Brookfield
Real Estate Services Inc.

INTERIM REPORT TO SHAREHOLDERS
Q1 2013

YEARS OF HELPING YOU HOME

A Foundation for Continued Growth

PROFILE

The Company is a leading provider of services to residential real estate brokers and their REALTORS®. The Company generates cash flow from franchise royalties and service fees derived from a national network of real estate brokers and Agents in Canada operating under the Royal LePage, Via Capitale and Johnston & Daniel brand names. At March 31, 2013, the Company Network consisted of 15,558 REALTORS®. The Company Network has an approximate 24% share of the Canadian residential resale real estate market based on transactional dollar volume. The Company generates both fixed and variable fee components. Variable fees are primarily driven by the total transactional dollar volume from the sales commissions of REALTORS®, while fixed fees are based on the number of Agents and Sales Representatives in the Network. Approximately 73% of the Company's annual royalties is based on fees that are fixed in nature; this provides revenue stability and helps insulate the Company's cash flows from market fluctuations. The Company is listed on the TSX and trades under the symbol "BRE". For further information about the Company, please visit www.brookfieldresinc.com.

FORWARD-LOOKING STATEMENTS

This MD&A and other content of this Financial Review report contain forward-looking information and other "forward-looking statements". The words such as "should", "will", "continue", "plan", "believe", "expect", "anticipate", "intend", "estimate" and other expressions, which are predictions of or indicate future events and trends and which 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, which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set out in the forward-looking statements include a change in general economic conditions; interest rates; consumer confidence; the level of residential resale transaction; the average rate of commissions charged; competition from other traditional real estate brokers or from discount and/or Internet-based real estate alternatives; the availability of acquisition opportunities and/or the closing of existing real estate offices; other developments in the residential real estate brokerage industry or the Company that reduce the number of and/or royalty revenue from the Company's REALTORS®; our ability to maintain brand equity through the use of trademarks; the availability of equity and debt financing; a change in tax provisions; 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. 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.

Q1 2013 INTERIM REPORT TO SHAREHOLDERS
FINANCIAL AND OPERATING HIGHLIGHTS
MARCH 31, 2013 AND 2012

Unaudited (In thousands of Canadian dollars)	**Three months ended March 31, 2013**	Three months ended March 31, 2012
Royalties	**$ 8,064**	$ 8,220
CFFO	**$ 5,592**	$ 5,561
Dividends	**$ 2,618**	$ 2,618
Interest on Exchangeable units	**$ 1,168**	$ 1,168
Current income tax expense	**$ 841**	$ 837
Per Share basis		
Royalties	**$ 0.63**	$ 0.64
CFFO	**$ 0.44**	$ 0.43
Dividends	**$ 0.28**	$ 0.28
Interest on Exchangeable units	**$ 0.35**	$ 0.35
Current income tax expense	**$ 0.09**	$ 0.09

For the three months ended March 31, 2013 (the "Quarter"), the Company generated cash flow from operations ("CFFO") of $5.6 million, or $0.436 per share, as compared to $5.6 million, or $0.434 per share, for the same period in 2012. Royalties were $8.1 million, as compared to $8.2 million for the same period in 2012. The net loss for the Quarter was $0.5 million, or $0.06 per share, compared to a net loss of $3.2 million, or $0.34 per share, for the same period in 2012.

Market transactional dollar volume for the rolling twelve months ended March 31, 2013 was $160.2 billion, down 5% from March 31, 2012, driven by a 5% decrease in home sales activity, partially offset by a 0.2% increase in selling price. The decrease in Quarter-over-same-quarter home sales activity is largely driven by tighter mortgage-lending rules introduced in July 2012, which pulled a greater number of homes sales into the first half of 2012.

"The first quarter of 2013 saw an unusual grouping of economic factors that brought stability to the Canadian housing market: consistently low interest rates, an expanding economy, with essentially flat home prices," said Phil Soper, President and Chief Executive Officer, Brookfield Real Estate Services Inc. "Together, these factors should mitigate the length and severity of the current cyclical correction."

"We saw a year-over-year decline in sales volumes in the quarter, as the lingering impact of last summer's introduction of more restrictive mortgage rules affected entry-level buyers, and some sellers delayed listing their homes on speculation of a real estate price correction," continued Soper. "Buyers looking to make opportunistic purchases in a soft market, however, were largely disappointed as home prices held firm across almost all markets."

The Company Network

As at March 31, 2013, the Company Network consisted of 15,558 REALTORS®, operating under 440 franchise agreements, providing services from 679 locations, with an approximate 24% share of the Market, based on 2012 transactional dollar volume. The Company experienced a net increase of 472 Agents during the Quarter, as a result of the January 1, 2013 acquisition of 44 franchise agreements, with 516 REALTORS® operating under the Royal LePage and Via Capitale brands, which was partially offset by the net organic attrition of 44 Agents.

Monthly Cash Dividend

The Company declared a cash dividend of $0.092 per share for the month of May 2013, payable on June 28, 2013 to shareholders of record on May 31, 2013.

CFFO

This overview and accompanying financial statements make reference to cash flow from operations ("CFFO") on a total and per restricted voting share basis. CFFO is defined as net income prior to fair value changes, amortization, interest on Exchangeable units, income taxes and items related to other income. CFFO 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 Exchangeable unitholders converted Class B LP units into shares of the Company. The Company uses CFFO to assess its operating results and the value of its business, and it believes that many of its shareholders and analysts also find this measure of value to them. CFFO does not have any standard meaning prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures presented by other companies.

Outlook

"As we previously forecast, the Canadian residential real estate market is in the midst of a cyclical slowdown, which has seen lower unit sales volumes and price appreciation reduced. We believe we are well through the correction, which began in the third quarter of 2012," said Soper. "In the first quarter of 2013 we saw fewer homes trade hands, but starting in the second half of 2013, management expects volumes to adjust to normal levels."

Philip Soper
President and Chief Executive Officer

Kevin Cash
Chief Financial Officer

May 6, 2013

2013

Management's Discussion and Analysis

Introduction

This section of Brookfield Real Estate Services Inc.'s (the "Company" or "our") interim report includes management's discussion and analysis ("MD&A") of our results and financial condition for the three months ended March 31, 2013 (the "Quarter") and has been prepared as at May 6, 2013. 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.

This MD&A is intended to provide you with an assessment of our past performance as well as our financial position, performance objectives and future outlook. The information in this section should be read in conjunction with our audited financial statements for the year ended December 31, 2012, prepared in accordance with IFRS. Additional information relating to our Company, including our Annual Information Form, is available on SEDAR at www.sedar.com. All dollar amounts are in Canadian dollars unless otherwise specified.

Management's Discussion and Analysis of Results and Financial Condition

HIGHLIGHTS

Three months ended March 31,
($ 000's) except Agents, Sales Representatives and per share amounts

		2013		2012
Royalties	$	**8,064**	$	8,220
Less:				
Administration		**271**		452
Management fee		**1,482**		1,482
Interest expense		**719**		725
Cash flow from operations[1]	$	**5,592**	$	5,561
Amortization of intangible assets		**(3,331)**		(3,350)
Impairment of intangible assets		**(388)**		–
Interest on Exchangeable units		**(1,168)**		(1,168)
Loss on fair value of Exchangeable units		**(699)**		(3,527)
Gain on purchase obligation adjustment		**212**		–
Current income tax expense		**(841)**		(837)
Deferred income tax recovery		**80**		141
Net and comprehensive loss	$	**(543)**	$	(3,180)
Basic loss per share	$	**(0.06)**	$	(0.34)
Diluted loss per share	$	**(0.06)**	$	(0.34)
Cash flow from operations per share	$	**0.44**	$	0.43
Total assets	$	**100,547**	$	107,375
Total financial liabilities	$	**101,611**	$	103,577
Number of Agents[2] and Sales Representatives[3]		**15,558**		15,250

The table above 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, 2012.

As at March 31, 2013, the Company consisted of 15,558 Canadian REALTORS® operating under 440 franchise agreements and providing services from 679 locations, operating under the Royal LePage, Johnston & Daniel and Via Capitale brand names (collectively the "Company Network"), with an approximate 24% share of the Canadian residential real estate Market[4] ("the Market") based on 2012 transactional dollar volume.

The associated franchise fee stream (see Structure of Company Royalties) was approximately 73% fixed and 27% variable in 2012, which after operating costs delivered $1.98 of CFFO per share for the twelve months ended December 31, 2012 ($1.97 – 2011, see Supplemental Information – Cash Flow From Operations), against which the Company distributed $1.10 per share in 2012 to shareholders, consistent with 2011.

BUSINESS STRATEGY

We are a long-established, Canadian-based real estate services firm, originally structured as an Income Trust and subsequently converted to a corporate structure on December 31, 2010. We focus on providing services to real estate brokers and their Agents, who practise predominantly in the residential brokerage segment of the market, in order to assist them with the profitable, efficient and effective delivery of real estate sales services in the communities they serve. Through a portfolio of highly regarded real estate franchise brands, each of which offers a differing value proposition, we cater to the diverse service requirements of regional real estate professionals, in virtually all significant population centres, across Canada.

[1] Cash flow from operations ("CFFO") is defined as net income before fair value changes, amortization, interest on Exchangeable units, income taxes, items related to other income and interests of Exchangeable unitholders. CFFO 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 Exchangeable unitholders converted Class B LP units into shares of the Company. The Company uses CFFO to assess its operating results and the value of its business and believes that many of its shareholders and analysts also find this measure of value to them. CFFO does not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

[2] Agent is defined as an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with a broker.

[3] Sales Representative is defined as an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with an Agent.

[4] The Market is defined as the dollar value of residential resale units sold ("transactional dollar volume") over a twelve-month period in a particular geographic area.

Our objective is to provide our stakeholders with an investment vehicle that pays stable and growing dividends. Our revenue is driven primarily by royalties derived from long-term franchise agreements. These royalties are weighted toward fees that are fixed in nature; this has proven to be effective in moderating the variations in overall industry activity that can occur in the Market. We manage our operating costs and associated risks by delivering our services and management of the Company through an Amended and Restated Management Services Agreement ("MSA"), which is provided by Brookfield Real Estate Services Manager Limited (the "Manager"), a subsidiary of Brookfield Asset Management Inc. ("BAM").

The senior management team of the Manager developed and managed the Royal LePage Network before the inception of the Company, and BAM, through a wholly owned subsidiary, holds an approximate 26% interest (the "Exchangeable units") in the Company. As a result of this arrangement, the underlying costs of the Company are not complex as they are limited to management fees paid under the MSA, public operating costs and carrying costs associated with our debt.

