2020
ANNUAL REPORT

Profile

Bridgemarq Real Estate Services Inc. ("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 65 per cent of the Company's franchise fees in 2020 were 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, 2020, the Company network consisted of 19,046 REALTORS®. The Company network has a 16% share of the Canadian residential real estate market based on 2020 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.

Company Operations

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 over 600 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.

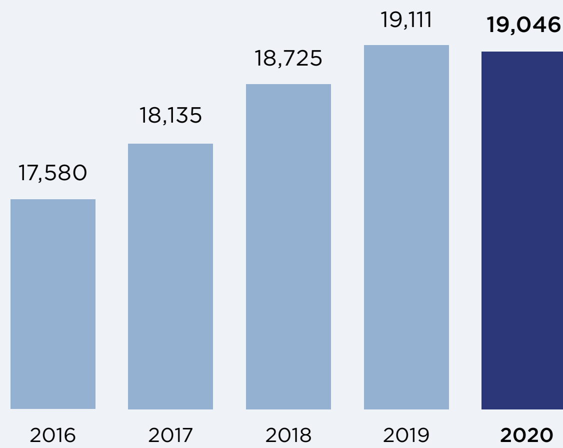
Johnston & Daniel

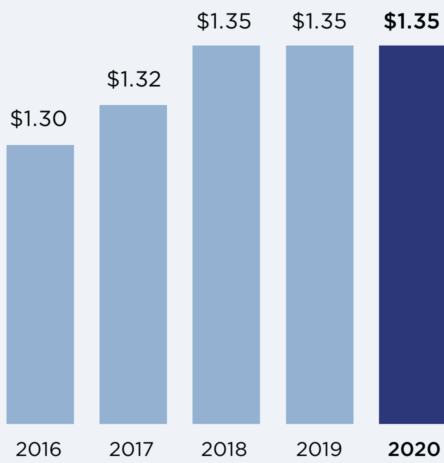
Founded in 1950, Johnston & Daniel is a leading residential real estate boutique firm with approximately 200 real estate professionals selling distinctive homes in southern Ontario. Johnston & Daniel operates as a division of Royal LePage and maintains its market leadership through a combination of rich training and development opportunities, strategic partnerships, in-house marketing services and powerful brand awareness.

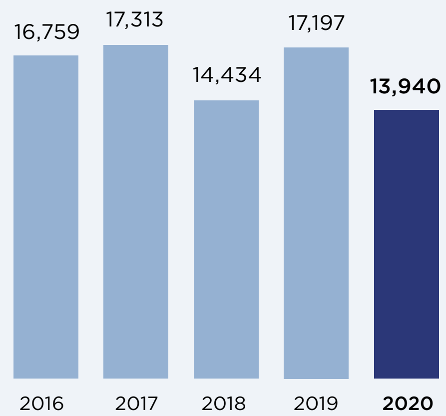
Via Capitale

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 900 brokers and agents in 56 locations across the province. It has launched numerous innovative, client focused programs into the Quebec market through specialized web platforms, and has been developing real estate insurance 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







"Distributable Cash Flow is a non-GAAP measure and does not have any standardized meaning under IFRS. Distributable Cash Flow is defined and discussed in Management's Discussion and Analysis of Results and Financial Condition which starts on page 7."

Letter to Shareholders

Reflecting on 2020, stating that it was the most unusual period in the history of our industry sums it up well. The year began strongly, yet before the close of the first quarter, sales volumes plummeted in the wake of the pandemic-induced shuttering of our economy. The decline in revenue was so deep and immediate that our forecast of a second half recovery did nothing to alleviate the fear and uncertainty felt by our people in the field. The Company responded with the Pandemic Fee Relief Plan, a move that brought immediate relief to thousands of the Company's agents from coast-to-coast. And then came what I tagged the 'Covid-catalyst;' an unprecedented surge in housing demand as people sought to improve their shelter-at-home living conditions.

I am exceptionally proud of our network of brokers and real estate professionals for the service they provided Canadians during the darkest days of the pandemic and the subsequent workload crush they endured in the months of recovery that followed. Supporting their success were the talented innovators and problem solvers that steered the ship through this strangest of years.

THE CANADIAN REAL ESTATE MARKET

In March 2020, when businesses across the country ceased normal operations and sent people home to help slow the spread of COVID-19, it would have been difficult to foresee that by December, the Canadian real estate market would have outperformed the previous year. To understand how this transpired, it helps to look at market conditions leading into the pandemic.

Implemented in January 2018 as a measure to protect consumers in the advent of a material increase in interest rates, federal guideline B-20 required borrowers to demonstrate that they could still afford mortgage loans at two additional percentage points above the retail mortgage rate they were going to pay. The legislation triggered a market correction that lasted through to the second half of 2019 as consumers stepped back to adjust to the stricter financing terms. Pent-up demand built and then began to translate into sharp rises in sales volumes as the calendar rolled over and the new decade began. And then the pandemic blindsided the industry. In major markets, sales volume fell by as much as two-thirds year-over-year. Nationwide, April 2020 volumes dropped 58% compared to 2019.

In retrospect, the recovery that began in late spring 2020 was just as remarkable. Encouraged by historically low borrowing rates and little to no competition, young buyers in particular entered the market in force. To many of these people, the pandemic created an urgent need to improve their living situation, as the family home had become their office, their child's classroom, their gym and their restaurant. By June, the market had recovered to the point where sales volumes were 13% higher than in the previous year.

With an unusually large number of first-time buyers, and many older homeowners reluctant to put their property on the market during a time when public health authorities advised against mixing with others, we saw another unprecedented phenomenon – a "hyper-sellers" market. There were so many more buyers than homes available for sale that multiple offer bidding spread from traditionally boisterous markets like Toronto, Montreal and Vancouver into smaller centres and recreational property regions across Canada. This imbalance has put significant upward pressure on home values; a situation that is not expected to moderate until the second half of 2021.

Letter to Shareholders

NETWORK

At the onset of the business disruption in March 2020, the Company moved quickly to set up remote operations. Hundreds of offices were closed with leadership and support staff working from home. Our agents continued to serve those in urgent need of housing under new 'WorkSafe' health and safety guidelines.

Our primary goal was to support and reassure the network; to let our frontline practitioners know that the Company was there for them. The concern was that a steep drop in agent income coupled with the stress of being in the field during the health crisis would trigger a company and industry exodus. The introduction of the Pandemic Fee Relief Plan, a temporary fee plan that replaced fixed fees with variable fees, provided alignment: if an agent wrote no business, they would pay no fees. If they did write business, the Company would share in the fees earned to a greater degree than normal. I am delighted to report that attrition was held to less than one half of a percent. As of December 31, 2020, there were 19,046 REALTORS®, operating under 289 franchise agreements providing services from 662 locations in the Company's network.

Coupled with financial support was a reengineered services structure that saw face-to-face operations, events, and training replaced with electronic communication and delivery, provided on a much more frequent basis. Monthly touch-points were moved to weekly; weekly to daily.

The Company received overwhelmingly positive feedback from the network and from the overall industry. As the largest Canadian real estate brokerage firm, we made a point of sharing ideas and approaches to dealing with the crisis with other firms and associations. In addition to protecting the network's strength in numbers, the measures generated goodwill that will benefit our brands for years to come.

PRODUCTS & SERVICES

In a stroke of good fortune, the Company's bold new digital operating platform, which had been in development since 2019, was ready to launch in the spring of 2020. rlpSPHERE is a cloud-based system that allows agents and brokerages to conduct operations from anywhere, at any time, on any device -- exceptionally timely given the business challenges presented by shelter-in-place restrictions. Features of the new platform include powerful, integrated websites, superior lead generation, compelling insight into prospects and an automated client nurturing system with an AI-powered CRM.

From the beginning of the pandemic, the Company created and adjusted offerings to allow our people to flourish despite restrictive operating conditions. A Crisis Management Team (CMT) met daily in the early weeks of the pandemic, directing resources to solve problems. By early summer, the CMT evolved into the OMT or Opportunity Management Team, designed to help the network capitalize on surging business volumes. Throughout the year, we collaborated with legal and industry experts to provide our franchisees with practical tools and guidance on topics as varied as implementing virtual open houses to benefiting from government support programs.

FINANCIAL PERFORMANCE

Under our Pandemic Fee Relief Plan, the sharp drop in industry revenue during the March to May timeframe resulted in full-year revenue of $40.3 million compared to $44.3 million in 2019. We believe this critical initiative, which resulted in a one-time reduction in revenues, helped the Company retain its salesforce through the uncertain and frightening early months of the crisis.

In May, the Company announced an agreement with Brookfield Business Partners L.P. and Bridgemarq Real Estate Services Manager Limited to defer the payment of a portion of management fees payable to the Manager and distributions on Exchangeable Units owned by Brookfield Business Partners. Payments deferred under this agreement amounted to $6.6 million and provided financial support for the Company to maintain its distributions to shareholders in 2020 at the same level as in 2019.

DIVIDENDS

On March 5, 2021, the Board of Directors of the Company approved a dividend to shareholders of $0.1125 per restricted voting share payable April 30, 2021 to shareholders of record on March 30, 2021. This dividend distribution represents a target annual dividend of $1.35 per restricted voting share, which is the same amount as in 2020.

LEADERSHIP

The Voice of Canadian Real Estate

The Company remains the industry leader in media relations Throughout the tumultuous ups and downs of the pandemic era, we sought to provide Canadian consumers with sound insight, analysis and reassurance. We were rewarded with a record number of media impressions, far surpassing all competitors.

The Company was honoured with several awards during 2020. I was again humbled to be recognized as Canada's leading residential real estate executive by the US-based Swanepoel consultancy, and was joined on the list of 200 international leaders by our Chief Operating Officer, Carolyn Cheng. The Canadian Public Relations Society recognized our research into the importance of immigration to the Canadian real estate industry, the Royal LePage Newcomer Survey with the Best Media Relations award.

GIVING BACK

Our professionals are passionate about making a difference in the communities where they live and work. Each year, Via Capitale sponsors La Grande Guignolee, a charity dedicated to supporting Quebec food banks. Since 2015, the brand has implemented successful initiatives to raise funds to support local families.

Since 1988, the Royal LePage national network has raised $35 million to help make Canadian communities safer. Never was the need greater than in 2020, with too many women and children trapped in unsafe homes. Fundraising was challenging without traditional galas and fund-raising events, yet the team found a way to raise over $2 million for the cause. The Royal LePage Shelter Foundation is the nation's largest foundation dedicated to ending domestic violence and supporting those who fall victim to it.

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

2020 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, 2020, has been prepared as at March 4, 2021. The three months ended December 31, 2020, shall be referred to in this MD&A as the "Quarter" and the year ended December 31, 2020, shall be referred to in this MD&A as the "Year". The comparative period of the three months ended December 31, 2019, shall be referred to in this MD&A as the "Prior Year Quarter" and the comparative annual period for the year ended December 31, 2019, 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 43.

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 document should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020, prepared in accordance with IFRS. Additional information relating to the Company, including its 2019 Annual Information Form, is available on SEDAR at www.sedar.com or on the Company's website at www.bridgemarq.com.

This MD&A makes reference to Distributable Cash Flow and Distributable Cash Flow per Share, which are non-GAAP measures and do 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.

Management's Discussion and Analysis of Results and Financial Condition

Highlights

The table below sets out selected historical information and other data for the Company, which should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2020.

- Net and comprehensive earnings for the Year were $0.8 million, or $0.08 per Restricted Voting Share, compared to $3.1 million or $0.32 per Restricted Voting Share, for the Prior Year.
- For the Quarter, the Company generated a net and comprehensive loss of $8.0 million compared to net and comprehensive earnings of $1.3 million in the Prior Year Quarter. The change over the Prior Year Quarter was driven by lower revenues and a loss on the fair valuation of the Company's Exchangeable Units of $6.6 million.
- Distributable Cash Flow for the Year was $13.9 million or $1.09 per Share, compared to Distributable Cash Flow of $17.2 million or $1.34 per share in the Prior Year. The decrease in Distributable Cash Flow was driven by lower revenues and higher management fee expenses, partly offset by lower administration expenses, lower income tax payments and lower cash payments related to the contract transfer obligation.
- For the Quarter, Distributable Cash Flow amounted to $1.9 million, compared to $4.0 million generated in the Prior Year Quarter driven by lower revenues under the Pandemic Fee Relief Plan and higher management fee expenses, partly offset by lower income tax payments and lower cash payments related to the contract transfer obligation.
- The board of directors of Bridgemarq (the "Board") declared a cash dividend of $0.1125 per Restricted Voting Share payable on April 30, 2021, to shareholders of record on March 31, 2021. This represents a targeted annual dividend of $1.35 per Restricted Voting Share.

(in 000's) except per Share amounts and number of REALTORS®	**Three months ended December 31, 2020**	Three months ended December 31, 2019	Three months ended December 31, 2018	**Year ended December 31, 2020**	Year ended December 31, 2019	Year ended December 31, 2018
Fixed franchise fees	**$ 1,191**	$ 7,303	$ 7,146	**$ 11,247**	$ 29,285	$ 28,326
Variable franchise fees	**4,776**	2,183	1,799	**23,900**	10,638	10,737
Other revenue	**1,119**	1,182	–	**5,192**	4,426	–
Premium franchise fees	–	–	–	**–**	–	2,964
Revenues	**7,086**	10,668	8,945	**40,339**	44,349	42,027
Cost of other revenue	**(235)**	(107)	–	**(716)**	(524)	–
Administration (expenses) recovery	**171**	(429)	(543)	**(608)**	(1,196)	(1,259)
Management fees	**(4,185)**	(3,730)	(1,547)	**(16,875)**	(15,478)	(7,616)
Interest expense	**(758)**	(761)	(666)	**(3,001)**	(3,031)	(2,686)
Current income tax expense	**(82)**	(675)	(1,045)	**(2,090)**	(2,989)	(5,183)
Cash used in investing activities	**(84)**	(944)	(2,053)	**(3,109)**	(3,934)	(10,849)
Distributable Cash Flow	**$ 1,913**	$ 4,022	$ 3,091	**$ 13,940**	$ 17,197	$ 14,434
Dividends	**$ 3,201**	$ 3,201	$ 3,201	**$ 12,803**	$ 12,803	$ 12,803
Interest on Exchangeable Units	**$ 1,451**	$ 1,451	$ 1,452	**$ 5,806**	$ 5,806	$ 5,806
Net and comprehensive earnings (loss)	**$ (7,977)**	$ 1,293	$ 8,875	**$ 767**	$ 3,076	$ 17,391
Number of REALTORS®	**19,046**	19,111	18,725	**19,046**	19,111	18,725
Net and comprehensive earnings (loss) per Share	**$ (0.84)**	$ 0.14	$ 0.24	**$ 0.08**	$ 0.32	$ 1.30
Dividends per Restricted Voting Share	**$ 0.34**	$ 0.34	$ 0.34	**$ 1.35**	$ 1.35	$ 1.35
Interest on Exchangeable Units per Exchangeable Unit	**$ 0.44**	$ 0.44	$ 0.44	**$ 1.74**	$ 1.74	$ 1.74
Distributable Cash Flow				**$ 13,940**	$ 17,197	$ 14,434
Distributable Cash Flow per Share				**$ 1.09**	$ 1.34	$ 1.13

Management's Discussion and Analysis of Results and Financial Condition

In March 2020, the World Health Organization declared a global pandemic caused by the outbreak of the novel coronavirus, specifically identified as "COVID-19". The outbreak has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine and social distancing, have caused material disruption to the Company's business and has resulted in a global economic slowdown. The duration and impact of the COVID-19 outbreak as well as the impact of government actions to control the spread of the disease and the economic impacts are difficult to estimate.

