Letter to Shareholders
Management's Discussion & Analysis
Annual Financial Statements
March 2020

PROFILE

Bridgemarq Real Estate Services ("Bridgemarq" and, together with its subsidiaries the "Company"), through its relationship with Bridgemarq Real Estate Services Manager Limited (the "Manager"), is a leading provider of services to residential real estate brokers and REALTORS®[1] across Canada. The Company generates cash flow primarily from fixed and variable franchise fees that are received from real estate brokers and REALTORS® operating under the Royal LePage, Via Capitale and Johnston & Daniel brands. Approximately 66 per cent of the Company's franchise fees are fixed in nature; this provides revenue stability and helps insulate cash flows from fluctuations in the Canadian real estate market. Franchise fee revenues are supported by long-term franchise agreements, predominantly driven by fixed fees based on the number of REALTORS® in the Company's network. As at December 31, 2019, the Company network consisted of 19,111 REALTORS®. The Company network has a 17% share of the Canadian residential real estate market based on 2019 transactional dollar volume. The Company is listed on the TSX and trades under the symbol "BRE". For further information about the Company, please visit **www.bridgemarq.com.**

[1] The trademarks REALTOR®, REALTORS® and the REALTOR® logo are controlled by The Canadian Real Estate Association (CREA) and identify real estate professionals who are members of CREA.

BUSINESS STRATEGY

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 highly regarded 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.

Royal LePage

Serving Canadians since 1913, Royal LePage is the country's leading provider of services to real estate brokerages, with a network of approximately 18,000 real estate professionals in 620 locations nationwide. Since the mid-1990s, Royal LePage has more than tripled the size of its sales force. It offers its network of brokers and agents strong support with state-of-the-art marketing and lead generation tools, sophisticated business services, timely market data and analysis, as well as professional development through on-line and in-person training. Royal LePage is the only national real estate company in Canada to have its own charitable foundation, the Royal LePage Shelter Foundation, dedicated to supporting women's and children's shelters and educational programs aimed at ending domestic violence. It is the largest such foundation in the country.

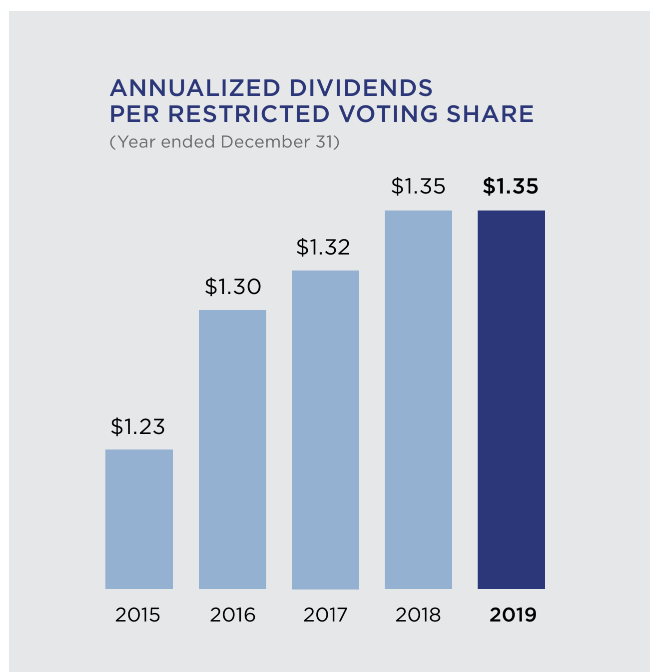
Johnston & Daniel

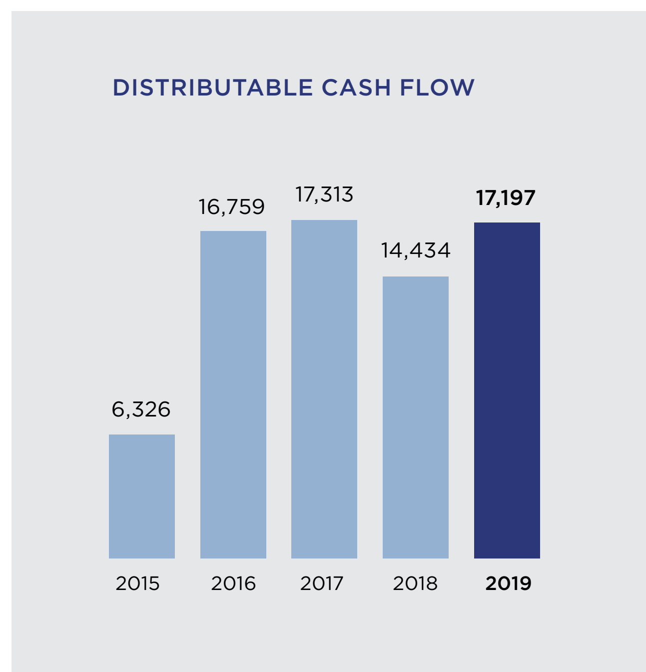
Founded in 1950, Johnston & Daniel is a leading residential real estate boutique firm with approximately 250 real estate professionals selling distinctive homes in southern Ontario. Johnston & Daniel maintains its market leadership through a combination of rich training and development opportunities, strategic partnerships, in-house marketing services and powerful brand awareness. Johnston & Daniel is an esteemed member of PropGoLuxury.com, Juwai, LuxuryHomes.com, Who's Who in Luxury Real Estate, and ListGlobally, a compendium of the finest residential real estate firms from around the world.

Via Capitale

Since 1991, Via Capitale has been a leader in real estate in Quebec. Its mission is to deliver the best possible service by focusing on the human aspect of each transaction, professionalism and innovation. Via Capitale has approximately 1,000 brokers and agents in 54 locations across the province. It has launched numerous innovative, client-centric programs into the Quebec market through specialized web platforms, and has been developing real estate protection programs for more than 20 years – making it the pioneer in this field and keeping the company at the forefront of the industry. Today, the Via Capitale name is synonymous with protection and innovation in the province of Quebec.

FINANCIAL HIGHLIGHTS





LETTER TO SHAREHOLDERS

This communication is intended as a look back at the year that was; a review of the market conditions we faced, and a summary of 2019's accomplishments. In short, it was a successful year, both financially and operationally. We will cover the highlights below.

In the spring of 2020 as I finish this letter, the business world is struggling to manage through a global pandemic. We do not know the full economic cost of fighting COVID-19, and we do not know the impact it will have on our industry or the Company itself. We have taken measures to protect stakeholders and are confident in both the long term health of the Canadian real estate industry, and the sound prospects that the Company continues to offer investors.

Effective April 1, 2020 we launched the Pandemic Fee Relief Program. This was announced to shareholders and public markets on March 27, 2020. The plan is intended to support and retain the Company's top performing agents and brokerages as they face regulations intended to slow the spread of the coronavirus that may necessitate closure of real estate offices in 2020. In concert with financial support from multiple levels of government, we are confident that we can help our franchisees weather the economic storm triggered by the pandemic.

In the early weeks of dealing with the crisis, I have been impressed and moved by the strength, resilience and sense of community displayed by our leadership and agents across the country.

CANADIAN RESIDENTIAL REAL ESTATE MARKET

Activity in Canadian real estate brokerage began 2019 on a muted note, continuing the market correction that had been triggered in January 2018 with the introduction of the federal mortgage stress test – a regulatory mechanism designed to maintain the low rate of mortgage default we enjoy in Canada. There was a significant surge in sales activity during the second half of 2019, signaling that the impact of the regulations had largely been absorbed. By the final quarter of the year, all major markets were pulling ahead.

The impact of this surge in pent-up demand was first felt in the country's largest market, the Greater Toronto Area, where the volume of new listings failed to keep pace with the rising number of buyers. This heightened level of activity spilled over into the first quarter of 2020, with the result being significant upward pressure on home prices. The recovery in the Greater Vancouver market began a few weeks later in the fall of 2019, with a similar, if delayed pace of market acceleration. Sales volumes in both metropolitan regions were growing at a double-digit year-over-year pace in the final months of 2019 and into the new year.

Relatively affordable Montreal and Ottawa regions escaped much of the 2018-19 market correction with brisk sales volumes and significant price appreciation during the year. Constrained low housing supply emerged in these and a number of other major markets and became an issue for both the industry and public policy makers.

In Alberta, Calgary also saw a modest lift in sales in 2019. The market has struggled to find consistent growth since the fall of oil prices in late 2014. It should be noted that Calgary was named the most livable city in North America by the Economist Intelligence Unit; with improving affordability playing an important role in that first place ranking.

Canadian housing, overall, remains comparatively affordable on a global basis. According to the Economist's global ranking, three of the most livable cities in the world were in Canada – #5. Calgary, #6 Vancouver and, #8 Toronto. The Warton Business School's ranking of the world's 'best countries' ranked Canada first in livability and second overall.

These international accolades for quality of life are not lost on the world's migrant population. Canada continues to boast one of the most successful economic immigration programs in the world. The Company's 2019 consumer research pointed to the increasing importance of newcomers to the Canadian real estate industry, with this group representing 80% of net population growth.

Recent shocks to the Canadian economy including the impact of the coronavirus pandemic and trade wars that have driven a precipitous drop in the value of oil have had a significant impact on the Canadian economy. It is unclear how long these events will continue to cause economic drag or to what extent they could impact employment levels, immigration or family mobility.

The Bank of Canada moved aggressively to support the economy in March, 2020, including a lowering of the key target rate to 0.25 per cent. While market activity will remain constrained under the social-distancing provisions of public health's management of the pandemic threat, real estate is a very interest rate sensitive industry, and the increase in purchasing power from cheaper mortgage financing will be supportive of increased activity when buyers and sellers are able to return to the market in normal numbers.

Overall, household formation in Canada is as strong as any advanced nation on earth. The medium-term outlook for the real estate brokerage industry remains positive.

LETTER TO SHAREHOLDERS

NETWORK

In 2019, the Company's network grew to 19,111 at December 31, 2019 compared to 18,725 at close of 2018. The network operates under 301 franchise agreements, providing services from 678 locations, with an approximate 17% share of the Canadian residential real estate market based on 2019 transactional dollar volume. Since 2003, the Company's network has grown at a 5% compound annual growth rate, outperforming the 4% growth in the industry. A notable industry trend is the growing number of real estate teams. These 'brokerages within a brokerage' are an important source of future growth. Our brands introduced recruiting, applied technology and training services aimed specifically at teams during the year.

As at December 31, 2019, the Royal LePage Commercial business line grew to 378 practitioners, a 10% increase over of 2018 and 24% over 2017. Royal LePage Commercial is one of the five largest commercial brokerage businesses in Canada by advisor count.

FINANCIAL PERFORMANCE

2019 was a year of profitable growth for the Company. Revenue for the full year increased 5.5% over 2018, largely as a result of a surge in real estate activity in the second half of 2019. During the fourth quarter, revenue grew 20.2% over the fourth quarter of 2018.

The market strength shown in the latter half of 2019 continued unabated into the first quarter of 2020. That healthy growth trajectory came to an abrupt halt in mid-March 2020 with the arrival of population lock-down measures meant to fight the coronavirus pandemic. The viral outbreak, which causes COVID-19, remains an unknown risk to the Canadian and global economies. How long the crisis continues to impact daily life and the Canadian economy, including its impact on the Canadian real estate market, is unknown and cannot reasonably be predicted. As I stated at the outset, the Company continues to stand by our franchisees and REALTORS® and intends to provide exceptional service and support through these challenging times.

Turning to risk specific to the real estate services industry, a Quebec-based ruling is expected to come into effect in the second quarter of 2020 that limits the way in which REALTORS® and real estate companies can accept mortgage referral fees from banks. The Company is committed to finding a profitable mortgage lead-generation solution for our Quebec network. Several options are under analysis and discussions with our institutional partners are ongoing.

2019 also saw the entrance of new competition in Canada, including U.S. and European brokerage firms. While none of these new businesses have generated material market share to-date, the Company studies new entrants closely, both to protect our business, and as an opportunity to learn.

The Company does not trade directly in real estate brokerage, but rather, provides business, marketing and technology services to the real estate brokerage industry.

THE DIVIDEND

On March 5, 2020, the Board of Directors of the Company approved a dividend to shareholders of $0.1125 per restricted voting share payable April 30, 2020 to shareholders of record on March 30, 2020.

CANADA'S NEXT-GENERATION DIGITAL OPERATING PLATFORM

While 2019 was another strong year for brand marketing, training and general business services, what made it stand out was the sheer scope and size of our investment in technology research and development. The Company recognized that, while the number of online tools used by our agents and brokerages was vast and growing, these tools tended to be islands of technology, able to add value in a narrow functional way but unable to communicate across the enterprise or to impact positively the professional life of a real estate agent. This weighed heavily on productivity and profitability.

Early in 2019, the Company began the design and development of the most ambitious real estate brokerage services technology project in Canada, a next-generation digital operating platform which we have branded rlpSphere. This is a cloud-based, AI enhanced digital ecosystem that seamlessly brings together everything an agent and their brokerage needs to succeed in today's marketplace.

rlpSphere is both a fully integrated set of tools and a future-proof application infrastructure. The 'autopilot' system is designed to automate the sales activities and administrative tasks that frontline agents know they need to complete, but often forget or can't get to. Data analytics and lead management is driven through integration with consumer facing websites.

The Company sought out the best apps from around the world to populate the rlpSphere framework. They are now being customized specifically for the characteristics and regulations that are unique to the Canadian real estate industry.

We will leverage our first-in-market advantage with intensive training, all of which is being delivered remotely through video, podcast and interactive web channels during the pandemic.

In an era when the ability to deliver services electronically through technology instead of face-to-face is a matter of business survival, this new platform will be viewed as highly valuable by its target audience. It was designed from the ground up to enhance salesforce mobility, allowing them to do more in the field with less reliance on a traditional bricks and mortar office.

ENHANCED OFFERINGS

Recognizing the demand from international buyers, Via Capitale's clients can now access the brand's new listings platform and gain exposure to over 215 million online visitors in 65 countries. The Company's luxury brand, Johnston & Daniel, launched J&D Global, a solely-owned digital network of international listing distribution partners offering global reach that spans six continents, more than 60 countries, and operates in over 16 languages.

Our **www.royallepage.ca** remains the most visited real estate company website in Canada. Consumers have come to expect intuitive and engaging features we provide here to navigate the home selection process. There have been significant enhancements to the site in the past year. In 2019, the brand unveiled highly anticipated sold property data and launched a property valuation service. Another first, the Company introduced a smart tool called proactive lead forms. This AI-driven service will feed the new rlpSphere platform, reducing sales cycle time.

In the first quarter of 2020, Royal LePage introduced a recommendation engine to the national website, which provides features that many consumers are familiar with on Netflix and Amazon. Once the AI-driven search engine recognizes what a client is looking for, it is able to show you similar listings in comparable neighbourhoods when our client first signs-in.

LEADERSHIP

Voice of Canadian Real Estate

The Company continues to be the national industry leader in media relations, with over 4 billion earned media impressions in 2019, 65% higher than our nearest competitor. Of note was the Royal LePage Newcomer study, which provided insight into the real estate investing habits of recent immigrants; the Price Per Square Foot research paper, which compared the relative cost of condominium and detached homes over time based on usable space; and a joint campaign with Genworth Canada providing new insight into the behaviours of first-time home buyers.

Recognition and Awards

The Company was honoured with six important business awards in 2019. The Royal LePage House Price Survey and Forecast, The Royal LePage Boomer Survey and The Royal LePage Millennial Price Compare campaign received awards from both the International Association of Business Communicators and the Canadian Public Relations Society.

I was humbled to be recognized as Canada's leading residential real estate executive by the US-based Swanepoel T3 for the 7th consecutive year. This was the first year that the Chief Operating Officer of our management company, Carolyn Cheng, joined the prestigious international list.

Corporate Social Responsibility and Philanthropy

The nature of the real estate industry requires our frontline people to become immersed in the communities in which they live and serve. The abundance of giving displayed across our huge network is inspiring.

In 2019, I joined 120 of my colleagues in a fund-raising journey to Morocco, the Sahara Desert Challenge for Shelter. Over the course of 10 days, the group traveled deep into the desert and hiked across dunes and mountains. Together, we raised $1.1 million for the Royal LePage Shelter Foundation, Canada's largest foundation dedicated to eliminating domestic violence within our communities, and providing shelter for the women and children who fall victim to it. With $33 million raised to-date, the Shelter Foundation supports 50,000 women and children in 200 women's shelters across Canada.

Each year, Via Capitale sponsors La Grande Guignolee, a charity dedicated to supporting Quebec food banks. In 2019, the charity helped 300,000 people in need.

SUMMARY

We leave 2019 satisfied with the progress the business has made and the results delivered, strengthening our position as Canada's leading provider of real estate brokerage services. Looking ahead, the challenges presented by the coronavirus pandemic are immense, with the depth and length of the crisis unknown. What we do know is that our business continuity plans are solid and tested, and our talented team is engaged and ready to help our national network weather this storm.

On behalf of the Board,

PHILIP SOPER
President and Chief Executive Officer

Board of Directors

The Company is governed by a Board of Directors with five members, three of whom are independent of the Company and its Manager. The Board oversees the business and affairs of the Company. The independent Directors also monitor the performance of the Manager, Bridgemarq Real Estate Services Manager Limited, a subsidiary of Brookfield Business Partners, on behalf of the Company to ensure compliance with the terms of the Management Services Agreement. The Directors have adopted formal terms of reference regarding their responsibilities and all matters of governance. The Company has two standing committees: the Audit Committee and the Governance Committee.

COLUM BASTABLE FCA (LRL), LL.D
Independent Director[1,2]

LORRAINE BELL
CPA, CA, Independent Director and Chair of Audit Committee[1, 2]

SPENCER ENRIGHT
CPA, CA, Director and Chairman of the Board

JOE FREEDMAN
J.D., MBA, Director

GAIL KILGOUR
ICD.D Independent Director and Chair of Governance Committee[1, 2]

[1] Member of the Audit Committee
[2] Member of the Governance Committee

Management Team

THE COMPANY

Philip Soper
President and Chief Executive Officer

Glen McMillan
Chief Financial Officer

THE MANAGER

Spencer Enright
Chief Executive Officer

Philip Soper
President

Glen McMillan
Chief Financial Officer

Luc Poupart
President, Via Capitale

Carolyn Cheng
Chief Operating & Technology Officer

Kevin Somers
Chief Operating Officer, Corporate Brokerages

Paul Zappala
Executive Vice-President, General Counsel

Sandra Webb
Senior Vice President, Marketing & Communications

Norman Hertzman
Vice President, Business Development

Harpatrap Saini
Controller

Penny Egan
Assistant Vice-President, Franchising

Helping Our Community

A home should be a place where families experience safety, happiness and harmony. Sadly, for thousands of Canadian women and children living with domestic violence, this is not the case. The Royal LePage Shelter Foundation helps local shelters provide a safe haven and new beginnings for more than 50,000 women and children every year. More information about the Royal LePage Shelter Foundation can be found at: **www.royallepage.ca/shelter.**

ABOUT THE FOUNDATION:

- Royal LePage is the only major Canadian real estate company with its own branded charity. The foundation is the largest public charity in Canada dedicated exclusively to supporting women's shelters and domestic violence prevention programs;
- Many Royal LePage offices across Canada partner with a local shelter to provide much-needed financial support and essential goods and services. Funds raised by Royal LePage offices remain in their local communities;
- Bridgemarq Real Estate Services Manager Limited pays all the administrative costs of the charity so that 100 per cent of funds raised go directly towards the cause;
- The Royal LePage Shelter Foundation provided the financial support used to create and launch the Fourth R, a curriculum based education program delivered in 5,000 schools across Canada that teaches high school students how to have healthy relationships and prevent dating violence;
- The Royal LePage Shelter Foundation is a national philanthropic partner of Canadian Women's Foundation and Women's Shelters Canada; and,
- Since the Royal LePage Shelter Foundation's inception in 1998, more than $30 million has been raised and deployed in the community.