The number of REALTORS®[5] and transaction volumes generated in the markets we serve, the manner in which we structure our contracted revenue streams and our success in attracting Agents and brokers to our brands through our value proposition and track record are all key drivers of the Company's performance. These drivers, in combination with other uncontrollable risk factors, including the economy at large, government and regulatory activity, all impact the Company's performance and are discussed in greater detail throughout this MD&A.

Through the Manager, we seek to further increase dividends by increasing our Agent count through the acquisition of franchise agreements and by attracting and retaining brokers and their Agents through the provision of additional fee for service offerings and the provision of services, which increases our brokers' and their Agents' productivity.

STRUCTURE OF COMPANY ROYALTIES

Royalty Fees

The Company generates royalties with both fixed and variable fee components. Approximately 89% (89% – 2012) of the Company's royalties during the Quarter were derived from the combined fixed fee per REALTOR® per month, 1% variable royalty fee and premium franchise fees. The remaining royalty stream is made up of other fees and services generated from home warranty fees, technology fees and other fees. Approximately 73% of the Company's annual royalties are partially insulated from market fluctuations as they were not directly driven by transaction volumes. Management believes that the combination of a royalty stream based on the number of REALTORS® representing the Royal LePage and Via Capitale brands, increasing Agent and broker productivity and an increasing supply of new housing inventory provides the base for a strong and stable cash flow. A summary of these fees is as follows:

Fixed royalty fees are based on the number of Agents and fee-paying Sales Representatives, collectively "selling-REALTORS®", in the Company Network. Fixed franchise fees from Royal LePage franchisees consist of a monthly fixed fee of $100 per selling-REALTOR®, a technology fee and other fees, while those from Via Capitale franchisees consist primarily of a monthly fee of approximately $170 per selling-REALTOR®.

Variable royalty fees are primarily driven by the volume of business transacted by our Agents. Variable franchise fees from Royal LePage franchisees are driven by the transactional dollar volume transacted by the Agents and are derived as 1% of each Agent's gross commission income, subject to a cap of $1,300 per year. In 2012, 24% (2011 – 19%) of the Agents in the Company Network reached the royalty cap.

In addition to these fees, 23 of the Company's larger Royal LePage locations situated in the Greater Toronto Area ("GTA") pay a **premium franchise fee** ranging from 1% to 5% of the location's gross revenue. Of these locations, 16 are operated by the Manager and are contractually obligated to pay the premium franchise fee to August 2018.

Network Royalty Profile

The Royal LePage Network: The fees generated from the Royal LePage Network accounted for 91% of the Company's fees for the three months ended in 2013 and in 2012 and are primarily made up of a fixed monthly fee per Agent of $100 plus a $20 technology fee per participating franchisee (representing 97% of Agents in 2012, 96% in 2011); a variable fee equal to 1% of the fees generated by the Agent, capped at $1,300 per Agent; learning services fees; and a premium franchise fee, as described earlier. Under this structure, exclusive of ancillary fees, an Agent earning in excess of the $1,300 per annum fee cap will contribute $2,740 per annum to the Company.

Due to the variable fee-capping feature, approximately 73% (71% – 2011) of the Royal LePage Network fees are fixed in nature.

[5] REALTOR® is defined as an individual licensed to trade in real estate and includes brokers, Agents and Sales Representatives.

Management's Discussion and Analysis of Results and Financial Condition

The Via Capitale Network: The fees generated from the Via Capitale Network, which services the Quebec market, accounted for 9% of the Company's fees for the three months ended in 2013 and in 2012. These fees are primarily made up of a fixed monthly fee per Agent of $170 ($2,040 per annum) and fees generated from home warranty fees. As a result, approximately 78% (78% – 2011) of Via Capitale's annual royalties are fixed in nature.

MONTHLY DIVIDENDS

The targeted annual cash dividend payable to public shareholders for 2013 is $1.10 per share, to be paid monthly. Management and the Board of Directors periodically review the Company's targeted dividends and distributions.

OVERVIEW OF FIRST QUARTER 2013 OPERATING RESULTS

For the rolling twelve months ended March 31, 2013, the Canadian Market, as defined by Market transactional dollar volume, closed down 5%, at $160.2 billion, compared to the same period of 2012. This decrease was driven solely by a decrease in units sold, largely driven by tighter mortgage-lending rules introduced in July 2012, which pulled a greater number of home sales into the first half of 2012. The average selling price of a home remained largely unchanged due primarily to a balanced market supported by reduced listings and low interest rates.

For the rolling twelve months ended March 31, 2013, the Company generated CFFO of $25.5 million, or $1.99 per restricted voting share, up 0.4%, or $0.1 million, from $25.4 million, or $1.98 per restricted voting share, recorded for the twelve months ended December 31, 2012. This $0.1 million increase resulted primarily from a $0.1 million, or 0.4%, reduction in royalties offset by a $0.2 million, or 13.3%, reduction in administration expense due primarily to reduced accounts receivable provisions resulting from the success of increased collection efforts. The Company Network experienced a net increase of 472 Agents during the Quarter, compared to a net decrease of 176 Agents in the fourth quarter of 2012. This increase was largely driven by the January 1, 2013 acquisition of 44 franchise agreements represented by 516 REALTORS® operating under the Royal LePage and Via Capitale brands. This increase was partially offset by the net organic attrition of 44 Agents, of which 46 were attributed to a Via Capitale franchise that opted to not renew its agreement during the Quarter.

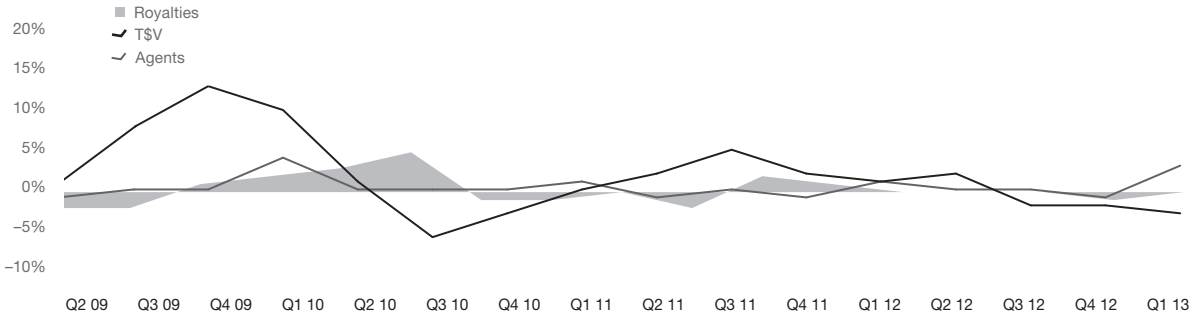
The Company Network remains strong, with its Agents generating an average transactional dollar volume of $2.58 million per annum for the twelve months ended December 31, 2012; this is 86% more productive than the rest of the Canadian REALTOR® population and is up from 61% in 2011.

The Company's renewal of franchise agreements remained strong in the Quarter, with the renewal of one agreement represented by 298 Agents, the early renewal of three agreements representing 496 Agents and the non-renewal of one agreement representing 46 Agents.

Royalties

The most significant drivers of the Company's royalties are Market activity, the number of Agents in the Company Network and competition. The chart below summarizes the percentage change in transactional dollar volume in Canada, the Company's royalties and the number of Agents on a rolling twelve-month quarter-over-quarter basis since 2009. As noted from the chart, the vend-in of franchise agreements in the first quarter of each year and the organic change in the number of Agents, combined with the fixed-fee nature of our royalties, mitigate the impact of Market fluctuations. In addition, the "lag effect" of the Company's policy of recording variable and premium franchise fees when a home sale transaction closes, which occurs after the home sale has been reported by the market, is quite evident.

ROLLING TWELVE-MONTH % CHANGE FROM PRIOR QUARTER



RECENT DEVELOPMENTS

Data Distribution Facility (DDF)

The Data Distribution Facility (DDF) is a national program offered by the Canadian Real Estate Association ("CREA") under which participating brokers can share listings data (collectively the "National Franchisor Pool") across real estate company brands and syndicate them to third-party websites. This program will allow the Manager to publish our competitors' listings on our national website, www.royallepage.ca, and as a result is expected to generate home sale leads for our Agents.

With the launch of the DDF, the Manager has upgraded the royallepage.ca website, as discussed below. There are currently over 40,000 listings in the National Franchisor Pool.

Longer-term, this program's goal is to share all Canadian real estate listings as more real estate professionals adopt this service. This could allow the Manager to display as many listings on our national site as are currently available on REALTOR.ca. For three years now, the Manager has championed this initiative.

Management believes that the DDF represents an exceptional opportunity to aggregate buyers to www.royallepage.ca and provide our brokers with greater lead-generation opportunities. Working with Salesforce.com as a technology partner, management expects to introduce software to organize the lead-management process for Agents who subscribe to the service. Long-term, management is seeking strategically to avoid the experience in the United States, where non-industry web properties dominate. This is crucial to ensure that buyers continue browsing properties on our website.

Relaunch of Royal LePage Consumer Website

On April 16, the new RoyalLePage.ca website, designed by Plastic Mobile and powered by Google App Engine and Cloud Storage, was launched. Google Search allows consumers to find listings by neighbourhood and points of interest. The website has been completely rewritten in an informal and approachable language style and redesigned to include responsive screen resizing to work from any device. The new site incorporates CREA's DDF, which now allows real estate companies to display their competitors' listings on their website. This has more than doubled the listings inventory available on the RoyalLePage.ca website. Additional rich content added to the site includes detailed neighbourhood content such as Walkscore rankings, Wikipedia articles, photos and points of interest. IP Geolocation has been introduced to provide users with a personalized experience based on their province or region. This next-generation site will allow Royal LePage to compete directly with other real estate sites that have historically had access to greater listings inventory and provide a superior user experience.

MSA

As previously reported in 2012, the Manager and the Company have agreed to extend the termination date of the MSA to December 31, 2013 and the date for the delivery of notice to terminate to on or before June 30, 2013. If such notice is not received, the MSA will automatically renew for another ten-year period.

The Special Committee of the Board of Directors of the Company that was convened to evaluate various alternatives associated with the renewal of the MSA has been working with an external advisor to assess each alternative. Discussions continue between the Special Committee and the Manager, with input from the external advisor.

KEY PERFORMANCE DRIVERS

The key drivers of the Company's business and dividends payable to shareholders are:

1. the stability of the Company's royalty stream;
2. the number of REALTORS® in the Company Network;
3. transaction volumes; and
4. the Company's growth opportunities.

A summary of our performance against these drivers and a discussion of the underlying Market follows.