Many of our Franchisees were temporarily shut down or operated on a reduced basis beginning in late March. In Quebec, our Franchisees were initially forced to shut down for a period of time in March and April as the real estate brokerage business was deemed a non-essential service in that province. The impact of government mandated restrictions designed to limit human contact contributed to a significant drop in the business of our Franchisees through the second quarter of the Year. While real estate markets did recover during the last half of the Year to the point where many markets in Canada experienced improved monthly results from June-December compared to the Prior Year, the Company's revenues and operating results for the full year of 2020 were lower than the results for 2019.

The Company and the Manager are committed to the health and safety of all staff and the success of the Company's network of brokerages and REALTORS®. The Manager and the Company responded quickly to government mandated social distancing by having substantially all employees work from home after March 13, 2020, supporting enhanced technology solutions to minimize social contact (such as virtual open houses) and providing enhanced education and communication programs to support REALTORS®.

In response to the impact of COVID-19 on our Franchisees, the Company introduced the Pandemic Fee Relief Plan (the "Relief Plan") which was implemented to provide the support that was necessary to preserve our network and the presence of our Brands at a time when we believed the business revenues of our Franchisees could drop to unprecedented levels in a short period of time. The Relief Plan is further discussed under Business Strategy.

Management continues to closely evaluate the impact of COVID-19 on the Company's business. It is not possible to estimate the length and severity of these developments and the impact on the future financial results of the Company, despite the fact vaccinations have recently been approved in many countries and are being administered in Canada. While real estate markets in Canada showed very strong results since June of 2020, the effects of any prolonged decreases in future operating cash flows as a result of the pandemic could result in the Company recording additional impairment charges in future periods on the Company's intangible assets and increased provisions for uncollectible accounts receivable.

During the Year, the Company entered into an agreement with the Manager and Brookfield under which the Company deferred a portion of payments of the monthly management fee payable to the Manager under the MSA and two payments of interest on the Exchangeable Units to Brookfield for the period from April, 2020 to December, 2020. Amounts deferred under this agreement are non-interest bearing and are due sixty months after the date of the deferral. Amounts owing under the agreement can be repaid in cash or through the issuance of Exchangeable Units, at the option of the Company. During the Year, the Company deferred payments to the Manager of $5.6 million related to management fees and payment of interest on Exchangeable Units of $1.0 million. The Company recorded a gain of $1.2 million on the deferral of these payments.

Organization

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

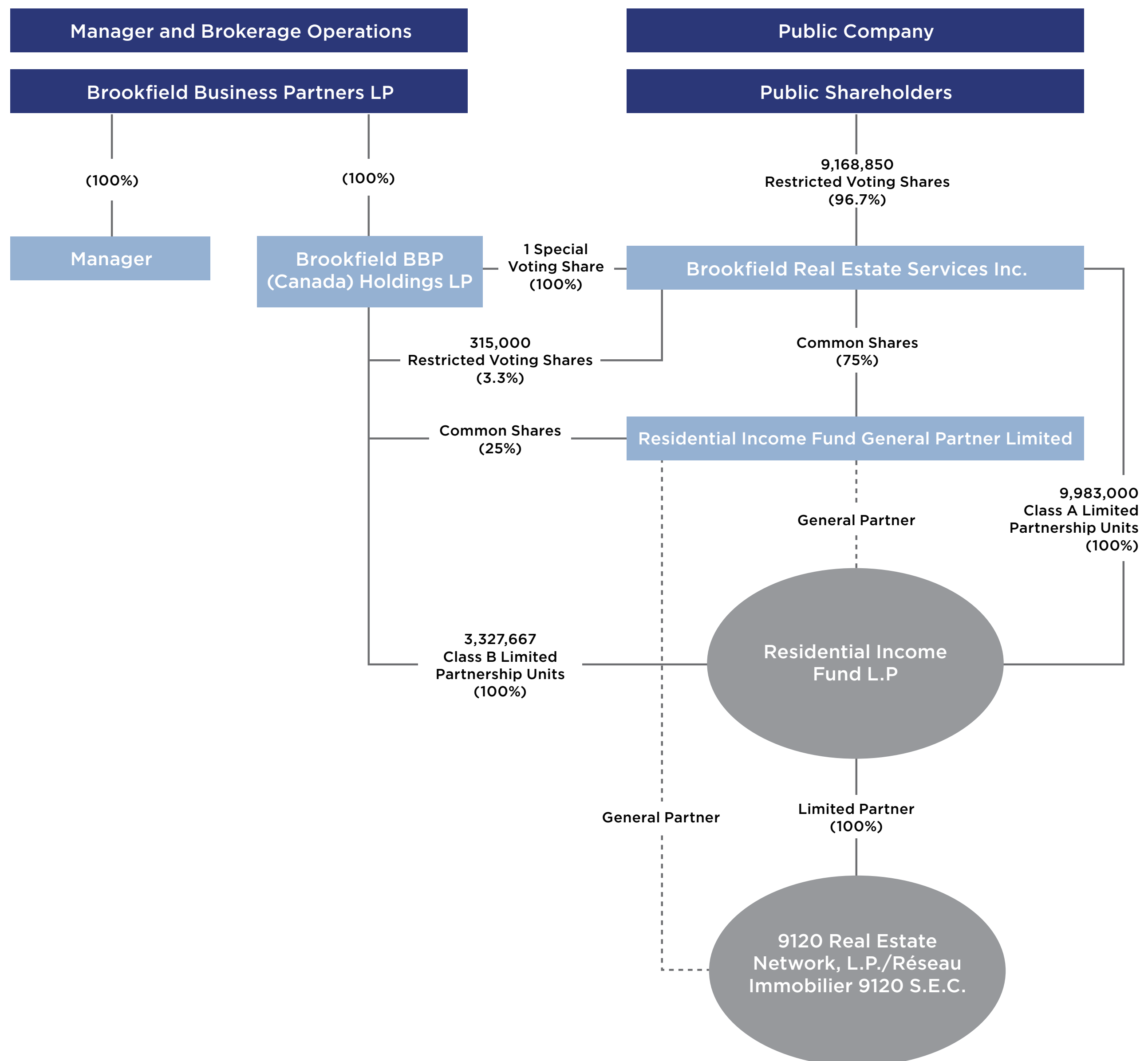
Bridgemarq directly owns a 75% interest in the Partnership which, in turn, owns VCLP. In addition, Bridgemarq directly owns a 75% interest in the General Partner. The Partnership and VCLP own and operate the assets from which Bridgemarq derives its revenue.

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

Management's Discussion and Analysis of Results and Financial Condition

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 have historically been weighted toward fees that are fixed in nature. The Company believes that this has proven to be effective in moderating the variations in overall industry activity that can occur in the Canadian residential real estate market ("Canadian Market"). In response to the measures taken by governments across Canada to combat the spread of COVID-19, the Company announced the Relief Plan to its Franchisees. This temporary, fee plan was designed to provide financial support to the Company's Franchisees at a time when real estate markets were expected to reach unprecedented low levels. The Relief Plan for those Royal LePage Franchisees operating in Quebec consisted of a rebate equal to the monthly fixed franchise fee, or $128 per REALTOR®, for each of March, 2020 and April, 2020. The Relief Plan for Via Capitale Franchisees consisted of a rebate equal to $150 per REALTOR® for April, 2020. The Relief Plan for those Royal LePage Franchisees operating outside of Quebec, was an optional, variable fee only plan effective from April 1, 2020 through December 31, 2020. Effective January 1, 2021, all Franchisees reverted back to the traditional plan, which is weighted towards fees that are fixed in nature. Franchisees, representing approximately 98% of the REALTORS® in the Company Network, who were eligible to participate in the Relief Plan elected to do so. Under the Relief Plan, approximately 82% of the Company Network paid only variable fees for the period from April 2020 to December 2020, subject to a cap.

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 2019 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®.

Management Services Agreement

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

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

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

During the second quarter of 2020, the Company entered into an agreement with the Manager whereby the Company was permitted to defer payment of the monthly management fee payable under the MSA for the period from April, 2020 to December, 2020. Amounts deferred under this agreement are non-interest bearing and are due five years from the date of the deferral. Amounts owing under the agreement can be repaid in cash or through the issuance of Exchangeable Units at the option of the Company. During the Year, the Company deferred payments of $5.6 million related to management fees and recorded a gain of $1.0 million representing the difference between the fair value of $4.6 million and the face value of the obligation. The fair value of the obligation was determined using an income approach.

Management's Discussion and Analysis of Results and Financial Condition

In addition, and in accordance with terms of the 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 the fair value ascribed to the other agreements under IFRS was $4.6 million.

As a result of the capitalization of these Franchise Agreements and other contracts, a portion of future payments for management fees under the 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.

Company Revenues

As at December 31, 2020, the Company received franchise fees from 19,046 REALTORS® contracted with 354 Broker-Owners operating under 289 Franchise Agreements from 662 locations, providing services under the Royal LePage, Via Capitale and Johnston & Daniel Brands operating collectively as the Company Network, with an approximate 16% share of the Canadian Market, based on 2020 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 28% of the Company's revenues for the Year (Prior Year – 66%) 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 59% of the Company's revenues for the Year (Prior Year – 24%) 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 13% of total revenues (Prior Year– 10%).

In 2020, approximately 65% (2019 – 78%) 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. Effective April 1, 2020, the Company announced the Relief Plan to its Franchisees. This temporary fee plan was implemented to support the REALTORS® in the Company Network who would be materially impacted by what was expected to be an unprecedented drop in real estate market activity in Canada as a result of the spread of COVID-19. For those Franchisees outside Quebec, the Relief Plan offered a variable fee option (subject to a cap) and was effective from April 1, 2020 through December 31, 2020. For those REALTORS® that reached the fee cap, their fees were deemed to be fixed in nature. Effective January 1, 2021, all Franchisees reverted back to the traditional plan which is weighted towards fixed franchise fees. 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, prior to the implementation of the Relief Plan, fixed franchise fees from Royal LePage Franchisees consisted of a fixed monthly fee of $133 (2019 – $128 per REALTOR®) for approximately 90% of the Royal LePage Network and $128 per REALTOR® for 10% of the Royal LePage Network. Fixed fees from Via Capitale Franchisees consisted primarily of a fixed monthly fee of $170 per REALTOR®. For those approximately 390 Royal LePage REALTORS® who participate in the Royal LePage commercial real estate program, an additional monthly fee of $100 was paid to the Company.

Effective April 1, 2020, the Company introduced the Relief Plan to the Franchisees in the Company Network. Under the terms of the Relief Plan, Royal LePage Franchisees operating in Quebec received a rebate equal to the monthly fixed franchise fee, of $128 per REALTOR®, for each of March, 2020 and April, 2020 while Via Capitale Franchisees received a rebate of $150 in April, 2020. The rebates provided to Franchisees operating in Quebec amounted to $0.6 million for the Year.

Under the Relief Plan, Franchisees representing approximately 82% of REALTORS® in the Company Network paid only variable franchise fees from April 1, 2020 through December 31, 2020 as described below.

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, prior to the implementation of the Relief Plan, were derived as 1% of each REALTOR®'s Gross Revenues, subject to a cap of $1,400 (2019 – $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 $1,400 variable fee cap, the Gross Revenues of all Team members are aggregated to one cap.

Under the terms of the Relief Plan, those Franchisees operating outside of Quebec paid variable franchise fees derived as 3% of each REALTOR®'s Gross Revenues, subject to a cap of $2,295 for the period from April 1, 2020 until December 31, 2020. If that REALTOR was a participant in the Royal LePage commercial program, the variable rate applied to Gross Revenue was 4.2% to a cap of $3,213. As part of the transition to the Relief Plan, the Company provided certain rebates to Franchisees

Management's Discussion and Analysis of Results and Financial Condition

based on individual REALTOR® production from January 1, 2020 to March 31, 2020. These rebates amounted to $0.6 million for the Year. For those REALTORS® who were members of a Team, variable franchise fees were determined as 3% of Gross Revenues up to a cap of $1,200 per Team member. Under the Relief Plan, Franchisees representing approximately 82% of REALTORS® in the Company Network paid only variable franchise fees from April 1 through December 31, 2020.

The amount of variable franchise fees paid by an individual REALTOR® can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices. However, variable franchise fees are subject to a cap. For those REALTORS® or Teams who reach the cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® will not change based on changes in the Canadian Market. In the Year, the variable fees associated with approximately 4,710 REALTORS® (Prior Year – 2,700) and 1,172 Teams (Prior Year – 1,100) (representing more than 3,600 REALTORS® (Prior Year – 4,200) that exceeded the cap accounted for approximately 37% of revenues (Prior Year – 13%).

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. Despite the impacts of the pandemic, strong real estate markets contributed to an increase in mortgage referral revenue and an increase in the volume of leads sold to Franchisees.

Overview of 2020 Operating Results

Years ended December 31, (in 000's) except per Share amounts; Restricted Voting Shares outstanding; Exchangeable Units outstanding; Number of REALTORS®	**2020**	2019	2018
Fixed franchise fees	**$ 11,247**	$ 29,285	$ 28,326
Variable franchise fees	**23,900**	10,638	10,737
Other revenue	**5,192**	4,426	–
Premium franchise fees	**–**	–	2,964
Revenues	**40,339**	44,349	42,027
Less:			
Cost of other revenue	**$ 716**	$ 524	$ –
Administration expenses	**608**	1,196	1,259
Management fees	**16,875**	15,478	7,616
Interest expense	**3,001**	3,031	2,686
	$ 19,139	$ 24,120	$ 30,466
Impairment and write-off of intangible assets	**(368)**	(682)	(696)
Amortization of intangible assets	**(8,505)**	(10,560)	(7,705)
Interest expense on Exchangeable Units	**(5,806)**	(5,806)	(5,806)
Gain (loss) on fair value of Exchangeable Units	**(266)**	(499)	6,489
Gain (loss) on interest rate swap	**(2,208)**	(615)	74
Gain (loss) on fair value of purchase obligation	**–**	–	(465)
Gain on deferred payments	**1,191**	–	–
Current income tax expense	**(2,090)**	(2,989)	(5,183)
Deferred income tax recovery (expense)	**(320)**	107	217
Net and comprehensive earnings (loss)	**$ 767**	$ 3,076	$ 17,391
Basic earnings (loss) per Restricted Voting Share	**$ 0.08**	$ 0.32	$ 1.83
Diluted earnings (loss) per Share	**$ 0.08**	$ 0.32	$ 1.30
Dividends paid per Restricted Voting Share	**$ 1.35**	$ 1.35	$ 1.35
Interest expense per Exchangeable Unit	**$ 1.74**	$ 1.74	$ 1.74
Restricted Voting Shares outstanding	**9,483,850**	9,483,850	9,483,850
Exchangeable Units outstanding	**3,327,667**	3,327,667	3,327,667
Number of REALTORS®	**19,046**	19,111	18,725

(in 000's) As at	**December 31, 2020**	December 31, 2019	December 31, 2018
Total assets	**$ 88,959**	$ 94,793	$ 95,659
Total liabilities	**$ 137,398**	$ 131,196	$ 122,335

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

Revenues:
Revenues have decreased compared to the Prior Year as a result of the impact of the pandemic and the introduction of the Relief Plan. The Relief Plan resulted in approximately 82% of REALTORS® in the Company Network paying only variable franchise fees for the period from April 1st, 2020 to December 31, 2020. This resulted in a significant reduction in fixed franchise fee revenue, partly offset by a significant increase in variable franchise fee revenue.

