricted Voting Shares.

"Special Voting Share" means the share of Bridgemarq issued to the holder of the Exchangeable Units to represent voting rights in Bridgemarq proportionate to the number of votes the Exchangeable Unitholders would obtain if they converted their Exchangeable Units to Restricted Voting Shares.

"System for Electronic Document Analysis and Retrieval" or **"SEDAR"** means a Canadian mandatory document filing and retrieval system for all Canadian public companies where documents such as prospectuses, financial statements and material change reports are filed and are accessible by the public to further the goal of transparency and full disclosure.

"Team" means a group of REALTORS® who work together and market themselves as part of a team rather than as individual REALTORS®.

"Trademarks" means the trade-mark rights related to Bridgemarq's business.

"Via Capitale" means a real estate Brand controlled by the Company which operates primarily in the province of Quebec.

"Via Capitale Network" means the network of Franchisees operating under the Via Capitale Brand.

"VCLP" means 9120 Real Estate Network, L.P./Réseau Immobilier 9120 S.E.C., a limited partnership established under the laws of the Province of Quebec, and a subsidiary of Bridgemarq.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bridgemarq Real Estate Services Inc.

Opinion
We have audited the consolidated financial statements of Bridgemarq Real Estate Services Inc. (the "Company" which comprise the consolidated balance sheets as at December 31, 2022 and December 31, 2021, and the consolidated statements of net and comprehensive earnings, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter
A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Intangible Assets – Valuation of Franchise Agreements — Refer to Note 6 of the Financial Statements

Key Audit Matter Description
The Company's evaluation of the Franchise Agreements for impairment involves the comparison of the recoverable amounts of the Franchise Agreements to their carrying amounts. An impairment charge is recorded when the carrying amount exceeds the recoverable amount. The Company uses a discounted cash flow model to estimate the recoverable amount of its Franchise Agreements. This requires management to make significant estimates and assumptions. Those with the highest degree of subjectivity are probability of franchise renewal, forecasts of future revenues from Franchise Agreements and discount rates.

Given the significant judgments made by management to estimate the recoverable amounts of its Franchise Agreements, performing audit procedures to evaluate the reasonableness of the estimates and assumptions related to the probability of franchise renewal, the forecasts of future revenues from Franchise Agreements and the discount rates required a high degree of auditor judgments and increased audit effort, including the involvement of fair value specialists.

INDEPENDENT AUDITOR'S REPORT

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the probability of franchise renewal, forecasts of future revenues from Franchise Agreements and discount rates used by management to determine the recoverable amounts of the Franchise Agreements included the following, among others:

- Evaluated management's renewal history probability assessment to determine whether the probability assessment of expected future cash flows made by management is reasonable.
- Evaluated cash flows from management service expenditures that are not allocable to individual cash generating units but are considered on an overall basis for purpose of evaluating impairment of Franchise Agreements.
- Evaluated management's ability to accurately forecast future revenues by comparing actual results to management's historical forecasts.
- Evaluated the reasonableness of management's forecasts of future revenues from Franchise Agreements by comparing the forecasts to:
    - o Historical revenues;
    - o Internal communication to management and the Board of Directors; and
    - o Forecasted information included in the Company's press releases and trends in industry reports.
- Assess the impact of changes in the regulatory environment on management's probability of franchise renewal and forecasts of future revenues from Franchise Agreements.
- With the assistance of a valuation specialist, evaluate the reasonableness of the discount rates by testing the source information underlying the determination of the discount rates and developing a range of independent estimates and compare those to the discount rates used by management.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Paul Fletcher.

Deloitte LLP

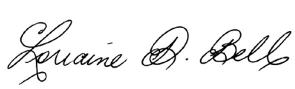
Chartered Professional Accountants
Toronto, Ontario
March 8, 2023

CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)	Note	December 31, 2022	December 31, 2021
Assets			
Current assets			
Cash		**$ 6,419**	$ 6,217
Accounts receivable	4,13	**3,502**	3,425
Current portion of notes receivable	5	**21**	33
Current income tax receivable		**154**	320
Prepaid expenses		**406**	139
Interest rate swap asset	8	**1,386**	–
		11,888	10,134
Non-current assets			
Notes receivable	5	**55**	74
Deferred income tax asset	7	**5,744**	6,150
Intangible assets	6	**54,942**	62,238
		$ 72,629	$ 78,596
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities		**$ 1,138**	$ 1,107
Contract transfer obligation	3,13	**602**	573
Interest payable to Exchangeable Unitholders	10,13	**484**	484
Dividends payable to shareholders	12	**1,067**	1,067
Debt facilities	8	**66,959**	–
		70,250	3,231
Non-current liabilities			
Debt facilities	8	**–**	68,419
Deferred payments	9,13	**5,992**	5,759
Contract transfer obligation	3,13	**1,974**	2,576
Interest rate swap liability	8	**–**	817
Exchangeable Units	10	**42,727**	54,274
		120,943	135,076
Shareholders' deficit			
Restricted voting shares	11	**140,076**	140,076
Deficit		**(188,390)**	(196,556)
		(48,314)	(56,480)
		$ 72,629	$ 78,596