Management's Discussion and Analysis of Results and Financial Condition

STABILITY OF THE COMPANY'S ROYALTY STREAM

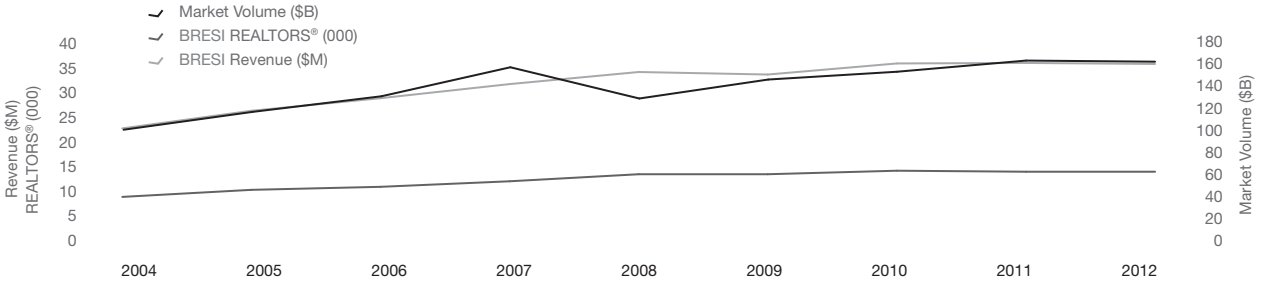
The stability of the Company's royalty stream is derived from a number of factors, including the fixed-fee structure of the Company's royalties, the diversity of the Company Network, the geographic distribution of the Company Network, the length of the Company's franchise agreements and the renewal of the franchise agreements. A discussion of these factors follows.

Fixed-Fee Structure

The fixed nature of the Company Network agreements (see Structure of Company Royalties) is primarily driven by the number of REALTORS® in the Company Network, which results in an approximate 73% fixed and 27% variable royalty stream and partially insulates the Company from fluctuations in the Market.

The fixed nature of the fee structure is quite evident, as can be seen in the chart below, which compares the Company's royalties to the Market and underlying Company Network.

REVENUE, MARKET AND REALTOR® TRENDS



Note: In 2008, the Company acquired Via Capitale franchise agreements represented by 1,492 Agents operating from 68 locations.

Network Diversity

The Company Network consists of diverse operations, with approximately 71% of the Company's franchisees operating with fewer than 50 REALTORS® as at December 31, 2012. As summarized in the table below, the Company Network of REALTORS® is geographically diverse, with REALTORS® spread throughout Canada. There is a more pronounced presence in the province of Quebec as a result of the acquisition of the Via Capitale Network.

	Canadian[1] REALTOR® Population	Company[2] Network REALTORS®
Ontario	52%	58%
Prairies	13%	10%
BC	18%	11%
Quebec	14%	18%
Maritimes	3%	3%
Total	100%	100%

Source: CREA

[1] As at December 31, 2012

[2] As at March 31, 2013

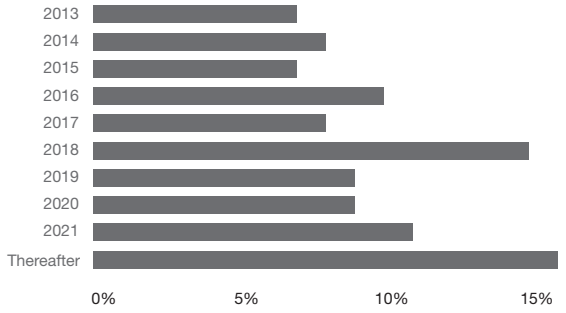
Geographic Distribution

The geographic distribution of the Company's Network of REALTORS®, as summarized in the table above, is similar to the distribution of the overall Canadian REALTOR® population, with over-representation in the province of Quebec as a result of the acquisition of the Via Capitale Network and an under-representation in Western Canada. This distribution of REALTORS® mitigates the impact of a single Market on the Company's results.

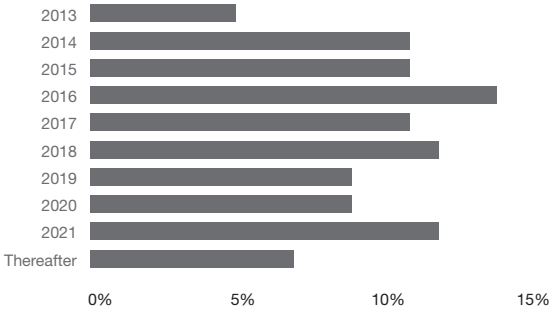
Franchise Agreement Terms

The Royal LePage agreements, which are represented by 92% of the Company's REALTORS®, are 10 to 20 years in duration, significantly exceeding the industry norm of five years and thereby reducing agreement renewal risk. At the time of the initial public offering ("IPO"), the Company's Royal LePage franchise agreements were largely subject to five-year renewal terms. Since the IPO, the Company's standard renewal terms for agreement additions are typically 10 years in duration. The Company further extends agreements in existence at IPO to 10 years as and when opportunities present themselves. The Company's overall agreement renewal profile by year is not overly skewed to any one year and, as such, is very manageable. A summary of our agreement renewal profiles as at December 31, 2012 for our combined Royal LePage and Via Capitale networks is shown below.

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



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



Renewals

The Company has historically enjoyed 99%-plus renewal success of franchise agreements as they come due, expressed as a percentage of the number of REALTORS® at year-end. Due to the ongoing success of our franchisees, a number of opportunities, such as increasing franchisee locations, present themselves to renew franchise agreements before they come due.

During the Quarter, Royal LePage franchisees representing a total of 794 Agents renewed, of which one franchise agreement representing 298 Agents was up for renewal, and three franchise agreements representing 496 Agents renewed ahead of their contracted renewal dates. There was one Via Capitale franchisee representing 46 Agents that was up for renewal in 2013. This franchisee opted to terminate its agreement during the Quarter.

NUMBER OF REALTORS® IN THE COMPANY NETWORK

As at March 31, 2013, the Company Network of 15,558 REALTORS® increased by 472, as compared to a net increase of 189 REALTORS® during the same period in 2012.

The net increase of 472 REALTORS® during the Quarter consisted of the acquisition of agreements on January 1, 2013 representing 516 Agents less the net attrition of 44 Agents, of which 46 were attributed to a Via Capitale franchisee that chose not to renew its agreement. The net increase of 189 REALTORS® in the same quarter of 2012 consisted of the acquisition of agreements on January 1, 2012 representing 217 Agents less the net attrition of 28 Agents.

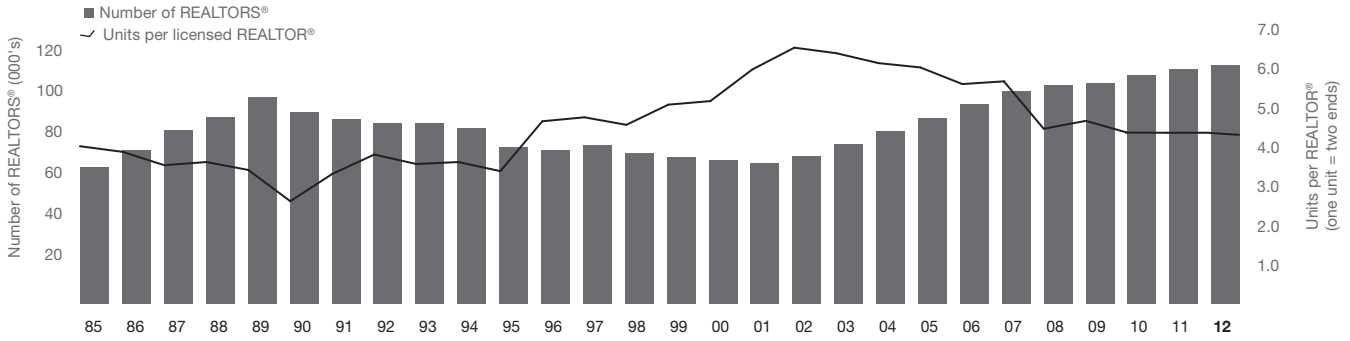
As noted in the table below, the number of REALTORS® in Canada during 2012 increased by 2.4% to 106,944, while the Company Network lagged, at a 0.2% increase. The increase in the number of Canadian REALTORS® has in part been driven by increases in discount brokerage offerings, which have attracted new entrants to the industry and are resulting in a lower number of homes sold per REALTOR®. This is summarized in the table and chart below, which show 2012 closing out at 4.3 units per REALTOR®, down from 4.4 in 2011 and 4.5 in 2010.

Summary of Canadian and Company Growth in REALTORS®

	Canada*		The Company Network	
	Number of Licensed Members	% Change	Number of Licensed Members	% Change
Opening	**104,407**		**15,061**	
2012 Q1	1,242	1.2	189	1.3
2012 Q2	386	0.4	(1)	–
2012 Q3	367	0.4	(11)	–
2012 Q4	542	0.5	(152)	(1.0)
Opening	**106,944**	**2.4**	**15,086**	**0.2**
2013 Q1	N/A	–	472	3.1
Closing	**106,944**	**–**	**15,558**	**3.1**

* Source: CREA
N/A: Not available at time of MD&A

CANADIAN REAL ESTATE REALTORS®
(Year ended December 31)



TRANSACTION VOLUMES

For the rolling twelve months ended March 31, 2013, the Canadian Market closed down 4.6%, at $160.2 billion, as compared to the same period of 2012, driven solely by a decrease in units sold. The average selling price of a home remained largely unchanged, due primarily to a balanced market supported by reduced listings and low interest rates.

During the Quarter, the Canadian Market closed down 12.2%, at $34.8 billion, compared to $39.7 billion for the same period of 2012, for the reasons noted earlier.

Management expects that Quarter-over-same-quarter Canadian Market activity was impacted by tighter mortgage-lending rules introduced in July 2012, which resulted in a pull of Canadian Market activity into the first half of 2012, with 58% of the Canadian Market activity coming through the first half of 2012, compared to 55% in 2011 and 57% in 2010.