Shareholder Information

We regularly provide shareholders with information about the Company through our annual report, quarterly reports, and news releases. Information is available online at www.bridgemarq.com. On the website you will find information about the Company including annual and quarterly reports, press releases, webcasts, slide presentations, and dividend information.

HEAD OFFICE

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Tel: 416-682-3860 or 1-800-387-0825
Fax: 1-888-249-6189

Inquiries@astfinancial.com
www.astfinancial.com/ca

AUDITORS

Deloitte LLP

CORPORATE COUNSEL

Goodmans LLP

TSX SYMBOL: BRE

Shares are eligible investments for DPSPs, RRSPs, RRIFs and RESPs.

DIRECT INQUIRIES TO:

Sarah Louise Gardiner Director of Investor Relations
Bridgemarq Real Estate Services
Tel: 416-510-5783
info@bridgemarq.com

2019 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Management's Discussion and Analysis

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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, 2019, has been prepared as at March 5, 2020. The three months ended December 31, 2019, shall be referred to in this MD&A as the "Quarter" and the year ended December 31, 2019, shall be referred to in this MD&A as the "Year". The comparative period of the three months ended December 31, 2018, shall be referred to in this MD&A as the "Prior Year Quarter" and the comparative annual period for the year ended December 31, 2018, shall be referred to in this MD&A 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 45.

This MD&A is intended to provide 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 section should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2019, prepared in accordance with IFRS. Additional information relating to the Company, including its 2018 Annual Information Form, is available on SEDAR at www.sedar.com.

This MD&A makes reference to Distributable Cash Flow, which is a non-GAAP measure and does not have any standardized meaning under IFRS. Please see *Distributable Cash Flow reconciled to Cash Flow from Operations* for a reconciliation of Distributable Cash Flow to cash flow from operating activities in the consolidated statements of cash flows and further information about Distributable Cash Flow.

Highlights

The table below sets out selected historical information and other data for the Company, which should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2019.

- Net and comprehensive earnings for the Year were $3.1 million, or $0.32 per Restricted Voting Share, compared to $17.4 million or $1.30 per Restricted Voting Share for the Prior Year.
- Distributable Cash Flow for the Year was $17.2 million or 1.34 per Share, compared to Distributable Cash Flow of $14.4 million or $1.13 per share in the Prior Year driven by higher revenues, lower cash payments associated with the acquisition or transfer of Franchise Agreements and other contracts, lower income tax payments, offset by higher management fees paid under the terms of the Amended MSA.
- For the Quarter, Distributable Cash Flow amounted to $4.0 million, compared to $3.1 million generated in the Prior Year Quarter. Under the terms of the Previous MSA, the Company acquired Franchise Agreements from the Manager during the first quarter of each fiscal year resulting in lower Distributable Cash Flow in the early part of the year. Under terms of the the Amended MSA, the Company no longer acquires Franchise Agreements from the Manager, but rather, enters into agreements with the Franchisees directly. (see "Changes to the Management Services Agreement" on page 4). In the Prior Year, the Company borrowed $5.7 million on its debt facilities (net of repayments) to partially finance the acquisition of Franchise Agreements. These borrowings permitted the Company to pay out a substantial portion of its remaining Distributable Cash Flow to shareholders and holders of Exchangeable Units.
- The board of directors of Bridgemarq (the "Board") declared a cash dividend of $0.1125 per Restricted Voting Share payable on April 30, 2020, to shareholders of record on March 31, 2020. This represents a targeted annual dividend of $1.35 per Restricted Voting Share.

(in 000's) except per Share amounts and nubmer of REALTORS®	**Three months ended December 31, 2019**	Three months ended December 31, 2018	Three months ended December 31, 2017	**Year ended December 31, 2019**	Year ended December 31, 2018	Year ended December 31, 2017
Fixed franchise fees	**$ 7,303**	$ 7,146	$ 6,704	**$ 29,285**	$ 28,326	$ 26,816
Variable franchise fees	**2,183**	1,799	1,420	**10,638**	10,737	10,853
Other revenue	**1,182**	–	–	**4,426**	–	–
Premium franchise fees	**-**	–	1,342	**-**	2,964	6,569
Revenues	**10,668**	8,945	9,466	**44,349**	42,027	44,238
Cost of other revenue	**(107)**	–	–	**(524)**	–	–
Administration expenses	**(429)**	(543)	(110)	**(1,196)**	(1,259)	(816)
Management fees	**(3,730)**	(1,547)	(1,750)	**(15,478)**	(7,616)	(8,178)
Interest expense	**(761)**	(666)	(609)	**(3,031)**	(2,686)	(2,532)
Current income tax expense	**(675)**	(1,045)	(1,100)	**(2,989)**	(5,183)	(5,280)
Cash used in investing activities	**(944)**	(2,053)	60	**(3,934)**	(10,849)	(10,119)
Distributable Cash Flow	**$ 4,022**	$ 3,091	$ 5,957	**$ 17,197**	$ 14,434	$ 17,313
Dividends paid	**$ 3,201**	$ 3,201	$ 3,201	**$ 12,803**	$ 12,803	$ 12,485
Interest on Exchangeable Units paid	**$ 1,451**	$ 1,452	$ 1,451	**$ 5,806**	$ 5,806	$ 5,750
Net and comprehensive earnings	**$ 1,293**	$ 8,875	$ 2,878	**$ 3,076**	$ 17,391	$ 12,444
Number of REALTORS®	**19,111**	18,725	18,135	**19,111**	18,725	18,135

Net and comprehensive earnings (loss) per Share	**$ 0.14**	$ 0.24	$ 0.30	**$ 0.32**	$ 1.30	$ 1.31
Dividends paid per Restricted Voting Share	**$ 0.34**	$ 0.34	$ 0.34	**$ 1.35**	$ 1.35	$ 1.32
Interest paid on Exchangeable Units per Exchangeable Unit	**$ 0.44**	$ 0.44	$ 0.44	**$ 1.74**	$ 1.74	$ 1.73
Distributable Cash Flow				**$ 17,197**	$ 14,434	$ 17,313
Distributable Cash Flow per Share				**$ 1.34**	$ 1.13	$ 1.35

Management's Discussion and Analysis of Results and Financial Condition

Organization

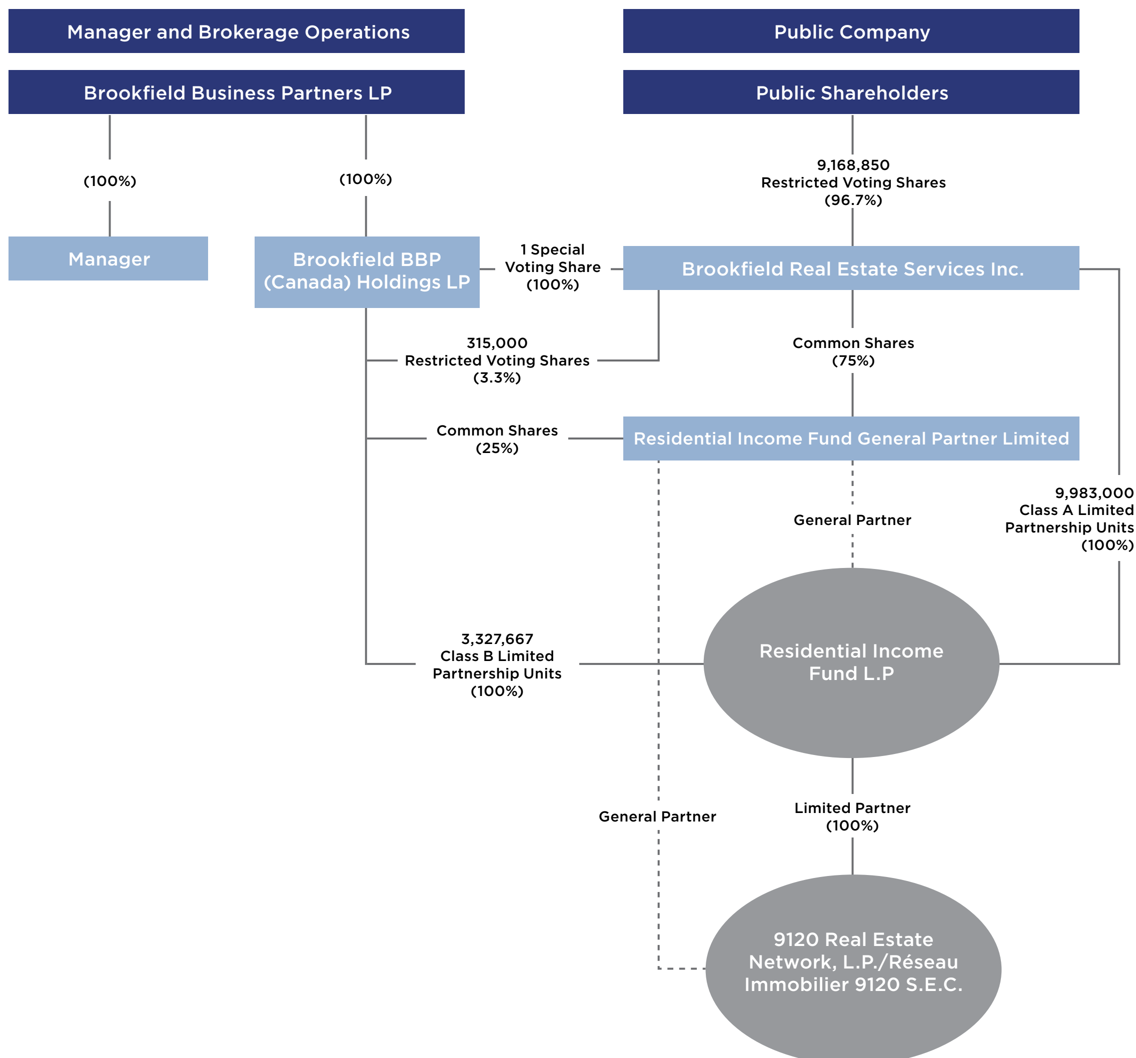
Bridgemarq's Restricted Voting Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". Through its limited partnership holdings, Bridgemarq owns certain Franchise Agreements and Trademarks of real estate services Brands in Canada.

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 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 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 BBP 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, BBP 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 with Franchisees.

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



Management's Discussion and Analysis of Results and Financial Condition

Business Strategy

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 highly regarded 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's objective is to provide its stakeholders with an investment vehicle that pays 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 are 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 residential real estate market ("Canadian Market"). The Company is party to an Amended Management Services Agreement, which governs the management of the Company and the delivery of services to Brokers and REALTORS® by the Manager.

The number of REALTORS® in the Company Network, the transaction volumes generated in the markets the Company serves, 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 2018 Annual Information Form, which is available at www.sedar.com.

The Company seeks to increase its 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®.

Changes to the Management Services Agreement

On November 6, 2018, the Company signed an amended Management Services Agreement (the "Amended MSA") to replace the Management Services Agreement which was set to expire at December 31, 2018 (the "Previous MSA"). The Amended MSA has a term of ten years expiring on December 31, 2028. On expiry, the Amended MSA automatically renews for an additional ten-year term unless the Company or the Manager provides notice of their intention to terminate no later than six months prior to expiry.

Some of the more significant changes in the Amended MSA include:

- The Company is no longer obligated to acquire Franchise Agreements from the Manager on January 1 of each year. Commencing January 1, 2019, the Company enters into Franchise Agreements directly with Franchisees and is responsible for the direct costs of entering into those Franchise Agreements. Those costs generally include allowances paid to Franchisees to defray the cost of converting brokerages and REALTORS® to one of the Company's brands.
- In lieu of paying to acquire Franchise Agreements from the Manager, the Company pays a fixed management fee of $10.1 million per year. This is consistent with the average annual amount paid to the Manager to acquire Franchise Agreements over the period 2016-2018;
- Monthly variable management fees under the Amended MSA are equal to the greater of a) 23.5% of Distributable Cash (as such term is defined in the Amended MSA) or 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 Amended MSA and b) 25% of Distributable Cash or 0.375% of the market value of the Restricted Voting Shares on a diluted basis thereafter. The increase from 20% of Distributable Cash under the Previous MSA reflects the significant growth in the Network over the past several years.

In addition, and in accordance with terms of the Amended MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements under the Royal LePage and Via Capitale brands as well as other agreements which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to the Franchise Agreements under IFRS was $4.7 million and estimated annual revenue from those Franchise Agreements is $0.9 million. The fair value ascribed to the other agreements under IFRS was $4.6 million. In 2018, the Manager earned approximately $3.8 million in net revenues under those other agreements. In 2019, the Company generated approximately $4.3 million in net revenues under those agreements.

As a result of the capitalization of these Franchise Agreements and other contracts, a portion of future payments for management fees under the Amended MSA will be allocated toward reducing the obligation and interest expense associated with the transfer of contracts and Franchise Agreements, with the remainder charged to the Company's statement of net and comprehensive income.

The changes in the Amended MSA will have a significant impact on certain measures disclosed by the Company in prior years. For example, the Company is expecting to show lower earnings (as a result of the introduction of a fixed management fee), but the cash impact of this new fixed management fee is expected to be substantially offset by the benefit of not having to pay the Manager for acquiring Franchise Agreements. As a result of entering into Franchise Agreements directly, the Company earns franchise fees from the time they enter into the Franchise Agreements versus earning franchise fees only after they acquired the Franchise Agreements under the Previous MSA.

Company Revenues

As at December 31, 2019, the Company received franchise fees from 19,111 REALTORS® contracted with 358 Broker-Owners operating under 301 Franchise Agreements from 678 locations, providing services under the Royal LePage, Via Capitale and Johnston & Daniel Brands operating collectively as the Company Network, with an approximate 17% share of the Canadian Market, based on 2019 transactional dollar volume.

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 – 67%) 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 24% of the Company's revenues for the Year (Prior Year – 26%) were derived from variable franchise fees. Other revenues are derived from ancillary services provided to Franchisees outside of 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 10% of total revenues (Prior Year– nil). Premium franchise fees were variable amounts paid by specific brokerage locations based on the transaction dollar volume generated by the REALTORS® who work out of those locations. The obligation for those brokerages to pay premium franchise fees expired in 2018. Approximately 7% of the Company's revenues during the Prior Year were derived from premium franchise fees.

Approximately 66% 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 variable franchise fees are subject to a cap. The Company believes that the combination of revenue streams based on the number of REALTORS® in the Network, increasing REALTOR® productivity and steady growth in the Canadian Market provide the base for strong and stable cash flows. A description of each type of revenue follows:

Fixed Franchise Fees are paid based on the number of REALTORS® in the Company Network. For the Year, fixed franchise fees from Royal LePage Franchisees consist of a fixed monthly fee of $128 per REALTOR®, while fixed fees from Via Capitale Franchisees consist primarily of a fixed monthly fee of $170 per REALTOR®. For those approximately 350 Royal LePage REALTORS® who participate in the Royal LePage commercial real estate program, an additional monthly fee of $100 is paid to the Company.

During the Year, the Company announced an increase in the monthly fixed franchise fees paid by Royal LePage Franchisees from $128 to $133 per REALTOR® effective January 1, 2020 for approximately 90% of REALTORS® operating under the Royal LePage and Johnston & Daniel Brands with the balance of the increase taking effect on July 1, 2020.

On January 1, 2018, the Company increased the Royal LePage fixed fee from $125 to $128 per REALTOR®.

Variable Franchise Fees are calculated as a percentage of Gross Revenues earned by the Franchisee's REALTORS®. Variable franchise fees are substantially all earned from Royal LePage Franchisees, are driven by the transactional dollar volume transacted by the REALTORS® and, for the Year, are derived as 1% of each REALTOR®'s Gross Revenues, subject to a cap of $1,350 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 $1,350 variable fee cap, the Gross Revenues of all Team members are aggregated to one cap.

During the Year, the Company announced an increase in the annual cap for variable franchise fees paid by Royal LePage Franchisees from $1,350 to $1,400 per REALTOR® effective January 1, 2020 for all REALTORS® operating under the Royal LePage and Johnston & Daniel Brands.

On January 1, 2018, the Company implemented an increase in the cap for the variable franchise fee from $1,325 to $1,350 per year.

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 of $1,350. 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 2019, the variable fees associated with approximately 2,700 REALTORS® and 1,100 Teams (representing more than 4,200 REALTORS®) that exceeded the $1,350 cap accounted for approximately 13% of revenues.

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

Premium Franchise Fees were paid by 21 of the Company's larger Royal LePage locations in the Greater Toronto Area (the "GTA"). Each of these Franchisees was obligated to pay premium franchise fees ranging from 1% to 5% of the location's Gross Revenue for terms ending up to August 2018. Of these locations, 14 were operated by the Manager.