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board



Gail Kilgour
Director

Lorraine Bell
Director

CONSOLIDATED STATEMENTS OF NET AND COMPREHENSIVE EARNINGS

Years ended December 31, (In thousands of Canadian dollars, except share and per share amounts)	Note	2022	2021
Revenues			
Fixed franchise fees		**$ 33,150**	$ 31,016
Variable franchise fees		**12,465**	13,750
Other revenue		**4,256**	5,436
		49,871	50,202
Expenses			
Cost of other revenue		**1,207**	1,035
Administration expenses	4,13	**1,120**	646
Management fees	3,13	**19,872**	20,158
Interest expense	3,8,9	**2,970**	2,960
Write-off of intangible assets	6	**154**	–
Amortization of intangible assets	6	**7,168**	7,631
		32,491	32,430
Operating income		**17,380**	17,772
Interest on Exchangeable Units	10,13	**(5,806)**	(5,806)
Gain (loss) on fair value of Exchangeable Units	10	**11,547**	(5,025)
Gain on interest rate swap	8	**2,203**	1,887
Earnings before income tax		**25,324**	8,828
Current income tax expense		**3,948**	3,818
Deferred income tax expense		**407**	248
Income tax expense	7	**4,355**	4,066
Net and comprehensive earnings		**$ 20,969**	$ 4,762
Basic earnings per share	12	**$ 2.21**	$ 0.50
Weighted average number of shares outstanding used in computing basic earning per share		**9,483,850**	9,483,850
Diluted earnings per share	12	**$ 1.19**	$ 0.50
Weighted average number of shares outstanding used in computing diluted earnings per share		**12,811,517**	12,811,517

See accompanying notes to the consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(In thousands of Canadian dollars)	Restricted Voting Shares	Deficit	Shareholders' Deficit
Balance, December 31, 2021	$ 140,076	$ (196,556)	$ (56,480)
Net earnings	–	20,969	20,969
Dividends paid	–	(12,803)	(12,803)
Balance, December 31, 2022	**$ 140,076**	**$ (188,390)**	**$ (48,314)**

(In thousands of Canadian dollars)	Restricted Voting Shares	Deficit	Shareholders' Deficit
Balance, December 31, 2020	$ 140,076	$ (188,515)	$ (48,439)
Net earnings	–	4,762	4,762
Dividends paid	–	(12,803)	(12,803)
Balance, December 31, 2021	**$ 140,076**	**$ (196,556)**	**$ (56,480)**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, (In thousands of Canadian dollars)	Note	2022	2021
Cash provided by:			
Operating activities			
Net earnings (loss) for the period		$ 20,969	$ 4,762
Adjusted for			
Loss (gain) on fair value of Exchangeable Units	10	(11,547)	5,025
Gain on interest rate swap	8	(2,203)	(1,887)
Interest expense	3,8,9,10	8,763	8,602
Interest paid		(8,722)	(8,353)
Interest income		(129)	28
Interest received		129	(27)
Current income tax expense	7	3,948	3,818
Income taxes paid		(4,075)	(4,350)
Deferred income tax expense	7	407	248
Write-off of intangible assets	6	154	–
Amortization of intangible assets	6	7,168	7,631
Net changes in non-cash working capital		241	(358)
		15,103	15,139
Investing activities			
Payment of contract transfer obligation	3,13	(573)	(549)
Recovery (payment) of franchise agreement expenses, net	6	(25)	274
Interest expense on contract transfer obligation	3,13	143	171
Interest expense paid on contract transfer obligation	3,13	(143)	(171)
		(598)	(275)
Financing activities			
Repayments under debt facilities	8	(1,500)	(5,000)
Dividends paid to shareholders	12	(12,803)	(12,803)
		(14,303)	(17,803)
Increase (decrease) in cash during the year		202	(2,939)
Cash, beginning of the period		6,217	9,156
Cash, end of the period		$ 6,419	$ 6,217

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless stated otherwise)

1. Organization

Bridgemarq Real Estate Services Inc. ("Bridgemarq" and, together with its subsidiaries the "Company"), is incorporated under the *Ontario Business Corporations Act.* Bridgemarq is listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". Through its ownership interest in Residential Income Fund L.P. (the "Partnership"), Bridgemarq owns certain Franchise Agreements ("Franchise Agreements") and Trademark Rights ("Trademarks") of residential real estate brands in Canada.

Bridgemarq directly owns a 75% interest in the Partnership which, in turn, owns 100% of 9120 Real Estate Network, L.P. ("VCLP"). In addition, Bridgemarq directly owns a 75% interest in the general partner of the Partnership, Residential Income Fund General Partner Limited ("RIFGP") (Collectively, the Partnership, VCLP and RIFGP represent the Company's subsidiaries). The Partnership and VCLP own and operate the assets from which the Company derives its revenue.

Brookfield BBP (Canada) Holdings L.P ("BBP"), a subsidiary of Brookfield Business Partners L.P, owns the remaining 25% interest in the Partnership through its ownership of exchangeable units of the Partnership (the "Exchangeable Units"), the remaining 25% interest in RIFGP through its ownership of 25 common shares in RIFGP and one special voting share of Bridgemarq. In addition, BBP indirectly owns 315,000 restricted voting shares. The special voting share entitles BBP to a number of votes at any meeting of the restricted voting shareholders equal to the number of restricted voting shares that would be obtained upon the exchange of all the Exchangeable Units held by the holder.