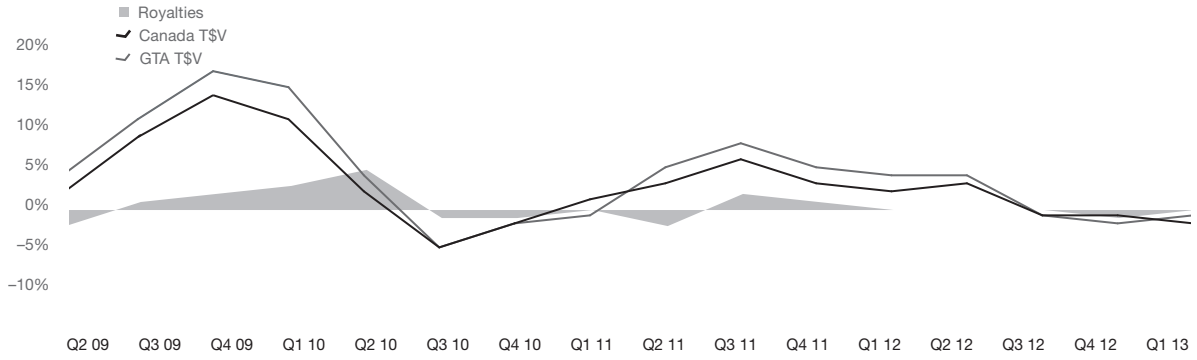
For the rolling twelve months ended March 31, 2013, the GTA Market closed down 4.9%, at $41.9 billion, as compared to $44.0 billion for the same period of 2012, driven by a 9.8% decrease in units sold and offset by a 5.5% increase in average selling price. The average selling price of a home in the GTA increased, due primarily to a shortage of listings to support demand, which is in part supported by low interest rates.

During the Quarter, the GTA Market closed down 10.5%, at $9.1 billion, as compared to $10.2 billion for the same period of 2012, driven by an 8.7% decrease in units sold and partially offset by a 3.1% increase in selling price, for the same reasons noted earlier.

Management expects that the Quarter-over-same-quarter GTA Market activity was impacted by tighter mortgage-lending rules introduced in July 2012, which resulted in a pull of GTA Market activity into the first half of 2012, with 59% of the GTA Market activity coming through the first half of 2012, compared to 54% in 2011 and 59% in 2010.

The GTA Market, as presented in the chart below, typically lags the Canadian Market and has had a more pronounced change in Market activity. This may cause the premium franchise fees received by the Company from this Market to differ from those received from the overall Canadian Market.

ROLLING TWELVE-MONTH % CHANGE FROM PRIOR QUARTER



A summary of the key Market and related activity, as reported by the Canada Mortgage and Housing Corporation ("CMHC"), CREA and the Toronto Real Estate Board ("TREB"), follows:

From CMHC[1]: Sales of existing homes is expected to be in the range of 418,200 to 484,000 units in 2013, while average selling price is expected to rise to a range of $356,500 to $378,500 in 2013.

From CREA[2]: It is expected that there will be a slowdown in sales activity in most provinces across the country, with the exception of an increase in sales activity in Alberta and Manitoba. National sales activity is forecast to reach 441,500 units in 2013, down 2.9% from the 454,573 sold in 2012. Average home price is forecast to decline by 0.2% in 2012 to $362,600. In 2014, national sales activity is forecast to be at 461,200 units, with an average price of $368,700.

From TREB[3]: GTA home sales activity for the first quarter of 2013 amounted to 17,678 units, with an average price of $519,879; this activity has decreased by 14% and increased by 3.8%, respectively, compared to the same period in 2012. Sales have been lower due to strict mortgage-lending rules and the additional Municipal Land Transfer Tax in the City of Toronto.

THE COMPANY'S GROWTH OPPORTUNITIES

Growth in the Company's royalties is achieved by increasing the number of REALTORS® in the Company Network through organic growth and acquiring franchise agreements from the Manager, increasing the productivity of Agents, expanding the range of products and services supporting franchisees and their Agents and increasing the adoption of these products and services. These services are supported by ongoing training programs for franchisees and REALTORS®, which assist in leveraging the Company's competitive advantages to attract and retain potential recruits.

Growth in Number of REALTORS®

Our growth objective for 2013 in light of the economy and Market conditions is to modestly increase the year-over-year Company Network of REALTORS®.

[1] Source: CMHC Housing Market Outlook – First Quarter 2013, published January 22, 2013.
[2] Source: CREA Updates Resale Housing Quarterly Forecast, published March 15, 2013.
[3] Source: TREB Market Watch January to March 2013, published February 5, 2013, March 5, 2013 and April 3, 2013.

Management's Discussion and Analysis of Results and Financial Condition

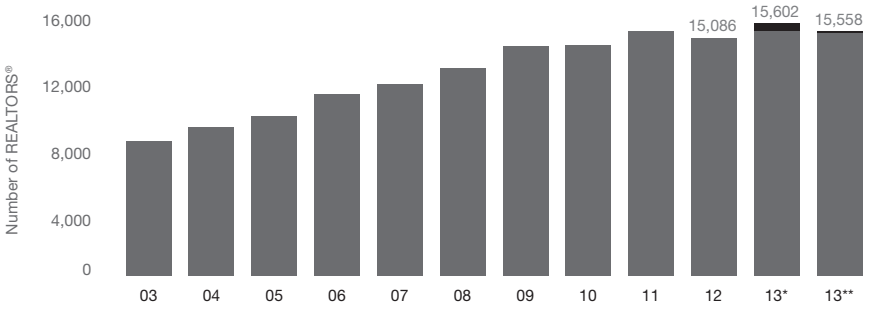
Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 68.4% (6,320 REALTORS®), of which 73% has been through acquisitions and 27% through organic growth to our Network.

Growth through acquisition is achieved by purchasing franchise agreements acquired by the Manager's dedicated Network development team.

On January 1, 2013, the Company purchased franchise agreements representing 27 locations, serviced by an estimated 516 Agents operating under the Royal LePage and Via Capitale brands. The estimated purchase price of these agreements is $6.7 million, with an estimated annual royalty stream of $1 million. (See Transactions with Related Parties.)

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

COMPANY GROWTH



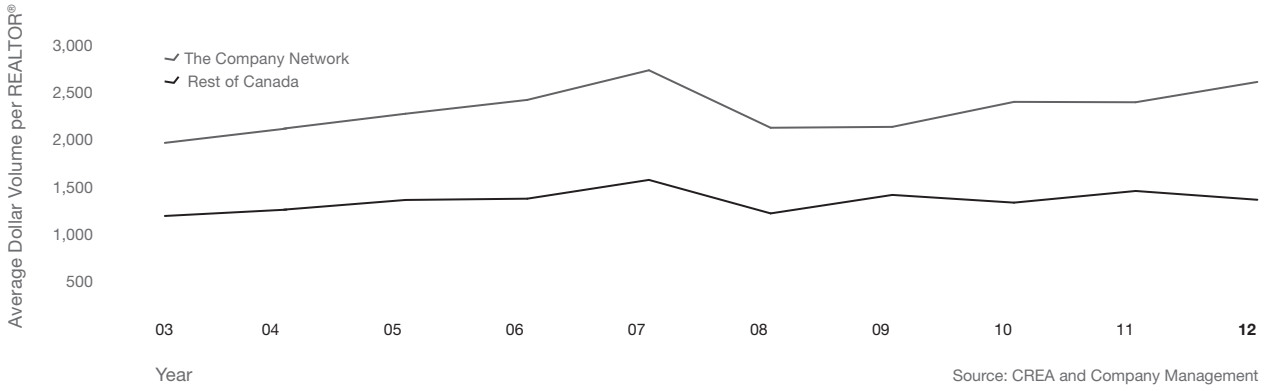
Year ended December 31, except 2013
* As at January 1, 2013
** As at March 31, 2013

REALTOR® PRODUCTIVITY

The average Company Network REALTOR® generated approximately $2.58 million in transactional dollar volume for the twelve months ended December 31, 2012, up 8% from 2011. This productivity was 86% greater than the estimated average of $1.39 million for all other Canadian REALTORS®, down 6.1% from 2011. Management believes that the higher productivity of Company Network REALTORS® makes the Company less prone than the industry at large to a loss of REALTORS® during a period of reduced transactional dollar volume. A summary of average transactional dollar volume per REALTOR® for the years ended December 31, 2003 through 2012 is shown below.

CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET REALTOR® PRODUCTIVITY

(Average Transactional Dollar Volume per REALTOR®, $ thousands)



Source: CREA and Company Management

Products and Services

As noted in Recent Developments, the Manager has relaunched the Company's consumer-facing websites to capitalize on the referral, franchisee and REALTOR® attraction and retention opportunities represented by displaying the listings of all participating REALTORS® on the Company's consumer-facing websites.

Further, as noted in our 2012 Annual Report, the Company has announced a 2% increase in the Royal LePage fixed fee per month of $100 per Agent and Sales Representative to $102. The increase is to come into effect on January 1, 2014 for approximately 85% of the Royal LePage Network and increase to 100% over time, as permitted under the franchise agreements.

The Manager continues to develop, introduce and support new tools, services and programs to assist franchisees in attracting and retaining REALTORS®, increasing their productivity and reducing administration costs.

THE CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET

Since 1980, the Market has grown at a compound annual growth rate ("CAGR") of 9.4%. The Canadian Market has been very resilient, with three significant downturns occurring in 1990, 1995 and 2008, all of which returned to pre-downturn levels within 24 months. The duration of these Market downturns was 13, 14 and 16 months, respectively, with decreases of 26%, 21% and 19%, respectively.

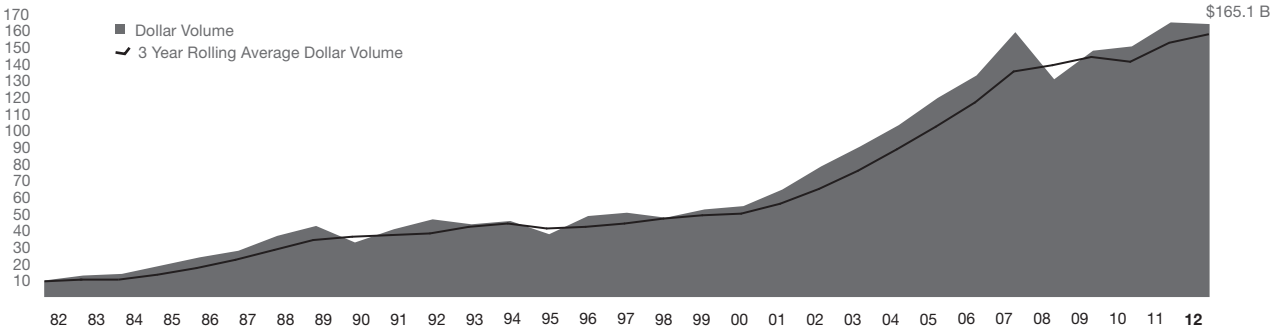
During the most recent downturn, the Market declined 19% during the 16-month period February 2008 through May 2009, with the most significant decline occurring during the fourth quarter of 2008, when the Market decreased 40% compared to the fourth quarter of 2007.