Net Earnings:
For the Year, the Company generated net earnings of $0.8 million or $0.08 per Share, compared to net earnings of $3.1 million or $0.32 per Share in the Prior Year.

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

- A $4.0 million decrease in revenue as a result of the implementation of the Relief Plan;
- A loss of $2.2 million in the fair value of the interest rate swap compared to a loss of $0.6 million in the Prior Year;
- A $1.4 million increase in management fees due to reduced amortization of the contract transfer obligation; partly offset by
- A $2.1 million decrease in amortization due to a number of other contracts being fully amortized;
- A gain of $1.2 million on deferred payments in the Year;
- A $0.9 million decrease in income tax expenses driven by a decrease in taxable income; and
- A $0.6 million decrease in administration expenses due to bad debt recoveries in the Year.

Total Assets:
Total assets decreased by $5.8 million during the Year compared to the Prior Year. The main drivers of the net decrease were as follows:

- A $7.7 million decrease in the carrying value of intangible assets, driven by amortization expense during the Year;
- A $2.0 million decrease in accounts receivable due to strong collections and lower revenues in the Quarter compared to the Prior Year Quarter; partly offset by
- A $4.0 million increase in cash primarily due the deferral of certain management fees and interest on Exchangeable Units under the deferral agreement with Brookfield and the Manager.

Total Liabilities:
Total liabilities increased by $6.2 million in the Year compared to the Prior Year. The main drivers of the net increase were as follows:

- A $5.6 million increase in deferred payments under the deferral agreement with Brookfield and the Manager;
- A $2.2 million increase in the interest rate swap liability; partly offset by
- A $1.9 million decrease in contract transfer obligation owing to the Manager for the transfer of the Franchise Agreements and other contracts on January 3, 2019;

DIVIDENDS AND DISTRIBUTIONS:

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

Interest on Exchangeable Units also remained consistent with prior year.

Management's Discussion and Analysis of Results and Financial Condition

VARIATION OF OPERATING RESULTS FOR 2019 COMPARED TO 2018

Revenues:
Revenues increased in 2019 compared to 2018 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 2018 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 in 2018.

Net Earnings:
For 2019, 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 2018.

The primary drivers of the decrease in net earnings compared to 2018 were:

- A loss on the determination of the fair value on the Exchangeable Units of $0.5 million in 2019, compared to a gain of $6.5 million during 2018;
- A $7.9 million increase in management fees as a result of the changes in the management fee structure under the 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 2018; 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; 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 2019 compared to 2018. The main drivers of the decrease were as follows:

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

Total Liabilities:
Total liabilities increased by $8.9 million in 2019compared to 2018. 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 2019;
- 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; 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 2019, compared to $1.32 in 2018.

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

Management's Discussion and Analysis of Results and Financial Condition

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.

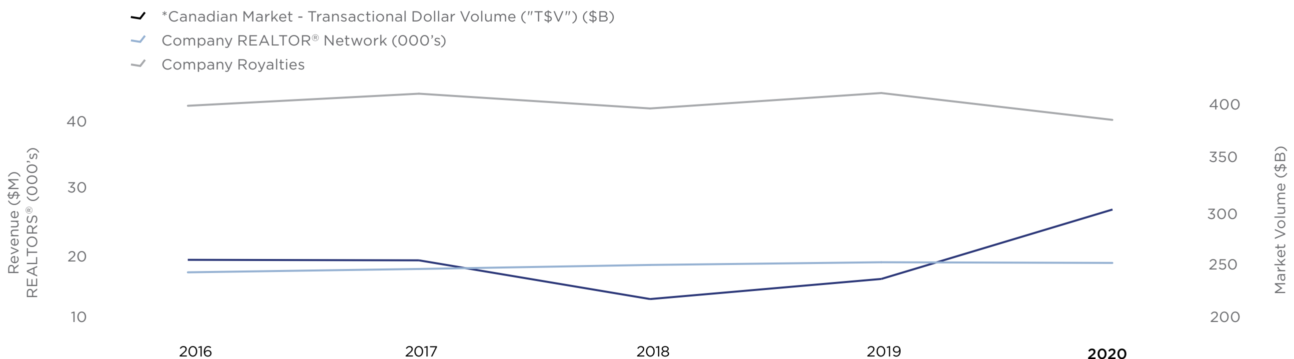
FIXED – FEE STRUCTURE

The Company estimates that for 2020, approximately 65% of its revenues are fixed in nature (2019 – 78%). 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 were subject to an annual cap of $1,400 per REALTOR® or Team of REALTORS® prior to April 1, 2020 (2019 – $1,350). For the period from April 1, 2020 to December 31, 2020, variable franchise fees were subject to a cap of $2,295 per REALTOR® ($3,213 per REALTOR® who participates in the Royal LePage commercial program) or $1,200 per Team member. 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 does not change based on changes in the Canadian Market.

The chart below compares the Company's annual revenues to the Canadian Market and the underlying number of REALTORS® in the Company Network. The quarterly rolling twelve month changes in the Company's revenues and the Canadian Market is shown under "Transactional Dollar Volumes" on page 18.

REVENUES, MARKET AND REALTOR® TRENDS



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

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.

Effective January 1, 2020, the Company implemented an increase in the monthly fixed franchise fees paid by Royal LePage and Johnston & Daniel Franchisees from $128 to $133 per REALTOR®. The increases were 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 annual 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.

Management's Discussion and Analysis of Results and Financial Condition

In response to the measures taken by governments across Canada to combat the spread of COVID-19, the Company announced the Relief Plan to its Franchisees. This temporary fee plan was designed to provide financial support to the Company's Franchisees at a time when real estate markets were expected to reach unprecedented lows. The Relief Plan for those Royal LePage Franchisees operating in Quebec was comprised of a rebate of the monthly fixed franchise fee for the months of March, 2020 and April 2020. The Relief Plan for Via Capitale Franchisees consisted of a rebate equal to $150 per REALTOR® applied in April, 2020. Rebates for Franchisees operating in Quebec totaled $0.6 million for the Year.

Under the terms of the Relief Plan, those Franchisees operating outside of Quebec paid variable franchise fees derived as 3% of each REALTOR®'s Gross Revenues, subject to a cap of $2,295 for the period from April 1, 2020 until December 31, 2020. If that REALTOR® was a participant in the Royal LePage commercial program, the variable rate applied to Gross Revenue was 4.2% to a cap of $3,213. For those REALTORS® who were members of a Team, variable franchise fees were determined as 3% of Gross Revenues up to a cap of $1,200 per Team member. Once a REALTOR® or Team reached the relevant cap, they ceased paying franchise fees which contributed to the reduction in revenues in the Quarter (relative to the Prior Year Quarter) and in the Year (relative to the Prior Year). As part of the transition to the Relief Plan, the Company provided rebates to Franchisees outside of Quebec totaling $0.6 million based on individual REALTOR® production from January 1, 2020 to March 31, 2020. The Relief Plan was a temporary measure. All Franchisees reverted back to the traditional plan, which is weighted toward fees that are fixed in nature, effective January 1, 2021.

GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at December 31, 2020, the Company Network of 19,046 REALTORS® operated through 289 Franchise Agreements, contracted with 354 Broker-Owners, providing services across the country through 662 locations. Of the Brokerages in the Company Network, approximately 56% 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 1,700 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, 2020	Canadian[1] REALTOR® Population	Company REALTOR® Population
Ontario	60%	59%
British Columbia	16%	13%
Quebec	10%	16%
Alberta	8%	5%
Maritimes	3%	4%
Prairies	3%	3%
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.

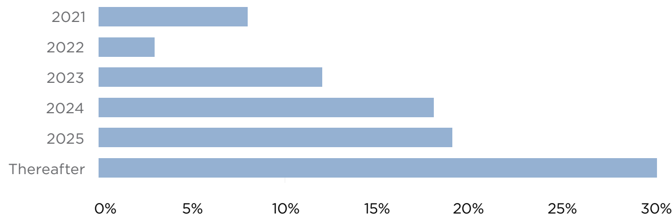
The Royal LePage Franchise Agreements, which represent 95% of the Company's REALTORS®, are for 10 to 20 year terms with a standard renewal term of ten years. These long-duration contracts exceed the industry standard of five years and thereby reduce agreement renewal risk. In addition, the Company regularly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

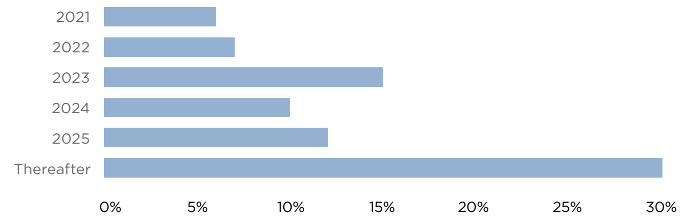
Management's Discussion and Analysis of Results and Financial Condition

A summary of the Company's agreement renewal profiles as at December 31, 2020 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, two Franchise Agreements, representing 55 REALTORS®, extended their term or renewed, and two Franchise Agreements, representing 94 REALTORS®, renewed early.

During the Quarter, two Franchise Agreements were terminated, one of which was as a result of two Franchisees merging operations and remaining a part of the Company Network, and the other resulted in a loss of two REALTORS®.

For the Year, nine Franchise Agreements, representing 349 REALTORS® in the Company Network, extended their term or renewed.

For the Year, nine Franchise Agreements were terminated, of which five were as a result of Franchisees merging operations and four resulted in the loss of 27 REALTORS®.

NUMBER OF REALTORS® IN THE COMPANY NETWORK

For the Year, the Company Network of 19,046 REALTORS® decreased by 65 REALTORS® compared to a net increase of 386 REALTORS® in the Prior Year.

	2003[1] – 2014	2015	2016	2017	2018	2019	**2020**
Company Network							
Opening REALTOR® Count	9,238	15,377	16,794	17,580	18,135	18,725	**19,111**
Net REALTOR® growth (attrition) for the period	6,139	1,417	786	555	590	386	**(65)**
Closing REALTOR® Count	15,377	16,794	17,580	18,135	18,725	19,111	**19,046**
% Change in the period	66%	9%	5%	3%	3%	2%	**0%**

Canadian REALTOR® Population[2]	2003[1] – 2014	2015	2016	2017	2018	2019	**2020**
CREA REALTOR® Membership	110,821	114,664	121,212	125,316	129,752	133,242	**134,803**
% Change in the period	56%	3%	6%	3%	4%	3%	**1%**

[1]Opening Count as at August 2003, CREA opening count of 71,267
[2]Source: CREA

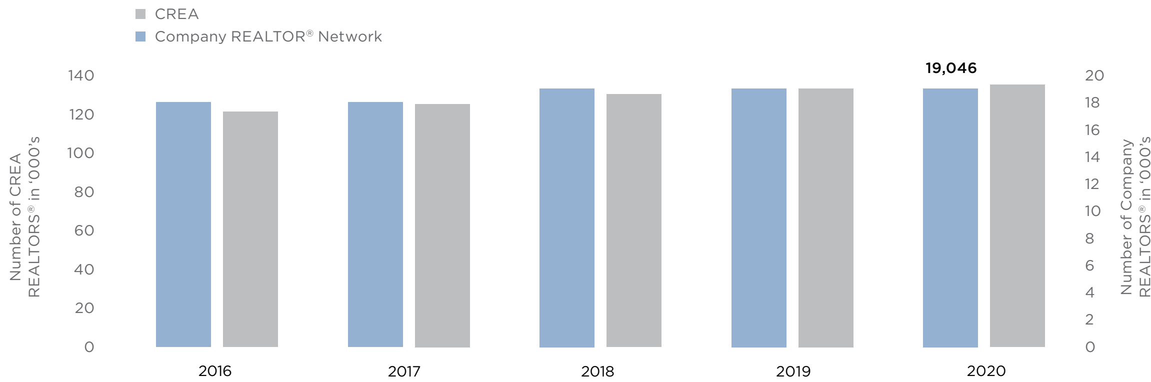
The increase in the number of Canadian REALTORS® since 2003 has in part been driven by the growth in the Canadian Market, increases in discount brokerage and digital brokerage offerings (which have attracted new entrants to the industry), and an apparent increase in market activity serviced by REALTORS® operating as Teams. Since 2003, the Company's Network has grown at a 4.0% compound annual growth rate ("CAGR"), outperforming the 3.6% 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.

Management's Discussion and Analysis of Results and Financial Condition

CANADIAN REAL ESTATE REALTORS®

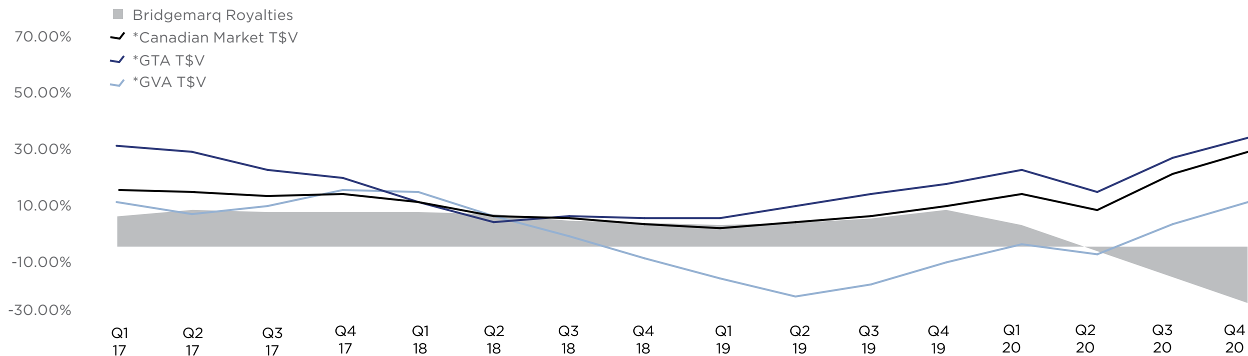
(Years ended December 31)



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 first quarter of 2017.

QUARTERLY ROLLING TWELVE-MONTH % CHANGE



*Source: CREA

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 Greater Toronto Area ("GTA") market, which experienced peak growth in the first quarter of 2017) and the Greater Vancouver Area ("GVA") market (which peaked in the second quarter of 2016), Canadian market growth turned positive in the second quarter of 2019 when the GTA showed its first year-over-year quarterly improvement in twelve months. This momentum continued into the second quarter of 2019 when the GVA market came off of 30-year lows. After four consecutive quarters of growth in transaction dollar volume, home sale volumes fell dramatically in the face of government actions to combat the spread of COVID-19 during the second quarter of 2020. However, during the last half of the Year, activity across Canada rebounded dramatically (to record levels in many markets) as pent up demand, low interest rates, changing work and commuting patterns and other factors increased the demand for housing. The Company's revenues however fell during the Quarter compared to the Prior Year as a result of revenues being capped under the Relief Plan.

Management’s Discussion and Analysis of Results and Financial Condition

For the Year, the Canadian Market was 28% higher than the Prior Year at $313.0 billion as a result of a 13% increase in price and a 13% increase in units sold.

During the Quarter, the Canadian Market closed up 57%, at $90.1 billion, as compared to the Prior Year Quarter at $57.9 billion. The increase in transaction dollar volume was driven by a 21% increase in price and a 36% increase in units sold.

For the Year, the GTA market closed up 23%, at $88.5 billion, as compared the Prior Year, driven by a 13% increase in price and an 8% increase in units sold.

During the Quarter, the GTA market closed up 50%, at $25.2 billion, as compared to the Prior Year Quarter. The increase in transaction dollar volume was driven by a 13% increase in price and 33% increase in units sold.

For the Year, the GVA market closed up 33%, at $33.7 billion, as compared to 2019, driven by an 8% increase in price and a 23% increase in units sold.