The Company receives certain management, administrative and support services from Bridgemarq Real Estate Services Manager Ltd. ("BRESML", and together with its subsidiaries, the "Manager"), an indirect wholly owned subsidiary of BBP. The Company is party to an amended and restated Management Services Agreement (the "MSA") with the Manager which governs the relationship between the Manager and the Company. The MSA has an initial term of ten-years expiring on December 31, 2028. On expiry, the MSA automatically renews for an additional ten-year term unless the Company or the Manager provides notice of their intention to terminate the MSA no later than six months prior to expiry.

During the year ended December 31, 2022, the Company derived approximately 91% of its revenues from franchise fees it receives under the Franchise Agreements (2021 – 89%).

2. Significant Accounting Policies

BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and have been authorized for issuance by the Board of Directors of the Company on March 8, 2023.

The consolidated financial statements have been prepared on a going concern basis and include the accounts of the Company.

ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

Accounts receivables and notes receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for uncollectable amounts.

INTANGIBLE ASSETS

Intangible assets, consisting of Franchise Agreements, Trademarks, other agreements purchased or transferred from the Manager ("Ancillary Agreements") and franchise agreement expenses, are accounted for using the cost method. Intangible assets are recorded at initial cost less accumulated amortization and accumulated net impairment losses.

Franchise Agreements and Ancillary Agreements are amortized over the term of the agreements plus one renewal period using the straight-line method on an agreement-by-agreement basis. Trademarks are amortized on a straight-line basis over their expected useful lives.

The Company may incur franchise agreement expenses prior to or concurrent with entering into Franchise Agreements, including payments to franchisees or prospective franchisees to defray the costs of converting REALTORS® or brokerages to the Company's brands, as well as contract specific legal costs, if any. Certain of these franchise agreement expenses may be repayable by franchisees if specific conditions aren't met. The Company may also provide certain fee rebates to franchisees under certain circumstances. These costs and rebates (net of any amounts recovered from franchisees) are capitalized on an agreement-by-agreement basis and amortized over the same term as the agreement to which they relate or, where the underlying agreement is less than a year, charged to the consolidated statement of net and comprehensive earnings. The amortization charge for these fee rebates and any franchise agreement expenses represented by cash payments or rebates to franchisees is recorded as a reduction in revenues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless stated otherwise)

The Company reviews intangible assets each reporting period to determine whether indicators of impairment or a reversal of impairment exists on individual Franchise Agreements, Trademarks and Ancillary Agreements. When reviewing for indicators of impairment or recovery of impairment of Franchise Agreements, the Company considers certain factors including, the financial performance of the business, franchise fees earned, term to maturity, historical REALTOR® count, collectability of receivables,estimated future revenues expected to be earned and underlying market conditions. When reviewing indicators of impairment on individual Ancillary Agreements, the Company considers certain factors including, prior year's revenues and estimated future revenues under each Ancillary Agreement as well as underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges if the carrying amount of a Franchise Agreement or Ancillary Agreement exceeds its recoverable amount (recoverable amount is determined as the higher of a) estimated fair value less costs of disposal and b) value-in-use). Where the counterparties of one or more Franchise Agreements combine their operations by way of a merger, acquisition or other combination subsequent to the acquisition of the underlying Franchise Agreement, the carrying value of the underlying intangible assets are combined for purposes of evaluating impairment. Cash flows that are not allocable to individual Franchise Agreements, Trademarks or Ancillary Agreements are considered on an aggregate basis for purposes of evaluating impairment on the Company's portfolio of intangible assets.

If the carrying value of the intangible asset exceeds the recoverable amount, the intangible asset is written down to the recoverable amount and an impairment loss is charged to net and comprehensive earnings in the period. When an intangible asset has been previously written down to its recoverable amount as a result of recording an impairment loss and the conditions causing such an impairment loss have become more favourable, the previously recorded impairment loss may be reversed. Where an impairment loss is reversed, the carrying value of the intangible asset is increased to its revised recoverable amount (the lesser of a) the revised estimate of its recoverable amount, and b) the carrying amount that would have been recorded had no impairment loss been recognized previously) and an impairment reversal is recognized as income in the period.

Franchise Agreements subject to early termination or non-renewal, are written off in the period of termination or when non-renewal becomes reasonably assured.

REVENUE RECOGNITION

The Company is in the business of providing information and services to REALTORS® and real estate brokers in Canada through a portfolio of highly regarded real estate services brands. Certain of these information and services (the "Service Offering") are provided in exchange for franchise fees received from franchisees. The Service Offering is offered as a complete suite of services. Franchisees who pay franchise fees under the Franchise Agreements cannot elect to purchase any service under the Service Offering individually or on a stand-alone basis.

Franchise fees include franchise fees which have both fixed and variable components. Fixed franchise fees are payable to the Company as a fixed monthly amount per REALTOR® without regard to transaction volumes generated by that REALTOR®. Fixed franchise fees are recognized over time, which is when the control of the services and the right to use the Trademarks are transferred to the customer.

Variable franchise fees are payable to the Company based on the transaction volumes generated by REALTORS®, subject to a cap. Variable franchise fees are a percentage of a REALTORS®'s gross revenue, which is the gross commission income earned on a transaction. Variable franchise fees are recognized at the point in time when a residential real estate transaction is closed and finalized by the REALTOR® and/or a lease is signed by the vendor or lessor.