Overview of 2019 Operating Results

Years ended December 31, (in 000's) except per Share amounts; Restricted Voting Shares outstanding; Exchangeable Units outstanding; Number of REALTORS®	**2019**	2018	2017
Fixed franchise fees	**$ 29,285**	$ 28,326	$ 26,816
Variable franchise fees	**10,638**	10,737	10,853
Other revenue	**4,426**	–	–
Premium franchise fees	**–**	2,964	6,569
Revenues	**44,349**	42,027	44,238
Less:			
Cost of other revenue	**524**	–	–
Administration expenses	**1,196**	1,259	816
Management fees	**15,478**	7,616	8,178
Interest expense	**3,031**	2,686	2,532
	$ 24,120	$ 30,466	$ 32,712
Impairment and write-off of intangible assets	**(682)**	(696)	544
Amortization of intangible assets	**(10,560)**	(7,705)	(8,137)
Interest on Exchangeable Units	**(5,806)**	(5,806)	(5,750)
Gain (loss) on fair value of Exchangeable Units	**(499)**	6,489	(2,496)
Gain (loss) on interest rate swap	**(615)**	74	1,159
Gain (loss) on fair value of purchase obligation	**–**	(465)	147
Current income tax expense	**(2,989)**	(5,183)	(5,280)
Deferred income tax recovery (expense)	**107**	217	(455)
Net and comprehensive earnings	**$ 3,076**	$ 17,391	$ 12,444
Basic earnings per Restricted Voting Share	**$ 0.32**	$ 1.83	$ 1.31
Diluted earnings per Share	**$ 0.32**	$ 1.30	$ 1.31
Dividends paid per Restricted Voting Share	**$ 1.35**	$ 1.35	$ 1.32
Interest paid per Exchangeable Unit	**$ 1.74**	$ 1.74	$ 1.73
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®	**19,111**	18,725	18,135

(in 000's) As at	**December 31, 2019**	December 31, 2018	December 31, 2017
Total assets	**$ 94,793**	$ 95,659	$ 93,523
Total liabilities	**$ 131,196**	$ 122,335	$ 124,901

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

Revenues:
Revenues have increased compared to the Prior Year primarily as a result of an increase in the number of REALTORS® in the Company Network plus the inclusion of other revenues which were earned by the Manager in the Prior Year partly offset by overall weakness in the Canadian Market, particularly in the first half of 2019, and the expiry of the obligation of certain brokerages to pay premium fees in 2018. The number of REALTORS® increased to 19,111 from 18,725 at the end of 2018 contributing to an increase in franchise fees. In addition, fixed franchise fees include franchise fees earned from commercial real estate agents which were earned by the Manager under the Previous MSA. Other revenues, which were earned by the Manager in prior years, amounted to $4.4 million. Although the Canadian Market saw an increase in the total value of real estate bought and sold in Canada, the variable franchisee fees decreased by $0.1 million due to significant market weakness in the first half of the Year.

Net Earnings:
For the Year, the Company generated net earnings of $3.1 million or $0.32 per Share, compared to net earnings of $17.4 million or $1.30 per Share in the Prior Year.

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

- A loss on the determination of the fair value on the Exchangeable Units of $0.5 million in the Year, compared to a gain of $6.5 million during the Prior Year;
- A $7.9 million increase in management fees as a result of the changes in the management fee structure under the Amended MSA;
- A $2.9 million increase in amortization of intangible assets as a result of the transfer of Franchise Agreements and other contracts from the Manager on January 3, 2019. The other contracts have shorter amortization periods than the Franchise Agreements;
- A loss of $0.6 million in the fair value of the interest rate swap compared to a gain of $0.1 million in the Prior Year; and
- A $0.3 million increase in interest expense primarily due to interest on the contract transfer obligation resulting from the transfer of Franchise Agreements and other contracts on January 3, 2019; partly offset by
- A $2.1 million decrease in income tax expenses driven by a decrease in taxable income;
- A $1.7 million increase in revenues as discussed above; and
- A decrease of $0.5 million in the loss recorded on the fair value of the purchase obligation as the purchase obligation was fully repaid prior to December 31, 2018.

Total Assets:
Total assets decreased by $0.9 million during the Year compared to the Prior Year. The main drivers of the decrease were as follows:

- A $1.9 million decrease in the carrying value of intangible assets, driven by the increase in amortization expense discussed above; partly offset by
- A $0.9 million increase in cash.

Total Liabilities:
Total liabilities increased by $8.9 million in the Year compared to the Prior Year. The main drivers of the increase were as follows:

- A $5.6 million increase in contract transfer obligation owing to the Manager for the transfer of the Franchise Agreements and other contracts on January 3, 2019;
- A net increase in debt facilities of $2.0 million, which the Company drew on the Term Facility during the Year;
- An increase of $0.5 million in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares (see further discussion under Annual Operating Results and Cash Flows – Loss on fair value of Exchangeable Units); and
- A $0.5 million increase in the interest rate swap liability.

DIVIDENDS AND DISTRIBUTIONS:

Dividends approved by the Board on Restricted Voting Shares increased to $1.35 per share in the Year, unchanged from the Prior Year.

Interest on Exchangeable Units increased marginally, consistent with the increase in dividends on the Restricted Voting Shares.

VARIATION OF OPERATING RESULTS FOR 2018 COMPARED TO 2017

Revenues:

Revenues decreased in 2018 compared to 2017 primarily as a result of a decrease in the premium franchise fees and variable franchise fees partly offset by an increase in fixed franchise fees. The obligation to pay premium fees expired for six locations in the first quarter of 2018 and the remaining 15 locations in the third quarter of 2018. Variable fees decreased due to overall weakness in the Canadian Market as the total value of real estate bought and sold in Canada decreased by 15% to $224.0 billion in 2018 compared to $262.5 billion in 2017. Fixed franchise fees increased in 2018 due to growth in the Company's Network of REALTORS®, which increased by 590 REALTORS® in 2018 compared to a growth of 555 REALTORS® in the 2017.

Net Earnings:

In 2018, the Company generated net earnings of $17.4 million or $1.30 per Share, compared to net earnings of $12.4 million or $1.31 per Share in 2017.

The primary drivers of the increase in net earnings compared to 2017 were:

- A gain on the determination of the fair value on the Exchangeable Units of $6.5 million in 2018, compared to a loss of $2.5 million during 2017;
- A $0.4 million reduction in amortization of intangible assets as a result of a number of Franchise Agreements being fully amortized in prior periods; and
- A $0.8 million decrease in income tax expenses driven by a decrease in taxable income; partly offset by
- A $1.7 million decrease in franchise fees, net of the associated decrease in management fees;
- A $0.4 million increase in administration expenses mainly as a result of bad debt expense in 2018 compared to a bad debt recovery in 2017 and one-time costs associated with the review and negotiation of amendments to the Previous MSA;
- A $0.2 million increase in interest expense as a result of higher interest rates associated with the debt facility and higher outstanding principal balances compared to 2017;
- A $1.2 million increase in impairment and write-off of intangible as compared to 2017;
- A $0.6 million increase in the loss on the fair value of the purchase obligation from the revaluation of the estimated purchase price of Franchise Agreements; and
- A $1.0 million decrease on the Company's interest rate swap gain compared to 2017.

Total Assets:

Total assets increased by $2.1 million during 2018 compared to 2017. The main drivers of the increase were as follows:

- A $0.9 million increase in cash;
- A $0.7 million increase in the carrying value of intangible assets, driven by the Company's acquisition of Franchise Agreements totaling $8.8 million on January 1, 2018 partly offset by amortization, net impairment charges and write-offs;
- A $0.3 million increase in sales tax receivables;
- A $0.1 million increase in the interest rate swap liability; and
- An increase in income tax receivable and deferred tax asset of $0.5 million; partly offset by
- A decrease in accounts receivable of $0.4 million, driven by a decrease in franchise fees.

Management's Discussion and Analysis of Results and Financial Condition

Total Liabilities:
Total liabilities decreased by $2.6 million in 2018 compared to 2017. The main drivers of the decrease were as follows:

- A decrease of $6.5 million in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares (see further discussion under Annual Operating Results and Cash Flows – Loss on fair value of Exchangeable Units);
- A $1.5 million decrease in the purchase obligation as a result of payments made during 2018; and
- A $0.4 million decrease in current income tax liability; partly offset by
- A net increase in debt facilities of $5.6 million to reflect borrowings to acquire Franchise Agreements during 2018; and
- A $0.2 million increase in accounts payable and accrued liabilities relating to one-time costs associated with the review and negotiation of amendments to the Previous MSA.

DIVIDENDS AND DISTRIBUTIONS:

Dividends approved by the Board on Restricted Voting Shares increased to $1.35 per share in the Year, compared to $1.32 in the Prior Year.

Interest on Exchangeable Units increased marginally, consistent with the increase in dividends on the Restricted Voting Shares.

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; and
4. The Company's growth opportunities.

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.

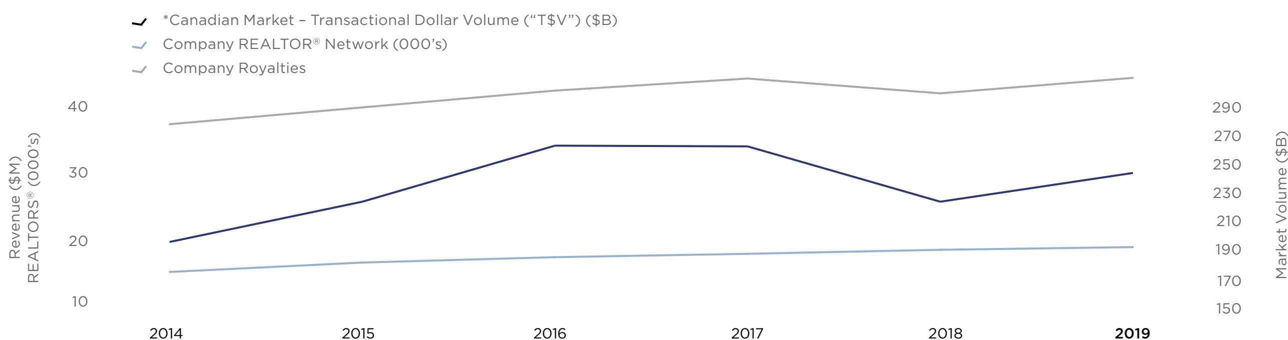
FIXED – FEE STRUCTURE

The Company estimates that approximately 78% of its revenues are fixed in nature. In addition to its fixed franchise fees, a substantial portion of the Company's variable franchise fees are 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 a cap of $1,350 per REALTOR® or Team of REALTORS®. 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® or Team will 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. The quarterly rolling twelve month changes in the Company's revenues and the Canadian Market is shown under "Transactional Dollar Volumes" on page 12.

REVENUES, MARKET AND REALTOR® TRENDS



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 underlying consumer price index.

During the Year, the Company announced an increase in the monthly fixed franchise fees paid by Royal LePage and Johnston & Daniel Franchisees from $128 to $133 per REALTOR®. The increases are effective January 1, 2020 for approximately 90% of REALTORS® operating under the Royal LePage and Johnston & Daniel Brands with the balance of the increase taking effect on July 1, 2020. In addition, the Company announced an increase in the maximum variable franchise fee payable based on 1% of each REALTOR®'s or Team's Gross Revenue from $1,350 to $1,400 effective January 1,2020.

On January 1, 2018, the Royal LePage Network fixed monthly franchise fee increased from $125 per REALTOR® to $128 per REALTOR® and the maximum variable franchise fee payable based on 1% of each REALTOR®'s or Team's Gross Revenue increased from $1,325 annually to $1,350.

GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at December 31, 2019, the Company Network of 19,111 REALTORS® operated through 301 Franchise Agreements, contracted with 358 Broker-Owners, providing services across the country through 678 locations. Of the Brokerages in the Company Network, approximately 60% operate with fewer than 50 REALTORS® and represent 15% of the REALTORS® in the Company Network. The Company's smallest Franchisees have one REALTOR® while the largest has more than 1700 REALTORS®.

The Company Network is geographically dispersed. As compared to the distribution of REALTORS® across Canada, the Company Network is under-represented in British Columbia and Alberta. The Company has a relatively strong presence in Ontario (as a result of a historical base there) and Quebec (due in part to operating under two separate brands).

As at December 31, 2019	Canadian[1] REALTOR® Population	Company REALTOR® Population
Ontario	59%	59%
British Columbia	17%	13%
Quebec	10%	14%
Alberta	8%	6%
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 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.

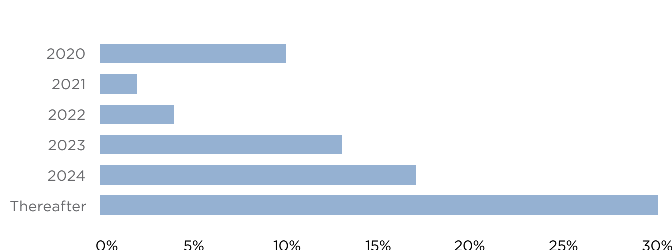
The Royal LePage Franchise Agreements, which represent 95% of the Company's REALTORS®, are for 10 to 20 year terms with a standard renewal term of ten years. These long-duration contracts exceed the industry standard of five years and thereby reduce agreement renewal risk. In addition, the Company regularly attempts to extend contract terms a further ten years in advance of renewal dates when opportunities allow.

The Via Capitale Franchise Agreements, which represent 5% of the Company's REALTORS®, are typically five years in duration with standard renewal terms extending five years.

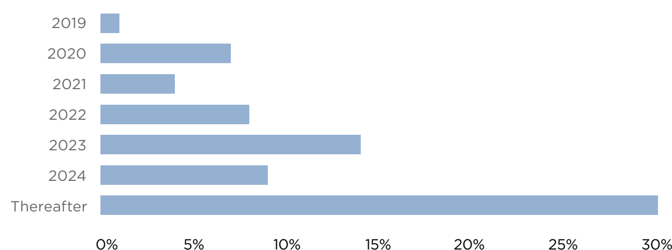
Management's Discussion and Analysis of Results and Financial Condition

A summary of the Company's agreement renewal profiles as at December 31, 2019 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 95% of Franchise Agreements as they come due, expressed as a percentage of the underlying number of REALTORS® associated with those agreements. 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, four Franchise Agreements, representing 501 REALTORS® of the Company Network, extended their term or renewed, and two Franchise Agreements, representing 108 REALTORS® of the Company Network, renewed early.

During the Quarter, two Franchise Agreements were terminated, one of which was acquired by a REALTOR® that worked at the Brokerage and remained a part of the Company's Network, and the other resulted in a loss of eight REALTORS®.

For the Year, 34 Franchise Agreements, representing 4,274 REALTORS® in the Company Network, extended their term or renewed.

For the Year, eight Franchise Agreements were terminated, of which four were as a result of Franchisees merging operations and four resulted in the loss of 25 REALTORS®.

NUMBER OF REALTORS® IN THE COMPANY NETWORK

For the Year, the Company Network of 19,111 REALTORS® increased by 386 REALTORS® compared to a net increase of 590 REALTORS® in the Prior Year.

	2003[1] – 2014	2015	2016	2017	2018	**2019[3]**
Company Network						
Opening REALTOR® Count	9,238	15,377	16,794	17,580	18,135	**18,725**
Acquisition/transfer of franchise agreements	4,772	1,577	459	568	563	**495**
Net REALTOR® growth (attrition)	1,367	(160)	327	(13)	27	**(109)**
Closing REALTOR® Count	15,377	16,794	17,580	18,135	18,725	**19,111**
% Change in the period	66%	9%	5%	3%	3%	**2%**

Canadian REALTOR® Population[2]	2003[1] – 2014	2015	2016	2017	2018	**2019**
CREA REALTOR® Membership	110,821	114,664	121,212	125,316	129,752	**133,242**
% Change in the period	56%	3%	6%	3%	4%	**3%**

[1]Opening Count as at August 2003, CREA opening count of 71,267
[2]Source: CREA, CREA Membership data as of Dec 31, 2019
[3]As at December 31, 2019

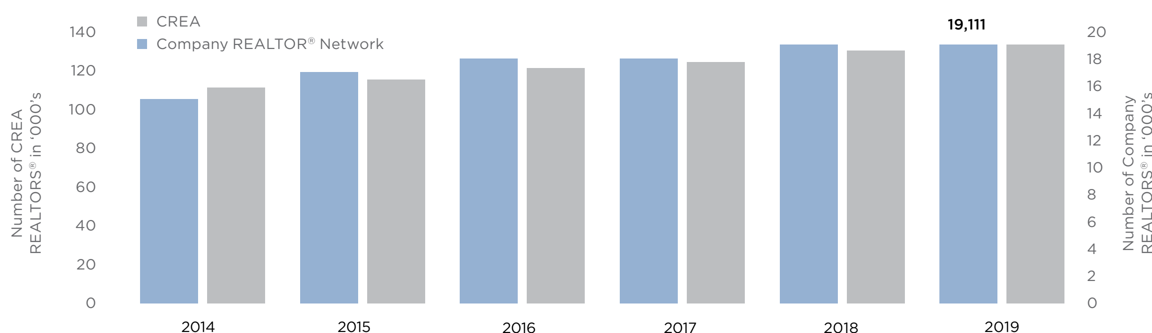
Management's Discussion and Analysis of Results and Financial Condition

The increase in the number of Canadian REALTORS® since 2003 has in part been driven by the growth in the Canadian Market, increases in discount brokerage offerings (which have attracted new entrants to the industry), and an apparent increase in market activity serviced by REALTORS® operating as Teams. Since 2003, the Company's Network has grown at a 5% compound annual growth rate ("CAGR"), outperforming the 4% growth in the industry despite the addition of competitive offerings over the same time period.

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. Prior to January 1, 2019, the Company would generally purchase Franchise Agreements from the Manager on January 1 of each year, unless additional purchases were approved by the Board of Directors of the Company. During those quarters where no Franchise Agreements were purchased, REALTOR® growth tended to be more modest, and could be negative, indicating periods of net attrition. Under the terms of the Amended MSA, the Company enters into Franchise Agreements directly with Franchisees which is expected to result in smoother growth in the number of REALTORS® in the Company Network from quarter to quarter.

CANADIAN REAL ESTATE REALTORS®

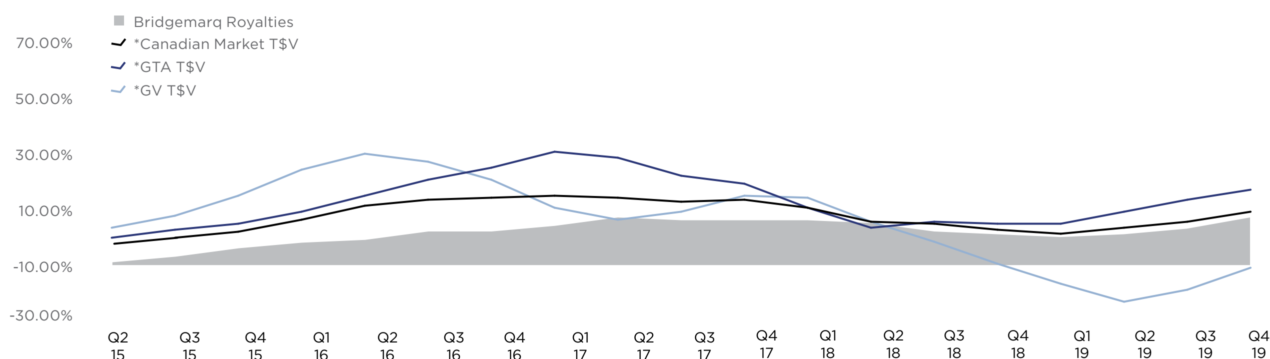
(Years ended December 31)



TRANSACTIONAL DOLLAR VOLUMES

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 second quarter of 2015.