During the Quarter, the GVA market closed up 47%, at $11.0 billion, as compared to the Prior Year Quarter, driven by a 10% increase in price and a 35% increase in units sold.

For the Year, the Greater Montreal Area market closed up 25%, at $25.3 billion, as compared to the Prior Year, driven by a 15% increase in price and a 9% increase in units sold.

During the Quarter, the Greater Montreal Area market closed up 55%, at $7.7 billion, as compared to the Prior Year Quarter, driven by a 23% increase in selling price and a 33% 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.

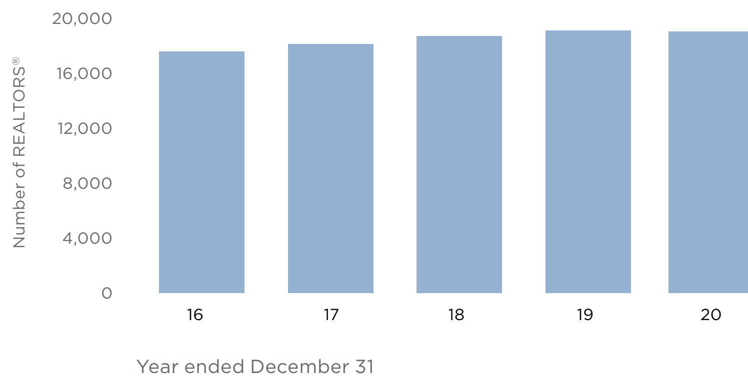
Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 106% (9,808 REALTORS®). This represents a CAGR of 4% in the Company Network. In 2020, the Company signed one franchise agreement with a new franchisee representing 10 REALTORS®. Overall the total number of REALTORS® in the Company Network dropped to 19,046 due to net attrition of 65 REALTORS®.

Management's Discussion and Analysis of Results and Financial Condition

In accordance with the terms of the 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.

A summary of Company Network growth since 2016 is summarized in the chart below.

COMPANY GROWTH

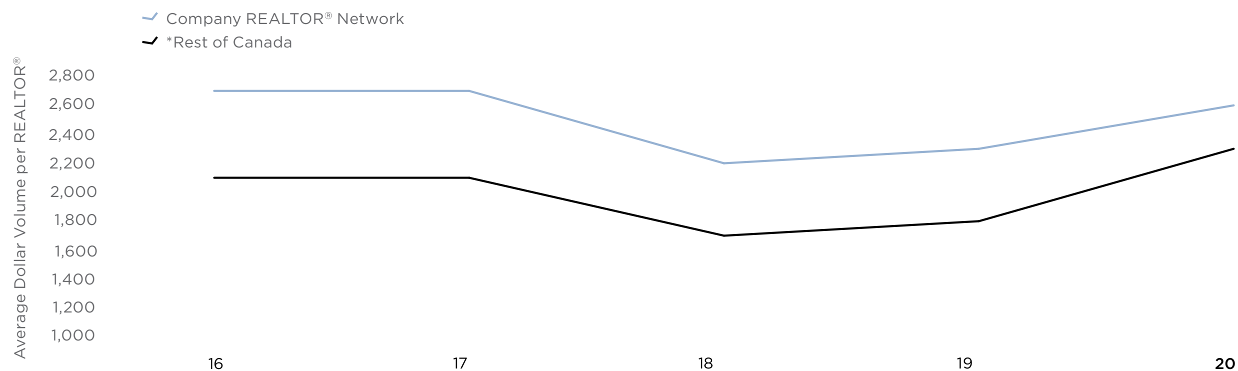


REALTOR® Productivity

The average REALTOR® in the Company Network generated approximately $2.6 million in transactional dollar volume for the twelve months ended December 31, 2020, compared to an estimated $2.3 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 26% compared to the 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 past five years 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. During 2020, the Company's Brands responded to the unprecedented and challenging business environment created by COVID-19. The Brands quickly adapted their products and services through leveraging best-in-class technology to provide support, resources and assets specific to operating productively and safely. As a result, the Company's Brands, Franchisees and network of REALTORS® maintained a high level of service throughout the pandemic.

Royal LePage also launched 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 is available nationwide to both Royal LePage and the Johnston & Daniel brand.

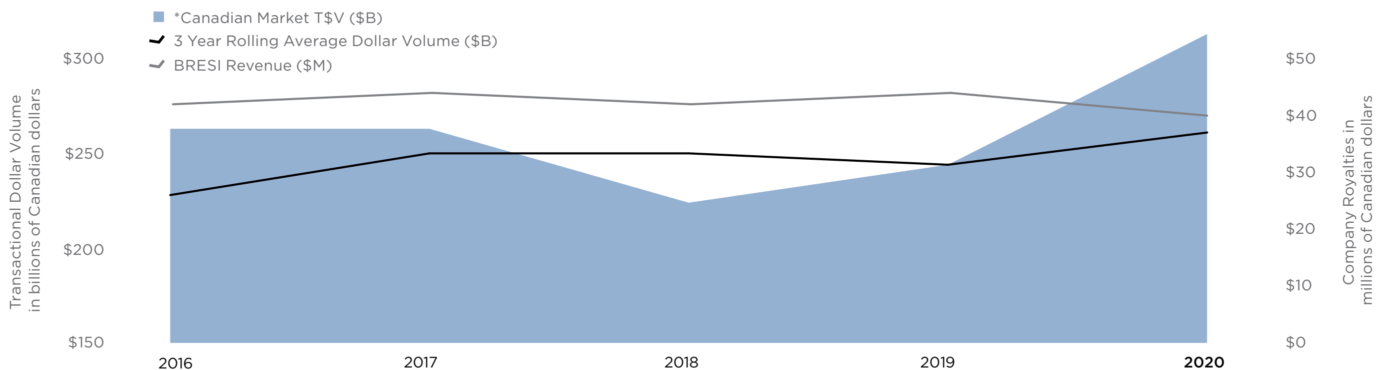
The Canadian Residential Real Estate Market

The Canadian Market experienced steady growth 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 was 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 Greater Vancouver market bounced off 30-year lows. Overall, the Canadian Market increased 9% in 2019 compared to 2018.

That improvement continued into the first quarter of 2020 until mid-March when governments across Canada began placing restrictions on the operation of businesses and social interaction in an effort to fight the spread of COVID-19. COVID-19 has had dramatic impacts on the Canadian economy and the Canadian Market. The second quarter of 2020 started off very weak with a decrease in the Canadian Market of 58% in April compared to 2019. After continued weakness in May, June results showed a strong bounce back with a 13% year-over-year improvement. Demand for real estate in Canada continued to improve through the rest of 2020, reaching record levels in many areas. Overall, the Canadian market improved by 28% compared to the Prior Year. While the market appears to have quickly rebounded, it remains to be seen whether broader economic factors such as unemployment, GDP contraction and immigration policy will impact this trend. The extent to which COVID-19 will continue to impact the Canadian Market and the business of the Company is not known at this time.

TRANSACTION DOLLAR VOLUME – CANADIAN RESIDENTIAL REAL ESTATE MARKET

(2016-2020)



*Source: CREA

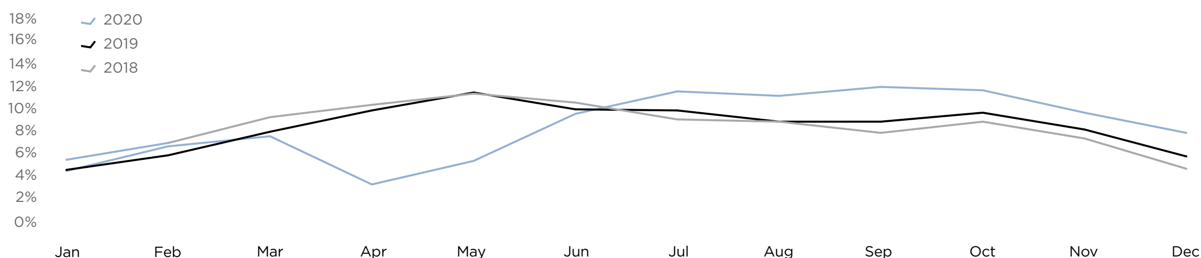
Management's Discussion and Analysis of Results and Financial Condition

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.

In the chart below, we can see that historical seasonality patterns for the Canadian Market did not hold true for 2020, primarily due to the pandemic. In March 2020, governments around the world introduced restrictions around social interaction and travel and economic uncertainty emerged contributing to the Canadian Market experiencing its largest ever year-over-year declines in April and May. From May through December, real estate markets were very strong with many Canadian markets experiencing all-time monthly highs during this period, as low interest rates, pent-up demand and changing work-from-home patterns emerged. These strong markets, coupled with the capping nature of variable franchise fees under the Relief Plan, contributed to lower revenues in the Quarter compared to the Prior Year Quarter.

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 15, 2020, CREA published their updated Resale Housing Market Forecast.

Current trends and the outlook for housing market fundamentals suggest activity will remain relatively healthy through 2021, with prices either continuing to climb or remaining steady in all regions.

Economic activity continues to improve slowly following the initial stages of the pandemic. Over the past several years, record levels of international immigration, low interest rates and an increasing share of millennials entering their home buying years have helped make the housing market a significant source of strength for the Canadian economy. The recent government support programs for individuals and businesses have also helped the overall economy through the most severe parts of the pandemic to date.

Mortgage interest rates have declined to record lows in 2020, including the Bank of Canada's benchmark five-year rate used by Canada's largest banks to qualify applicants under the B-20 mortgage stress test. With the Bank of Canada committing to keep interest rates low into 2023, mortgage interest rates are expected to remain near current levels through 2021. Recent national sales trends have improved more than anticipated over the second half of 2020. New listings in most of the country have also recovered. However, while sales activity rebounded to record-high levels, new listings only recovered to about their five-year average in most markets. The relative strength of demand for homes compared with supply has meant sales activity has been eroding active inventory, which was already scarce in many markets pre-pandemic. That said, this has been a trend since 2015.

[1] Source: CREA Updates Resale Housing Market Forecast, published December 15, 2020

Management's Discussion and Analysis of Results and Financial Condition

The increase in demand has impacted every part of the country, including the Prairies and Newfoundland and Labrador. While these regions aren't experiencing the same intensity of upward price pressures as the rest of the country, compared with previous years, demand is strengthening and prices have indeed started to increase.Despite the historic setback to the spring market caused by the pandemic, CREA projects national sales to hit a record of 544,413 units in 2020, representing an 11.1% increase from 2019 levels. The strength of the Canadian housing market was broad-based, with every province except Alberta registering a year-over-year increase in sales. British Columbia and Quebec stand out as large contributors to the overall gain.

The national average price in 2020 is on track to rise by 13.1% on an annual basis to just over $568,000. This reflects the current balance of supply and demand, which heavily favours sellers in many local markets.

On a monthly basis, sales are forecast to ease back to more typical levels throughout 2021; however, presuming there's a more normal spring market in 2021, the year as a whole is expected to see more home sales than 2020. National home sales are forecast to rise by 7.2% to around 584,000 units next year. All provinces except Ontario are forecast to see increased sales activity in 2021, as low interest rates and improving economic fundamentals allow people to get into the markets where homes are available for sale.

Ontario has seen strong demand for several years, particularly outside of Toronto, which has eroded active supply in the province. This shortage is expected to limit sales activity in 2021. The strength of demand, particularly for larger single-family properties, will drive the average price higher as potential buyers compete for the most desirable properties.

From TREB[2]: On February 8, 2021, TRREB published their Market Year in Review & and Outlook Report. Per their report, TRREB is forecasting growth in the Greater Toronto Area and broader Greater Golden Horseshoe (GGH).

"The pandemic certainly resulted in an unprecedented year for real estate in 2020, but it hasn't put a damper on the overall demand," said Jason Mercer, TRREB Chief Market Analyst. "Looking ahead, a strengthening economy and renewed GTA population growth following widespread vaccinations will support the continued demand for both ownership and rental housing. But over the long run, the supply of listings will remain an issue, particularly in low-rise segments."

2021 Market Outlook

- Combined home sales reported through TRREB's MLS® System for the GTA, South Simcoe County and Orangeville are expected to reach 105,000.
- Strong sales growth will be supported by continued economic recovery, including jobs and record or near-record lows for borrowing costs.
- The pace of new condominium apartment listings will start to ebb, especially in the second half of the year. With low-rise listings remaining constrained, expect total new listings to come in at the 160,000 mark.
- Market conditions for low-rise homes, including detached houses, will remain very tight, with sales rising at a faster pace than listings.
- The overall average selling price for all home types and areas combined will eclipse the $1,000,000 mark for the first time, reaching $1,025,000 and representing a year-over-year increase of 10 per cent.
- While mortgage deferrals were initially a concern early on in the pandemic, Mortgage Professionals Canada does not anticipate any pronounced uptick in mortgage delinquencies that would create systemic concerns as we move through 2021. Most property owners who took advantage of mortgage deferrals did so out of an abundance of caution rather than financial necessity and therefore have resumed their regular payments.

[2] Source: TREB Market Year in Review & Outlook Report, published February 8, 2021

Management's Discussion and Analysis of Results and Financial Condition

From the BoC[3]:
On January 20, 2021, the Bank of Canada announced it was holding its target for the overnight rate at the effective lower bound of 0.25%, with the Bank Rate at 0.5% and the deposit rate at Đ percent. The Bank is maintaining its extraordinary forward guidance, reinforced and supplemented by its quantitative easing (QE) program, which continues at its current pace of at least $4 billion per week.

The COVID-19 pandemic continues to take a severe human and economic toll in Canada and around the world. The earlier-than anticipated arrival of effective vaccines will save lives and livelihoods, and has reduced uncertainty from extreme levels. Nevertheless, uncertainty is still elevated, and the outlook remains highly conditional on the path of the virus and the timeline for the effective rollout of vaccines.

The economic recovery has been interrupted in many countries as new waves of COVID-19 infections force governments to re-impose containment measures. However, the arrival of effective vaccines combined with further fiscal and monetary policy support have boosted the medium-term outlook for growth. In its January Monetary Policy Report (MPR), the Bank projects global growth to average just over 5% per year in 2021 and 2022, before slowing to just under 4% in 2023. Global financial markets and commodity prices have reacted positively to improving economic prospects. A broad-based decline in the US exchange rate combined with stronger commodity prices have led to a further appreciation of the Canadian dollar.

Canada's economy had strong momentum through to late 2020, but the resurgence of cases and the reintroduction of lockdown measures are a serious setback. Growth in the first quarter of 2021 is now expected to be negative. Assuming restrictions are lifted later in the first quarter, the Bank expects a strong second-quarter rebound. Consumption is forecast to gain strength as parts of the economy reopen and confidence improves, and exports and business investment will be buoyed by rising foreign demand. Beyond the near term, the outlook for Canada is now stronger and more secure than in the October projection, thanks to earlier-than-expected availability of vaccines and significant ongoing policy stimulus. After a decline in real GDP of 5.5% in 2020, the Bank projects the economy will grow by 4% in 2021, almost 5% in 2022, and around 2.5% in 2023.

CPI inflation has risen to the low end of the Bank's 1%-3% target range in recent months, while measures of core inflation are still below 2%. CPI inflation is forecast to rise temporarily to around 2% in the first half of the year, as the base-year effects of price declines at the pandemic's outset (mostly gasoline) dissipate. Excess supply is expected to weigh on inflation throughout the projection period. As it is absorbed, inflation is expected to return sustainably to the 2% target in 2023.