The Market improvement in 2009 began with the rate of decline moderating steadily from January to May, followed by four months of increasing Market growth and subsequently ending the year with very strong growth of 90% in the quarter over the same period in 2008. The strong Market continued into the first half of 2010, due in part to consumers seeking to close home sales ahead of government-mandated changes to mortgage rules, anticipated increases in mortgage rates and the introduction of the HST on July 1, 2010. These Market factors pulled 57% of the 2010 Market activity into the first half of 2010, compared to 46% in 2009, resulting in a year-over-year decline in the second half of 2010. When combined with the first half of 2010, this saw the overall Market rise by 1.7% for the twelve-month period ended December 31, 2010, compared to the same period in 2009.

During the 1990 downturn, interest rates were relatively high, and there was significant speculation in the form of building and multiple home ownerships. Since that time, lenders now require builders to pre-sell a significant portion of their developments before advancing funds, and under new mortgage-lending rules, non-owner-occupied property purchases that qualify for mortgage insurance have increased down payment requirements.

MARKET DOLLAR VOLUME – CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET

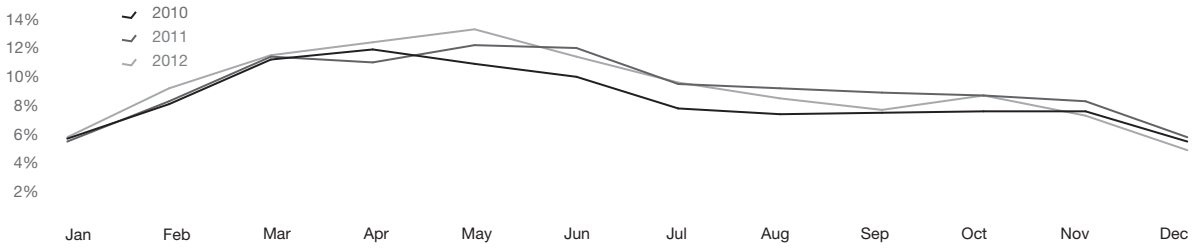
(1982–2012) (in $ billions)



The Company's royalty revenues are affected by the seasonality of the Market, which typically has stronger second and third quarters, as summarized in the chart below. The seasonality of the Market is in turn mitigated throughout the year by the fixed-fee nature of the Company's royalties and by the acquisition of franchise agreements at the beginning of the year and in the latter part of the year by the 24% (2011 – 19%) of our Royal LePage Agents who have capped out under the 1%/$1,300 per annum variable fee.

CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET

(% transactional dollar volume by month)



Source: CREA and Company Management

OPERATING RESULTS FOR THE QUARTER

Three months ended March 31, ($ 000's) except Agents, Sales Representatives and per share amounts	2013	2012
Royalties		
Fixed franchise fees	$ 4,771	$ 4,719
Variable franchise fees	1,654	1,814
Premium franchise fees	724	821
Other revenue and services	915	866
	8,064	8,220
Less:		
Administration	271	452
Management fee	1,482	1,482
Interest expense	719	725
	2,472	2,659
Cash flow from operations	5,592	5,561
Amortization of intangible assets	3,331	3,350
Impairment of intangible assets	388	–
Interest on Exchangeable units	1,168	1,168
Loss on fair value of Exchangeable units	699	3,527
Gain on purchase obligation adjustment	(212)	–
Earnings (loss) before income tax	218	(2,484)
Current income tax expense	(841)	(837)
Deferred income tax recovery	80	141
Net and comprehensive loss	$ (543)	$ (3,180)
Basic loss per share	$ (0.06)	$ (0.34)
Diluted loss per share	$ (0.06)	$ (0.34)
Number of Agents	14,608	14,280
Number of fixed-fee-paying Sales Representatives	703	675

As summarized in the table above, during the Quarter, the Company generated CFFO of $5.59 million and net and comprehensive earnings before income taxes of $0.2 million, compared to CFFO of $5.56 million and net and comprehensive loss before income taxes of $2.5 million for the same period in 2012.

The Company Network as at March 31, 2013 consisted of 14,608 Agents and 950 Sales Representatives, 703 of whom operate under the $100 per month fixed-fee plan and 247 of whom are primarily brokers and managers who do not pay fees. Primarily all of our franchisees operate under the per Agent combined flat fee of $100 per month and 1% of gross earnings option (the "$100/1% option") or the approximate $170 per month flat fee.

For the Quarter, the Company Network of 15,558 REALTORS® increased by 472, compared to a net increase of 189 REALTORS® during the same period in 2012. The net increase of 472 REALTORS® during the Quarter consisted of the acquisition of agreements on January 1, 2013 representing 516 Agents less the net attrition of 44 Agents, of which 46 were attributed to a Via Capitale franchisee that chose not to renew its agreement. The net increase of 189 REALTORS® in the same quarter of 2012 consisted of the acquisition of agreements on January 1, 2012 representing 217 Agents less the net attrition of 28 Agents.

Royalties for the Quarter totalled $8.1 million, compared to $8.2 million for the same period in 2012. Fixed, variable and premium franchise fees together represented 89% of royalties (89% – 2012). The decrease in royalties was primarily attributed to lower premium and variable fees, largely driven by tighter mortgage-lending rules introduced in July 2012, which pulled a greater number of home sales into the first half of 2012, partially offset by increased other revenue and service fees as a result of increased Agent participation in the Via Capitale home warranty program.

Fixed franchise fees for the Quarter increased by 1.1% over the same period in 2012, due primarily to the acquisition of agreements representing 516 Agents at the beginning of the Quarter as compared to 217 at the beginning of 2012.

Variable franchise fees for the Quarter decreased by 8.8% over the same period in 2012, due primarily to decreased market volume, and largely driven by tighter mortgage-lending rules introduced in July 2012, which pulled a greater number of home sales into the first half of 2012.

Premium franchise fees are derived from the 23 franchise locations servicing the GTA Market, which pay premium franchise fees ranging from 1% to 5% of the location's gross revenue. Premium franchise fees for the Quarter decreased by 11.8% over the same period in 2012, due largely to the same reasons described for the decrease in variable franchise fees above.

Other fees and services include home warranty fees, technology fees and other fees, which accounted for approximately 11% of total royalties for the Quarter. Other fees increased 5.7% compared to the same period in 2012, as a result of increased agent participation in the Via Capitale home warranty program.

Administration expenses of $0.3 million for the Quarter were down $0.2 million compared to the same period in 2012, due primarily to a lower Quarter-over-quarter bad debt provision resulting from the success of increased collection efforts as well as a reduction in professional fees as a result of the completion of activities in 2012 related to IFRS requirements and the conversion of the Company from a Fund to a corporation.

Management fee expense of $1.5 million for the Quarter was consistent with 2012. Management fees are determined in accordance with the amended and restated MSA, and they are calculated as 30% of net royalty fees earned (defined as distributable cash in the MSA) from the Via Capitale franchise agreements and 20% of the balance of royalties less administration and interest costs for the Royal LePage franchise agreements.

Interest expense consists of interest on the Company's fixed rate, $32.7 million private debt placement; a variable rate, $20.3 million credit facility; and interest on the Company's purchase obligation. During the Quarter, the Company's interest expense totalled $0.7 million, little changed from the same period in 2012, as the Company continued to float the variable rate debt throughout the year.

Amortization of Intangible Assets

Intangible assets relate to the values attributed to the franchise agreements and trademarks acquired by the Company since August 7, 2003. Franchise agreements and trademarks are amortized on a straight-line basis over their expected useful life. Amortization during the Quarter totalled $3.3 million, little changed from the same period in 2012.

Impairment of Intangible Assets

During the Quarter, the Company recorded an impairment charge of $0.4 million related to four franchisees ($0.2 million) that have experienced ongoing cash flow difficulties due to market and Agent retention difficulties and one franchise agreement ($0.2 million) that was written off due to the termination of the agreement during the Quarter. The Manager has either terminated the related agreements or continues to work with these franchisees.

Interest on Exchangeable units represents the targeted pre-tax distribution of $1.10 per annum, $0.28 per quarter paid to the Exchangeable unitholders.

Loss on fair value of Exchangeable units represents the change in fair value during the Period of the underlying 26% interest of the Exchangeable units in the Company. As the Company's share price increased in value during the Quarter, the Company recorded a loss of $0.7 million, for a resulting increase in the fair value of the underlying obligations.

Current Income Tax

In calculating current income taxes, earnings before income tax for the year is adjusted for the add-back of non-deductible items, which consist primarily of interest and fair value adjustments applicable to the Company's Exchangeable units, amortization and intangible impairments; the deduction for income allocated to the Exchangeable unitholders, who hold their ownership at the partnership level of the Company's structure; and changes in tax rates or filing positions.

The effective tax rate for 2013 is 26.5% (2012 – 26.5%), which, after adjusting for the items noted earlier and the utilization of tax shields primarily attributable to the Company's franchise agreements, resulted in an overall tax provision for the Quarter of $0.8 million, consisting of a $0.8 million current income tax expense (2012 – $0.8 million) and a $0.1 million deferred income tax recovery (2012 – $0.1 million).

Throughout the Quarter, the Company made regular tax instalment payments totalling $1.2 million in respect of the final 2013 income tax expense; this has resulted in an income tax recovery balance of $0.4 million as at March 31, 2013.

Deferred Income Tax

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of intangible assets and their tax basis, and they are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. As at March 31, 2013, the Company's deferred tax asset was $4.4 million (December 31, 2012 – $4.3 million) and was calculated using an effective tax rate of 26.5% (2012 – 26.5%). During the Quarter, the Company recorded a $0.1 million deferred income tax recovery (2012 – $0.1 million). The Company is subject to a variety of Canadian federal and provincial tax laws and regulations. Changes to these laws or regulations may affect our tax asset, current tax liability, return on investments and business operations.

A summary of the tax pools available to the Company is as follows:

Company Tax Pools
($ millions)

Future Deduction Basis	Balance December 31, 2012	Estimated Addition for 2013	Estimated Deduction for 2013	Estimated Balance December 31, 2013
7% of balance	$ 68.7	$ 6.2	$ 5.1[1]	$ 68.3
Five-year straight-line	$ 0.4	$ –	$ 0.2	$ 0.2
	$ 69.1	$ 6.2	$ 5.3	$ 68.5

[1] This estimated deduction for 2013 is calculated as 7% of the sum of the remaining balance as at December 31, 2012 and 75% of the estimated addition for 2013.

CASH FLOW FROM OPERATIONS

For the rolling twelve months ended March 31, 2013, the Company generated CFFO of $1.99 per restricted voting share, up 1.5% from the $1.96 CFFO generated during the same period of 2012 (see Overview of First Quarter 2013 Operating Results). A summary of the Company's CFFO generated over the last seven quarters is presented in the table below.