QUARTERLY ROLLING TWELVE-MONTH % CHANGE



Management's Discussion and Analysis of Results and Financial Condition

Transactional dollar volume of real estate in Canada began to decline nationally during the first quarter of 2017 as real estate values and volumes weakened. After prolonged weakness over the previous two years driven by weakness in the GTA (which experienced peak growth in the first quarter of 2017) and the GV market (which peaked in the second quarter of 2016), Canadian market growth turned positive in the second quarter of the Year when the GTA showed its first year-over-year quarterly improvement in twelve months. This momentum continued into the fourth quarter of 2019 when the GVA market came off of 30-year lows.

For the Year, the Canadian Market was 9% higher than the Prior Year at $244.9 billion as a result of a 3% increase in price and a 7% increase in units sold.

During the Quarter, the Canadian Market closed up 24%, at $57.3 billion, as compared to the Prior Year Quarter at $46.4 billion. The increase in transaction dollar volume was driven by a 3% increase in price and a 15% increase in units sold.

For the Year, the GTA market closed up 18%, at $72.0 billion, as compared to 2018, driven by a 4% increase in price and a 13% increase in units sold as markets recovered after two years of negative growth.

During the Quarter, the GTA market closed up 23%, at $16.8 billion, as compared to the Prior Year Quarter. The increase in transaction dollar volume was driven by a 4% increase in price and 14% increase in units sold.

For the Year, the GV market closed down 4%, at $25.3 billion, as compared to 2018, driven by a 6% decrease in price partly offset by a 3% increase in units sold.

During the Quarter, the GV market closed up 52%, at $7.5 billion, as compared to the Prior Year Quarter, driven by a 58% increase in number of units sold partly offset by a 6% decrease in selling prices.

For the Year, the Greater Montreal Area market closed up 15%, at $20.3 billion, as compared to 2018, driven by a 5% increase in price and a 10% increase in units sold.

During the Quarter, the Greater Montreal Area market closed up 24%, at $5.0 billion, as compared to the Prior Year Quarter, driven by a 6% increase in selling price and a 17% increase in units sold.

COMPANY'S GROWTH OPPORTUNITIES

Growth in the Company's revenues is achieved through:

- Increasing the number of REALTORS® in the Company Network through recruitment growth;
- Entering into new Franchise Agreements;
- Increasing the productivity of REALTORS®;
- Expanding the range of products and services supporting Franchisees and their REALTORS®; and
- Increasing the adoption of the Company's products and services and growing other revenues.

The products and services offered by the Company are supported by ongoing training programs for Brokers and REALTORS®, which assist in leveraging the Company's competitive advantages to attract and retain REALTORS®.

GROWTH IN THE NUMBER OF REALTORS® AND OTHER REVENUES

The Company strives to increase the number of REALTORS® in the Company Network through the continued momentum of converting competing brokerages and REALTORS® to the Company's Brands and developing programs to increase REALTOR® growth. This is generally achieved through entering into new Franchise Agreements and, prior to January 1, 2019, acquiring Franchise Agreements from the Manager.

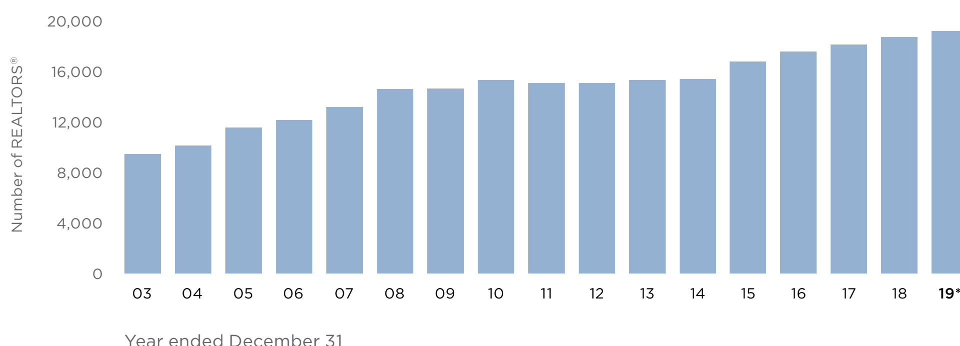
Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 107% (9,873 REALTORS®). This represents a CAGR of 5% in the Company Network.

In accordance with terms of the Amended MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements comprised of 495 REALTORS® operating under the Royal LePage and Via Capitale brands, for nominal consideration. The fair value ascribed to the Franchise Agreements was $4.7 million with estimated annual franchise fee revenues of $0.9 million.

In accordance with the terms of the Previous MSA, on January 1, 2018, the Company acquired 38 Franchise Agreements comprised of 563 REALTORS® operating under the Royal LePage and Via Capitale Brands. The purchase price of these agreements was $9.3 million, with estimated annual franchise fee revenues of $1.3 million.

A summary of Company Network growth since inception is summarized in the chart below.

COMPANY GROWTH

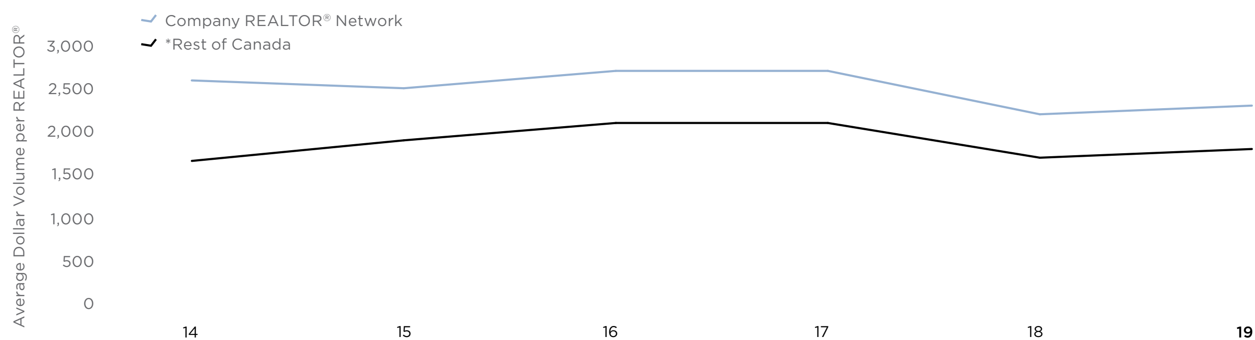


REALTOR® Productivity

The average REALTOR® in the Company Network generated approximately $2.1 million in transactional dollar volume for the twelve months ended December 31, 2019, compared to an estimated $1.8 million in transactional dollar volume generated by an average Canadian REALTOR®, outside the Company Network. The transactional dollar volume generated by an average Canadian REALTOR® has increased by 6% compared to Prior Year, which is consistent with the increase in the Canadian Market. 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 years ended December 31, 2003, through 2019, is summarized in the chart below.

CANADIAN RESIDENTIAL REAL ESTATE MARKET REALTOR® PRODUCTIVITY

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



*Source: CREA

Management's Discussion and Analysis of Results and Financial Condition

PRODUCTS AND SERVICES

The Manager, on behalf of the Company, has continued to invest in new products and services to assist Franchisees in managing their businesses as well as provide innovative tools to attract and retain the best talent in the real estate industry. In the second half of 2019, Royal LePage announced the launch of rlpSPHERE, its new technology platform designed to drive revenue, reduce costs and improve client service levels. This digital ecosystem seamlessly brings together all of the tools and systems Franchisees and their agents need to more easily run and grow their business. This start-to-finish solution will be available to the network in 2020. Via Capitale unveiled a new logo and realtor signage. The elegant and modern design of this brand refresh is expected to resonate with both REALTORS® and consumers.

During the first half of 2019, Via Capitale launched a new marketing tool that promotes listings to over 215 million online visitors in 65 countries. Royal LePage launched an app version of its popular CRM platform, Smart Studio. Royal LePage also entered a three-year partnership with a leading commercial real estate data provider to allow the brand's network access to residential developments, commercial sales data and leasing availability at a preferred cost. The brand also continued to enhance its offering to Teams through a new series of in-person training events.

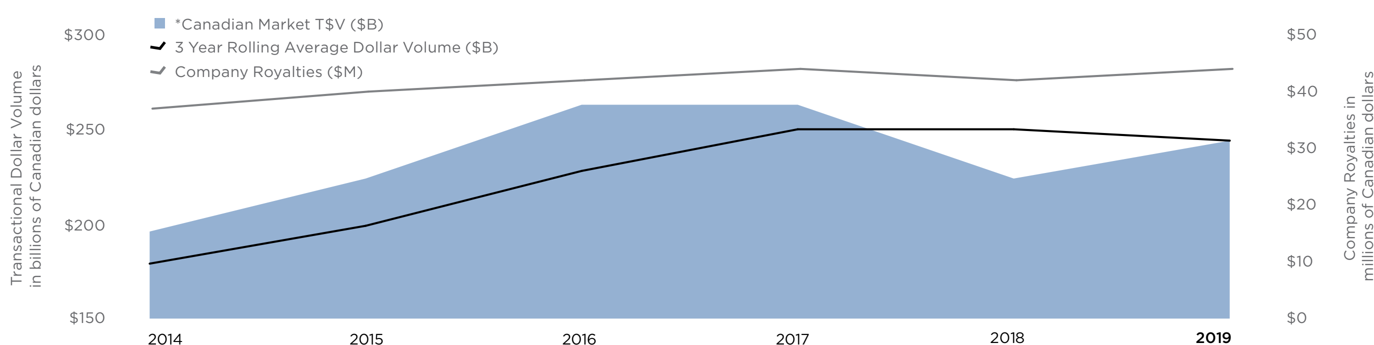
The Canadian Residential Real Estate Market

The Canadian Market experienced steady growth from 2013 through 2016 and began slowing down after the first quarter of 2017. In 2016 the Canadian Market experienced a CAGR of 16% driven by 10% increase in units sold and 6% increase in selling price. This momentum continued into 2017, with record sales recorded in Q1 2017, before the Canadian Market saw a decline in the last nine months of the year. The slowdown in the market continued through 2018 and into the first quarter of 2019 and is partly the result of higher interest rates in 2018, various government-mandated regulations including tightened mortgage rules, and new taxes, which targeted certain foreign buyers of residential real estate in Ontario and BC. In the second quarter of 2019, the Canadian Market saw its first year-over-year improvement in almost two years on the strength of improvement in the GTA market. Improved markets improved through the rest of 2019 as the GV market bounced off 30-year lows. Overall, the Canadian Market increased 9% compared to 2018.

Since 2004, the Canadian Market has grown at a CAGR of 6% compared to our revenues, which have grown at a rate of 4%. Our fee structure is biased towards fees that are fixed in nature, limiting our participation in significant increases or decreases in the Canadian Market.

TRANSACTION DOLLAR VOLUME – CANADIAN RESIDENTIAL REAL ESTATE MARKET

(2014–2018)

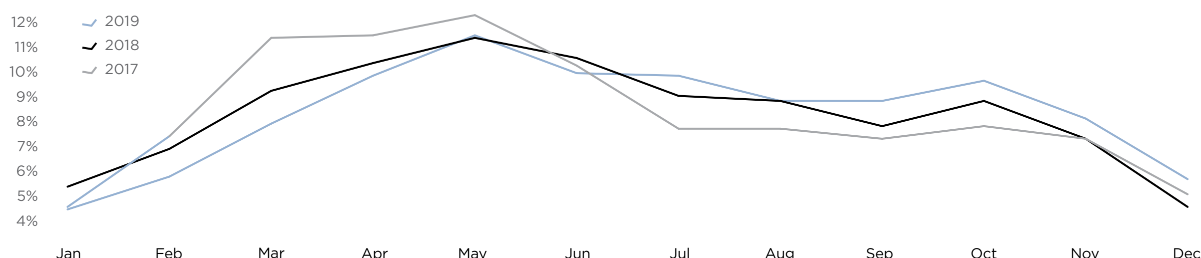


*Source: CREA

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, as summarized in the chart below. 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

(*% Canadian Market T$V by month)



*Source: CREA

Canadian Market Outlook

A summary of key commentary on the Canadian Market, as reported by the Canadian Real Estate Association ("CREA"), the Toronto Real Estate Board ("TREB") and the Bank of Canada ("BoC") follows:

From CREA[1]: On December 16, 2019, CREA published their Resale Housing Market Forecast. Their forecast noted that evidence suggests housing activity will continue to improve into 2020, with prices either continuing to rise or accelerating in many parts of Canada. Indeed, many housing market indicators continue to support this outlook.

Economic fundamentals underpinning housing activity remain strong outside of the Prairies together with Newfoundland and Labrador. The national resale housing market outlook continues to be supported by population and employment growth while consumer confidence is benefiting from low unemployment rates outside oil-producing provinces.

The national average price this year is on track to rise by 2.3% on an annual basis to just over $500,000. In line with the balance between supply and demand across the country and trends earlier in the year, average prices in 2019 are expected to be down in the three westernmost provinces together with Newfoundland and Labrador, with robust gains in Ontario, Quebec and the Maritimes.

Sales are forecasted to continue to improve through 2020, albeit more slowly than they did over the summer of 2019. National home sales are forecasted to rise by 8.9% to around 530,000 units next year. While sales are expected to trend higher, most of this annual increase in 2020 reflects a weak start to 2019 rather than a significant change in sales trends over the forecast horizon. Of the forecast 40,000+ sales increase for 2020, British Columbia and Ontario are expected to contribute close to an additional 15,000 transactions each, while Quebec and Alberta are anticipated to contribute 8,000 and 2,000 additional transactions respectively.

The national average price is forecasted to rise by 6.2% in 2020 to $531,000. Average price trends across Canada in 2020 are generally expected to resemble those in 2019, with small declines in Alberta, Saskatchewan and Newfoundland and Labrador, and solid gains in Ontario, Quebec and the Maritimes. In British Columbia, the average home price is expected to rebound next year following this year's decline. In regions with supply shortages, price gains may exceed forecast levels should shortages become more acute than anticipated.

[1] Source: CREA Updates Resale Housing Market Forecast, published December 16, 2019

From TREB[2]: On February 6, 2019, TREB published their Market Year in Review & and Outlook Report. Per their report, TREB is forecasting growth in the Greater Toronto Area and broader Greater Golden Horseshoe (GGH).

" Home ownership continues to be a sound long-term investment for buyers and the economy. However, the supply of housing across the region is not expected to grow fast enough to meet the demand for housing," said Mr. Collins, Toronto Real Estate Board President.

" We need to see the development of a greater diversity of mid-density housing to bridge the gap between detached homes and high-rise condos. In other words, we need to see policymakers actively addressing the "Missing Middle." Alongside a diverse supply of housing, the GGH needs flexible housing market policies that will help sustain balanced market conditions over the long term. The GGH is globally recognized as a great place to live, work and do business. To create more housing supply in our high demand real estate market, I believe all levels of government should make a stronger commitment to work together to expand infrastructure and transportation across the GGH" said John DiMichele, TREB CEO.

The following points summarize TREB's outlook for 2020 and results of the Ipsos Home Owners and Home Buyers surveys:

- With sales trending upward in 2019, and with that trend continuing in early 2020, it appears that the demand for home ownership is moving back toward demographic potential, which would see sales moving closer to 100,000 per year.
- Strong underlying demand drivers should see home sales crest the 90,000 mark in 2020, with a point forecast of 97,000 – up by almost 10.5 per cent compared to 87,825 sales reported in 2019. Sales growth is expected to be driven by the higher density low-rise market segments (semi-detached houses and town houses) and the condominium apartment segment. These home types are more affordable, on average, and are expected to remain popular as the OSFI stress test, while under review by the federal government, is expected to remain in place for the foreseeable future.
- The point forecast for the overall average selling price in 2020 is $900,000, close to a 10 per cent increase compared to the average of $819,319 reported for 2019. This forecast rate of growth presupposes that price growth will continue to be driven by the less expensive mid-density low-rise home types and condominium apartments. If the pace of detached home price growth starts to catch up to that of other major home types, the average selling price for all home types combined could push well past the $900,000 mark over the next year.
- For the GTA as a whole, 11 per cent of those surveyed indicated that they were very likely to purchase a home over the next year – up slightly from 10 per cent in November 2018. The share of likely home buyers – very likely and somewhat likely (18 per cent) – remained the same as the fall 2018 result at 29 per cent.
- The great majority of intending buyers (79 per cent) indicated that they would use the services of a REALTOR® in order to purchase a home. This share has remained somewhat steady over the last five surveys for all home buyers combined.

From the BoC[3]:
"On March 4, 2020, the Bank of Canada lowered its target for the overnight rate by 50 basis points to 1 ¼ percent. The Bank Rate is correspondingly 1 ½ percent and the deposit rate is 1 percent.

While Canada's economy has been operating close to potential with inflation on target, the COVID-19 virus is a material negative shock to the Canadian and global outlooks, and monetary and fiscal authorities are responding.

Before the outbreak, the global economy was showing signs of stabilizing, as the Bank had projected in its January Monetary Policy Report (MPR). However, COVID-19 represents a significant health threat to people in a growing number of countries. In consequence, business activity in some regions has fallen sharply and supply chains have been disrupted. This has pulled down commodity prices and the Canadian dollar has depreciated. Global markets are reacting to the spread of the virus by repricing risk across a broad set of assets, making financial conditions less accommodative. It is likely that as the virus spreads, business and consumer confidence will deteriorate, further depressing activity.

In Canada, GDP growth slowed to 0.3 percent during the fourth quarter of 2019, in line with the Bank's forecast, although its composition was different. Consumption was stronger than expected, supported by healthy labour income growth. Residential investment continued to grow, albeit at a more moderate pace than earlier in the year. Meanwhile, both business investment and exports weakened.

[2] Source: TREB Market Year in Review & Outlook Report, published February 6, 2019
[3] Source: BoC press release published March 4, 2020

It is becoming clear that the first quarter of 2020 will be weaker than the Bank had expected. The drop in Canada's terms of trade, if sustained, will weigh on income growth. Meanwhile, business investment does not appear to be recovering as was expected following positive trade policy developments. In addition, rail line blockades, strikes by Ontario teachers, and winter storms in some regions are dampening economic activity in the first quarter.

CPI inflation in January was stronger than expected, due to temporary factors. Core measures of inflation all remain around 2 percent, consistent with an economy that has been operating close to potential.

In light of all these developments, the outlook is clearly weaker now than it was in January. As the situation evolves, Governing.

Council stands ready to adjust monetary policy further if required to support economic growth and keep inflation on target. While markets continue to function well, the Bank will continue to ensure that the Canadian financial system has sufficient liquidity.

The Bank continues to closely monitor economic and financial conditions, in coordination with other G7 central banks and fiscal authorities.

COMPANY MARKET OUTLOOK

On March 4, the Bank of Canada reduced interest rates by 50 basis points in response to COVID-19, citing the virus as a materially negative shock to the Canadian and global markets. Globally, virus-related production shutdowns and the resulting shocks to supply chains suggest a weakened Canadian economy in the first half of 2020. While the interest rate reduction was the largest in four years, and lower interest rates are generally supportive of real estate activity, the virus' short- and long-term risk to the economy and employment is unknown.