In view of the weakness of near-term growth and the protracted nature of the recovery, the Canadian economy will continue to require extraordinary monetary policy support. The Governing Council will hold the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2% inflation target is sustainably achieved. In our projection, this does not happen until into 2023. To reinforce this commitment and keep interest rates low across the yield curve, the Bank will continue its QE program until the recovery is well underway. As the Governing Council gains confidence in the strength of the recovery, the pace of net purchases of Government of Canada bonds will be adjusted as required. [The Bank] remains committed to providing the appropriate degree of monetary policy stimulus to support the recovery and achieve the inflation objective.

[3] Source: BoC press release published January 20, 2021

Management's Discussion and Analysis of Results and Financial Condition

Annual Operating Results and Cash Flows

Years ended December 31, (in 000's) except per Share amounts; Number of REALTORS®	2020	2019
Revenues		
Fixed franchise fees	$ 11,247	$ 29,285
Variable franchise fees	23,900	10,638
Other revenue	5,192	4,426
	40,339	44,349
Less:		
Cost of other revenue	716	524
Administration expenses	608	1,196
Management fees	16,875	15,478
Interest expense	3,001	3,031
	19,139	24,120
Impairment and write-off of intangible assets	(368)	(682)
Amortization of intangible assets	(8,505)	(10,560)
Interest on Exchangeable Units	(5,806)	(5,806)
Loss on fair value of Exchangeable Units	(266)	(499)
Loss on interest rate swap	(2,208)	(615)
Gain on deferred payments	1,191	–
Earnings before income taxes	3,177	5,958
Current income tax expense	2,090	2,989
Deferred income tax expense (recovery)	320	(107)
Net and comprehensive earnings	$ 767	$ 3,076
Basic earnings per Restricted Voting Share	$ 0.08	$ 0.32
Diluted earnings per Share	$ 0.08	$ 0.32
Number of REALTORS®	19,046	19,111

Cash Flow Information (in 000's)		
Cash provided by (used for):		
Operating activities	$ 19,866	$ 15,600
Investing activities	(3,109)	(3,934)
Financing activities	(12,803)	(10,803)

ANNUAL OPERATING RESULTS AND CASH FLOWS

During the Year, the Company generated net earnings of $0.8 million and cash provided by operating activities of $19.9 million, as compared to net earnings of $3.1 million and cash provided by operating activities of $15.6 million in the Prior Year.

Revenues for the Year totaled $40.3 million, compared to $44.3 million for the Prior Year. Fixed franchise fees represented 28% of revenues for the Year (Prior Year – 66%). Revenues decreased due to the introduction of the Relief Plan which significantly decreased fixed franchise fees and increased variable fees. Variable fees under the Relief Plan were subject to a cap.

Fixed franchise fees for the Year decreased by 62% as compared to the Prior Year, due to the introduction of the pandemic fee relief plan. Fixed fees after April 1, 2020 represent fixed franchise fees from brokerages in Quebec as substantially all brokerages outside of Quebec elected to pay variable fees under the Relief Plan.

Variable franchise fees for the Year increased by 125%, as a result of the Relief Plan under which variable fees were determined at 3% of GCI (subject to a cap) compared to 1% of GCI in the Prior Year.

Management's Discussion and Analysis of Results and Financial Condition

Other Revenues for the Year increased by 17% due to greater volumes of mortgage referrals and lead referrals sold to Franchisees.

Cost of other revenue for the Year increased by 37% due to higher lead management referrals and other revenues.

Administration expenses of $0.6 million for the Year decreased by 49% due to a recovery of bad debt expense in the Year of $0.3 million (compared to bad debt expense of $0.4 million in the Prior Year), partly offset by higher director fees and higher legal fees in relation to the implementation of the Relief Plan.

Management fee expense of $16.9 million for the Year, increased due to a reduction in the proportion of payments allocated to the contract transfer obligation.

Interest expense of $3.0 million was comparable to the Prior Year as the benefit of lower interest rates was substantially offset by the accretion of interest on deferred payments.

Impairment and write-off of intangible assets, net represents a net impairment of $0.4 million for the Year compared to $0.7 million during the Prior Year. During the Year, the Company identified 15 Franchise Agreements, which required impairment charges, as their carrying value exceeded their recoverable amount. In the Prior Year, the Company recorded impairment charges for seven Franchise Agreements and the write-off of three Franchise Agreements.

Amortization of Intangible Assets for the Year totaled $8.5 million, a decrease of $2.1 million compared to the Prior Year as a result of a large number of Franchise Agreements and other contracts transferred on January 3, 2019 being fully amortized in the Prior Year. The other contracts transferred had shorter amortization periods than Franchise Agreements.

Interest on Exchangeable Units represents the distributions payable to Exchangeable Unitholders. For the Year, total distributions payable 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.

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, 2020, the Company's Restricted Voting Shares were valued at $14.80 per share compared to $14.72 at December 31, 2019, resulting in a loss of $0.3 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 increased from $14.57 at December 31, 2018 to $14.72 at December 31, 2019, resulting in a loss of $0.5 million.

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

Income Tax Expense The effective income tax rate paid by the Company for the Year was 75% (Prior Year–48%). 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, gains on deferred payments 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 and rebates provided to Franchisees under the Relief Plan.

Cash provided by operating activities increased to $19.9 million compared to $15.6 million in the Prior Year as result of deferred payments, lower income tax payments, and lower working capital requirements, partly offset by lower revenues and higher management fees.

Cash used in investing activities decreased to $3.1 million from $3.9 million in the Prior Year as a result of lower portion of management fees allocated to reducing the contract transfer obligation partly offset by an increase in franchise agreement expenses due to rebates issued in the Year.

Cash used in financing activities represent dividends paid to shareholders which are consistent with the Prior Year.

Management's Discussion and Analysis of Results and Financial Condition

Fourth Quarter Operating Results and Cash Flows

For three months ended, (in 000's) except per Share amounts and number of REALTORS®;	Dec. 31, 2020	Dec. 31, 2019
Revenues		
Fixed franchise fees	$ 1,191	$ 7,303
Variable franchise fees	4,776	2,183
Other revenue	1,119	1,182
	7,086	10,668
Less:		
Cost of other revenue	235	107
Administration expenses	(171)	429
Management fees	4,185	3,730
Interest expense	758	761
	2,079	5,641
Impairment and write-off of intangible assets	(9)	(32)
Amortization of intangible assets	(2,017)	(2,631)
Interest on Exchangeable Units	(1,451)	(1,451)
Loss on fair value of Exchangeable Units	(6,622)	–
Gain on interest rate swap	205	659
Earnings (loss) before income taxes	(7,815)	2,186
Current income tax expense	82	675
Deferred income tax expense	80	218
Net and comprehensive earnings (loss)	$ (7,977)	$ 1,293
Basic earnings (loss) per Restricted Voting Share	$ (0.84)	$0.14
Diluted earnings (loss) per Share	$ (0.84)	$ 0.14
Number of REALTORS®	19,046	19,111

Cash Flow Information (in 000's)	Dec. 31, 2020	Dec. 31, 2019
Cash provided by (used for):		
Operating activities	$ 1,793	$ 3,698
Investing activities	(84)	(944)
Financing activities	(3,201)	(3,201)

FOURTH QUARTER OPERATING RESULTS AND CASH FLOWS

During the Quarter, the Company generated a net loss of $8.0 million and cash provided by operating activities of $1.8 million, as compared to net earnings of $1.3 million and cash provided by operating activities of $3.7 million in the Prior Year Quarter.

Revenues for the Quarter totaled $7.1 million, compared to $10.7 million for the Prior Year Quarter. Under the Relief Plan implemented April 1, 2020, variable franchise fees represented 67% of revenues for the Quarter (Prior Year Quarter – 20%). Under the Relief Plan, variable franchise fees subject to a cap, such that when REALTORS® or Teams reached the relevant cap, they stopped paying franchise fees.

Fixed franchise fees for the Quarter decreased by 83% as compared to the Prior Year Quarter, due to the implementation of the Relief Plan.

Variable franchise fees for the Quarter increased by 118% as a result of Relief Plan implemented on April 1, 2020, under which variable fees are determined as 3% of Gross Revenue (4.2% for those REALTORS® participating in the Royal LePage commercial program) compared to 1% in the Prior Year Quarter.

Other Revenues consist of revenues earned from referral fees (including mortgage referrals and lead referrals to franchisees)

Management's Discussion and Analysis of Results and Financial Condition

are consistent with the Prior Year Quarter.

Cost of other revenue represents the direct costs associated with lead management referrals and other revenues.

Administration expenses recovery of $0.2 million for the Quarter was due to a recovery of bad debt expense of $0.4 million. Administration expense of $0.4 million in the Prior Year Quarter included a bad debt expense of $0.3 million.

Management fee expense was $4.2 million for the Quarter, which was higher than the Prior Year Quarter, despite lower revenues as it was partly calculated based on the market capitalization of the Company in accordance with the MSA.

Interest expense of $0.8 million was consistent compared to the Prior Year Quarter due to the interest accretion on deferred payments being substantially offset by the benefit of lower interest rates.

Amortization of Intangible Assets for the Quarter totaled $2.0 million, a decrease of $0.5 million compared to the Prior Year Quarter as a result of a number of intangible assets becoming fully amortized in the Prior Year.

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

Gain 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, 2020, the Company's Restricted Voting Shares were valued at $14.80 per share up from $12.81 at September 30, 2020, resulting in a loss in the Quarter of $6.6 million. For the Prior Year Quarter, the price of the Company's Restricted Voting Shares was unchanged from $14.72 at September 30, 2019 and December 31, 2019.

Income Tax Expense The effective income tax rate for the Quarter was greater than 100% (Prior Year Quarter – 41%). 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, gains on deferred payments 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 and rebates provided to Franchisees under the Relief Plan.

Cash provided by operating activities decreased by $1.9 million compared to the Prior Year Quarter as result of lower revenues and higher management fees.

Cash used in investing activities decreased to $0.1 million as a result of a reduction in the amount of management fees allocated to repayment of the contract transfer obligation.

Cash used for financing activities represent dividends paid to shareholders which are consistent with the Prior Year Quarter.

Management's Discussion and Analysis of Results and Financial Condition

Summary of Quarterly Results and Distributable Cash Flow

For three months ended,	2020				2019			
(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	**$ 1,191**	$ 1,239	$ 1,276	$ 7,541	$ 7,303	$ 7,389	$ 7,267	$ 7,326
Variable franchise fees	**4,776**	8,038	8,467	2,619	2,183	3,077	3,233	2,145
Other revenue	**1,119**	1,460	1,651	962	1,182	1,260	1,338	646
	7,086	10,737	11,394	11,122	10,668	11,726	11,838	10,117
Less:								
Cost of other revenue	**235**	197	165	119	107	155	153	109
Administration expenses (recovery)	**(171)**	(50)	174	655	429	53	316	398
Management fees	**4,185**	4,411	4,203	4,076	3,730	4,041	4,013	3,694
Interest expense	**758**	761	732	750	761	748	757	765
	2,079	5,418	6,120	5,522	5,641	6,729	6,599	5,151
Impairment and write-off of intangible assets, net	**(9)**	(76)	(113)	(170)	(32)	–	(168)	(482)
Amortization of intangible assets	**(2,017)**	(2,041)	(2,198)	(2,249)	(2,631)	(2,634)	(2,639)	(2,656)
Interest on Exchangeable Units	**(1,451)**	(1,452)	(1,452)	(1,452)	(1,451)	(1,452)	(1,452)	(1,452)
Gain (loss) on fair value of Exchangeable Units	**(6,622)**	(3,527)	(11,048)	20,931	–	633	6,655	(7,787)
Gain (loss) on interest rate swap	**205**	133	(211)	(2,335)	659	155	(460)	(969)
Gain on deferred payments	**–**	310	881	–	–	–	–	–
Earnings (loss) before income tax	**(7,815)**	(1,235)	(8,021)	20,247	2,186	3,431	8,535	(8,195)
Current income tax expense	**82**	722	556	730	675	882	703	729
Deferred income tax expense (recovery)	**80**	250	599	(609)	218	127	80	(532)
Net and comprehensive earnings (loss)	**$ (7,977)**	$ (2,207)	$ (9,176)	$ 20,126	$ 1,293	$ 2,422	$ 7,752	$ (8,392)
Basic earnings (loss) per Restricted Voting Share	**$ (0.84)**	$ (0.23)	$ (0.97)	$ 2.12	$ 0.14	$ 0.26	$ 0.82	$ (0.88)
Diluted earnings (loss) per Share	**$ (0.84)**	$ (0.23)	$ (0.97)	$ 0.05	$ 0.14	$ 0.26	$ 0.20	$ (0.88)
Number of REALTORS®	**19,046**	18,930	18,921	19,120	19,111	19,184	19,046	19,231

Management's Discussion and Analysis of Results and Financial Condition

DISTRIBUTABLE CASH FLOW

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

The calculation of Distributable Cash Flow for the three and twelve months ended December 31, 2020 is presented in the table below with comparative amounts for 2019.

ROLLING TWELVE-MONTH CASH FLOW FROM OPERATIONS

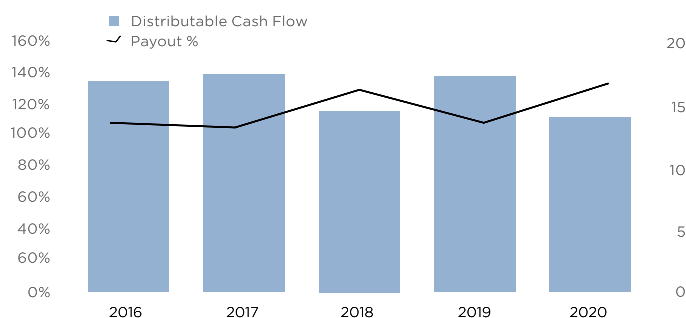
($ 000's)	**Three months ended December 31, 2020**	Three months ended December 31, 2019	**2020**	2019
Fixed franchise fees	**$ 1,191**	$ 7,303	**$ 11,247**	$ 29,285
Variable franchise fees	**4,776**	2,183	**23,900**	10,638
Other revenue	**1,119**	1,182	**5,192**	4,426
Revenues	**7,086**	10,668	**40,339**	44,349
Less:				
Cost of other revenue	**235**	107	**716**	524
Administration expenses (recovery)	**(171)**	429	**608**	1,196
Management fees	**4,185**	3,730	**16,875**	15,478
Interest expense	**758**	761	**3,001**	3,031
Current income tax expense	**82**	675	**2,090**	2,989
Cash used for investing activities	**84**	944	**3,109**	3,934
Distributable Cash Flow	**$ 1,913**	$ 4,022	**$ 13,940**	$ 17,197
Distributable Cash Flow per Share	**$ 0.15**	$ 0.31	**$ 1.09**	$ 1.34

For the twelve months ended December 31, 2019, the Company generated Distributable Cash Flow of $13.9 million or $1.09 per Share, as compared to $17.2 million or $1.34 per Share generated during the Prior Year. Distributable cash flow per share is calculated by dividing the distributable cash flow by the total number of shares on a diluted basis. Distributable Cash Flow decreased compared to the Prior Year primarily due to lower revenues under the Relief Plan and higher management fees partly offset by lower income tax installments and lower cash flows used for investing activities.