Rolling Twelve-Month Cash Flow From Operations

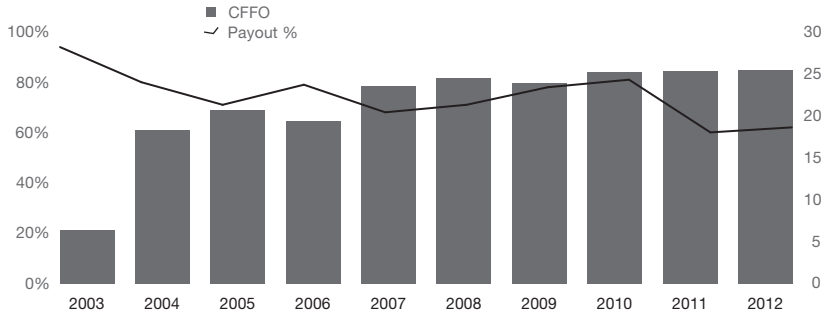
Twelve months ended	2013	2012				2011	
($ 000's) except per share amounts	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30
Royalties	**$ 36,363**	$ 36,519	$ 36,821	$ 36,916	$ 36,745	$ 36,720	$ 36,498
Less:							
Administration	**1,180**	1,361	1,645	1,396	1,851	1,667	1,944
Interest expense	**2,955**	2,961	2,974	3,003	3,039	3,042	3,025
Management fee	**6,772**	6,772	6,774	6,836	6,710	6,747	6,632
	25,456	25,425	25,428	25,681	25,145	25,264	24,897
Cash flow from operations per share	**$ 1.99**	$ 1.98	$ 1.98	$ 2.00	$ 1.96	$ 1.97	$ 1.94

The Company's operations have been a significant source of capital, with $218 million of CFFO generated since inception, of which $160 million has been paid to the public shareholders and Exchangeable unitholders. Of the remaining $58 million retained by the Company, $43.8 million has been invested in franchise agreements that earn attractive returns, and $4.1 million was used to purchase units of the Company in 2008 and 2009. Also see Supplemental Information – Cash Flow From Operations.

The chart below presents a summary of the CFFO generated by the Company since inception and the percentage payout of these amounts to shareholders and the Exchangeable unitholders of the Company in the form of dividends to shareholders and interest to the Exchangeable unitholders.

CASH FLOW FROM OPERATIONS

Years ended December 31 (in $ millions)



Management's Discussion and Analysis of Results and Financial Condition

The tables below present a summary of the main elements of the Company's performance, which assist in assessing the sustainability of the Company's cash distributions from CFFO reconciled to operating activities, as presented in the Interim Condensed Consolidated Statements of Cash Flows. See Supplemental Information – Cash Flow From Operations for CFFO from inception to date, reconciled to operating activities, as presented in the Interim Condensed Consolidated Statements of Cash Flows.

Cash Flow From Operations and Its Utilization

Three months ended March 31, ($ 000's)		2013		2012
Royalties	$	8,064	$	8,220
Less:				
Administration		271		452
Management fee		1,482		1,482
Interest expense		719		725
Cash flow from operations		5,592		5,561
Less:				
Dividends to shareholders		2,618		2,618
Interest on Exchangeable units		1,168		1,168
Total dividends and interest		3,786		3,786
Cash flow from operations less total dividends		1,806		1,775
Less: funding of acquisitions		3,171		1,359
Net change in the Period	$	(1,365)	$	416

Cash flow from operations reconciled to cash flow from operating activities

Three months ended March 31, ($ 000's)		2013		2012
Cash flow from operating activities	$	1,146	$	(464)
Add (deduct):				
Interest on Exchangeable units		1,168		1,168
Income taxes paid		1,204		837
Changes in non-cash working capital items		1,517		4,066
Interest expense		(1,887)		(1,893)
Interest paid		2,444		1,847
Cash flow from operations	$	5,592	$	5,561

CFFO to restricted voting shareholders represents net and comprehensive earnings adjusted for interest on Exchangeable units, fair value of Exchangeable units, other income, amortization of intangible assets, current and deferred income taxes and purchase obligation adjustment.

CFFO does not have a standardized meaning under IFRS and, accordingly, may not be comparable to similar measures used by other issuers. Management believes that CFFO is a useful supplemental measure of performance as it provides investors with an indication of the amount of pre-tax cash generated from operations and available to restricted voting shareholders and Exchangeable unitholders and to meet tax cash payments. Investors are cautioned, however, that CFFO should not be construed as an alternative to using net earnings as a measure of profitability or the statement of cash flows. (See the table under Supplemental Information – Cash Flow From Operations for a reconciliation of CFFO.)

The Company's payment of dividends to shareholders is fully funded by CFFO. The Company has consistently paid out cash in excess of net income to shareholders as a significant portion of the Company's operating expenses is made up of the non-cash amortization of intangible assets, consisting of franchise agreements and trademarks. Management does not view the excess payment as an economic return of capital as these intangible assets are not expected to require a further cash outlay in the future; rather, the value of these assets to the Company lies in part with management's ability to retain and renew the underlying franchise agreements and to ensure the ongoing integrity of the trademarks. The Company has not paid out all of the CFFO to shareholders as the cash generated in excess of these amounts (see Supplemental Information – Cash Flow From Operations) has been used to fund the acquisition of franchise agreements, pay distributions to the Exchangeable unitholders, fund the purchase of units under the normal course issuer bid ("NCIB") and meet future tax liabilities. It is management's expectation, at the discretion of the Board of Directors, that for the foreseeable future, cash distributions to shareholders in the form of dividends will continue, and the remaining cash flow will be used to fund acquisitions and pay distributions to the Exchangeable unitholders.

DEBT FINANCING

The Company's long-term debt comprises a $32.7 million private debt placement with a number of Canadian institutional investors, with fixed interest of 5.809%, and a $20.3 million term facility with a Canadian financial institution, with interest available at a floating rate of prime plus 1.5%, payable quarterly, or at Banker's Acceptance rates plus 3%, with terms of up to six months.

The Company has a $2 million operating line provided by a single Canadian financial institution. As of the date of this MD&A, this operating line remains undrawn and in force.

The covenants of the long-term debt prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.25 to 1. Consolidated EBITDA is defined as earnings (loss) before tax, interest, interest on Exchangeable units, gain (loss) on fair value of Exchangeable units and gain (loss) on purchase obligation adjustment. As at March 31, 2013, the Company is compliant with its financial covenants.

Senior Indebtedness is defined as the Company's long-term debt, disclosed under Note 10 of the Interim Condensed Consolidated Financial Statements, and consists of $32,700 in private debt placement and $20,300 in a term facility. Senior Interest Expense includes interest expenses generated on the Company's Senior Indebtedness.

SUMMARY OF QUARTERLY RESULTS

Three months ended	2013	2012				2011		
($ 000's) except Agents, Sales Representatives and per share amounts	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Royalties								
Fixed franchise fees	**$ 4,771**	$ 4,644	$ 4,684	$ 4,716	$ 4,719	$ 4,700	$ 4,736	$ 4,761
Variable franchise fees	**1,654**	1,238	2,506	2,768	1,814	1,430	2,531	2,560
Premium franchise fees	**724**	1,193	1,972	1,455	821	1,275	1,910	1,279
Other fee revenue and services	**915**	1,003	1,067	1,053	866	975	1,147	1,221
	8,064	8,078	10,229	9,992	8,220	8,380	10,324	9,821
Less:								
Administration	**271**	484	519	(94)	452	768	270	361
Management fee	**1,482**	1,462	1,879	1,949	1,482	1,464	1,941	1,823
Interest expense	**719**	724	737	775	725	737	766	811
Cash flow from operations	**5,592**	5,408	7,094	7,362	5,561	5,411	7,347	6,826
Interest on Exchangeable units	**1,168**	1,768	1,168	1,168	1,168	1,168	1,168	1,168
Loss (gain) on fair value of Exchangeable units	**699**	(1,297)	3,494	(5,624)	3,527	1,131	(6,655)	(3,761)
Gain on purchase obligation adjustment	**(212)**	(331)	(24)	–	–	(31)	(113)	–
Amortization of intangible assets	**3,331**	3,124	3,315	3,315	3,350	3,426	3,421	3,461
Impairment of intangible assets	**388**	785	685	–	–	2,435	383	–
Earnings (loss) before income taxes	**218**	1,359	(1,544)	8,503	(2,484)	(2,718)	9,143	5,958
Current income tax expense	**841**	774	1,147	1,028	837	856	1,212	1,178
Deferred income tax recovery	**(80)**	(176)	(235)	(372)	(141)	(368)	(151)	(137)
Net and comprehensive (loss) earnings	**$ (543)**	$ 761	$ (2,456)	$ 7,847	$ (3,180)	$ (3,206)	$ 8,082	$ 4,917
Basic earnings (loss) per share	**$ (0.06)**	$ 0.08	$ (0.26)	$ 0.83	$ (0.33)	$ (0.33)	$ 0.85	$ 0.52
Diluted earnings (loss) per share	**$ (0.06)**	$ 0.10	$ (0.26)	$ 0.26	$ (0.33)	$ (0.07)	$ 0.20	$ 0.18
Cash flow from operations per share (on a diluted basis)	**$ 0.44**	$ 0.42	$ 0.55	$ 0.57	$ 0.44	$ 0.43	$ 0.57	$ 0.53
Number of Agents	**14,608**	14,141	14,245	14,270	14,280	14,079	14,273	14,342
Number of fixed-fee-paying Sales Representatives	**703**	701	685	686	675	682	719	718

As summarized in the table above and explained earlier, during the Quarter, the Company generated CFFO of $5.6 million, consistent with the same period in 2012.

LIQUIDITY

Changes in the Company's net working capital are primarily driven by cash flow generated from operations, the recording of obligations arising from the purchase of franchise agreements and the settlement of these obligations and payment of dividends and interest.

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

	2013	2014	2015	Beyond 2015	Total
Accounts payable and accrued liabilities	$ 1,262	$ –	$ –	$ –	$ 1,262
Purchase obligation	2,760	901	9	79	3,749
Interest payable to Exchangeable unitholders	389	–	–	–	389
Dividends payable to shareholders	872	–	–	–	872
Interest on long-term debt	2,282	3,042	761	–	6,084
Private debt placement	–	–	32,700	–	32,700
Term facility	–	–	20,300	–	20,300
Exchangeable units	–	–	–	42,694	42,694
Total	$ 7,565	$ 3,943	$ 53,770	$ 42,773	$ 108,050

During the Quarter, the Company used cash balances on hand and cash flow generated from operating activities of $1.6 million to meet $3.5 million of franchise agreement purchase obligations and $2.6 million of dividend requirements. A summary of the Company's working capital position is shown below.