A recent announcement that, beginning on April 6, the qualification hurdle presented by the federal mortgage stress test will be eased is also supportive of real estate market activity. The mortgage stress test will use the five-year fixed insured mortgage rate instead of the Bank of Canada five-year rate. As the five-year fixed insured mortgage rate is generally lower, it is favourable to buyers.

During the second half of 2019, pent up demand from the market correction that spanned from the implementation of the mortgage stress test in 2018 through to the first half of 2019 drove an increase in national unit sales. Both the Greater Toronto Area and Greater Vancouver saw a significant lift in activity. While Vancouver's inventory levels were able to absorb buyer demand, low inventory in the Greater Toronto Area put significant upward pressure on home prices.

[4] Source: Statistics Canada: "Canada's population estimates: Age and sex, July 1, 2019

Annual Operating Results and Cash Flows

Years ended December 31, (in 000's) except per Share amounts; Number of REALTORS®	2019	2018
Revenues		
Fixed franchise fees	$ 29,285	$ 28,326
Variable franchise fees	10,638	10,737
Other revenue	4,426	–
Premium franchise fees	–	2,964
	44,349	42,027
Less:		
Cost of other revenue	524	–
Administration expenses	1,196	1,259
Management fees	15,478	7,616
Interest expense	3,031	2,686
	24,120	30,466
Impairment and write-off of intangible assets, net	(682)	(696)
Amortization of intangible assets	(10,560)	(7,705)
Interest on Exchangeable Units	(5,806)	(5,806)
Gain (loss) on fair value of Exchangeable Units	(499)	6,489
Gain (loss) on interest rate swap	(615)	74
Loss on fair value of purchase obligation	–	(465)
Earnings before income taxes	5,958	22,357
Current income tax expense	2,989	5,183
Deferred income tax recovery	(107)	(217)
Net and comprehensive earnings	$ 3,076	$ 17,391
Basic earnings per Restricted Voting Share	$ 0.32	$ 1.83
Diluted earnings per Share	$ 0.32	$ 1.30
Number of REALTORS®	19,111	18,725

Cash Flow Information (in 000's)	2019	2018
Cash provided by (used for):		
Operating activities	$ 15,600	$ 18,971
Investing activities	(3,934)	(10,849)
Financing activities	(10,803)	(7,241)

ANNUAL OPERATING RESULTS AND CASH FLOWS

During the Year, the Company generated net earnings of $3.0 million and cash provided by operating activities of $15.6 million, as compared to net earnings of $17.4 million and cash provided by operating activities of $19.0 million in the Prior Year.

Revenues for the Year totaled $44.3 million, compared to $42.0 million for the Prior Year. Fixed franchise fees represented 66% of revenues for the Year (Prior Year – 67%). Revenues increased due to an increase in fixed franchise fees as a result of the increase in the number of REALTORS® in the Company Network and the addition of other revenues during the Year (which were earned by the Manager in the Prior Year). These increases were partly offset by the expiry of the obligation of Franchisees to pay premium franchise fees in 2018.

Fixed franchise fees for the Year increased by 3% as compared to the Prior Year, due to the increase in the REALTOR® base resulting from the transfer of Franchise Agreements on January 3, 2019 representing 495 REALTORS®. In addition, fixed franchise fees includes fees for commercial services, which were earned by the Manager in the Prior Year.

Variable franchise fees for the Year decreased by 1%, as a result of weakness in the GTA and GV markets in the early part of the Year, partly offset by the impact of the increase in the number of REALTORS® in the Company Network compared to the Prior Year.

Other Revenues consist of revenues earned from referral fees (including mortgage referrals and lead referrals to REALTORS®). These revenues were assigned to the Company on January 3, 2019 and were earned by the Manager in the Prior Year.

Premium franchise fees were derived from 21 franchise locations servicing the GTA Market which paid premium franchise fees ranging from 1% to 5% of the location's Gross Revenue. The obligations to pay premium franchise fees expired in 2018.

Cost of other revenue represents the direct costs associated with lead management referrals and other revenues. These costs were incurred by the Manager in the Prior Year.

Administration expenses of $1.2 million for the Year were lower than for the Prior Year primarily due to one-time costs associated with the review and negotiation of amendments to the Previous MSA incurred in the Prior Year.

Management fee expense of $15.5 million for the Year, increased due to implementation of the new management fee structure under the Amended MSA.

Interest expense was $0.3 million higher compared to the Prior Year as a result of the interest expense on the contract transfer obligation to the Manager related to the transfer of contracts and Franchise Agreements on January 3, 2019.

Impairment and write-off of intangible assets, net represents a net impairment of $0.7 million for the Year compared to $0.7 million during the Prior Year. During the Year, the Company identified seven Franchise Agreements, which required impairment charges, as their carrying value exceeded their recoverable amount, and two Franchise Agreements that were written off as a result of early termination. In the Prior Year, the Company recorded impairment charges for six Franchise Agreements and the write off of two Franchise Agreements, partly offset by a $0.1 million reversal of an impairment associated with one Franchise Agreement as the conditions causing such impairment had become more favourable.

Amortization of Intangible Assets for the Year totaled $10.6 million, an increase of $2.9 million compared to the Prior Year as a result of the transfer of Franchise Agreements and other contracts on January 3, 2019. The other contracts transferred have shorter amortization periods than Franchise Agreements.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. For the Year, total distributions amounted to $1.74 per Exchangeable Unit (Prior Year – $1.74). 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 value of the Company's Restricted Voting Shares. At December 31, 2019, the Company's Restricted Voting Shares were valued at $14.72 per share compared to $14.57 at December 31, 2018, resulting in a loss of $0.5 million for the Year. This loss represents an increase 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 decreased from $16.52 at December 31, 2017 to $14.57 at December 31, 2018, resulting in a gain of $6.5 million.

Gain (loss) on interest rate swap of $0.6 million is a non-cash item which represents the change in fair value of the Company's interest rate swaps. The Company had a five-year interest rate swap agreement to swap the variable interest obligation on $53.0 million of the Company's outstanding debt facilities to a fixed rate obligation of 3.64% through October 2019. In March of 2019, the Company entered into an additional 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% for the period from November 2019 through December 31, 2023.

Loss on fair value of purchase obligation of $0.5 million in the Prior Year represents an increase in the liability to the Manager related to Franchise Agreements purchased at the beginning of each year. The purchase obligation was repaid in the Prior Year.

Income Tax Expense The effective income tax rate paid by the Company for the Year was 48% (Prior Year–22%). The Company's effective income tax rate in the consolidated statement of net and comprehensive earnings 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 as well as items that are excluded from the determination of net earnings but included in the determination of taxable income. Items included in determining net earnings that are not included in determining taxable income include, among other things, non-deductible amortization of intangible assets, interest on Exchangeable Units, fair valuation adjustments on Exchangeable Units and losses associated with the interest rate swaps. Items included in the determination of taxable income but excluded from the determination of net earnings include payments associated with the contract transfer obligation.

Cash provided by operating activities decreased to $15.6 million compared to $19.0 million in the Prior Year as result of higher management fees paid under the Amended MSA partly offset by higher revenues, lower income tax payments and lower working capital requirements.

Cash used in investing activities decreased to $3.9 million from $10.8 million in the Prior Year as a result of changes to the Management Services Agreement. Under the terms of the Previous MSA, the Company purchased Franchise Agreements from the Manager on January 1 of each year resulting in a significant cash payment in the first quarter of each year. During the Prior Year, there were payments of $10.8 million associated with the acquisition of Franchise Agreements. Under the terms of the Amended MSA, the Company no longer acquires Franchise Agreements from the Manager, but, rather, enters into Franchise Agreements with Franchisees directly. Cash used in investing activities in the Year represents the portion of management fees allocated towards reducing the contract transfer obligation, interest expense associated with the transfer of contracts and Franchise Agreements and direct costs of entering into Franchise Agreements.

Cash used in financing activities increased by $3.6 million compared to the Prior Year due to lower net borrowings. In the Prior Year, the Company borrowed $5.7 million, net of repayments, to acquire Franchise Agreements from the Manager under the terms of the Previous MSA.

Fourth Quarter Operating Results and Cash Flows

For three months ended, (in 000's) except per Share amounts and number of REALTORS®;	Dec. 31, 2019	Dec. 31, 2018
Revenues		
Fixed franchise fees	$ 7,303	$ 7,146
Variable franchise fees	2,183	1,799
Other revenue	1,182	–
	10,668	8,945
Less:		
Cost of other revenue	107	–
Administration expenses	429	543
Management fees	3,730	1,547
Interest expense	761	666
	5,641	6,189
Impairment and write-off of intangible assets	(32)	(245)
Amortization of intangible assets	(2,631)	(1,871)
Interest on Exchangeable Units	(1,451)	(1,452)
Gain on fair value of Exchangeable Units	–	7,254
Gain (loss) on interest rate swap	659	(97)
Gain on fair value of purchase obligation	–	77
Earnings before income taxes	2,186	9,855
Current income tax expense	675	1,045
Deferred income tax expense (recovery)	218	(65)
Net and comprehensive earnings	$ 1,293	$ 8,875
Basic earnings per Restricted Voting Share	$ 0.14	$ 0.94
Diluted earnings per Share	$ 0.14	$ 0.24
Number of REALTORS®	19,111	18,725

Cash Flow Information (in 000's)		
Cash provided by (used for):		
Operating activities	$ 3,638	$ 2,964
Investing activities	(944)	(2,052)
Financing activities	(3,201)	(839)

FOURTH QUARTER OPERATING RESULTS AND CASH FLOWS

During the Quarter, the Company generated net earnings of $1.3 million and cash provided by operating activities of $3.6 million, as compared to net earnings of $8.9 million and cash provided by operating activities of $3.0 million in the Prior Year Quarter.

Revenues for the Quarter totaled $10.7 million, compared to $8.9 million for the Prior Year Quarter. Revenues increased due to an increase in fixed franchise fees and variable franchise fees as a result of an increase in the number of REALTORS® in the Company Network and improvements in the Canadian Market. In addition, other revenues were transferred to the Company during the Year. These had been earned by the Manager in the Prior Year.

Fixed franchise fees for the Quarter increased by 2% as compared to the Prior Year Quarter, due to the increase in the REALTOR® base resulting from the transfer of Franchise Agreements on January 1, 2019 representing 495 REALTORS® offset partially by a net attrition of 109 REALTORS® during the Year.

Variable franchise fees for the Quarter increased by 17% as a result of improvements in the Canadian Market in the latter part of the Year.

Other Revenues consist of revenues earned from referral fees (including mortgage referrals and lead referrals to REALTORS®). These revenues were assigned to the Company on January 3, 2019 and were earned by the Manager in the Prior Year Quarter.

Premium franchise fees were derived from 21 franchise locations servicing the GTA Market which paid premium franchise fees ranging from 1% to 5% of the location's Gross Revenue. Premium franchise fees are nil in the quarter due the expiry of the obligation to pay premium franchise fees for all 21 locations during the third quarter of the Prior Year.

Cost of other revenue represents the direct costs associated with lead management referrals and other revenues. These costs were incurred by the Manager in the Prior Year Quarter.

Administration expenses of $0.4 million for the Quarter were lower than for the Prior Year Quarter primarily due to one-time costs incurred in the Prior Year Quarter associated with the review and negotiation of amendments to the Previous MSA.

Management fee expense was $3.7 million for the Quarter, calculated in accordance with the Amended MSA.

Interest expense was $0.1 million higher compared to the Prior Year Quarter due to higher borrowings and interest expense on the contract transfer obligation to the Manager related to the transfer of contracts and Franchise Agreements on January 3, 2019.

Impairment and write-off of intangible assets represents a net impairment of less than $0.1 million for the Quarter compared to a net impairment of $0.2 million during the Prior Year Quarter. During the Quarter, the Company identified two Franchise Agreements which required nominal impairment charges as their carrying value exceeded their recoverable amount. In the Prior Year Quarter, the Company identified four Franchise Agreements which required impairment charges of $0.2 million.

Amortization of Intangible Assets for the Quarter totaled $2.6 million, an increase of $0.8 million compared to the Prior Year Quarter as a result of the transfer of Franchise Agreements and other contracts on January 3, 2019. The other contracts transferred have shorter amortization periods than Franchise Agreements.

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

Gain 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, 2019, the Company's Restricted Voting Shares were valued at $14.72 per share unchanged from $14.72 at September 30, 2019, resulting in no gain or loss in the Quarter. For the Prior Year Quarter, the price of the Company's Restricted Voting Shares decreased from $16.75 at September 30, 2018 to $14.57 at December 31, 2018, resulting in a gain of $7.3 million.

Gain (loss) on interest rate swap of $0.6 million is a non-cash item which represents the change in fair value of the Company's interest rate swaps. The Company had a five-year interest rate swap agreement to swap the variable interest obligation on $53.0 million of the Company's outstanding debt facilities to a fixed rate obligation of 3.64% through October 2019. In March of 2019, the Company entered into an additional 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% for the period from November 2019 through December 31, 2023.

Income Tax Expense The effective income tax rate paid by the Company for the Quarter was 41% (Prior Year Quarter – 10%). The Company's effective income tax rate in the interim condensed consolidated statement of net and comprehensive earnings 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 as well as items that are excluded from the determination of net earnings but included in the determination of taxable income. Items included in determining net earnings that are not included in determining taxable income include, among other things, non-deductible amortization of intangible assets, interest on Exchangeable Units, fair valuation adjustments on Exchangeable Units and losses associated with the interest rate swaps. Items included in the determination of taxable income but excluded from the determination of net earnings include payments associated with the contract transfer obligation.

Cash provided by operating activities increased by $0.7 million compared to the Prior Year Quarter as result of higher revenues, a decrease in administration expense mainly due to one-time costs associated with the review and negotiation of amendments to the Previous MSA in the previous year and lower income taxes paid, partially offset by higher management fees.

Cash used in investing activities decreased by $1.1 million compared to the Prior Year Quarter as a result of the changes to the Management Services Agreement. Under the terms of the Previous MSA, the Company purchased Franchise Agreements from the Manager on January 1 of each year resulting in cash payments of $10.8 million in the Prior Year, including $2.2 million related to the outstanding purchase obligation paid in the Prior Year Quarter. Under the terms of the Amended MSA, the Company no longer acquires Franchise Agreements from the Manager, but, rather, enters into Franchise Agreements with Franchisees directly. Cash used in investing activities in the Current Year Quarter represents the portion of management fees allocated towards reducing the obligation and interest expense associated with the transfer of contracts and Franchise Agreements and direct costs of entering into Franchise Agreements.

Cash used for financing activities increased by $2.3 million compared to the Prior Year Quarter. The Company borrowed $2.5 million in the Prior Year Quarter in order to repay the outstanding purchase obligation.

Summary of Quarterly Results and Distributable Cash Flow

For three months ended,	2019				2018			
(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	**$ 7,303**	$ 7,389	$ 7,267	$ 7,326	$ 7,146	$ 7,211	$ 7,058	$ 6,911
Variable franchise fees	**2,183**	3,077	3,233	2,145	1,799	3,121	3,243	2,570
Premium franchise fees	**–**	–	–	–	–	809	1,171	989
Other revenue	**1,182**	1,260	1,338	646	–	–	–	–
	10,668	11,726	11,838	10,117	8,945	11,141	11,472	10,470
Less:								
Cost of other revenue	**107**	155	153	109	–	–	–	–
Administration expenses	**429**	53	316	398	543	82	280	354
Management fees	**3,730**	4,041	4,013	3,694	1,547	2,078	2,103	1,889
Interest expense	**761**	748	757	765	666	669	679	672
	5,641	6,729	6,599	5,151	6,189	8,312	8,410	7,555
Impairment and write-off of intangible assets, net	**(32)**	–	(168)	(482)	(245)	(322)	(129)	–
Amortization of intangible assets	**(2,631)**	(2,634)	(2,639)	(2,656)	(1,871)	(1,900)	(1,926)	(2,009)
Interest on Exchangeable units	**(1,451)**	(1,452)	(1,452)	(1,452)	(1,452)	(1,452)	(1,452)	(1,452)
Gain (loss) on fair value of Exchangeable Units	**–**	633	6,655	(7,787)	7,254	9,151	(6,988)	(2,928)
Gain (loss) on interest rate swap	**659**	155	(460)	(969)	(97)	108	4	59
Gain (loss) on fair value of purchase obligation	**–**	–	–	–	77	2	(26)	(518)
Earnings (loss) before income tax	**2,186**	3,431	8,535	(8,195)	9,855	13,899	(2,107)	707
Current income tax expense	**675**	882	703	729	1,045	1,367	1,568	1,202
Deferred income tax expense (recovery)	**218**	127	80	(532)	(65)	(12)	(10)	(130)
Net and comprehensive earnings (loss)	**$ 1,293**	$ 2,422	$ 7,752	$ (8,392)	$ 8,875	$ 12,544	$ (3,665)	$ (365)
Basic earnings (loss) per Restricted Voting Share	**$ 0.14**	$ 0.26	$ 0.82	$ (0.88)	$ 0.94	$ 1.32	$ (0.39)	$ (0.04)
Diluted earnings (loss) per Share	**$ 0.14**	$ 0.26	$ 0.20	$ (0.88)	$ 0.24	$ 0.38	$ (0.39)	$ (0.04)
Number of REALTORS®	**19,111**	19,184	19,046	19,231	18,725	18,799	18,780	18,708

DISTRIBUTABLE CASH FLOW

Distributable Cash Flow represents operating income before deducting amortization and net impairment of intangible assets minus 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 requirements.

Distributable Cash Flow is a non-GAAP measure and does not have a standardized meaning under IFRS and, accordingly, may not be comparable to similar measures used by other companies. Management believes that Distributable Cash Flow is a useful supplemental measure of performance as it provides 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 requirements. Investors are cautioned, however, that Distributable Cash Flow should not be interpreted as an alternative to using net earnings (as a measure of profitability) or cash provided by operating activities (as a measure for cash flows) to evaluate the Company's financial performance.

The calculation of Distributable Cash Flow for the three and twelve months ended December 31, 2019 is presented in the table below with comparative amounts for 2018.