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)



Management's Discussion and Analysis of Results and Financial Condition

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

DISTRIBUTABLE CASH FLOW RECONCILED TO CASH FLOW FROM OPERATING ACTIVITIES

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, 2020**	Three months ended December 31, 2019	**2020**	2019
Cash flow from operating activities	**$ 1,793**	$ 3,638	**$ 19,866**	$ 15,600
Add (deduct):				
Interest on Exchangeable Units	**1,451**	1,451	**5,806**	5,806
Income tax expense	**(82)**	(675)	**(2,090)**	(2,989)
Income taxes paid	**900**	630	**2,880**	3,687
Changes in non-cash working capital items	**(2,002)**	(43)	**(2,585)**	(924)
Interest expense	**(2,164)**	(2,239)	**(8,620)**	(8,564)
Interest paid	**2,100**	2,204	**8,411**	8,515
Interest income	**(7)**	–	**(95)**	(187)
Interest received	**8**	–	**92**	187
Deferral of payments	**–**	–	**(6,616)**	–
Cash used in investing activities	**(84)**	(944)	**(3,109)**	(3,934)
Distributable Cash Flow	**$ 1,913**	$ 4,022	**$ 13,940**	$ 17,197

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, 2020 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%.

Management's Discussion and Analysis of Results and Financial Condition

As at December 31, 2020, 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 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4:1 as outlined in the loan agreement. Consolidated EBITDA is defined as earnings (loss) before income tax adjusted for amortization and net impairment or recovery of intangible assets, interest expense, hedging activities and fair value adjustments on the Exchangeable Units. Senior Indebtedness is defined as borrowings on the Company's debt facilities. Senior Interest Expense is defined as interest on Senior Indebtedness. The Company is compliant with these covenants for all periods presented.

The Company has entered into an interest rate swap agreement to swap the variable interest rate obligation on the $55.0 million Term Facility to a fixed rate obligation of 3.94% through December 31, 2023. This interest rate swap is a financial instrument and is disclosed at its fair value with any change in that fair value recorded as a gain or loss in the Company's consolidated statements of net and comprehensive earnings. At December 31, 2020 the Company determined that the fair value of the interest rate swap represents a liability of $2.7 million (December 31, 2019 – $0.5 million). For the Quarter, the Company recognized a fair value gain of $0.2 million (Prior Year Quarter– gain of $0.6 million).

Liquidity

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

The Company's ability to grow its 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 $13.9 million, or $1.09 per share, compared to $17.2 million, or $1.34 per share, in the Prior Year. The decrease is due primarily to lower revenues due to the implementation of the Relief Plan.

In order to support the liquidity of the Company, the Company entered into an agreement with the Manager and Brookfield whereby the Company could defer payment of the monthly management fee payable to the Manager under the MSA and payment of interest on the Exchangeable Units, under certain circumstances, for the period from April to December 2020. Amounts deferred under this agreement are non-interest bearing and are due sixty months after the date of the deferral. Amounts owing under the agreement can be repaid in cash or through the issuance of Exchangeable Units, at the option of the Company. During the Year, the Company deferred payments to the Manager of $5.6 million related to management fees and payments to Brookfield of $1.0 million representing interest on Exchangeable Units under the terms of this agreement.

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.

Management's Discussion and Analysis of Results and Financial Condition

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 increased by $3.5 million during the Year to $8.9 million as at December 31, 2020. The increase in working capital resulted primarily from:

- A $4.0 increase in cash primarily due to deferral of payments to the Manager and Brookfield;
- A $1.4 million decrease in contract transfer obligation;
- A $0.5 million increase in income tax receivable; partly offset by
- A $2.2 million decrease in accounts receivable and current portion of notes receivable due to collections and lower sales in the Quarter compared to the Prior Year Quarter;

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

($ 000's) As at	**Dec. 31, 2020**	Sept. 30, 2020	June 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Change in Quarter	Change in Year
Current assets										
Cash	**$ 9,156**	$10,648	$ 9,418	$ 3,979	$ 5,202	$ 5,709	$ 4,090	$ 3,635	$ (1,492)	$ 3,954
Accounts receivable and current portion of notes receivable	**2,376**	4,132	5,139	5,038	4,559	4,602	5,561	5,343	(1,756)	(2,183)
Prepaid expenses	**143**	130	124	256	211	187	192	190	13	(68)
Current income tax receivable	**652**	145	147	73	173	218	901	984	507	479
Goods and Services tax receivable	**–**	–	–	–	–	–	62	87	–	–
	$ 12,327	$ 15,055	$ 14,828	$ 9,346	$ 10,145	$ 10,716	$10,806	$10,239	$ (2,728)	$ 2,182
Current liabilities										
Accounts payable and accrued liabilities	**$ 1,283**	$ 1,342	$ 2,197	$ 1,172	$ 1,210	$ 1,212	$ 1,243	$ 1,289	$ (59)	$ 73
Contract transfer obligation	**549**	604	842	1,280	1,920	2,705	3,122	3,106	(55)	(1,371)
Interest payable to Exchangeable Unitholders	**484**	484	968	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	–	–
	3,383	3,497	5,074	4,003	4,681	5,468	5,916	5,946	(114)	(1,298)
Net working capital	**$ 8,944**	$ 11,558	$ 9,754	$ 5,343	$ 5,464	$ 5,248	$ 4,890	$ 4,293	$ (2,614)	$ 3,480

Management's Discussion and Analysis of Results and Financial Condition

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, 2020, $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, 2019.

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, 2020**	December 31, 2019
Cash	**$ 9,156**	$ 5,202
Term Facility	**–**	–
Acquisition Facility	**1,500**	1,500
Operating Facility	**5,000**	5,000
Net borrowing capacity	**$ 6,500**	$ 6,500
Available resources	**$ 15,656**	$ 11,702

Commitments

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

As at December 31,	**2021**	**2022**	**2023**	**2024**	**Beyond 2024**	**Total**
Accounts payable and accrued liabilities	$ 1,282	$ –	$ –	$ –	$ –	$ 1,282
Current contract transfer obligation	549	–	–	–	–	549
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	–	–	8,688
Interest on contract transfer obligation	171	143	114	90	169	687
Long term contract transfer obligation	–	573	602	356	1,618	3,149
Interest rate swap liability	–	–	2,704	–	–	2,704
Debt facilities	–	–	73,500	–	–	73,500
Deferred payments	–	–	–	–	6,616	6,616
Exchangeable Units	–	–	–	–	49,249	49,249
Total	$ 6,449	$ 3,612	$ 79,816	$ 446	$ 57,652	$ 147,975

Off-Balance Sheet Arrangements

The Company has no off–balance sheet arrangements.

Transactions with Related Parties

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

The Manager operates 26 corporately owned Royal LePage residential Brokerage locations. These locations are serviced by approximately 1,700 REALTORS® with 1,224 REALTORS® operating out of 15 locations in the GTA market, 453 REALTORS® operating from 9 locations in the GV market and 23 REALTORS® operating from 2 locations in Quebec.

Management's Discussion and Analysis of Results and Financial Condition

All of the corporately owned operations operate under Franchise Agreements with standard fixed and variable franchise fees and participated in the Relief Plan. 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.

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

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

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

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

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

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

  (ii) 0.375% of the Current Market Value.

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

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 12 of the consolidated financial statements.

On January 3, 2019, in accordance with terms of the 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 right 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 the fair value ascribed to the other agreements was $4.6 million.

As a result of the capitalization of these Franchise Agreements and other contracts, a portion of future payments for management fees under the 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.

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 deferred payments, measuring the fair value of the Exchangeable Units and the interest rate swaps and measuring fair values used for disclosure purposes.

Management's Discussion and Analysis of Results and Financial Condition

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 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 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 judgement and is highly uncertain as a result of impact of the COVID-19 pandemic. 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 or other contracts, the Company considers certain factors including, franchise fees or other revenues earned, term to maturity, historical REALTOR® count, collectability of receivables, estimated future revenues to be earned and underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges if the carrying amount of a Franchise Agreement exceeds its recoverable amount or if the recovery of the carrying amount is no longer reasonably assured. The estimation of future revenues and other forward looking information requires significant judgement and is highly uncertain as a result of, among other things, the potential impact of the COVID-19 pandemic. When an intangible asset has been previously written down to its recoverable amount as a result of recording an impairment loss and the conditions causing such an impairment loss have become more favourable, the previously recorded impairment loss may be reversed and is recorded as a recovery of impairment.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivable, 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 deferred payments.

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

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

The Company is exposed to the risk of interest rate fluctuations on its $20.0 million Acquisition Facility and its $5.0 million Operating Facility as the interest rates on these facilities are based on Prime or Banker's Acceptance interest rates. As at December 31, 2019, the Company has drawn $18.5 million on the Acquisition Facility, and nil on the Operating Facility.

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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, 2020. 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, 2020. 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 4, 2021, Bridgemarq has issued 9,483,850 Restricted Voting Shares, no preferred shares and one Special Voting Share.

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

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

Risk Factors

Risks related to the 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.

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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 "ability", "appears", "attempts", "attract", "are", "believes", "brings", "can", "caters", "continue(s)", "continued", "continuing", "consist", "could", "derives", "does", "drives", "enacting", "entering", "estimates", "exceed", "expanding", "expected", "exposed", "forecast(s)", "further", "future", "gains", "generally", "generates", "grow", "growth", "has", "improve", "include", "including", "increase(s)", "increasing", "is", "keep", "makes", "may", "meets, "momentum", "need", "objective(s)", "on", "ongoing", "operates", "outlook", "outperforming", "potential", "projects", "provide(s)", "provided", "purchase(s)", "receive(s)", "recovery", "reduce", "reflects", "remaining", "remain(s)", "represents", "retain", "seeks", "should", "slowdown", "strives", "suggest", "supplies", "support", "typically", "uncertainty", "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. 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: the duration and effects of the COVID-19 pandemic, including the impact of COVID-19 on the economy, the Company's business, government or other regulatory initiatives to address the spread of COVID-19 and changes in government policy, laws or regulations which could reasonably affect the housing market in Canada and consumer response thereto, 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, including as the foregoing relate to COVID-19. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. The 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.

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Supplemental Information

HISTORY OF DIVIDENDS DECLARED

(per Restricted Voting Share*)

Month Declared	2020	2019	2018	2017	2016
January	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083
February	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083
March	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083
April	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083
May	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083
June	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083
July	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083
August	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1083
September	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1083
October	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1083
November	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1083
December	**$ 0.1125**	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1083
	$ 1.3500	$ 1.3500	$ 1.3500	$ 1.3206	$ 1.2996

* 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, 2020	Sept. 30, 2020	June 30, 2020	Mar.31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar.31, 2019
Trading price range of units (TSX: "BRE")								
Close	**$ 14.80**	$ 12.81	$ 11.75	$ 8.43	$ 14.72	$ 14.72	$ 14.91	$ 16.91
High	**$ 14.88**	$ 14.19	$ 11.99	$ 15.85	$ 15.38	$ 14.92	$ 17.30	$ 17.13
Low	**$ 14.75**	$ 11.14	$ 6.59	$ 6.31	$ 14.02	$ 12.87	$ 14.91	$ 12.87
Average daily volume	**10,677**	11,576	17,592	27,027	19,317	15,546	11,880	17,245
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 ($000's)	**$ 189,610**	$ 164,116	$ 150,535	$ 108,001	$ 188,586	$ 188,586	$ 191,020	$ 216,643

Management's Discussion and Analysis of Results and Financial Condition

CANADIAN RESIDENTIAL REAL ESTATE MARKET

For Three months ended	Dec. 31 2020	Sept. 30 2020	June 30 2020	Mar. 31 2020	Dec. 31 2019	Sept. 30 2019	June 30 2019	Mar. 31 2019
Canada								
Transaction dollar volume[1]	**$ 90,071**	$ 109,085	$ 55,949	$ 57,920	$ 57,324	$ 66,821	$ 76,313	$ 44,414
Average selling price	**$ 607,280**	$ 604,211	$ 538,831	$ 531,722	$ 500,938	$ 494,268	$ 490,529	$ 470,307
Number of units sold	**148,814**	185,561	108,087	108,930	109,381	133,331	151,680	94,436
Number of REALTORS® at period end[2]	**134,803**	133,120	133,476	133,242	133,242	132,254	131,388	130,107
Housing starts	**57,457**	58,971	47,525	38,170	49,954	55,078	56,122	35,575
Greater Toronto Area								
Transaction dollar volume[1]	**$ 25,161**	$ 31,244	$ 14,401	$ 17,656	$ 16,803	$ 19,525	$ 23,074	$ 12,555
Average selling price	**$ 929,699**	$ 920,168	$ 891,167	$ 890,822	$ 819,319	$ 811,602	$ 810,661	$ 777,054
Number of units sold	**26,358**	32,821	16,152	19,820	19,868	24,007	27,772	16,178
Housing starts	**8,502**	12,155	11,090	6,840	6,513	8,651	7,907	7,391
Greater Vancouver Area								
Transaction dollar volume[1]	**$ 10,986**	$ 10,839	$ 5,343	$ 6,536	$ 7,463	$ 6,986	$ 6,640	$ 4,254
Average selling price	**$ 1,079,033**	$ 1,103,099	$ 1,049,475	$ 1,029,394	$ 982,541	$ 982,541	$ 990,857	$ 971,803
Number of units sold	**10,075**	10,065	5,122	6,349	7,484	7,203	6,617	4,377
Housing starts	**6,192**	6,415	5,384	4,380	5,912	6,506	9,951	5,772
Greater Montreal Area								
Transaction dollar volume[1]	**$ 7,717**	$ 7,291	$ 4,329	$ 6,004	$ 4,963	$ 4,385	$ 6,130	$ 4,806
Average selling price	**$ 501,339**	$ 499,339	$ 465,748	$ 435,379	$ 408,401	$ 402,934	$ 398,029	$ 387,165
Number of units sold	**15,679**	15,381	10,156	14,661	11,828	10,777	15,763	13,028
Housing starts	**7,981**	8,017	6,268	5,008	5,997	5,779	8,247	5,089

[1] (in millions Canadian dollars)
[2] CREA Membership data as of Dec 31, 2020 not available as of MDA date
Source: CREA, CMHC, TREB

For Twelve months ended	Dec. 31 2020	Sept. 30 2020	June 30 2020	Mar. 31 2020	Dec. 31 2019	Sept. 30 2019	June 30 2019	Mar. 31 2019
Canada								
Transaction dollar volume[1]	**$ 313,025**	$ 280,278	$ 238,014	$ 258,379	$ 244,872	$ 233,939	$ 225,300	$ 220,182
Average selling price	**$ 567,699**	$ 547,462	$ 517,728	$ 513,347	$ 500,938	$ 493,018	$ 487,746	$ 484,604
Number of units sold	**551,392**	511,959	459,729	503,322	488,828	474,503	461,922	454,355
Housing starts	**202,123**	194,620	190,727	199,324	196,729	199,267	193,376	190,182
Greater Toronto Area								
Transaction dollar volume[1]	**$ 88,462**	$ 80,104	$ 68,385	$ 77,058	$ 71,957	$ 68,870	$ 65,052	$ 60,936
Average selling price	**$ 929,699**	$ 903,484	$ 856,453	$ 842,465	$ 819,319	$ 806,888	$ 798,635	$ 789,196
Number of units sold	**95,151**	88,661	79,847	91,467	87,825	85,352	81,454	77,213
Housing starts	**38,587**	36,598	33,094	29,911	30,462	34,978	35,754	36,796
Greater Vancouver Area								
Transaction dollar volume[1]	**$ 33,704**	$ 30,180	$ 26,327	$ 27,624	$ 25,342	$ 22,779	$ 21,618	$ 23,612
Average selling price	**$ 1,066,198**	$ 1,039,979	$ 1,006,457	$ 998,948	$ 986,796	$ 993,887	$ 1,009,281	$ 1,036,064
Number of units sold	**31,611**	29,020	26,158	27,653	25,681	22,919	21,419	22,790
Housing starts	**22,371**	22,091	22,182	26,749	28,141	27,577	26,565	22,312
Greater Montreal Area								
Transaction dollar volume[1]	**$ 25,341**	$ 22,586	$ 19,681	$ 21,481	$ 20,284	$ 19,321	$ 18,683	$ 18,054
Average selling price	**$ 453,505**	$ 434,135	$ 415,008	$ 405,084	$ 394,661	$ 388,739	$ 385,286	$ 380,322
Number of units sold	**55,877**	52,026	47,422	53,029	51,396	49,702	48,490	47,470
Housing starts	**27,274**	25,290	23,052	25,031	25,112	27,258	26,295	25,614