In addition to the Service Offering, the Company provides certain ancillary services to franchisees under the Ancillary Agreements. These include information and services provided outside of those provided in the Franchise Agreements. Each franchisee has the option of purchasing or utilizing the services provided under the Ancillary Agreements independent of the Service Offering. Revenues under the Ancillary Agreements are derived primarily from referral fees charged to external companies, lead management services provided to franchisees and other miscellaneous revenues. The direct costs associated with lead management and other revenues are recorded as cost of other revenue in the consolidated statements of net and comprehensive earnings .

External referral fee revenues are generated from external parties who receive service referrals from the Company. External referral fees are recognized as revenue net of their direct costs at the point in time when the Company has completed its obligation under the agreement, which is when the control of the services are transferred to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless stated otherwise)

Lead management services are provided to REALTORS® and franchisees on a subscription basis. Lead management revenue is recognized at the point in time, when the performance obligation has been satisfied, which is when a lead is assigned to the REALTOR® or the franchisee.

The Company's revenues are affected by the seasonality of Canadian real estate markets, which historically have seen stronger transactional dollar volumes in the second and third quarters of each year. This historical seasonality pattern did not recur in 2021 or 2022. A worldwide pandemic and other changes in the economy in general impacted the Canadian real estate market, the home buying and selling behaviour of consumers and the sesonality of real estate transactions throughout 2021 and 2022. There can be no certainty that this historical seasonality pattern will recur in any future year.

EXCHANGEABLE UNITS

Exchangeable Units represent the future distribution obligation of the Company in respect of Class B LP units of the Partnership, and are convertible, on a one-for-one basis, subject to adjustment, into restricted voting shares of Bridgemarq. These financial instruments are classified as a financial liability as the holder can "put" these instruments to the Company as well as by virtue of the Partnership agreement, whereby the Partnership is required to distribute all of its income to the partners. The Company records any changes in the fair value of the Exchangeable Units through net and comprehensive earnings in the period the change occurs. The fair value of these financial liabilities is based on the market price of Bridgemarq's restricted voting shares and the number of Exchangeable Units outstanding at the reporting date.

INCOME TAXES

Current income tax assets are measured at the net amount expected to be recovered from tax authorities based on the tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred income tax assets or liabilities are determined using the liability method on temporary differences between the tax bases and the carrying amounts of assets and liabilities. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, if any, to the extent that it is probable that deductions, tax credits and tax losses will be utilized to reduce taxes owing in future periods. The carrying amount of deferred income tax assets is reviewed periodically and reduced to the extent it is no longer probable that the income tax asset will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

EARNINGS PER SHARE

Earnings per share is based on the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated to reflect the dilutive effect, if any, of the Exchangeable Unitholders exercising their right to exchange Class B LP units of the Partnership into restricted voting shares of Bridgemarq.

FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

Financial Statement Item:	Classification:	Measurement:
Cash	Amortized Cost	Amortized Cost
Accounts Receivable	Amortized Cost	Amortized Cost
Notes Receivable	Amortized Cost	Amortized Cost
Interest rate swap asset or liability	FVTPL	Fair Value
Accounts payable and accrued liabilities	Amortized Cost	Amortized Cost
Contract transfer obligation	Amortized Cost	Amortized Cost
Interest payable to Exchangeable Unitholders	Amortized Cost	Amortized Cost
Dividends payable to shareholders	Amortized Cost	Amortized Cost
Debt Facilities	Amortized Cost	Amortized Cost
Deferred payments	Amortized Cost	Amortized Cost
Exchangeable Units	FVTPL	Fair Value

Financial liabilities classified as fair value through profit or loss ("FVTPL") are not financial liabilities that are held for trading.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless stated otherwise)

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – inputs that are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique that are not based on observable market data in determining fair values of the instruments.

Transaction costs for financial liabilities classified as amortized costs are applied against these liabilities and amortized using the effective interest method, the resulting amortization being recorded as interest expense. Gains and losses on financial instruments classified as FVTPL are included in net and comprehensive earnings in the period in which they arise.

CRITICAL JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to select appropriate accounting policies and to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the Company's consolidated financial statements require the determination of cash generating units, the estimation of future cash flows utilized in assessing the fair value and related net impairment or recovery of intangible assets, determining the useful life of intangible assets, assessing the recoverability of accounts receivable, measuring deferred income taxes, measuring the fair value of deferred payments, measuring the fair value of the Exchangeable Units and the interest rate swap and measuring fair values used for disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with prior periods. While the Company beilieves that the potential impact of ongoing pandemic has lessened, it is possible that any future resurgence could affect the Company's future earnings, cash flows and financial condition. Such effects are uncertain and include the nature, severity and duration of any economic downturn and the short to medium-term effect on Canadian real estate markets and the Canadian economy in general. Accordingly, estimates used in the preparation of our financial statements including those associated with evaluations of intangible assets and collectability of accounts receivable may be subject to significant adjustments in future periods. The estimates are impacted by, among other things, movements in interest rates and cash flow forecasts, which are judgements and are uncertain. The interrelated nature of these factors prevents the Company from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

The following are the critical judgements that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

FORWARD LOOKING INFORMATION FOR ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

The measurement of estimated credit losses for accounts receivable and notes receivable and the assessment of increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement and is uncertain. In assessing the valuation of accounts receivable, the Company evaluates each franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether an allowance for doubtful accounts should be recorded or reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless stated otherwise)