Working Capital

As at ($ 000's)	March 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	March 31, 2012	Dec. 31, 2011	Change in quarter
Current assets							
Cash and cash equivalents	**$ 460**	$ 5,103	$ 3,814	$ 1,282	$ 1,152	$ 5,593	$ (4,643)
Accounts receivable	**5,539**	4,247	4,975	5,795	4,714	4,043	1,292
Income tax receivable	**423**	60	–	115	–	–	363
Prepaid expenses	**90**	117	106	68	239	261	(27)
	$ 6,512	$ 9,527	$ 8,895	$ 7,260	$ 6,105	$ 9,897	$ (3,015)
Current liabilities							
Accounts payable and accrued liabilities	**$ 1,262**	$ 1,408	$ 1,297	$ 1,621	$ 1,445	$ 1,299	$ (146)
Purchase obligation – current portion	**3,661**	463	504	1,186	2,181	663	3,198
Current income tax liability	**–**	–	369	–	619	4,183	–
Interest payable to Exchangeable unitholders	**389**	989	389	389	389	389	(600)
Dividends payable to shareholders	**872**	872	872	872	872	872	–
	6,184	3,732	3,431	4,068	5,506	7,406	2,452
Net working capital	**$ 328**	$ 5,795	$ 5,464	$ 3,192	$ 599	$ 2,491	$ (5,467)

CAPITAL RESOURCES

The existing capital resources that the Company can draw upon consist of a $2 million operating line, which is undrawn as at the date of this MD&A. Other capital resources include funds generated from operations, debt servicing, dividend and Exchangeable units requirements and financing for the acquisition of franchise agreements.

OFF–BALANCE SHEET ARRANGEMENTS

The Company has no off–balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

As at the date of this MD&A, the Company's interests are ultimately controlled approximately 74% by the public and 26% by BAM. BAM derived its ownership interest in the Company through the sale of its interest in certain assets to the Company at its inception. These assets included the trademarks and franchise agreements related to the business of its Royal LePage residential resale real estate brokerage franchise operations.

BAM operates 17 corporately owned residential resale real estate brokerage locations in the GTA, serviced by over 1,300 Agents. Of these operations, 16 operate under three franchise agreements under the $100/1% option to August 2023, with an additional premium franchise fee ranging from 1% to 5% of the location's gross commission income to August 2018. The remaining location, which was opened during the third quarter of 2009, was included in the Company's acquisition of franchise agreements on January 1, 2010.

The management of the Company and its underlying structure is provided under the MSA by the Manager, which is a company controlled by the Exchangeable unitholders. The MSA provides for an initial term, expiring on August 6, 2013, and it is automatically renewable for successive 10-year terms subject to certain performance criteria and/or other notification requirements. The Company and the Manager have agreed to extend the termination date of the MSA to December 31, 2013 and the date of delivery of notice to terminate to on, or before, June 30, 2013. If such notice is not received, the MSA will automatically renew for another ten-year period. The MSA details the Manager's responsibilities and provides for a monthly fee, payable in arrears, of 20% of cash otherwise distributable from Royal LePage agreements and 30% in respect of cash otherwise distributable from Via Capitale franchise agreements.

On January 1 of each year, the Company may, upon approval by the Board of Directors and criteria detailed in the MSA, purchase Royal LePage franchises acquired by the Manager up to or on or about October 31 of the previous year. The acquisition amount is determined in accordance with a formula detailed in the MSA. The acquisition costs may be satisfied by way of cash or shares of the Company; 80% are paid on acquisition and the remaining 20% a year later, when the actual franchise fees are audited and the acquisition calculations adjusted accordingly.

On January 1 of each year, the Company may, upon approval by the Independent Directors and criteria established by the Board of Directors, purchase Via Capitale franchises acquired by the Manager or its affiliates up to or on or about October 31 of the previous year. The acquisition costs may be satisfied by way of cash or shares of the Company. Modifications to the MSA relating to the Via Capitale acquisition costs and management fees are as follows:

(a) The discount factor of 7.5%, which is applied to the royalties upon which the purchase price is based, was increased to 10%, thereby reducing the purchase price.

(b) The final purchase price is to be calculated based on the average annual royalties earned from the Via Capitale franchise agreements over three years (instead of one year).

(c) The Partnership will pay a management fee equal to 30% of net royalties (defined as distributable cash in the MSA) received from the Via Capitale franchise agreements, instead of 20%. The increase in the management fee resulted in a direct and proportional decrease in the purchase price paid by the Partnership as the purchase price is calculated based on royalties earned from the Via Capitale franchise agreements net of the management fee.

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 14 of the consolidated financial statements.

On January 1, 2013, the Partnership acquired 37 new Royal LePage franchise agreements from BRESML at an estimated purchase price of $6,019. A payment of $4,815, equal to 80% of the estimated purchase price, was due on January 1, 2013, and the remainder is to be paid a year later, when the final purchase price is determined. Any subsequent changes to the value of the estimated purchase price are recognized in the consolidated statements of earnings and comprehensive earnings and are classified as (loss) gain on fair value of purchase obligation in the period in which the change occurs. The unpaid balance due as of January 1, 2013 is subject to interest at the rate prescribed in the MSA.

On January 1, 2013, VCLP acquired seven new Via Capitale franchise agreements from BRESML and a subsidiary of BRESML at an estimated purchase price of $720. A payment of $576, equal to 80% of the estimated purchase price, was due on January 1, 2013, and the remainder is to be paid over the next three years. Until the final purchase price is determined, the estimated price is to be revised over a three-year period from November 1, 2012 to October 31, 2015, based on the average annual royalty stream earned. Any subsequent changes to the value of the estimated purchase obligation are recognized in the consolidated statements of earnings and comprehensive earnings and are classified as (loss) gain on fair value of purchase obligation in the period in which the change occurs. The unpaid balance due as of January 1, 2013 is subject to interest at the rate prescribed in the MSA.

ACCOUNTING AND REPORTING CHANGES ADOPTED DURING THE PERIOD

IFRS 10 – Consolidated Financial Statements ("IFRS 10")

IFRS 10 replaces the consolidation requirements in SIC-12 *Consolidation – Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements*. The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is applicable for annual periods beginning on or after January 1, 2013. The Company has adopted and assessed the impact of the new standard, and there has been no impact on the Company's financial position or performance. The Company has performed a review of its investees and determined that there has been no impact on the Company's financial position or performance as a result of adopting the standard.

IFRS 12 – Disclosure of Interests in Other Entities ("IFRS 12")

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is applicable and has been adopted by the Company for annual periods beginning on or after January 1, 2013. The adoption of the standard has not had an impact on the financial position or performance of the Company.

IFRS 13 – Fair Value Measurement ("IFRS 13")

IFRS 13 replaces the current guidance on fair value measurement in IFRS with a single standard. The standard defines fair value, provides guidance on its determination and requires disclosures about fair value measurements but does not change the requirements about the items that should be measured and disclosed at fair value. The standard is applicable and has been adopted by the Company for annual periods beginning on or after January 1, 2013. As a result of adopting IFRS 13, the Company has increased the level of disclosure associated with items measured at fair value. For related disclosures, see notes 6 and 11 to our Interim Consolidated Financial Statements.

CRITICAL ACCOUNTING ESTIMATES

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 the Company's administration costs, the allocation of intangible assets between franchise agreements and trademarks and their related amortization periods. The Company's administration costs of approximately $1.1 million per annum relate to the Company's public reporting, regulatory and insurance costs.

The allocation of the Company's intangible assets among their various classifications is subject to management estimates. The Company's intangible assets are continuously monitored for indication of impairment in the carrying value of these assets. A change in the carrying value would affect the net earnings of the Company but would have no direct cash flow implications.

In assessing the fair value of franchise agreements upon acquisition, impairment of intangible assets and measurement of deferred taxes, management estimates future cash flows by relying on external information and observable conditions where possible, supplemented by internal analysis.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, purchase obligation/receivable, current income tax liability, interest payable to Exchangeable unitholders, dividends payable to shareholders, a $32.7 million private debt placement, a $20.3 million term facility, Exchangeable units liability and a $2 million operating credit facility.

The Company is exposed to credit risk with respect to accounts 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 receivable. Management reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis.

The Company's debt consists of a $32.7 million private debt placement with a number of Canadian institutional investors, with fixed interest of 5.809%, and a $20.3 million term facility with a Canadian financial institution, with interest available at a floating rate of prime plus 1.5%, payable quarterly, or at Banker's Acceptance rates plus 3%, with terms of up to six months.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

As a public entity, we take every step necessary to ensure that material information regarding our 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 March 31, 2013. 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 our financial reporting is reliable and that our consolidated financial statements were prepared in accordance with IFRS. The design and effectiveness of ICFR were 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 March 31, 2013.

OUTSTANDING RESTRICTED VOTING SHARES

The Company is authorized to issue an unlimited number of restricted voting shares, an unlimited number of preferred shares and one special voting share. Effective December 31, 2010, 9,483,850 restricted voting shares were issued in exchange for 9,483,850 Partnership units outstanding, and one special voting share was issued in exchange for all special Trust units outstanding before the Company's conversion from an Income Trust (the "Conversion"). These restricted voting shares and special voting share remain unchanged at December 31, 2012.

The restricted voting shares were issued to replace the Fund units outstanding before the Conversion. Each restricted voting share represents a proportionate voting right in the Company, and holders of the Company's restricted voting shares are entitled to dividends declared and distributed by the Company.

The special voting share was issued to replace all of the special Fund units outstanding prior to the Conversion. Special Partnership units represent the proportionate voting rights of Exchangeable unitholders in the Company. The holders can redeem them at $0.01 per share; they are not entitled to dividends declared by the Company. No additional restricted voting shares were issued during the Quarter.

COMPANY STRUCTURE

The Company is governed by a Board of Directors (the "Board") and consists of a Corporation general partner and Limited Partnership ("LP") structure.

Substantially all Company activity is transacted through the LP, which in turn flows distributions to public shareholders through the Corporation and to the Exchangeable unitholders through the LP structure. Through this structure, public shareholders hold a 74% interest in the economics of the Company's underlying assets, and the remaining non-controlling interests are held by the subsidiaries of BAM.

RISK FACTORS

Risks related to the residential resale real estate brokerage industry and the business of the Partnership and 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.brookfieldresinc.com under Investor Centre/Other Disclosure Reports. Additional discussion regarding these risks as appropriate is provided in this MD&A.

MARKET OUTLOOK

As previously forecast, the Canadian residential real estate market is in the midst of a cyclical slowdown, which has seen lower unit sales volumes and price appreciation reduced. Management believes the market is well through the correction, which began in the third quarter of 2012. In the first quarter of 2013, fewer homes traded hands, but starting in the second half of 2013, management expects volumes to adjust to normal levels.