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

Management's Discussion and Analysis of Results and Financial Condition

DISTRIBUTABLE CASH FLOW AND ITS UTILIZATION

($ 000's)		Year ended Dec. 31, 2020		Year ended Dec. 31, 2019		Year ended Dec. 31, 2018		Year ended Dec. 31, 2017		Year ended Dec. 31, 2016
Fixed franchise fees	$	11,247	$	29,285	$	28,326	$	26,816	$	25,844
Variable franchise fees		23,900		10,638		10,737		10,853		10,229
Other revenue		5,192		4,426		–		–		–
Premium franchise fees		–		–		2,964		6,569		6,363
Revenues		40,339		44,349		42,027		44,238		42,436
Less:										
Cost of other revenue		716		524		–		–		–
Administration expenses		608		1,196		1,259		816		1,058
Management fees		16,875		15,478		7,616		8,178		7,754
Interest Expense		3,001		3,031		2,686		2,532		2,606
Current income tax expense		2,090		2,989		5,183		5,280		4,893
Cash used for investing activities		3,109		3,934		10,849		10,119		9,366
Distributable Cash Flow	$	13,940	$	17,197	$	14,434	$	17,313	$	16,759
Less:										
Dividends to shareholders		12,803		12,803		12,803		12,485		12,325
Interest to Exchangeable Unitholders		5,806		5,806		5,806		5,750		5,710
Total distributions	$	18,609	$	18,609	$	18,609	$	18,235	$	18,035
Distributions payment rate[1]		133%		108%		129%		105%		108%

[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, 2020		Year ended Dec. 31, 2019		Year ended Dec. 31, 2018		Year ended Dec. 31, 2017		Year ended Dec. 31, 2016
Cash Flow from Operating activities	$	19,866	$	15,600	$	18,971	$	21,060	$	20,148
Add (deduct):										
Changes in non-cash working capital items		(2,585)		(924)		(229)		608		111
Interest on Exchangeable Units		5,806		5,806		5,806		5,750		5,710
Change in accrued income taxes		790		698		758		35		205
Change in accrued interest expense		(209)		(49)		(23)		(21)		(49)
Change in accrued interest income		(3)		–		–		–		–
Deferral of payments		(6,616)		-		–		–		–
Cash used in investing activities		(3,109)		(3,934)		(10,849)		(10,119)		(9,366)
Distributable Cash Flow	$	13,940	$	17,197	$	14,434	$	17,313	$	16,759

Management's Discussion and Analysis of Results and Financial Condition

SELECTED OPERATING INFORMATION

As at	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Number of REALTORS®	**19,046**	19,111	18,725	18,135	17,580
Number of locations	**662**	678	673	658	667
Number of franchise agreements	**289**	301	291	293	297

Management's Discussion and Analysis of Results and Financial Condition

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

"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.

Management's Discussion and Analysis of Results and Financial Condition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 Bridgemarq Real Estate Services Inc.

Opinion

We have audited the consolidated financial statements of Bridgemarq Real Estate Services Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of net and comprehensive earnings, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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

Key Audit Matter Description

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

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

Independent Auditor's Report

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

- Evaluated the reasonableness of management's assessment of the probability of franchise renewal used in the expected cash flows as compared to historical renewal experience and market factors.
- Evaluated management's ability to accurately forecast future revenues by comparing actual results to management's historical forecasts.
- Evaluated the reasonableness of management's forecasts of future revenues from Franchise Agreements by comparing the forecasts to:
    - o Historical revenues;
    - o Internal communication to management and the Board of Directors; and
    - o Forecasted information included in the Company's press releases and trends in industry reports.
- Assess the impact of changes in the regulatory environment on management's probability of franchise renewal and forecasts of future revenues from Franchise Agreements.
- With the assistance of a valuation specialist, evaluate the reasonableness of the discount rates by testing the source information underlying the determination of the discount rates and developing a range of independent estimates and compare those to the discount rates used by management.

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

- Management's Discussion and Analysis; 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.

Independent Auditor's Report

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

- 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.

Independent Auditor's Report

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

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

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

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

Deloitte LLP

Chartered Professional Accountants

Toronto, Ontario
March 4, 2021

Consolidated Balance Sheets

(In thousands of Canadian dollars)	Note	December 31, 2020	December 31, 2019
Assets			
Current assets			
Cash		**$ 9,156**	$ 5,202
Accounts receivable	4,12	**2,348**	4,351
Current portion of notes receivable	5	**28**	208
Current income tax receivable		**652**	173
Prepaid expenses		**143**	211
		12,327	10,145
Non-current assets			
Notes receivable	5	**91**	103
Deferred income tax asset	7	**6,398**	6,718
Intangible assets	6	**70,143**	77,827
		$ 88,959	$ 94,793
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities	12	**$ 1,282**	$ 1,210
Contract transfer obligation	3, 6,12	**549**	1,920
Interest payable to Exchangeable Unitholders	9,11,12	**484**	484
Dividends payable to shareholders	11	**1,067**	1,067
		3,382	4,681
Non-current liabilities			
Debt facilities	8	**73,379**	73,338
Deferred payments	3,9,12	**5,535**	–
Contract transfer obligation	3,6,12	**3,149**	3,698
Interest rate swap liability	8	**2,704**	496
Exchangeable Units	9	**49,249**	48,983
		137,398	131,196
Shareholders' deficit			
Restricted voting shares	10	**140,076**	140,076
Deficit		**(188,515)**	(176,479)
		(48,439)	(36,403)
		$ 88,959	$ 94,793

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	2020	2019
Revenues			
Fixed franchise fees		**$ 11,247**	$ 29,285
Variable franchise fees		**23,900**	10,638
Other revenue		**5,192**	4,426
		40,339	44,349
Expenses			
Cost of other revenue		**716**	524
Administration expenses	4,5,12	**608**	1,196
Management fees	3,12	**16,875**	15,478
Interest expense	3,6,8,9	**3,001**	3,031
Impairment and write-off of intangible assets	6	**368**	682
Amortization of intangible assets	6	**8,505**	10,560
		30,073	31,471
Operating income		**10,266**	12,878
Interest on Exchangeable Units	9,11,12	**(5,806)**	(5,806)
Loss on fair value of Exchangeable Units	9	**(266)**	(499)
Loss on interest rate swap	8	**(2,208)**	(615)
Gain on deferred payments	3,9	**1,191**	–
Earnings before income tax		**3,177**	5,958
Current income tax expense		**2,090**	2,989
Deferred income tax expense (recovery)		**320**	(107)
Income tax expense	7	**2,410**	2,882
Net and comprehensive earnings		**$ 767**	$ 3,076
Basic earnings per share	11	**$ 0.08**	$ 0.32
Weighted average number of shares outstanding used in computing basic earning per share		**9,483,850**	9,483,850
Diluted earnings per share	11	**$ 0.08**	$ 0.32
Weighted average number of shares outstanding used in computing diluted earnings per share		**12,811,517**	12,811,517

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Deficit

(In thousands of Canadian dollars)	Common Equity	Deficit	Total Deficit
Balance, December 31, 2019	$ 140,076	$ (176,479)	$ (36,403)
Net earnings	–	767	767
Dividends paid	–	(12,803)	(12,803)
Balance, December 31, 2020	**$ 140,076**	**$ (188,515)**	**$ (48,439)**

(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)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, (In thousands of Canadian dollars)	Note	2019	2018
Cash provided by:			
Operating activities			
Net earnings for the year		$ 767	$ 3,076
Adjusted for			
Loss on fair value of Exchangeable Units	9	266	499
Loss on interest rate swap	8	2,208	615
Deferred payments	3,9,12	6,616	–
Gain on deferral	3,9	(1,191)	–
Interest expense	8	8,620	8,564
Interest paid		(8,411)	(8,515)
Interest income		95	187
Interest received		(92)	(187)
Current income tax expense	7	2,090	2,989
Income taxes paid		(2,880)	(3,687)
Deferred income tax expense (recovery)	7	320	(107)
Impairment and write-off of intangible assets	6	368	682
Amortization of intangible assets	6	8,505	10,560
Net changes in non-cash working capital		2,585	924
		19,866	15,600
Investing activities			
Payment of contract transfer obligation	3,6,12	(1,920)	(3,678)
Franchise agreement expenses	6	(1,189)	(256)
Interest expense on contract transfer obligation	6,12	223	375
Interest expense paid on contract transfer obligation	6,12	(223)	(375)
		(3,109)	(3,934)
Financing activities			
Borrowings under debt facilities	8	–	2,000
Dividends paid to shareholders	11	(12,803)	(12,803)
		(12,803)	(10,803)
Increase in cash during the year		3,954	863
Cash, beginning of the year		5,202	4,339
Cash, end of the year		$ 9,156	$ 5,202

See accompanying notes to the consolidated financial statements.

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

During the year ended December 31, 2020, the Company derived approximately 87% of its revenues from franchise fees it receives under the Franchise Agreements (year ended December 31, 2019 – 90%).

2. Significant Accounting Policies

BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and have been authorized for issuance by the Board of Directors of the Company on March 4, 2021.

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:

ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

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

INTANGIBLE ASSETS

Intangible assets, consisting of Franchise Agreements, Trademarks and other agreements purchased or 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 may incur franchise agreement expenses prior to or concurrent with entering into Franchise Agreements including payments to franchisees or prospective franchisees to defray the costs of converting REALTORS® or brokerages to the Company's brands as well as contract specific legal costs, if any. The Company has also provided certain fee rebates to franchisees to provide financial support during the recent pandemic. These costs and rebates are capitalized on an

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

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

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 assets or liabilities are determined using the liability method on temporary differences between the tax bases and the carrying amounts of assets and liabilities. Deferred income tax assets are recognized for all deductible temporary differences and 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.

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In order to respond to the impact of COVID-19 and maintain Bridgemarq's market share by supporting franchisees, the Company announced temporary changes to the franchise fees it charges. For the period from April 1, 2020 to December 31, 2020, the Company suspended fixed franchise fees and increased variable franchise fees (subject to a cap) for franchisees representing approximately 82% of the Company's REALTORS®.

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

External referral 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 Company has completed its obligation under the agreement, 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 historically have seen stronger transactional dollar volumes in the second and third quarters of each year. This historical seasonality pattern did not recur in 2020 due to the impact the pandemic had on the Canadian real estate market, particularly in the second quarter of 2020.

EXCHANGEABLE UNITS

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

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
Deferred payments	Amortized Cost	Amortized Cost
Interest rate swap liability	FVTPL	Fair Value
Exchangeable Units	FVTPL	Fair Value

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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, measuring 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 prior periods. The impact that COVID-19 and government response to containing it could have on the Canadian economy in the short and medium term is unknown. The risks and uncertainties resulting from the pandemic that may affect the Company's future earnings, cash flows and financial condition include the nature, severity and duration of any economic curtailment and the short to medium-term effect on Canadian real estate markets and the Canadian economy in general. Accordingly, estimates used in the preparation of our financial statements including those associated with evaluations of intangible assets and collectability of accounts receivable may be subject to significant adjustments in future periods. The estimates are impacted by, among other things, movements in interest rates, 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 judgement and is highly uncertain as a result of, among other factors, the unknown potential future impact of the COVID-19 pandemic. In assessing the valuation of accounts receivable and notes receivable, the Company evaluates each franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether an allowance for doubtful accounts should be recorded.

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, rebates and Trademarks. Determining whether the value of an intangible asset is impaired or has increased requires considerable judgment. When reviewing indicators for impairment or recovery of previously impaired intangible assets, the Company considers certain factors including, financial performance of the business, franchise fees earned, term to maturity, historical agent count, collectability of receivables, estimated future revenues expected to be earned and underlying market conditions. The estimation of future revenues and other forward looking information requires significant judgement and is highly uncertain as a result of, among other things, the unknown potential future impact of the COVID-19 pandemic.

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STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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. There was no impact on the Company's consolidated financial statements as a result of 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". There was no impact on the Company's consolidated financial statements as a result of applying the amendment to IAS 1.

INTEREST RATE BENCHMARK REFORM – PHASE 2

In August 2020, the IFRS Board issued amendments focussed on the effects of interest rate benchmark reform on a Company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate. The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendment is effective for annual reporting periods beginning on or after January 1, 2021. The Company is currently assessing the impact of this amendment.The Company has assessed there is no impact on the Company's consolidated financial statements as a result of this amendment to the interest rate benchmark.

3. Management Services Agreement

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

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

For the year ended December 31, 2020, the Company incurred management fees of $19,018 (year ended December 31, 2019 – $19,528) for these services, $16,875 of which was charged to the consolidated statements of net and comprehensive earnings (year ended December 31, 2019 – $15,478) and $2,143 was used to reduce the contract transfer obligation owing to the Manager plus related interest (year ended December 31, 2019 – $4,053).

For the year ended December 31, 2020, the Company elected to defer payments of $5,648 related to management fees under a deferral agreement with the Manager in May, 2020. These deferred payments are non-interest bearing, are due no later than five years from the date of deferral and are repayable in cash or the issuance of Exchangeable Units, at the option of the Company. On initial recognition, the Company recorded the fair value of the deferred payment obligation at $4,632 using an income approach to determine fair value. For the year ended December 31, 2020, the Company recorded a gain of $1,017 related to these deferred payments and interest expense of $94 reflecting accretion of the carrying value of the deferred payments using the effective interest rate method.

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 and notes receivable are valued initially at fair value, then subsequently measured at amortized cost less any provision for doubtful accounts. As at December 31, 2020, the Company had accounts receivable of $2,348 (December 31, 2019 – $4,351) net of an allowance for doubtful accounts of $310 (December 31, 2019 – $664). During the year ended December 31, 2020, administration expense included a bad debt recovery related to accounts receivable of $284 (2019 – bad debt expense of $446).

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Management analyses accounts receivable and notes 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, 2020 and December 31, 2019.

As at December 31,	**2020**	2019
Current	**$ 1,962**	$ 3,459
30 Days	**322**	683
60 Days	**63**	323
90+ Days	**311**	490
Subtotal	**$ 2,658**	$ 4,955
Allowance for doubtful acccounts	**(310)**	(604)
Accounts receivable	**$ 2,348**	$ 4,351

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. Notes receivable are measured net of an allowance for doubtful accounts of $85 at December 31, 2020, (December 31, 2019 – $145) as collection of one note receivable was not reasonably assured at the time the note receivable was transferred from accounts receivable.

As at December 31, 2020, the Company had notes receivable, net of allowance for doubtful accounts of $119 (December 31, 2019 – $311), of which $28 was due within 12 months (December 31, 2019 – $208) and $91 was considered non-current (December 31, 2019 – $103). During the year ended December 31, 2020, administration expense included a bad debt recovery related to notes receivable of $60 (2019 – $5).