IMPAIRMENT OF INTANGIBLE ASSETS AND RECOVERY OF IMPAIRMENT

Under IAS 36, Impairment of Assets, the Company ensures that the carrying value of intangible assets are not higher than their recoverable amount (i.e. the higher of: a) fair value less costs of disposal; and. b) value-in-use). The Company regularly reviews intangible assets to determine whether indicators of impairment or a reversal of impairment exist on individual Franchise Agreements, Ancillary Agreements, franchise agreement expenses and Trademarks. Determining whether the value of an intangible asset or the portfolio of intangible assets is impaired or has increased requires considerable judgement. When reviewing indicators for impairment or recovery of previously impaired intangible assets, the Company considers certain factors including, financial performance of the business, franchise fees earned, term to maturity, historical agent count, collectability of receivables, estimated future revenues expected to be earned and underlying market conditions. The estimation of future cash flows and other forward looking information requires significant judgement and is highly uncertain.

STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IAS 37 – PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In May 2020, the International Accounting Standards Board developed amendments to IAS 37 to clarify that, for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for contracts with unfulfilled obligations on or after January 1, 2022. The Company has determined that there is no impact on the Company's consolidated financial statements as a result of these amendments.

3. Management Services Agreement

Under the terms of the MSA, the Manager provides certain management, administrative and support services to the Company.

The monthly fee payable to the Manager is equal to a fixed management fee of $840 plus a variable management fee equal to a) the greater of i) 23.5% of the distributable cash (as defined in the MSA) of the Company before management fees or ii) 0.342% of the market value of the restricted voting shares on a diluted basis for the first five years of the term of the MSA, and b) the greater of i) 25% of the distributable cash (as defined in the MSA) of the Company before management fees or ii) 0.375% of the market value of the restricted voting shares on a diluted basis thereafter.

For the year ended December 31, 2022, the Company incurred management fees of $20,588 (2021 – $20,878) for these services, $19,872 of which was charged to the consolidated statements of net and comprehensive earnings (2021 – $20,158) and $716 was used to reduce the contract transfer obligation owing to the Manager plus related interest (2021 – $720).

4. Accounts Receivable

Accounts receivable represent amounts due from the Company's franchise network for franchise fees plus amounts due pursuant to the Ancillary Agreements. As at December 31, 2022, the Company had accounts receivable of $3,502 (2021 – $3,425) net of an allowance for doubtful accounts of $73 (2021 – $140). During year ended December 31, 2022, administration expense included a recovery of previously recognized bad debt expense of $49 (2021 – $255).

Management reviews accounts receivable to determine whether an allowance for doubtful accounts is required by assessing the collectability of receivables owing from each individual franchisee. This assessment takes into consideration certain factors including the aging of outstanding balances, franchisee operating performance, historical payment patterns, current collection efforts, relevant forward looking information and the Company's security interests, if any.

The table below summarizes the aging of accounts receivable as at December 31, 2022.

As at,	**December 31, 2022**	December 31, 2021
Current	**$ 2,649**	$ 3,025
30 days past due	**466**	311
60 days past due	**187**	65
90+ days past due	**273**	164
Subtotal	**$ 3,575**	$ 3,565
Allowance for doubtful acccounts	**(73)**	(140)
Accounts receivable	**$ 3,502**	$ 3,425

The Company recognizes revenues in income to the extent that collection is reasonably assured at the time the revenue is earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless stated otherwise)

5. Notes Receivable

The Company has entered into a formalized payment plan through December 2026 in respect of franchise fees due to the Company which were in arrears. Amounts under this payment plan which are due greater than one year from the financial statement date have been classified as non-current.

6. Intangible Assets

Franchise agreement expenses are recorded as additions to intangible assets net of any recovery of previously paid franchise agreement expenses and net of any amortization of previously capitalized franchise agreement expenses. For the year ended December 31, 2022, the Company recorded a net increase of intangible assets related to franchise agreement expenses of $25 (2021 – net decrease of $274). The net increase or decrease of intangible assets related to franchise agreement expenses reflect amortization of previously capitalized franchise agreement expenses of $456 (2021 – $541) which were recorded as a reduction of revenues.

For the year ended December 31, 2022, one Franchise Agreement was terminated (2021 – none), resulting in a write-of of intangible assets of $154.

A summary of intangible assets is provided in the charts below.

	Franchise Agreements & Ancillary Agreements	Trademarks	Total
Cost			
At December 31, 2021	$ 244,196	$ 5,427	$ 249,623
Franchise agreement expenses and rebates, net	26	–	26
Write-off	(354)	–	(354)
At December 31, 2022	**$ 243,868**	**$ 5,427**	**$ 249,295**
Accumulated amortization			
At December 31, 2021	$ (183,998)	$ (3,387)	$ (187,385)
Amortization expense	(6,984)	(184)	(7,168)
Write-off	200	–	200
At December 31, 2022	**$ (190,782)**	**$ (3,571)**	**$ (194,353)**
Carrying value			
At December 31, 2021	$ 60,198	$ 2,040	$ 62,238
At December 31, 2022	**$ 53,086**	**$ 1,856**	**$ 54,942**