ROLLING TWELVE-MONTH CASH FLOW FROM OPERATIONS

($ 000's)	Three months ended December 31, 2019	Three months ended December 31, 2018	2019	2018
Fixed franchise fees	$ 7,303	$ 7,146	$ 29,285	$ 28,326
Variable franchise fees	2,183	1,799	10,638	10,737
Other revenue	1,182	–	4,426	–
Premium franchise fees	–	–	–	2,964
Revenues	10,668	8,945	44,349	42,027
Less:				
Cost of other revenue	107	–	524	–
Administration expenses	429	543	1,196	1,259
Management fees	3,730	1,547	15,478	7,616
Interest expense	761	666	3,031	2,686
Current income tax expense	675	1,045	2,989	5,183
Cash used for investing activities	944	2,053	3,934	10,849
Distributable Cash Flow	$ 4,022	$ 3,091	$ 17,197	$ 14,434

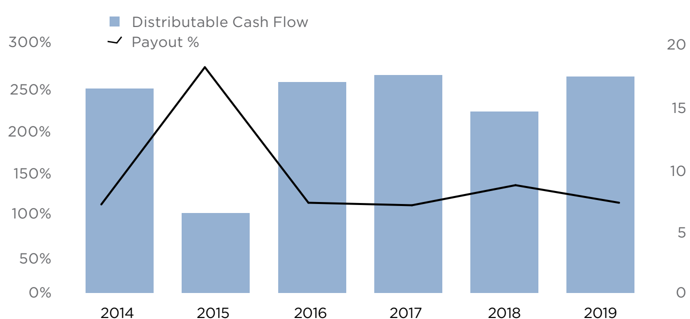
Periods where Distributable Cash Flow is negative indicate that the Company has utilized its existing cash resources or its debt facilities to finance certain of its investing activities or its distributions to holders of Restricted Voting Shares or holders of Exchangeable Units.

For the twelve months ended December 31, 2019, the Company generated Distributable Cash Flow of $17.2 million or $1.34 per Share, as compared to $14.4 million or $1.13 per Share generated during the Prior Year. Distributable Cash Flow increased compared to the Prior Year primarily due to lower cash flows used in investing activities and lower income taxes, partially offset by higher management fees. Under the Amended MSA, the Company no longer acquires Franchise Agreements from the Manager, but rather, enters into agreements with the Franchisees directly.

The chart below presents a summary of the Distributable Cash Flow generated by the Company since 2014 and the percentage payout of these amounts to holders of Restricted Voting Share (in the form of dividends) and to the Exchangeable Unitholders (in the form of interest).

CASH FLOW FROM OPERATIONS

(Years ended December 31, in $ millions)



CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO DISTRIBUTABLE CASH FLOW

The table below presents a reconciliation of cash flow from operating activities, as presented in the consolidated statements of cash flows, to Distributable Cash Flow, 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.

($ 000's)	**Three months ended December 31, 2019**	Three months ended December 31, 2018	**2019**	2018
Cash flow from operating activities	**$ 3,638**	$ 2,964	**$ 15,600**	$ 18,971
Add (deduct):				
Interest on Exchangeable Units	**1,451**	1,452	**5,806**	5,806
Income tax expense	**(675)**	(1,045)	**(2,989)**	(5,183)
Income taxes paid	**630**	1,356	**3,687**	5,941
Changes in non-cash working capital items	**(43)**	423	**(924)**	(229)
Interest expense	**(2,239)**	(2,091)	**(8,564)**	(8,382)
Interest paid	**2,204**	2,085	**8,515**	8,359
Cash used in investing activities	**(944)**	(2,053)	**(3,934)**	(10,849)
Distributable Cash Flow	**$ 4,022**	$ 3,091	**$ 17,197**	$ 14,434

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 value of intangible assets is dependent upon the Company's ability to retain and renew the underlying Franchise Agreements and to ensure the ongoing integrity of the Trademarks. 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 Share and Exchangeable Unitholders, subject to working capital requirements.

Debt Facilities

As at December 31, 2019 the Company's $80.0 million financing is comprised of the following three arrangements, maturing December 31, 2023:

- 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, 2019, the Company has drawn $55.0 million on the Term Facility, $18.5 million on the Acquisition Facility and nil on the Operating Facility.

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

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 (5:1 prior to 2019) and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4:1 (2.5:1 prior to 2019) as outlined in the loan agreement. Consolidated EBITDA is defined as operating income before deducting amortization and net impairment or recovery of intangible assets and interest expense. 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.

In October, 2014, the Company entered into a five-year interest rate swap agreement to swap the variable interest obligation on $53.0 million of the Term Facility to a fixed rate obligation of 3.64% through October 2019. In March of 2019, the Company entered into an additional interest rate swap agreement to swap the variable interest rate obligation on the entire $55.0 million Term Facility to a fixed rate obligation of 3.94% for the period from November 2019 through December 31, 2023. The interest rate swaps are financial instruments and are disclosed at their 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, 2019 the Company determined that the fair value of the interest rate swap represents a liability of $0.5 million (December 31, 2018 – asset of $0.1 million). For the Year, the Company recognized a fair value loss of $0.6 million (Prior Year – a gain $0.1 million).

Liquidity

Distributable Cash Flow is the largest source of liquidity for the Company. Distributable Cash Flow is derived substantially from revenues received. 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 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 in the event they are presented with opportunities to grow the Company. 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 $17.2 million, or $1.34 per share, compared to $14.4 million, or $1.13 per share, in the Prior Year. The increase is due primarily to the reduction in spending on acquiring franchise contracts from the Manager and a reduction in income taxes paid due to the new fee structure effective January 01, 2019. The reduction in spending was partially offset by higher management fees under the terms of the Amended MSA. Under the terms of the Previous MSA, the Company acquired Franchise Agreements from the Manager during the first quarter of each fiscal year resulting in lower Distributable Cash Flow in the early part of the year. In the Prior Year, the Company borrowed $9.7 million on its debt facilities to finance the acquisition of Franchise Agreements. These borrowings permitted the Company to pay out a substantial portion of its remaining Distributable Cash Flow to holders of Restricted Voting Share and holders of Exchangeable Units. 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 by $1.3 million to $5.5 million as at December 31, 2019. The decrease in working capital resulted primarily from:

- A $1.9 million increase in contract transfer obligation;
- A $0.2 million increase in accounts payable and accrued liabilities; partly offset by
- A $0.9 million increase in cash;

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

($ 000's) As at	**Dec. 31, 2019**	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar. 31, 2018	Change in Quarter	Change in Year
Current assets										
Cash	**$ 5,202**	$ 5,709	$ 4,090	$ 3,635	$ 4,339	$ 4,267	$ 4,888	$ 2,648	$ (507)	$ 863
Accounts receivable and current portion of notes receivable	**4,559**	4,602	5,561	5,343	4,125	4,083	5,234	4,862	(43)	434
Prepaid expenses	**211**	187	192	190	207	187	179	164	24	4
Current income tax receivable	**173**	218	901	984	358	48	60	34	(45)	(185)
Goods and Services tax receivable	**–**	–	62	87	264	–	257	579	–	(264)
	$ 10,145	$ 10,716	$10,806	$10,239	$ 9,293	$ 8,585	$ 10,618	$ 8,287	$ (571)	$ 852
Current liabilities										
Accounts payable and accrued liabilities	**$ 1,210**	$ 1,212	$ 1,243	$ 1,289	$ 1,003	$ 1,119	$ 1,109	$ 1,014	$ (2)	$ 207
Contract transfer obligation	**1,920**	2,705	3,122	3,106	–	–	–	–	(785)	1,920
Purchase obligation	**–**	–	–	–	–	2,307	2,310	2,284	–	–
Current income tax liability	**–**	–	–	–	–	–	–	–	–	–
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	–	–
	4,681	5,468	5,916	5,946	2,554	4,977	4,970	4,849	(787)	2,127
Net working capital	**$ 5,464**	$ 5,248	$ 4,890	$ 4,293	$ 6,739	$ 3,608	$ 5,648	$ 3,438	$ 216	$ (1,275)

Cash and Capital Resources

A summary of cash and capital resources available to the Company as at December 31, 2019 and December 31, 2018 is presented below:

As at December 31, 2019, $18.5 million of the Acquisition Facility has been drawn by the Company, leaving $6.5 million available under the debt facilities. This is consistent with the net borrowing capacity as at December 31, 2018.

In addition to the 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.

(in 000's) As at	**December 31, 2019**	December 31, 2018
Cash	**$ 5,202**	$ 4,339
Term Facility	**–**	–
Acquisition Facility	**1,500**	1,500
Operating Facility	**5,000**	5,000
Net borrowing capacity	**$ 6,500**	$ 6,500
Available resources	**$ 11,702**	$ 10,839

Commitments

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

As at December 31,	2020	2021	2022	2023	Beyond 2023	Total
Accounts payable and accrued liabilities	$ 1,210	$ –	$ –	$ -	$ –	$ 1,210
Current contract transfer obligation	1,920	–	–	–	–	1,920
Interest payable to Exchangeable Unitholders	484	–	–	–	–	484
Dividends payable to shareholders	1,067	–	–	–	–	1,067
Interest on long-term debt	2,896	2,896	2,896	2,896	–	11,584
Interest on contract transfer obligation	223	171	142	114	258	908
Long term contract transfer obligation	–	548	572	340	2,238	3,698
Interest rate swap liability	–	–	–	496	–	496
Debt facilities	–	–	–	73,500	–	73,500
Exchangeable Units	–	–	–	–	48,983	48,983
Total	$ 7,800	$ 3,615	$ 3,610	$ 77,346	$ 51,479	$ 143,850

Off-Balance Sheet Arrangements

The Company has no off–balance sheet arrangements.

Transactions with Related Parties

As at the date of this MD&A, BBP 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 BBP as consideration for certain assets purchased from those affiliates. These assets included the Trademarks and 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 1,776 REALTORS® with 1,263 REALTORS® operating out of 15 locations in the GTA market, 492 REALTORS® operating from 8 locations in the GV market and 21 REALTORS® operating from 2 locations in Quebec.

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 GV operations are up for renewal between 2023-2024. The Franchise Agreements for the Quebec locations are up for renewal in 2028. Included in the GTA based Franchise Agreement was an obligation to pay premium franchise fees ranging from 1% to 5% of Gross Revenue for 11 of the GTA locations until August 2018. Including amounts received from the corporately owned Brokerage, premium franchise fees represented 7% of revenues in the Prior Year.

The management of the Company is provided by the Manager under the terms of the Amended MSA. The Manager is a company controlled by the Exchangeable Unitholders. Under the Amended 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 Amended MSA, the greater of:

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

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

b) after the first five years of the initial term of the Amended 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 may pay the monthly fees to the Manager through the issuance of Exchangeable Units of the Partnership.

The Previous MSA also prescribed the conditions under which the Company purchased Franchise Agreements from the Manager and the formula for calculating the purchase price. The final purchase price for Franchise Agreements was based on, among other things, the average annual franchise fees earned over a specified one-year period, with 80% of the purchase price payable upon acquisition and the remaining balance to be paid at a later date, subject to adjustment.

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.

On January 3, 2019, in accordance with terms of the Amended MSA, the Manager transferred 47 Franchise Agreements under the Royal LePage and Via Capitale brands representing 495 REALTORS® as well as other agreements which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to the Franchise Agreements was $4.7 million and estimated annual revenue from those Franchise Agreements is $0.9 million. The fair value ascribed to the other agreements was $4.6 million. In 2019, the Company generated approximately $4.3 million in revenues under those transferred agreements.

As a result of the capitalization of these Franchise Agreements and other contracts, a portion of future payments for management fees under the Amended MSA will be allocated toward reducing the obligation and interest expense associated with the transfer of contracts and Franchise Agreements, with the remainder charged to the Company's statement of net and comprehensive earnings.

On January 1, 2018, the Company acquired 38 Franchise Agreements under the Royal LePage and Via Capitale Brands, representing a total of 563 REALTORS®, from the Manager for an estimated purchase price of $8.8 million. A payment of $7.1 million, approximating 80% of the estimated purchase price, plus applicable taxes was paid on January 3, 2018. The remainder was paid on December 23, 2018.

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 preparation of financial statements requires management to select appropriate accounting policies and to make judgments, 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 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 the Exchangeable Units and the interest rate swaps 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 and, where applicable, relevant forward looking information, as required. These estimates have been prepared in a manner consistent with prior periods, and management is not aware of any trends, commitments, events or uncertainties that will materially affect the methodology or assumptions utilized in these interim condensed consolidated financial statements. 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 management from quantifying the overall impact of these movements on the Company's interim condensed consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgments that have been made in applying the Company's accounting policies and that have the most significant impact on the amounts in the 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 judgment. 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.

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 exist on individual Franchise Agreements, other contracts or Trademarks. When reviewing indicators of impairment for Franchise Agreements, the Company considers certain factors including, franchise fees earned, term to maturity, historical REALTOR® count, collectability of receivables 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. When reviewing indicators of impairment for other contracts, the Company considers certain factors including, revenues earned under each contract, term to maturity, collectability of receivables, estimated future revenues to be earned and underlying market conditions. 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.

Accounting for Franchise Agreements

The critical judgment made in accounting for the acquisition of Franchise Agreements was determining whether the acquisition was considered the acquisition of assets or a business. In applying the guidance in IFRS 3, Business Combinations ("IFRS 3"), the Company evaluated whether the acquisition included both inputs and processes and whether the integration of acquired inputs and processes into current processes of the Company would meet the definition of a business. The Company evaluated the criteria included in IFRS 3 and determined that the acquisition of Franchise Agreements was an acquisition of assets as no processes were acquired in respect of the Franchise Agreements. In addition, the Company applied judgment with respect to the accounting for the purchase obligation in connection with the purchase of Franchise Agreements. The Company determined that the purchase obligation was an embedded derivative instrument in a non-financial host contract, whereby the value changes in response to changes in the estimated revenue expected to be earned under the Franchise Agreement and the actual revenue earned during the determination period. The Company recorded any change in the fair value of this financial liability in the consolidated statement of net and comprehensive earnings.

Financial Instruments

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

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 was party to two interest rate swap agreements during the Year. One agreement swapped the variable interest obligation on $53.0 million of the Term Facility to a fixed rate obligation of 3.64% through October 2019. The second agreement swaps the variable interest rate obligation on the $55.0 million Term Facility to a fixed rate obligation of 3.94% for the period from November 2019 through December 31, 2023. The Company's Term Facility matures 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, 2019, the Company has drawn $18.5 million on the Acquisition Facility, and nil on the Operating Facility.

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, 2019. 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, 2019. 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 5, 2020 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 BBP 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 residential 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.

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 "accelerating", "affecting", "appears", "attract", "are", "believes", "benefiting", "can", "continue(s)", "continued", "consist", "could", "crest", "declines", "demand", "dampen", "derives", "does", "estimated", "estimates", "exceed", "expected", "exposed", "forecast(s)", "further", "future", "gains", "generally", "generates", "grow", "growing", "growth", "has", "impacting", "increase(s)", "increasing", "is", "keep", "leading", "limiting", "makes", "may", momentum", "needs", "objective(s)", "on", "ongoing", "operates", "outlook", "outperforming", "potential", "project", "provide(s)", "provided", "purchases", "receives", "recovering", "re-emerged", "remain", "reflects", "remain", "represents", "repricing", "resilient", "retain", "seeks", "servicing", "should", "showing", "slowdown", "slowed", "stands", "strives", "suggests", "support", "typically", "uncertainty", "underpinning", "wider", "will" 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: a change in general economic conditions (including interest rates, consumer confidence, commodity prices, real estate legislation and regulations and other general economic factors or indicators), the level of residential real estate transactions, the availability of attractive investment opportunities, the average rate of commissions charged, 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, availability to generate sufficient cash flows in the future to pay dividends to holders of Restricted Voting Shares and interest to Exchangeable Unitholders, ability to acquire, renew and/or extend Franchise Agreements, the ability to increase fees, the 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, the availability of equity and debt financing, conversion of Exchangeable Units into Restricted Voting Shares, a change in tax law 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, regulatory developments and the ability to obtain financing on acceptable terms. 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 forward-looking statements in this MD&A are made as of the date of this MD&A and 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.

Supplemental Information

DIVIDENDS DECLARED HISTORY

(per Restricted Voting Share*)

Month Declared	2019	2018	2017	2016	2015	2014
January	**$ 0.1125**	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1000	$ 0.1000
February	**$ 0.1125**	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1000	$ 0.1000
March	**$ 0.1125**	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1000	$ 0.1000
April	**$ 0.1125**	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1000	$ 0.1000
May	**$ 0.1125**	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1000	$ 0.1000
June	**$ 0.1125**	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1042	$ 0.1000
July	**$ 0.1125**	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1042	$ 0.1000
August	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1042	$ 0.1000
September	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1042	$ 0.1000
October	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1042	$ 0.1000
November	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1042	$ 0.1000
December	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1000
	$ 1.3500	$ 1.3500	$ 1.3206	$ 1.2996	$ 1.2335	$ 1.2000

* 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, 2019**	Sept. 30, 2019	June 30, 2019	Mar.31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar.31, 2018
Trading price range of units (TSX: "BRE")								
Close	**$ 14.72**	$ 14.72	$ 14.91	$ 16.91	$ 14.57	$ 16.75	$ 19.50	$ 17.40
High	**$ 15.38**	$ 14.92	$ 17.30	$ 17.13	$ 17.24	$ 19.95	$ 20.15	$ 18.25
Low	**$ 14.02**	$ 12.87	$ 14.91	$ 12.87	$ 12.36	$ 15.40	$ 16.67	$ 16.27
Average daily volume	**19,317**	15,546	11,880	17,245	14,161	17,095	10,548	13,445
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)	**$188,586**	$188,586	$ 191,020	$216,643	$186,664	$ 214,593	$249,825	$222,920

CANADIAN RESIDENTIAL REAL ESTATE MARKET

For Three months ended	**Dec. 31 2019**	Sept. 30 2019	June 30 2019	Mar. 31 2019	Dec. 31 2018	Sept. 30 2018	June 30 2018	Mar. 31 2018
Canada								
Transaction dollar volume[1]	**$ 57,324**	$ 66,821	$ 76,313	$ 44,414	$ 46,390	$ 58,183	$ 71,195	$ 48,272
Average selling price	**$ 500,938**	$ 494,268	$ 490,529	$ 470,307	$ 488,699	$ 488,875	$ 492,372	$ 489,959
Number of units sold	**109,381**	133,331	151,680	94,436	95,056	120,750	144,113	98,523
Number of REALTORS® at period end[2]	**133,242**	132,254	131,388	130,107	129,752	128,646	127,950	126,224
Housing starts	**49,954**	55,078	56,122	35,575	52,492	49,187	52,928	42,105
Greater Toronto Area								
Transaction dollar volume[1]	**$ 16,803**	$ 19,525	$ 23,074	$ 12,555	$ 13,716	$ 15,708	$ 18,958	$ 12,576
Average selling price	**$ 819,319**	$ 811,602	$ 810,661	$ 777,054	$ 787,300	$ 786,957	$ 789,893	$ 767,271
Number of units sold	**19,868**	24,007	27,772	16,178	17,395	20,109	23,531	16,391
Housing starts	**6,513**	8,651	7,907	7,391	11,029	9,427	8,949	11,702
Greater Vancouver Area								
Transaction dollar volume[1]	**$ 7,463**	$ 6,986	$ 6,640	$ 4,254	$ 4,900	$ 5,825	$ 8,634	$ 6,906
Average selling price	**$ 982,541**	$ 982,541	$ 990,857	$ 971,803	$1,048,435	$1,050,945	$1,062,498	$1,040,374
Number of units sold	**7,484**	7,203	6,617	4,377	4,722	5,703	7,988	6,638
Housing starts	**5,912**	6,506	9,951	5,772	5,348	5,494	5,698	6,864
Greater Montreal Area								
Transaction dollar volume[1]	**$ 4,963**	$ 4,385	$ 6,130	$ 4,806	$ 4,000	$ 3,747	$ 5,501	$ 4,406
Average selling price	**$ 408,401**	$ 402,934	$ 398,029	$ 387,165	$ 384,754	$ 380,962	$ 376,155	$ 369,475
Number of units sold	**11,828**	10,777	15,763	13,028	10,134	9,565	14,743	12,311
Housing starts	**5,997**	5,779	8,247	5,089	8,143	4,816	7,566	4,475