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

As at December 31,	**2020**	2019
Current portion	**$ 88**	$ 268
Receivable in 13-24 months	**53**	88
Receivable thereafter	**63**	100
Subtotal	**204**	456
Allowance for doubtful accounts	**(85)**	(145)
Notes receivable	**$ 119**	$ 311

6. Intangible Assets

In accordance with terms of the 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. The fair value ascribed to the Franchise Agreements was $4,706 and 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. A portion of management fees payable under the MSA has been allocated to reduce the contract transfer obligation associated with these transferred agreements. For the year ended December 31, 2020, $1,920 of payments for management fees paid under the MSA were allocated to reduce the contract transfer obligation (year ended December 31, 2019 – $3,678) with a further $223 allocated to interest on the contract transfer obligation (year ended December 31, 2019 – $375). The contract transfer obligation bears interest at variable rates.

Franchise agreement expenses and rebates are recorded as additions to intangible assets net of any recovery of previously paid franchise agreement expenses. For the year ended December 31, 2020, the Company recorded net franchise agreement expenses and rebates of $1,723 (year ended December 31, 2019 – $409). Additions to intangible assets of $1,189 (year ended December 31, 2019 – $256) reflect amortization of those franchise agreement expenses and rebates of $534 (year ended December 31, 2019 $153) recorded as a reduction of revenues.

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For the year ended December 31, 2020, the Company identified 15 Franchise Agreements with a carrying amount in excess of their recoverable amount (year December 31, 2019 – seven). For the year ended December 31, 2020, the Company recognized an impairment charge of $368 related to those Franchise Agreements (year ended December 30, 2019 – $527).

For the year ended December 31, 2020, the Company identified three Franchise Agreements that were subject to early termination or non-renewal (year ended December 31, 2019 – two). For the year ended December 31, 2019, the Company recognized a write-off of $155 related to those Franchise Agreements. For the year ended December 31, 2020, the Company identified twelve Ancillary Agreements that were fully amortized and expired during the year.

For the year ended December 31, 2020, the Company recorded amortization of intangible assets of $9,039 (year ended December 31, 2019 – $10,713), of which $534 was recorded as a reduction in revenues (year ended December 31, 2019 – $153).

A summary of intangible assets for 2020 and 2019 is provided.

Year ended December 31, 2020	Franchise Agreements & Ancillary Agreements	Trademarks	Total
Cost			
At December 31, 2019	$ 246,231	$ 5,427	$ 251,658
Franchise agreement expenses and rebates, net	1,189	–	1,189
Impairment	(368)	–	(368)
Agreements expiring during the year	(2,582)	–	(2,582)
At December 31, 2020	$ 244,470	$ 5,427	$ 249,897
Accumulated amortization			
At December 31, 2019	$ (170,812)	$ (3,019)	$ (173,831)
Amortization expense	(8,320)	(185)	(8,505)
Agreements expiring during the year	2,582	–	2,582
At December 31, 2020	$ (176,550)	$ (3,204)	$ (179,754)
Carrying value			
At December 31, 2019	$ 75,419	$ 2,408	$ 77,827
At December 31, 2020	$67,920	$ 2,223	$ 70,143

Year ended December 31, 2019	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, net	256	–	256
Impairment	(527)	–	(527)
Impairment recovery	–	–	–
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

Notes to the Consolidated Financial Statements

Years ended December 31, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless stated otherwise)

7. Income Taxes

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

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

Years ended December 31,	2020	2019
Earnings before income tax for the period:	$ 3,177	$ 5,958
Expected income tax expense at statutory rate of 26.5% (2019 – 26.5%)	842	1,579
Increase (decrease) in income tax expense due to the following:		
Non-deductible amortization	496	503
Non-deductible loss on fair value of Exchangeable Units	71	132
Non-deductible interest on Exchangeable Units	1,539	1,539
Non-deductible impairment and write-off of intangible assets, net	19	9
Income allocated to Exchangeable Unitholders	(706)	(876)
Recognition of deferred tax assets and other	149	(4)
Total income tax expense	$ 2,410	$ 2,882

The major components of income tax expense include the following:

Years ended December 31,	2020	2019
Current income tax expense	$ 2,090	$ 2,989
Deferred income tax expense (recovery)	320	(107)
Total income tax expense	$ 2,410	$ 2,882

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, 2019	$ 5,098	$ 1,488	$ 132	$ 6,718
Deferred income tax recovery (expense)	(110)	(508)	298	(320)
At December 31, 2020	**$ 4,988**	**$ 980**	**$ 430**	**$ 6,398**

	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)	919	(975)	163	107
At December 31, 2019	**$ 5,098**	**$ 1,488**	**$ 132**	**$ 6,718**

Notes to the Consolidated Financial Statements

Years ended December 31, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless stated otherwise)

8. Debt Facilities

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

As at	December 31, 2020	December 31, 2019
Term facility	$ 55,000	$ 55,000
Acquisition facility	18,500	18,500
	$ 73,500	$ 73,500
Financing fees	(121)	(162)
Debt facilities	$ 73,379	$ 73,338

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, 2020.

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 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4.0 to 1. The Company is obligated to make limited principal repayments under the Debt Facilities in circumstances where the ratio of Senior Indebtedness to Consolidated EBITDA exceeds 3.4:1. Such payments shall continue until the ratio of Senior Indebtedness to Consolidated EBITDA is less than 3.25:1.

Consolidated EBITDA is defined as net earnings before income taxes, fair value adjustments on interest rate swaps and Exchangeable Units, impairment and amortization of intangible assets and interest expense. Senior Indebtedness is defined as borrowings on the Company's debt facilities. At December 31, 2020 and December 31, 2019, the Company complied with all covenants under the debt facilities.

The Company has entered into an interest rate swap agreement to swap the variable interest rate obligation on the $55,000 Term Facility to a fixed rate obligation of 3.94% through to Maturity. The interest rate swap is a financial instrument and is disclosed at its fair value with any change in 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, 2020, the Company determined that the fair value of the interest rate swaps represents a liability of $2,704 (December 31, 2019 –$496). For the year ended December 31, 2020, the Company recognized a fair value loss of $2,208 (year ended December 31, 2019 – $615).

Notes to the Consolidated Financial Statements

Years ended December 31, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless stated otherwise)

9. 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, 2020, the Company used the closing market price of Bridgemarq's shares of $14.80 (December 31, 2019 – $14.72). During the year ended December 31, 2020, the Company recorded a loss of $266 related to the fair value of the Exchangeable Units (December 31, 2019 – $499).

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, 2020 the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of $5,806 (year ended December 31, 2019 – $5,806).

During the year ended December 31, 2020, the Company elected to defer the payment of interest of $968 on the Exchangeable Units under a deferral agreement with BBP. These deferred payments are non-interest bearing, are due no later than five years from the date of deferral and are repayable in cash or the issuance of Exchangeable Units, at the option of the Company. On initial recognition, the Company recorded the fair value of the deferred payment obligation at $794 using an income approach to determine fair value. For the year ended December 31, 2020, the Company recorded a gain of $174 related to these deferred payments and interest expense of $16 reflecting accretion of the carrying value of the deferred payments using the effective interest rate method.

10. 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, 2020 or the year ended December 31, 2019.

No preferred shares were issued or outstanding as at December 31, 2020 or December 31, 2019.

The following table summarizes the outstanding shares of Bridgemarq:

As at December 31,	**2020**	2019
Restricted voting shares	**9,483,850**	9,483,850
Special voting share	**1**	1

Notes to the Consolidated Financial Statements

Years ended December 31, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless stated otherwise)

11. Earnings Per Share

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

(In thousands of Canadian dollars, except share and per share amounts)	2020	2019
Net earnings (loss) available to restricted voting shareholders – basic	**$ 767**	$ 3,076
Interest on Exchangeable Units	**5,806**	5,806
Loss on fair value of Exchangeable Units	**266**	499
Net earnings available to restricted voting shareholders – diluted	**$ 6,839**	$ 9,381
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	**$ 0.08**	$ 0.32
Diluted earnings per share	**$ 0.08**	$ 0.32
Dividends declared	**$ 12,803**	$ 12,803
Restricted voting shares	**9,483,850**	9,483,850
Dividends per restricted voting share	**$ 1.35**	$ 1.35

12. Related Party Transactions

In addition to transactions disclosed elsewhere in the consolidated financial statements, the Company had the following transactions with parties related to the Manager or the Exchangeable Unitholders during the years ended December 31, 2020 and 2019. These transactions have been recorded at the exchange amount as agreed between the parties.

Year ended December 31,	2020	2019
a) Revenues		
Fixed franchise fees	**$ 734**	$ 2,764
Variable franchise fees	**$ 2,275**	$ 923
Other revenue, net	**$ 86**	$ 113
b) Expenses		
Management fees	**$ 16,875**	$ 15,478
Insurance premiums and other	**$ 22**	$ 20
Interest on contract transfer obligation	**$ 223**	$ 375
c) Interest		
Interest to Exchangeable Unitholders	**$ 5,806**	$ 5,806

Notes to the Consolidated Financial Statements

Years ended December 31, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless stated otherwise)

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

As at December 31,	2020	2019
d) Accounts receivable		
Franchise fees receivable and other	**$ 140**	$ 305
e) Management fees and Interest on contract transfer obligation		
Management fees and interest on contract transfer obligation payable	**$ 820**	$ 763
Management fee payments deferred	**$ 4,725**	$ –
Interest payable on contract transfer obligation	**$ 19**	$ 24
f) Interest payable to Exchangeable Unitholders	**$ 484**	$ 484
Interest payments deferred	**$ 810**	$ –
g) Contract transfer obligation	**$ 3,698**	$ 5,618

On January 3, 2019, the Manager transferred 47 Franchise Agreements as well as the Ancillary Agreements to the Company for nominal consideration. The fair value ascribed to these agreements was $9,296. A portion of management fees payable under the MSA has been 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, 2020, the Company incurred $288 in directors' fees (year ended December 31, 2019 – $199). These directors' fees are included in administration expenses.

13. Financial Instruments

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

A) CREDIT RISK

Credit risk arises from the possibility that franchisees may not pay amounts owing to the Company. The Company's credit risk is limited to the recorded amount of accounts receivable and notes receivable. The Manager reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis to evaluate the risk of a default occurring over the expected life of the accounts receivable. This monitoring includes evaluating the franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether a provision should be recorded. The estimation and application of monitoring future events or market conditions requires significant judgment and is uncertain as a result of, among other factors, the unknown potential future impact of the COVID-19 pandemic (see Note 16).

As at December 31, 2020, the Company has recorded an allowance for doubtful accounts related to accounts receivable and notes receivable of $395 (December 31, 2019 – $749).

Notes to the Consolidated Financial Statements

Years ended December 31, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless stated otherwise)

B) LIQUIDITY RISK

The Company is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs, including paying dividends to shareholders of restricted voting shares and interest to Exchangeable Unitholders. The Company manages liquidity risk by maintaining conservative debt levels compared with those required by the covenants associated with the debt facilities. The Company has a $20,000 Acquisition Facility, of which $18,500 has been drawn, and a $5,000 undrawn Operating Facility (see Note 8). In addition, the Company entered into an agreement with the Manager and BBP whereby the Company deferred payment of management fees to the Manager and interest on Exchangeable Units to BBP, providing additional liquidity for the Company. In the year ended December 31, 2020, the Company deferred payments of $6,616 under the agreement. These deferred payments are non-interest bearing, are due no later than five years from the date of deferral and are repayable in cash or the issuance of Exchangeable Units, at the option of the Company.

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

As at December 31,	2021	2022	2023	2024	Beyond 2024	Total
Accounts payable and accrued liabilities	$ 1,282	$ –	$ –	$ –	$ –	$ 1,282
Current contract transfer obligation	549	–	–	–	–	549
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	–	–	8,688
Interest on contract transfer obligation	171	143	114	90	169	687
Long term contract transfer obligation	–	573	602	356	1,618	3,149
Interest rate swap liability	–	–	2,704	–	–	2,704
Debt facilities	–	–	73,500	–	–	73,500
Deferred payments	–	–	–	–	6,616	6,616
Exchangeable Units	–	–	–	–	49,249	49,249
Total	$ 6,449	$ 3,612	$ 79,816	$ 446	$ 57,652	$ 147,975

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

The Acquisition Facility bears interest at a variable rate of BAs + 1.70% or Prime + 0.5%. Management has elected to pay interest at variable interest rates on the Acquisition Facility and monitors this position on an ongoing basis. An increase of 1% in the Company's effective interest rate on its variable rate debt would result in an increase in its annual interest expense of approximately $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 deferred payments is estimated to approximate its carrying value of $5,535 due to the Company's option to settle this amount through the issuance of Exchangeable Units at any time. The fair value of the Company's outstanding borrowings of $73,500 approximate their carrying value of $73,379 and the fair value of the Company's outstanding contract transfer obligation approximates the carrying value of $3,698 as a result of their floating rate terms.

Notes to the Consolidated Financial Statements

Years ended December 31, 2020 and 2019
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E) FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheets as at December 31, 2020 and December 31, 2019, classified using the fair value hierarchy.

As at December 31, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities:				
Exchangeable Units	49,249	–	–	49,249
Interest rate swap liability	–	2,704	–	2,704
Total	$ 49,249	$ 2,704	$ –	$ 51,953

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

See Note 9 for disclosures related to Level 1 fair values and Note 8 for disclosures related to the Level 2 fair values. There were no transfers between fair value hierarchy levels during the period.

14. 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 8. As at December 31, 2020 and December 31, 2019. The Company is compliant with all financial covenants. There were no changes in the Company's approach to capital management during the year.

Notes to the Consolidated Financial Statements

Years ended December 31, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless stated otherwise)

15. 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, 2020, 92% (year ended December 30, 2019 – 93%) are generated from services provided under the Royal LePage and Johnston and Daniel brands and 8% (year ended December 31, 2019 – 7%) are generated from services provided under the Via Capitale brand.

16. Global Pandemic

In March 2020, the World Health Organization declared a global pandemic caused by the outbreak of the novel coronavirus, specifically identified as "COVID-19". The outbreak has resulted in governments enacting emergency measures to combat the spread of virus. These measures, which include the implementation of travel bans, self-imposed quarantine and social distancing, have disrupted the Company's business and have resulted in a global economic slowdown. The duration and impact of COVID-19 outbreak, the speed with which the world's population can be vaccinated, as well as the impact of government actions to control the spread of the disease and the economic impacts are unknown at this time.

Management is closely evaluating the impact of COVID-19 on the Company's business. It is not possible to estimate the length and severity of these developments and the impact on the future financial results of the Company. The effects of any expected prolonged decreases in future operating cash flows could result in the Company recording additional impairment charges in future periods on the Company's intangible assets and could negatively affect the Company's results of operations.

In response to the potential impact of COVID-19 on the Company's Franchisees, the Company announced temporary changes to the fees it charges its franchisees. For the period from April 1, 2020 to December 31, 2020, the Company suspended fixed franchise fees and increased variable franchise fees for franchisees representing approximately 82% of the Company's REALTORS®. The temporary plan was implemented to support the franchise network and preserve the presence of the Company's brands.

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

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 Royal LePage Shelter Foundation is the largest public foundation in Canada dedicated exclusively to supporting women's shelters and domestic violence prevention programs;
- Since the Royal LePage Shelter Foundation's inception in 1998, more than $35 million has been raised, including over $2 million in 2020;
- Royal LePage offices across Canada partner with a local women's 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 the administration costs of the foundation so that 100 per cent of funds raised go directly towards the cause;
- As a national philanthropic partner of Canadian Women's Foundation, the Royal LePage Foundation supports programs in every province that help women rebuild their lives after violence, and those that help youth learn how to build healthy relationships and avoid violence in their lives;
- The Royal LePage Shelter Foundation is proud to be a founding national partner of sheltersafe.ca, an online resource operated by Women's Shelters Canada that provides the 24/7 emergency contact information for women's shelters across the country.

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.

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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
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