Year ended December 31, 2021	Franchise Agreements & Ancillary Agreements	Trademarks	Total
Cost			
At December 31, 2020	$ 244,470	$ 5,427	$ 249,897
Franchise agreement expenses and rebates, net	(274)	–	(274)
At December 31, 2021	**$ 244,196**	**$ 5,427**	**$ 249,623**
Accumulated amortization			
At December 31, 2020	$ (176,550)	$ (3,204)	$ (179,754)
Amortization expense	(7,448)	(183)	(7,631)
At December 31, 2021	**$ (183,998)**	**$(3,387)**	**$ (187,385)**
Carrying value			
At December 31, 2020	$ 67,920	$ 2,223	$ 70,143
At December 31, 2021	**$ 60,198**	**$ 2,040**	**$ 62,238**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless stated otherwise)

7. Income Taxes

The Company uses the liability method of tax allocation in accounting for income taxes. Under this method, temporary differences between the carrying amount of balance sheet items and their corresponding tax basis result in either deferred income tax assets or liabilities. Deferred income taxes are computed using substantively enacted tax rates applicable to the years in which the temporary differences are expected to reverse.

A reconciliation of income taxes at Canadian statutory rates with reported income taxes is as follows:

Years ended December 31,	2022	2021
Earnings before income tax for the period:	$ 25,324	$ 8,826
Expected income tax expense at statutory rate of 26.5% (2021 – 26.5%)	6,711	2,339
Increase (decrease) in income tax expense due to the following:		
Non-deductible amortization	475	488
Non-deductible loss (non-taxable gain) on fair value of Exchangeable Units	(3,060)	1,332
Non-deductible interest on Exchangeable Units	1,539	1,539
Income allocated to Exchangeable Unitholders	(1,336)	(1,411)
Other	26	(219)
Total income tax expense	$ 4,355	$ 4,066

The major components of income tax expense include the following:

Years ended December 31,	2022	2021
Current income tax expense	$ 3,948	$ 3,818
Deferred income tax expense	407	248
Total income tax expense	$ 4,355	$ 4,066

The significant components of the Company's deferred tax assets are as follows:

	Intangible Assets	Contract transfer obligation	Other	Total
Deferred income tax assets (liabilities):				
At December 31, 2021	$ 5,327	$ 834	$ (11)	$ 6,150
Deferred income tax recovery (expense)	278	(151)	(534)	(407)
At December 31, 2022	**$ 5,605**	**$ 683**	**$ (545)**	**$ 5,743**

	Intangible Assets	Contract transfer obligation	Other	Total
Deferred income tax assets (liabilities):				
At December 31, 2020	$ 4,988	$ 980	$ 430	$ 6,398
Deferred income tax recovery (expense)	339	(146)	(441)	(248)
At December 31, 2021	**$ 5,327**	**$ 834**	**$ (11)**	**$ 6,150**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless stated otherwise)

8. Debt Facilities

The Company's debt is comprised of the following debt facilities:

As at	December 31, 2022	December 31, 2021
Term facility	$ 55,000	$ 55,000
Acquisition facility	12,000	13,500
	$ 67,000	$ 68,500
Financing fees	(41)	(81)
Debt facilities	$ 66,959	$ 68,419

The Company has $80,000 in financing available under a borrowing agreement with a Canadian Chartered Bank which matures on December 31, 2023 ("Maturity"). The Company is in active discussions with the lender to renew or extend the debt facilities beyond the Maturity and expects to successfully complete such renewal or extension during 2023.

The debt facilities under this agreement are comprised of the following;

A $55,000 non-revolving term variable rate facility (the "Term Facility"). Repayment of principal outstanding is due on Maturity.

A $20,000 revolving acquisition facility (the "Acquisition Facility") is available to support acquisitions pursued by the Company. A standby fee of 0.15% applies on undrawn amounts under the Acquisition Facility. Repayment of principal outstanding is due on Maturity. During 2022, the Company repaid $1,500 outstanding under this Facility (2021 – $5,000).

A $5,000 revolving operating facility (the "Operating Facility") is available to meet the Company's day-to-day operating requirements. No amounts have been drawn on this facility at December 31, 2022.

Borrowings under each of these arrangements are secured by a first ranking security interest in substantially all assets of the Company and bear interest at a variable rate of Banker's Acceptances (BAs) +1.70% or Prime + 0.5%, at the option of the Company.

The Company's ability to borrow under these arrangements is subject to the Company maintaining certain financial covenants. Under these covenants, the Company must maintain a ratio of Consolidated EBITDA to Interest Expense on Senior Indebtedness at a minimum of 3.0 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4.0 to 1. The Company is obligated to make limited principal repayments under the Debt Facilities in circumstances where the ratio of Senior Indebtedness to Consolidated EBITDA exceeds 3.4:1. Such payments shall continue until the ratio of Senior Indebtedness to Consolidated EBITDA is less than 3.25:1.

Consolidated EBITDA is defined as net earnings before interest expense, income taxes, fair value adjustments on interest rate swaps and Exchangeable Units and impairment, write-off and amortization of intangible assets. Senior Indebtedness is defined as borrowings on the Company's debt facilities. At December 31, 2022 and December 31, 2021, the Company complied with all covenants under the debt facilities.