[1] (in millions Canadian dollars)
[2] CREA Membership data as of Dec 31, 2019 not available as of MDA date
Source: CREA, CMHC, TREB

For Twelve months ended	**Dec. 31 2019**	Sept. 30 2019	June 30 2019	Mar. 31 2019	Dec. 31 2018	Sept. 30 2018	June 30 2018	Mar. 31 2018
Canada								
Transaction dollar volume[1]	**$ 244,872**	$330,683	$ 225,300	$ 220,182	$ 224,040	$ 231,510	$ 232,625	$ 249,779
Average selling price	**$ 500,938**	$544,035	$ 487,746	$484,604	$ 488,700	$ 491,519	$490,700	$ 503,263
Number of units sold	**488,828**	607,834	461,922	454,355	458,442	471,009	474,068	496,319
Housing starts	**196,729**	254,345	193,376	190,182	196,712	199,538	205,837	203,578
Greater Toronto Area								
Transaction dollar volume[1]	**$ 71,957**	$ 97,753	$ 65,052	$ 60,936	$ 60,958	$ 61,864	$ 59,857	$ 66,499
Average selling price	**$ 819,319**	$893,873	$ 798,635	$ 789,196	$ 787,300	$ 780,392	$ 772,318	$ 796,341
Number of units sold	**87,825**	109,359	81,454	77,213	77,426	79,273	77,503	83,506
Housing starts	**30,462**	43,629	35,754	36,796	41,107	38,656	40,613	40,045
Greater Vancouver Area								
Transaction dollar volume[1]	**$ 25,342**	$ 29,765	$ 21,618	$ 23,612	$ 26,264	$ 29,746	$ 32,985	$ 37,249
Average selling price	**$ 986,796**	$ 988,138	$ 1,009,281	$1,036,064	$1,048,433	$ 1,051,011	$ 1,044,180	$1,046,443
Number of units sold	**25,681**	30,122	21,419	22,790	25,051	28,302	31,589	35,596
Housing starts	**28,141**	34,083	26,565	22,312	23,404	26,235	26,566	27,799
Greater Montreal Area								
Transaction dollar volume[1]	**$ 20,284**	$ 23,706	$ 18,683	$ 18,054	$ 17,653	$ 17,600	$ 17,173	$ 16,685
Average selling price	**$ 394,661**	$ 391,974	$ 385,286	$ 380,322	$ 377,584	$ 371,297	$ 368,182	$ 366,156
Number of units sold	**51,396**	60,479	48,490	47,470	46,753	47,400	46,643	45,568
Housing starts	**25,112**	33,037	26,295	25,614	25,000	25,827	26,992	24,528

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

DISTRIBUTABLE CASH FLOW AND ITS UTILIZATION

($ 000's)	**Year ended Dec. 31, 2019**	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014
Fixed franchise fees	**$ 29,285**	$ 28,326	$ 26,816	$ 25,844	$ 24,771	$ 23,256
Variable franchise fees	**10,638**	10,737	10,853	10,229	9,196	8,560
Other revenue	**4,426**	–	–	–	–	–
Premium franchise fees	**–**	2,964	6,569	6,363	5,892	5,576
Revenues	**$ 44,349**	$ 42,027	$ 44,238	$ 42,436	$ 39,859	$ 37,392
Less:						
Cost of other revenue	**524**	–	–	–	–	–
Administration expenses	**1,196**	1,259	816	1,058	1,286	1,626
Management fees	**15,478**	7,616	8,178	7,754	7,229	6,469
Interest Expense	**3,031**	2,686	2,532	2,606	2,428	3,419
Current income tax expense	**2,989**	5,183	5,280	4,893	4,469	3,657
Cash used for investing activities	**3,934**	10,849	10,119	9,366	18,121	5,985
Distributable Cash Flow	**$ 17,197**	$ 14,434	$ 17,313	$ 16,759	$ 6,326	$ 16,236
Less:						
Dividends to shareholders	**12,803**	12,803	12,485	12,325	11,619	11,305
Interest to Exchangeable Unitholders	**5,806**	5,806	5,750	5,710	5,434	5,856
Total distributions	**$ 18,609**	$ 18,609	$ 18,235	$ 18,035	$ 17,053	$ 17,161
Distributions payment rate[1]	**108%**	129%	105%	108%	270%	106%

[1] This represents the total distributions paid as a percentage of Distributable Cash Flow. A percenatage 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, 2019**	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014
Cash Flow from Operating activities	**$ 15,600**	$ 18,971	$ 21,060	$ 20,148	$ 20,433	$ 16,957
Add (deduct):						
Changes in non-cash working capital items	**(924)**	(229)	608	111	(1,045)	127
Interest on Exchangeable Units	**5,806**	5,806	5,750	5,710	5,434	5,856
Change in accrued income taxes	**698**	758	35	205	(332)	(456)
Change in accrued interest expense	**(49)**	(23)	(21)	(49)	(43)	(263)
Cash used in investing activities	**(3,934)**	(10,849)	(10,119)	(9,366)	(18,121)	(5,985)
Distributable Cash Flow	**$ 17,197**	$ 14,434	$ 17,313	$ 16,759	$ 6,326	$ 16,236

SELECTED OPERATING INFORMATION

As at	**Dec. 31, 2019**	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Number of REALTORS®	**19,111**	18,725	18,135	17,580	16,794	15,377
Number of locations	**678**	673	658	667	662	637
Number of franchise agreements	**301**	291	293	297	305	302

Management's Discussion and Analysis of Results and Financial Condition

Glossary of Terms

"Amended Management Services Agreement" or **"Amended 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.

"BBP" 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.

"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.

"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 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. The Company uses Distributable Cash Flow to assess its operating results and the value of its business and believes that many of its shareholders and analysts also find this measure useful. Distributable Cash Flow 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 BBP 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.

"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.

"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 BBP, 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.

"Previous Management Services Agreement" or **"Previous MSA"** means the third amended and restated management services agreement, made effective January 1, 2014 and expiring effective December 31, 2018 between the Company and the Manager, together with any amendments thereto, pursuant to which, among other things, the Manager provided management and administrative services to the Company, including management of the assets of the Company.

"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.

Management's Responsibility for the Financial Statements

The consolidated financial statements and management's discussion and analysis attached hereto are the responsibility of the management of Bridgemarq Real Estate Services Inc. ("Bridgemarq" and, together with its subsidiaries the "Company"). To fulfill this responsibility, the Company maintains a system of internal controls to ensure that its reporting practices and accounting and administrative procedures are appropriate and provide assurance that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect estimates based on management's best judgment in the circumstances. The financial information attached hereto is consistent with the information contained in the consolidated financial statements.

Deloitte LLP, the independent auditors appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their Independent Auditor's Report is set out on the following page.

The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors. The auditors have direct and full access to the Audit Committee and meet with the committee both with and without management present. The Board of Directors, directly and through its Audit Committee, oversees management's responsibilities and is responsible for reviewing and approving the consolidated financial statements.

TORONTO, CANADA, March 5, 2020

Philip Soper
President and Chief Executive Officer

Glen McMillan
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Bridemarq 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, 2019 and 2018, and the consolidated statements of net and 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, 2019 and 2018, 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.

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

- Management's Discussion and Analysis; and
- 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.

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.

Independent Auditor's Report

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 5, 2020

Consolidated Balance Sheets

(In thousands of Canadian dollars)	Note	December 31, 2019	December 31, 2018
Assets			
Current assets			
Cash		$ 5,202	$ 4,339
Accounts receivable	4,13	4,351	4,024
Current portion of notes receivable	5	208	101
Current income tax receivable	8	173	358
Prepaid expenses		211	207
Goods and Services tax receivable		–	264
		10,145	9,293
Non-current assets			
Notes receivable	5	103	119
Interest rate swap asset	9	–	119
Deferred income tax asset	8	6,718	6,611
Intangible assets	6,7	77,827	79,517
		$ 94,793	$ 95,659
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities	13	$ 1,210	$ 1,003
Contract transfer obligation	6,13	1,920	–
Interest payable to Exchangeable Unitholders	10,12	484	484
Dividends payable to shareholders	12	1,067	1,067
		4,681	2,554
Non-current liabilities			
Debt facilities	9	73,338	71,297
Contract transfer obligation	6,13	3,698	–
Interest rate swap liability	9	496	–
Exchangeable Units	10	48,983	48,484
		131,196	122,335
Shareholders' deficit			
Restricted voting shares	11	140,076	140,076
Deficit		(176,479)	(166,752)
		(36,403)	(26,676)
		$ 94,793	$ 95,659

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	2019	2018
Revenues			
Fixed franchise fees		$ 29,285	$ 28,326
Variable franchise fees		10,638	10,737
Other revenue		4,426	–
Premium franchise fees		–	2,964
		44,349	42,027
Expenses			
Cost of other revenue		524	–
Administration expenses	4,13	1,196	1,259
Management fees	3,13	15,478	7,616
Interest expense	9	3,031	2,686
Impairment and write-off of intangible assets, net	7	682	696
Amortization of intangible assets	7	10,560	7,705
		31,471	19,962
Operating income		12,878	22,065
Interest on Exchangeable Units	10,13	(5,806)	(5,806)
Gain (loss) on fair value of Exchangeable Units	10	(499)	6,489
Gain (loss) on interest rate swap	9	(615)	74
Loss on fair value of purchase obligation		–	(465)
Earnings before income tax		5,958	22,357
Current income tax expense		2,989	5,183
Deferred income tax recovery		(107)	(217)
Income tax expense	8	2,882	4,966
Net and comprehensive earnings		$ 3,076	$ 17,391
Basic earnings per share	12	$ 0.32	$ 1.83
Weighted average number of shares outstanding used in computing basic loss per share		9,483,850	9,483,850
Diluted earnings per share	12	$ 0.32	$ 1.30
Weighted average number of shares outstanding used in computing diluted loss per share		12,811,517	12,811,517

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Deficit

(In thousands of Canadian dollars)	Common Equity	Deficit	Total Deficit
Balance, December 31, 2018	$ 140,076	$ (166,752)	$ (26,676)
Net earnings	–	3,076	3,076
Dividends paid	–	(12,803)	(12,803)
Balance, December 31, 2019	**$ 140,076**	**$ (176,479)**	**$ (36,403)**

(In thousands of Canadian dollars)	Common Equity	Deficit	Total Deficit
Balance, December 31, 2017	$ 140,076	$ (171,454)	$ (31,378)
Changes in accounting policy (Note 2)	–	114	114
Net earnings	–	17,391	17,391
Dividends paid	–	(12,803)	(12,803)
Balance, December 31, 2018	$ 140,076	$ (166,752)	$ (26,676)

See accompanying notes to the consolidated financial statements.

Bridgemarq Real Estate Services Inc.

Consolidated Statements of Cash Flows

Years ended December 31, (In thousands of Canadian dollars)	Note	2019	2018
Cash provided by (used for):			
Operating activities			
Net earnings for the year		$ 3,076	$ 17,391
Adjusted for			
Loss (gain) on fair value of Exchangeable Units	10	499	(6,489)
Loss (gain) on fair value of purchase obligation	6	–	465
Loss (gain) on interest rate swap	9,13	615	(74)
Interest expense	14	8,564	8,437
Interest paid		(8,515)	(8,414)
Interest income		(187)	(147)
Interest received		187	147
Current income tax expense	8	2,989	5,183
Income taxes paid		(3,687)	(5,941)
Deferred income tax recovery	8	(107)	(217)
Impairment and write-off of intangible assets	7	682	696
Amortization of intangible assets	7	10,560	7,705
Changes in non-cash working capital		924	229
		15,600	18,971
Investing activities			
Payment of contract transfer obligation	6	(3,678)	–
Purchase of intangible assets	6	–	(10,792)
Franchise agreement expenses	7	(256)	–
Interest expense on contract transfer obligation	6	375	–
Interest expense paid on contract transfer obligation	6	(375)	–
Interest expense on purchase obligation	6,13	–	110
Interest expense paid on purchase obligation	6,13	–	(102)
Contract acquisition costs		–	(65)
		(3,934)	(10,849)
Financing activities			
Borrowings under debt facilities	9	2,000	9,700
Financing Fees	9	–	(138)
Repayment under debt facilities	9	–	(4,000)
Dividends paid to shareholders	12	(12,803)	(12,803)
		(10,803)	(7,241)
Increase in cash during the year		863	881
Cash, beginning of the year		4,339	3,458
Cash, end of the year		$ 5,202	$ 4,339

See accompanying notes to the consolidated financial statements.

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 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" and each of them is a "Subsidiary"). The Partnership and VCLP (together the "Operating Subsidiaries") 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") and the remaining 25% interest in RIFGP through its ownership of 25 common shares in RIFGP. In addition to its ownership of the Exchangeable Units, BBP indirectly owns 315,000 restricted voting shares and one special voting share of Bridgemarq. 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 may be obtained upon the exchange of all the Exchangeable Units held by the holder and/or its affiliates.

The Company receives certain management, administrative and support services from Bridgemarq Real Estate Services Manager Ltd. (formerly known as Brookfield Real Estate Services Manager Ltd. or "BRESML", and together with its subsidiaries, the "Manager"), an indirect wholly owned subsidiary of BBP (see Note 13). The Company is party to an amended and restated Management Services Agreement (the "Amended MSA") with the Manager. The Amended MSA was entered into on November 7, 2018 and governs the relationship between the Manager and the Company. The Amended MSA was effective January 1, 2019 and has a term of ten-years expiring on December 31, 2028. On expiry, the Amended MSA automatically renews for an additional ten-year term unless the Company or the Manager provides notice of their intention to terminate no later than six months prior to expiry. Prior to entering into the Amended MSA, the Company was party to a previous version of the MSA (the "Previous MSA") which, among other things, governed the acquisition of Franchise Agreements by the Company.

During the year ended December 31, 2019, the Company derived approximately 90% (2018 – 100%) of its revenues from franchise fees it receives under the Franchise Agreements.

2. Significant Accounting Policies

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and have been authorized for issuance by the Board of Directors of the Company on March 5, 2020.

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

The Company's significant accounting policies are as follows:

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2019, the Company adopted IFRS 16, "Leases" which introduces changes to lease accounting whereby many of the leases previously accounted for as operating leases will now need to be accounted for as capital leases. IFRS 16 superseded IAS 17-Leases and related interpretations. Upon adoption of IFRS 16, the Company completed an assessment of the impact of adopting IFRS 16 and determined that no adjustments to the consolidated financial statements are required as a result of adopting IFRS 16.

Effective January 1, 2019, the Company adopted the amendment to IAS 23, "Borrowing Costs" which clarifies that if any asset-specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that asset-specific borrowing becomes part of that entity's general borrowings. The Company has completed its assessment of the impact on its consolidated financial statements and determined that there is no impact upon applying the amendments to IAS 23.

Effective January 1, 2019, the Company adopted the amendment to IAS 12, "Income Taxes" which clarifies that an entity must recognize all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognized the originating transaction or event that generated the distributable profits giving rise to the dividend. The Company has completed its assessment of the impact on its consolidated financial statements and determined that there is no impact upon applying the amendments to IAS 12.

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2019. There are currently no such pronouncements that are expected to have a significant impact on the Company's consolidated financial statements upon adoption.

ACCOUNTS RECEIVABLE

Accounts receivables 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 and other agreements transferred from the Manager ("Ancillary Agreements"), 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 life.

The Company acquired Franchise Agreements periodically based on the terms of the Previous MSA and recognized the purchase on the date of acquisition at cost. Under the terms of the Previous MSA, 80% of the estimated purchase price was payable to the Manager at the time of acquisition, and the remainder was deferred until after the final purchase price was determined. The deferred 20% of the estimated purchase price represented the outstanding purchase obligation liability. The purchase obligation liability was updated each reporting period to reflect revisions to the estimated cash flows expected to be earned for each Franchise Agreement during the specified twelve-month period. Subsequent changes to the value of the estimated purchase price and purchase obligation were considered an earn–out provision representing a derivative instrument and were recognized as a fair value change in the consolidated statements of net and comprehensive income in the period they arose.

Under the terms of the Amended MSA, the Company is no longer obligated to acquire Franchise Agreements from the Manager. Instead, the Company enters into Franchise Agreements directly with franchisees. The Franchise Agreements and Ancillary Agreements transferred to the Company on January 3, 2019 (see Note 6) were transferred under the terms of the Amended MSA at nominal cost to the Company. These Franchise Agreements and Ancillary Agreements were recognized at their fair value on the transfer date based on the net present value of estimated future cash flows of those Franchise Agreements and Ancillary Agreements. The contract transfer obligation associated with the transfer of those Franchise Agreements and Ancillary Contracts is a financial instrument that is classified as and measured at amortized cost and is not subject to adjustment based on any changes to estimated future cash flows of the underlying agreements.

The Company may incur franchise agreement expenses prior to or concurrent with entering into Franchise Agreements. These costs include 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. These costs 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. Where the franchise agreement expenses represent cash payments to franchisees, the amortization or charge is recorded as a reduction in revenues.

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 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 and underlying market conditions. When reviewing indicators for 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 (or cash-generating unit)

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 counter-parties 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.

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 income 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.

INCOME TAXES

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases and the carrying amounts of assets and liabilities, except to the extent that there was a temporary difference present on the initial recognition of an asset or liability outside of a business combination. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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.

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 trademark 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.

Premium franchise fees are variable in nature and were calculated as a percentage of a REALTOR®'s gross commission income (ranging from 1% to 5%) for a select number of franchise locations. The obligation for those locations to pay premium franchise fees expired in 2018. Premium franchise fees were recognized as revenue at the point in time when a residential real estate transaction was closed and finalized or a lease was 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 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 fees 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 sale transaction associated with the referral is closed which is when the control of the services are transferred to the customer.

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

The Company's revenues are affected by the seasonality of Canadian real estate markets, which typically see stronger transactional dollar volumes in the second and third quarters of each year. The impact of the seasonality of Canadian real estate markets is somewhat mitigated by the fixed-fee nature of the Company's franchise fees and the addition of Franchise Agreements during the 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 income in the period the change occurs. The fair value of these financial liabilities is based on the market price of the Company's restricted voting shares and the number of Exchangeable Units outstanding at the reporting 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
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
Interest rate swap liability	FVTPL	Fair Value
Exchangeable Units	FVTPL	Fair Value

The Company does not have any held-to-maturity investments or available-for sale financial assets.

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

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 earnings in the period in which they arise.

CRITICAL JUDGMENTS AND ESTIMATES

The preparation of financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities 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 future cash flows utilized in assessing the impairment and recovery of intangible assets, determining the useful life of intangible assets, assessing the recoverability of accounts receivable and notes receivable, measurement of deferred income taxes, and the measurement of the fair values of financial instruments. 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 that in the prior periods, and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in these consolidated financial statements. The estimates are impacted by, among other things, movements in interest rates, which are highly 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 judgments 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 judgment. 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 impairment should be recorded.

ACCOUNTING FOR FRANCHISE AGREEMENTS

The critical judgment made in accounting for the acquisition or transfer of Franchise Agreements is determining whether the acquisition is considered the acquisition of assets or a business. In applying the guidance in IFRS 3, Business Combinations ("IFRS 3"), the Company must evaluate whether the acquisition or transfer includes both inputs and processes and, as well, whether the integration of acquired inputs and processes into current processes of the Company would meet the definition of a business. The Company evaluated the criteria included in IFRS 3 and determined that the acquisition and transfer of Franchise Agreements is an acquisition or transfer of assets as no "processes" are acquired in respect of the Franchise Agreements. In addition, the Company applied judgment with respect to the accounting for the earn-out provisions as set out in the Previous MSA, in connection with the purchase of Franchise Agreements. The Company has determined that the purchase obligation is an embedded derivative instrument in a non-financial host contract, whereby the value changes in response to an underlying contract, which is the actual earned franchise revenues.

IMPAIRMENT OF INTANGIBLE ASSETS AND RECOVERY OF IMPAIRMENT

Under IAS 36, Impairment of Assets, the Company ensures that intangible assets and the related direct acquisition costs are not carried at more than their recoverable amount. The Company regularly reviews intangible assets to determine whether indicators of impairment or a reversal of impairment exists on individual Franchise Agreements, Ancillary Agreements and Trademarks. Determining whether the value of a intangible assets, is impaired or has increased requires considerable judgment. When reviewing indicators for impairment or recovery of previously impaired Franchise Agreements, the Company considers certain factors including, financial performance of the business, franchise fees earned, term to maturity, historical agent count, collectability of receivables and underlying market conditions.

FUTURE CHANGES IN ACCOUNTING STANDARDS

IFRS 3, BUSINESS COMBINATIONS

An amendment to IFRS 3, Business Combinations ("IFRS 3"), effective for annual periods beginning on or after January 1, 2020 clarifies the definition of a business and provides guidance in determining whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and provides additional supplementary guidance. The Company has completed its assessment of the impact on its consolidated financial statements and determined no material impact upon applying the amendment to IFRS 3.

IAS 1, PRESENTATION OF FINANCIAL STATEMENTS

An amendment to IAS 1, Presentation of Financial Statements ("IAS 1"), effective for annual periods beginning on or after January 1, 2020 clarifies the definition of "material" to align the definition used in the Conceptual Framework developed by the IASB and with all other accounting standards. Under the amendment, information is defined as "material" if, "omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The Company has completed its assessment of the impact on its consolidated financial statements and determined no material impact upon applying the amendment to IAS 1.

3. Management Services Agreement

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

Under the terms of the Amended MSA, effective January 1, 2019, 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 Amended 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 Amended MSA, and b) the greater of i) 25% of the distributable cash (as defined in the Amended 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. In addition, under the terms of the Amended MSA, the Company will no longer pay the Manager to acquire Franchise Agreements, but rather, will enter into Franchise Agreements directly (see Note 6 and Note 7).

The Previous MSA prescribed the conditions under which the Company purchased Franchise Agreements from the Manager and the formula for calculating the purchase price. The purchase price for existing brands was based on the average annual franchise fees earned over a twelve-month period, with 80% of the estimated purchase price payable upon acquisition and the remaining balance to be paid at a later date, subject to adjustment, if any, for the actual franchise fees earned over a twelve-month period.

Under the Previous MSA, the monthly fee payable to the Manager was equal to 20% of the distributable cash (as defined in the Previous MSA) of the Company.

For the year ended December 31, 2019, the Company incurred management fees of $19,528 (2018 – $7,616) for these services, $15,478 of which were charged to the consolidated statements of net and comprehensive earnings (2018 – $7,616) and $4,050 were used to reduce the contract transfer obligation owing to the Manager plus related interest (2018 – nil). Under the Amended MSA, the Company did not make any payments to the Manager to purchase intangible assets (2018 – $10,792 under the Previous MSA).

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. Accounts receivable are valued initially at fair value, then subsequently measured at amortized cost less any provision for doubtful accounts. As at December 31, 2019, the Company had accounts receivable of $4,351 (December 31, 2018 – $4,024) net of an allowance for doubtful accounts of $749 (December 31, 2018 – $472). During the year ended December 31, 2019, administration expenses included $441 of bad debt expense (2018 – $111).

Management analyses accounts receivable to determine the allowance for doubtful accounts by assessing the collectability of receivables owing from each individual franchisee. This assessment takes into consideration certain factors including the aging of outstanding fees, 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, 2019 and 2018.

As at December 31,	**2019**	2018
Current	**$ 3,459**	$ 2,917
30 Days	**683**	666
60 Days	**323**	201
90+ Days	**635**	712
Subtotal	**$ 5,100**	$ 4,496
Allowance for Doubtful Accounts	**(749)**	(472)
Accounts Receivable	**$ 4,351**	$ 4,024

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

5. Notes Receivable

The Company has certain franchisees with which it has entered into a signed formalized payment plan in respect of franchise fees due to the Company which were in arrears. Amounts under these payment plans which are due greater than one year from the financial statement date have been classified as non-current. The terms stipulated in the payment plan require the franchisees to repay the total outstanding balance in monthly payments plus interest based on a spread above the prime interest rate. As at December 31, 2019, the Company had notes receivable of $311 (December 31, 2018 – $220), of which $208 was due within 12 months (December 31, 2018 – $101) and $103 was considered non-current (December 31, 2018 – $119).

Scheduled contractual receipts under the terms of the notes receivable are as follows:

As at December 31,	**2019**	2018
Current portion	**$ 208**	$ 101
Receivable in 13-24 months	**28**	29
Receivable thereafter	**75**	90
Notes Receivable	**$ 311**	$ 220

6. Franchise Agreements

Under the terms of the Amended MSA, the Company is no longer obligated to acquire Franchise Agreements from the Manager, but rather, enters into Franchise Agreements directly with franchisees.

In accordance with terms of the Amended MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements under the Royal LePage and Via Capitale brands as well as the Ancillary Agreements, which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to the Franchise Agreements was $4,706 with the fair value for these agreements determined using the prescribed formula under the Previous MSA. The fair value ascribed to the Ancillary Agreements was $4,590 with the fair value for these agreements determined using a discounted cash flow model. These fair values have been included in intangible assets (see note 7). A portion of

management fees payable under the Amended MSA has been allocated to reduce the contract transfer obligation associated with these transferred agreements. For the year ended December 31, 2019, $3,678 of payments for management fees paid under the Amended MSA were allocated to reduce the contract transfer obligation (2018 – nil) with a further $375 allocated to interest on the contract transfer obligation (2018 – nil). The contract transfer obligation bears interest at variable rates.

On January 1, 2018, the Company acquired 38 Franchise Agreements under the Royal LePage and Via Capitale brands from the Manager for an estimated purchase price of $8,830. A payment of $7,064 (approximating 80% of the estimated purchase price) plus applicable taxes was paid on January 3, 2018. The remainder was paid on December 24, 2018.

7. Intangible Assets

For the year ended December 31, 2019, the Company identified seven Franchise Agreements with a carrying amount in excess of their recoverable amount (2018 – six). For the year ended December 31, 2019, the Company recognized an impairment charge of $527 related to those Franchise Agreements (2018 – $794).

In 2018, there was one Franchise Agreement, previously identified as being impaired, where the conditions causing such impairment had become more favourable such that a portion of the impairment charges recorded in prior periods could be reversed. For the year ended December 31, 2018, the Company recognized a reversal of previously recorded impairment charges of $125 to increase the carrying value of the intangible asset to its revised recoverable amount.

For the year ended December 31, 2019, the Company identified two Franchise Agreements that were subject to early termination or non-renewal (2018 – two). For the year ended December 31, 2019, the Company recognized a write-off of $155 related to those Franchise Agreements (2018 – $27).

For the year ended December 31, 2019, the Company recorded the amortization of intangible assets of $10,713 (2018 – $7,705), of which $153 was recorded as a reduction in revenues (2018 – nil).

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

	Franchise Agreements & Ancillary Agreements	Trademarks	Total
Cost			
At December 31, 2018	$ 237,387	$ 5,427	$ 242,814
Additions	9,296	–	9,296
Franchise agreement expenses	256	–	256
Impairment	(527)	–	(527)
Amounts written-off	(181)	–	(181)
At December 31, 2019	**$ 246,231**	**$ 5,427**	**$ 251,658**
Accumulated amortization			
At December 31, 2018	$ (160,462)	$ (2,835)	$ (163,297)
Amortization expense	(10,376)	(184)	(10,560)
Amounts written-off	26	–	26
At December 31, 2019	**$ (170,812)**	**$ (3,019)**	**$ (173,831)**
Carrying value			
At December 31, 2018	$ 76,925	$ 2,592	$ 79,517
At December 31, 2019	**$ 75,419**	**$ 2,408**	**$ 77,827**

In January 2019, the Manager transferred 47 Franchise Agreements as well as the Ancillary Agreements which give the Company the right to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to these agreements was $9,296 which has been recorded as an addition to intangible assets. The contract transfer obligation associated with the transferred agreements will be repaid as described in Note 6.

8. 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,	**2019**	2018
Earnings before income tax for the year:	**$ 5,958**	$ 22,357
Expected income tax expense at statutory rate of 26.5% (2018 – 26.5%)	**1,579**	5,925
Increase (decrease) in income tax expense due to the following:		
Non-deductible amortization	**503**	558
Non-deductible loss (gain) on fair value of Exchangeable Units	**132**	(1,720)
Non-deductible interest on Exchangeable Units	**1,539**	1,539
Non-deductible impairment and write-off of intangible assets, net	**9**	15
Income allocated to Exchangeable Unitholders	**(876)**	(1,479)
Recognition of deferred tax assets and other	**(4)**	128
Total income tax expense	**$ 2,882**	$ 4,966

The major components of income tax expense include the following:

Years ended December 31,	**2019**	2018
Current income tax expense	**$ 2,989**	$ 5,183
Deferred income tax recovery	**(107)**	(217)
Total income tax expense	**$ 2,882**	$ 4,966

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

	Intangible Assets	Contract transfer obligation	Other	Total
Deferred income tax assets:				
At December 31, 2018	$ 6,642	$ -	$ (31)	$ 6,611
Transfer of contracts on January 3, 2019	(2,463)	2,463	–	–
Deferred income tax recovery (expense)	920	(975)	163	107
At December 31, 2019	**$ 5,099**	**$ 1,488**	**$ 132**	**$ 6,718**

	Intangible Assets	Other	Total
Deferred income tax assets:			
At December 31, 2017	$ 6,447	$ (12)	$ 6,435
Deferred income tax recovery (expense)	236	(19)	217
Changes in accounting policy (Note 2)	(41)	–	(41)
At December 31, 2018	$ 6,642	$ (31)	$ 6,611

9. Debt Facilities

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

As at December 31,	2019	2018
Term facility	$ 55,000	$ 53,000
Acquisition facility	18,500	18,500
	$ 73,500	$ 71,500
Financing fees	(162)	(203)
Debt facilities	$ 73,338	$ 71,297

The Company has $80,000 in financing available under a borrowing agreement with a Canadian Chartered Bank. The debt facilities under this agreement are comprised of the following, which mature on December 31, 2023 ("Maturity"):

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.

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, 2019.

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 certain 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 (5.0 to 1 prior to January 1, 2019) and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4.0 to 1 (2.5 to 1 prior to January 1, 2019). 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 operating income before impairment and amortization of intangible assets and interest expense. Senior Indebtedness is defined as borrowings on the Company's debt facilities. At December 31, 2019 and December 31, 2018, the Company complied with all covenants under the debt facilities.

In October, 2014, the Company entered into a five-year interest rate swap agreement to swap the variable interest obligation on $53,000 of the Term Facility to a fixed rate obligation of 3.64% through October 2019. In March of 2019, the Company entered into an additional 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% for the period from November 2019 through December 31, 2023. The interest rate swaps are financial instruments and are disclosed at their fair value with any change in their 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, 2019, the Company determined that the fair value of the interest rate swaps represents a liability of $496 (December 31, 2018 – an asset of $119). For the year ended December 31, 2019, the Company recognized a fair value loss of $615 (2018 – a gain of $74).

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, 2019, the Company used the closing market price of Bridgemarq's shares of $14.72 (December 31, 2018 – $14.57). During the year ended December 31, 2019, the Company recorded a loss of $499 related to the fair value of the Exchangeable Units (2018 – a gain of $6,489).

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, 2019 the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of $5,806 (2018 – $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.

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.

No additional restricted voting shares were issued during the year ended December 31, 2019 or the year ended December 31, 2018.

No preferred shares were issued or outstanding as at December 31, 2019 or December 31, 2018.

The following table summarizes the outstanding shares of Bridgemarq:

As at December 31,	**2019**	2018
Restricted voting shares	**9,483,850**	9,483,850
Special voting share	**1**	1

12. Earnings Per Share

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

Years ended December 31, (In thousands of Canadian dollars, except share and per share amounts)	2019	2018
Net earnings available to restricted voting shareholders – basic	$ 3,706	$ 17,391
Interest on Exchangeable Units	5,806	5,806
Loss (gain) on fair value of Exchangeable Units	499	(6,489)
Net earnings available to restricted voting shareholders – diluted	$ 9,381	$ 16,708
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	$ 0.32	$ 1.83
Diluted earnings per share	$ 0.32	$ 1.30
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 year ended December 31, 2019 and 2018. These transactions have been recorded at the exchange amount as agreed between the parties.

Year ended December 31,	2019	2018
a) Revenues		
Fixed franchise fees	$ 2,764	$ 2,909
Variable franchise fees	$ 923	$ 983
Other revenue	$ 113	$ –
Premium franchise fees	$ –	$ 2,832
b) Expenses		
Management fees	$ 15,478	$ 7,616
Insurance premiums and other	$ 20	$ 22
Interest on contract transfer obligation	$ 376	$ –
Interest on purchase obligation	$ –	$ 110
c) Interest		
Interest to Exchangeable Unitholders	$ 5,806	$ 5,806

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

As at	December 31, 2019	December 31, 2018
d) Accounts receivable		
Franchise fees receivable	$ 305	$ 318
e) Accounts payable and accrued liabilities		
Management fees	$ 763	$ 522
Interest on contract transfer obligation	$ 24	$ –
Interest on purchase obligation	$ –	$ 26
f) Interest payable to Exchangeable Unitholders	$ 484	$ 484
g) Contract transfer obligation	$ 5,618	$ –

On January 3, 2019, the Manager transferred 47 Franchise Agreements as well as the Ancillary Agreements which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to these agreements was $9,296. A portion of management fees payable under the Amended MSA will be allocated to the repayment of the contract transfer obligation associated with these transferred agreements.

The members of the Company's board of directors are compensated for their services. During the year ended December 31, 2019, the Company incurred $199 in directors' fees (2018 – $419). In 2018, the Company capitalized $20 of directors' fees representing fees paid to certain directors for their participation on a special committee of the Board established to evaluate the Company's options with respect to the renewal of the Previous MSA. Those directors' fees not capitalized are included in administration expenses.

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 an impairment should be recorded.

As at December 31, 2019, the Company has an allowance for doubtful accounts of $749 (December 31, 2018 – $472).

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. Also, the Company has a $20,000 Acquisition Facility, of which $18,500 has been drawn, and a $5,000 undrawn Operating Facility (see Note 9).

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

As at December 31,	2020	2021	2022	2023	Beyond 2023	Total
Accounts payable and accrued liabilities	$ 1,210	$ –	$ –	$ –	$ –	$ 1,210
Current contract transfer obligation	1,920	–	–	–	–	1,920
Interest payable to Exchangeable Unitholders	484	–	–	–	–	484
Dividends payable to shareholders	1,067	–	–	–	–	1,067
Interest on long-term debt	2,896	2,896	2,896	2,896	–	14,480
Interest on contract transfer obligation	223	171	142	114	258	908
Long term contract transfer obligation	–	548	572	340	2,238	3,698
Interest rate swap liability	–	–	–	496	–	496
Debt facilities	–	–	–	73,500	–	73,500
Exchangeable Units	–	–	–	–	48,983	48,983
Total	$ 7,800	$ 3,615	$ 3,610	$ 77,346	$ 51,479	$ 143,850

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.

As described in Note 9, the Company has entered into a five-year interest rate swap to fix the interest on $55,000 of the Company's 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 $185.

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 the Company's outstanding borrowings of $73,500 approximate their carrying value of $73,338 and the fair value of the Company's outstanding contract transfer obligation approximates the carrying value of $5,618 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 as at December 31, 2019 and December 31, 2018, classified using the fair value hierarchy:

As at December 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities:				
Exchangeable Units	48,983	–	–	48,983
Interest rate swap liability	–	496	–	496
Total	**$ 48,983**	**$ 496**	**$ –**	**$ 49,479**

As at December 31, 2018	Level 1	Level 2	Level 3	Total
Financial asset:				
Interest rate swap asset	–	119	–	119
Total	**$ –**	**$ 119**	**$ –**	**$ 119**
Financial liability:				
Exchangeable Units	48,484	–	–	48,484
Total	$ 48,484	$ –	$ –	$ 48,484

See Note 10 for disclosures related to Level 1 fair values and Note 9 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.

Senior Indebtedness is defined as borrowings under the Company's debt facilities, as disclosed in Note 9. As at December 31, 2019 and December 31, 2018. The Company is compliant with all financial covenants. There were no changes in the Company's approach to capital management during the period.

16. Segmented Information

The Company has only one business segment which is providing information and services to REALTORS® and real estate brokers 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, 2019, 93% (2018 – 96%) are generated from services provided under the Royal LePage and Johnston and Daniel brands and 7% (2018 – 4%) are generated from the services provided under the Via Capitale brand.

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