The Company has entered into an interest rate swap agreement to swap the variable interest rate obligation on the $55,000 Term Facility to a fixed rate obligation of 3.94% through to Maturity. The interest rate swap is a financial instrument and is disclosed at its fair value with any change in the fair value recorded as a gain or loss in the Company's consolidated statements of net and comprehensive earnings. The fair value is determined using a discounted cash flow model using observable yield curves and applicable credit spreads at a credit adjusted rate. At December 31, 2022, the Company determined that the fair value of the interest rate swaps represents an asset of $1,386 (2021 – a liability of $817). For the year ended December 31, 2022, the Company recognized a fair value gain of $2,203 (2021 – $1,887).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless stated otherwise)

9. Deferred Payments

The Company owes certain management fees to the Manager and interest on Exchangeable Units to BBP totaling $6,616 that were deferred in a prior year. These deferred payments are non-interest bearing, are due no later than 2025 and are repayable in cash or the issuance of Exchangeable Units, at the option of the Company. On initial recognition, the Company recorded these deferred payments at their fair value using an income approach to determine fair value. For the year ended December 31, 2022, the Company recorded interest expense of $233 (2021 – $224) reflecting accretion of the carrying value of the deferred payments using the effective interest rate method.

10. Exchangeable Units

The Exchangeable Units are exchangeable on a one-for-one basis for restricted voting shares of Bridgemarq at the option of the holder. The Company measures the Exchangeable Units at their fair value using the closing price of the Company's restricted voting shares listed on the TSX. At December 31, 2022, the Company used the closing market price of Bridgemarq's shares of $12.84 (2021 – $16.31). During the year ended December 31, 2022, the Company recorded a gain of $11,547 related to the fair value of the Exchangeable Units (2021 – loss of $5,025).

The Exchangeable Unitholders are entitled to cash distributions from the Partnership in respect of their economic interest in the Partnership as and when declared by the Board of Directors of RIFGP. Such distributions are made on a before tax basis and are directly taxable in the hands of the Exchangeable Unitholders. For the year ended December 31, 2022 the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of $5,806 (2021 – $5,806).

11. Share Capital

Bridgemarq is authorized to issue an unlimited number of restricted voting shares, an unlimited number of preferred shares and one special voting share.

Each restricted voting share represents a proportionate voting right in Bridgemarq, and holders of the restricted voting shares are entitled to dividends declared and distributed by Bridgemarq. No additional restricted voting shares were issued during the years ended December 31, 2022 or December 31, 2021.

No preferred shares were issued or outstanding as at December 31, 2022 or December 31, 2021.

The special voting share represents the proportionate voting rights of the Exchangeable Unitholders of the Partnership. The special voting share is redeemable by the holder at $0.01 per share, and the holder is not entitled to dividends declared by Bridgemarq.

The following table summarizes the outstanding shares of Bridgemarq:

As at December 31,	**2022**	2021
Restricted voting shares	**9,483,850**	9,483,850
Special voting share	**1**	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless stated otherwise)

12. Earnings Per Share

Basic and diluted earnings per share has been determined as follows:

(In thousands of Canadian dollars, except share and per share amounts)	2022	2021
Net earnings available to restricted voting shareholders – basic	$ 20,969	$ 4,762
Interest on Exchangeable Units	5,806	5,806
Loss (gain) on fair value of Exchangeable Units	(11,547)	5,025
Net earnings available to restricted voting shareholders – diluted	$ 15,228	$ 15,593
Weighted average number of shares outstanding used in computing basic earnings per share	9,483,850	9,483,850
Total outstanding Exchangeable Units	3,327,667	3,327,667
Weighted average number of shares outstanding used in computing diluted earnings per share	12,811,517	12,811,517
Basic earnings per share	$ 2.21	$ 0.50
Diluted earnings per share	$ 1.19	$ 0.50
Dividends declared	$ 12,803	$ 12,803
Restricted voting shares	9,483,850	9,483,850
Dividends per restricted voting share	$ 1.35	$ 1.35

13. Related Party Transactions

In addition to transactions disclosed elsewhere in the consolidated financial statements, the Company had the following transactions with parties related to the Manager or the Exchangeable Unitholders during the years ended December 31, 2022 and December 31, 2021. These transactions have been recorded at the exchange amount as agreed between the parties.

Year ended December 31,	2022	2021
a) Revenues		
Fixed franchise fees	$ 2,792	$ 2,680
Variable franchise fees	$ 956	$ 1,051
Other revenue, net	$ 152	$ 149
b) Expenses		
Management fees	$ 19,872	$ 20,158
Insurance premiums and other	$ 31	$ 28
Interest on contract transfer obligation	$ 143	$ 171
c) Interest		
Interest to Exchangeable Unitholders	$ 5,806	$ 5,806

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless stated otherwise)

The following amounts due to/from related parties are included in the account balance as described;

As at,	December 31, 2022	December 31, 2021
d) Accounts receivable		
Franchise fees receivable and other	$ 315	$ 290
e) Management fee and interest on contract transfer obligation	$ 712	$ 818
f) Contract transfer obligation	$ 2,576	$ 3,149
g) Interest payable to Exchangeable Unitholders	$ 484	$ 484
h) Deferred payments	$ 5,992	$ 5,759

Certain members of the Company's board of directors are compensated for their services. During the year ended December 31, 2022, the Company incurred $318 in directors' fees (2021 – $270). Directors' fees are included in administration expense.

14. Financial Instruments

In the normal course of business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks are outlined below:

A) CREDIT RISK

Credit risk arises from the possibility that franchisees may not pay amounts owing to the Company. The Company's credit risk is limited to the recorded amount of accounts receivable and notes receivable. The Manager reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis to evaluate the risk of a default occurring over the expected life of the accounts receivable. This monitoring includes evaluating the franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether a provision should be recorded. The estimation and application of monitoring future events or market conditions requires significant judgment and is uncertain.

As at December 31, 2022, the Company has recorded an allowance for doubtful accounts related to accounts receivable and notes receivable of $73 (2021 – $140).

B) LIQUIDITY RISK

The Company is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs, including paying dividends to shareholders of restricted voting shares and interest to Exchangeable Unitholders.
The Company manages liquidity risk by maintaining conservative debt levels compared with those required by the covenants associated with the debt facilities. The Company has a $20,000 Acquisition Facility, of which $12,000 has been drawn, and a $5,000 undrawn Operating Facility. During 2022, the Company repaid $1,500 outstanding under the Acquisition Facility (2021 – $5,000).

The Company's debt facilities mature on December 31, 2023. The Company is currently in discussions with its lender to renew or otherwise extend the maturity of this facility beyond that date and expects to successfully complete such renewal or extension during 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless stated otherwise)

Estimated contractual maturities of the Company's financial liabilities are as follows:

As at December 31,	2023	2024	2025	2026	2027	Beyond 2027	Total
Accounts payable and accrued liabilities	$ 1,138	$ –	$ –	$ –	$ –	$ –	$ 1,138
Current contract transfer obligation	602	–	–	–	–	–	$ 602
Interest payable to Exchangeable Unitholders	484	–	–	–	–	–	$ 484
Dividends payable to shareholders	1,067	–	–	–	–	–	$ 1,067
Interest on long-term debt	2,705	–	–	–	–	–	$ 2,705
Interest on contract transfer obligation	114	90	72	53	33	12	$ 374
Long term contract transfer obligation	–	356	374	393	413	438	$ 1,974
Debt facilities	67,000	–	–	–	–	–	$ 67,000
Deferred payments	–	–	6,616	–	–	–	$ 6,616
Exchangeable Units	–	–	–	–	–	42,727	$ 42,727
Total	$ 73,110	$ 446	$ 7,062	$ 446	$ 446	$ 43,177	$ 124,687

C) INTEREST RATE RISK

The Company is exposed to the risk of interest rate fluctuations on its debt facilities as the interest rates on these facilities are based on the Prime rate and Banker's Acceptance rates.

The Company has entered into a five-year interest rate swap to fix the interest on the Company's $55,000 Term Facility at 3.94% until December 31, 2023.

The Acquisition Facility bears interest at a variable rate of BAs + 1.70% or Prime + 0.5%. Management has elected to pay interest at variable interest rates on the Acquisition Facility and monitors this position on an ongoing basis. An increase of 1% in the Company's effective interest rate on its variable rate debt would result in an increase in its annual interest expense of approximately $120.

D) FAIR VALUE

The fair value of certain of the Company's financial instruments, including cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, interest payable to Exchangeable Unitholders and dividends payable to holders of restricted voting shares, are estimated by management to approximate their carrying values due to their short-term nature. The fair value of deferred payments is estimated to approximate its carrying value of $5,992 due to the Company's option to settle this amount through the issuance of Exchangeable Units at any time. The fair value of the Company's outstanding borrowings of $67,000 approximate their carrying value of $66,959 and the fair value of the Company's outstanding contract transfer obligation approximates the carrying value of $2,576 as a result of their floating rate terms.

E) FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheets, classified using the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless stated otherwise)

As at December 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities:				
Exchangeable Units	42,727	–	–	42,727
Interest rate swap asset	–	(1,386)	–	(1,386)
Total	$ 42,727	$ (1,386)	$ –	$ 41,341

As at December 31, 2021	Level 1	Level 2	Level 3	Total
Financial liability:				
Exchangeable Units	54,274	–	–	54,274
Interest rate swap liability	–	817	–	817
Total	$ 54,274	$ 817	$ –	$ 55,091

See Note 10 for disclosures related to Level 1 fair values and Note 8 for disclosures related to the Level 2 fair values. There were no transfers between fair value hierarchy levels during the period.

15. Management of Capital

The Company's capital is made up of its cash on hand, debt facilities, Exchangeable Units and shareholders' deficit.

The Company's objectives in managing its capital include; a) maintaining a capital structure that provides financing options to the Company while remaining compliant with the covenants associated with the debt facilities; b) maintaining financial flexibility to preserve its ability to meet financial obligations, including debt servicing and dividends to shareholders; and c) deploying capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with these objectives and to be in a position to respond to changes in economic conditions.

The covenants of the debt facilities prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense on Senior Indebtedness at a minimum of 3.0 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4.0 to 1.

As at December 31, 2022 and December 31, 2021, the Company was compliant with all financial covenants. There were no changes in the Company's approach to capital management during the year.

16. Segmented Information

The Company has only one business segment which is providing information and services to REALTORS® and real estate brokerages in Canada through a portfolio of highly regarded real estate services brands. The economic characteristics are consistent across the Company's brands as they each provide services, similar in nature, in the Canadian residential real estate market. Of the Company's revenues for the year ended December 31, 2022, 95% (2021 – 95%) are generated from services provided under the Royal LePage and Johnston and Daniel brands and 5% (2021 – 5%) are generated from services provided under the Via Capitale brand.