FORWARD-LOOKING STATEMENTS

This MD&A and other content of this Financial Review report contain forward-looking information and other "forward-looking statements". The words such as "should", "will", "continue", "plan", "believe", "expect", "anticipate", "intend", "estimate" and other expressions, which are predictions of or indicate future events and trends and which 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, which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set out in the forward-looking statements include a change in general economic conditions; interest rates; consumer confidence; the level of residential resale transaction; the average rate of commissions charged; competition from other traditional real estate brokers or from discount and/or Internet-based real estate alternatives; the availability of acquisition opportunities and/or the closing of existing real estate offices; other developments in the residential real estate brokerage industry or the Company that reduce the number of and/or royalty revenue from the Company's REALTORS®; our ability to maintain brand equity through the use of trademarks; the availability of equity and debt financing; a change in tax provisions; 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. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

SUPPLEMENTAL INFORMATION – NET EARNINGS AND CASH FLOW FROM OPERATIONS FOR THE PERIOD

Three months ended ($ 000's, unaudited)	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	March 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	**March 31, 2013**
Royalties	$ 9,821	$ 10,324	$ 8,380	$ 8,220	$ 9,992	$ 10,229	$ 8,078	**$ 8,064**
Less:								
Administration	361	270	768	452	(94)	519	484	**271**
Management fee	1,823	1,941	1,464	1,482	1,949	1,879	1,462	**1,482**
Interest expense	811	766	737	725	775	737	724	**719**
Cash flow from operations	6,826	7,347	5,411	5,561	7,362	7,094	5,408	**5,592**
Interest on Exchangeable units	1,168	1,168	1,168	1,168	1,168	1,168	1,768	**1,168**
Loss (gain) on fair value of Exchangeable units	(3,761)	(6,655)	1,131	3,527	(5,624)	3,494	(1,297)	**699**
Gain on purchase obligation adjustment	–	(113)	(31)	–	–	(24)	(331)	**(212)**
Amortization of intangible assets	3,461	3,421	3,426	3,350	3,315	3,315	3,124	**3,331**
Impairment of intangible assets	–	383	2,435	–	–	685	785	**388**
Earnings (loss) before taxes	5,958	9,143	(2,718)	(2,484)	8,503	(1,544)	1,359	**218**
Current income tax expense	(1,178)	(1,212)	(856)	(837)	(1,028)	(1,147)	(774)	**(841)**
Deferred income tax recovery	137	151	368	141	372	235	176	**80**
Net and comprehensive earnings (loss) for the Period	4,917	8,082	(3,206)	(3,180)	7,847	(2,456)	761	**(543)**
Add:								
Amortization of intangible assets	3,461	3,421	3,426	3,350	3,315	3,315	3,124	**3,331**
Impairment of intangible assets	–	383	2,435	–	–	685	785	**388**
Current income tax expense	1,178	1,212	856	837	1,028	1,147	774	**841**
Deferred income tax recovery	(137)	(151)	(368)	(141)	(372)	(235)	(176)	**(80)**
Interest on Exchangeable units	1,168	1,168	1,168	1,168	1,168	1,168	1,768	**1,168**
Loss (gain) on fair value of Exchangeable units	(3,761)	(6,655)	1,131	3,527	(5,624)	3,494	(1,297)	**699**
Gain on purchase obligation adjustment	–	(113)	(31)	–	–	(24)	(331)	**(212)**
Cash flow from operations	6,826	7,347	5,411	5,561	7,362	7,094	5,408	**5,592**
Less change in:								
Unutilized cash	(3,040)	(3,561)	(1,625)	(1,775)	(3,576)	(3,308)	(1,622)	**(1,806)**
Cash required for dividends	$ 3,786	$ 3,786	$ 3,786	$ 3,786	$ 3,786	$ 3,786	$ 3,786	**$ 3,786**
Cash flow from operations available to:								
Public shareholders	$ 2,618	$ 2,618	$ 2,618	$ 2,618	$ 2,618	$ 2,618	$ 2,618	**$ 2,618**
Non-controlling interest	1,168	1,168	1,168	1,168	1,168	1,168	1,168	**1,168**
	$ 3,786	$ 3,786	$ 3,786	$ 3,786	$ 3,786	$ 3,786	$ 3,786	**$ 3,786**

SUPPLEMENTAL INFORMATION – SELECTED FINANCIAL AND OPERATING INFORMATION

Three months ended ($000's, unaudited)	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	March 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	**March 31, 2013**
Revenue								
Fixed franchise fees	$ 4,761	$ 4,736	$ 4,700	$ 4,719	$ 4,716	$ 4,684	$ 4,644	**$ 4,771**
Variable franchise fees	2,560	2,531	1,430	1,814	2,768	2,506	1,238	**1,654**
Premium franchise fees	1,279	1,910	1,275	821	1,455	1,972	1,193	**724**
Other fee revenue and services	1,221	1,147	975	866	1,053	1,067	1,003	**915**
	$ 9,821	$ 10,324	$ 8,380	$ 8,220	$ 9,992	$ 10,229	$ 8,078	**$ 8,064**
% Revenue by region								
British Columbia	11	10	10	10	10	10	9	**10**
Prairies	9	9	9	9	10	9	9	**10**
Ontario	57	59	59	59	59	60	61	**59**
Quebec	20	19	19	19	18	18	18	**18**
Maritimes	3	3	3	3	3	3	3	**3**
	100	100	100	100	100	100	100	**100**

Three months ended **Changes during the Period**	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	March 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	**March 31, 2013**
Number of REALTORS®	(88)	(66)	(234)	189	(1)	(11)	(152)	**472**
Number of Agents	(83)	(69)	(194)	201	(10)	(25)	(104)	**467**
Number of fixed-fee-paying Sales Representatives	(6)	1	(37)	(7)	11	(1)	16	**2**
Number of locations	(2)	(7)	(2)	14	(6)	0	(6)	**23**
Number of franchise agreements	(2)	(2)	(1)	25	(2)	0	(6)	**34**
At end of Period								
Number of REALTORS®	15,361	15,295	15,061	15,250	15,249	15,238	15,086	**15,558**
Number of Agents	14,342	14,273	14,079	14,280	14,270	14,245	14,141	**14,608**
Number of fixed-fee-paying Sales Representatives	718	719	682	675	686	685	701	**703**
Number of locations	663	656	654	668	662	662	656	**679**
Number of franchise agreements	392	390	389	414	412	412	406	**440**

SUPPLEMENTAL INFORMATION – DISTRIBUTIONS/DIVIDENDS HISTORY

	Dividends Declared per Unit/Share										
Month	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
January		$ 0.0917	$ 0.0917	$ 0.0958	$ 0.1000	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	**$ 0.0920**
February		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	**0.0920**
March		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	**0.0920**
April		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	
May		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	
June		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	
July		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	
August		0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	0.1170	0.0920	0.0920	
September	$ 0.1789[1]	0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	0.1170	0.0920	0.0920	
October	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	0.1170	0.0920	0.0920	
November	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	0.1170	0.0920	0.0920	
December	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1570	0.3170	0.0920	0.0920	
	$ 0.45	$ 1.10	$ 1.10	$ 1.15	$ 1.20	$ 1.31	$ 1.44	$ 1.60	$ 1.10	$ 1.10	**$ 0.28**

[1] Based on a 55-day period.

SUPPLEMENTAL INFORMATION – SHARE AND EXCHANGEABLE UNIT PERFORMANCE

Three months ended	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	March 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	**March 31, 2013**
Trading price range of units (TSX: "BRE")								
High	$ 15.67	$ 14.50	$ 13.87	$ 14.25	$ 13.90	$ 13.80	$ 13.07	**$ 13.30**
Low	$ 12.85	$ 12.00	$ 11.40	$ 12.35	$ 11.46	$ 11.82	$ 11.71	**$ 12.52**
Close	$ 14.25	$ 12.25	$ 12.59	$ 13.65	$ 11.96	$ 13.01	$ 12.62	**$ 12.83**
Average daily volume	8,748	7,987	10,215	9,003	6,744	11,879	13,377	**17,596**
Number of units 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**
Net enterprise value at Period end (thousands)								
Market capitalization	$ 182,564	$ 156,941	$ 161,297	$ 174,877	$ 153,226	$ 166,678	$ 161,681	**$ 164,372**
Long-term debt	52,352	52,390	52,428	52,475	52,517	52,559	52,602	**52,645**
Less:								
Cash on hand	1,469	3,396	5,593	1,152	1,282	3,814	5,103	**460**
	$ 233,447	$ 205,935	$ 208,132	$ 226,200	$ 204,461	$ 215,423	$ 209,180	**$ 216,557**

SUPPLEMENTAL INFORMATION – CANADIAN RESIDENTIAL REAL ESTATE MARKET

Three months ended	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	March 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	**March 31, 2013**
Canada								
Transactional dollar volume[1]	$ 52,880	$ 41,388	$ 34,093	$ 39,652	$ 55,681	$ 38,573	$ 31,155	**$ 34,808**
Average selling price	$ 374,269	$ 354,070	$ 357,528	$ 365,803	$ 373,718	$ 352,942	$ 357,766	**$ 369,460**
Number of units sold	141,288	116,892	95,358	108,397	148,992	109,290	87,082	**94,187**
Number of REALTORS® at Period end	103,729	104,203	104,407	105,649	106,035	106,321	106,944	**N/A**
Housing starts	52,625	55,615	52,157	39,902	62,025	60,338	52,562	**33,477**
Greater Toronto Area								
Transactional dollar volume[1]	$ 14,068	$ 10,607	$ 9,191	$ 10,159	$ 15,240	$ 9,491	$ 8,050	**$ 9,089**
Average selling price	$ 479,830	$ 458,758	$ 472,494	$ 492,462	$ 512,872	$ 485,101	$ 495,293	**$ 507,787**
Number of units sold	29,319	23,122	19,452	20,629	29,715	19,565	16,253	**17,899**
Housing starts	11,245	10,147	9,979	10,682	12,736	13,199	13,200	**6,695**

Twelve months ended	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	March 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	**March 31, 2013**
Canada								
Transactional dollar volume[1]	$ 155,393	$ 162,819	$ 166,055	$ 168,013	$ 170,814	$ 167,999	$ 165,061	**$ 160,217**
Average selling price	$ 354,846	$ 360,572	$ 363,116	$ 363,715	$ 363,714	$ 363,605	$ 363,762	**$ 364,502**
Number of units sold	437,917	451,557	457,305	461,935	469,639	462,037	453,761	**439,551**
Housing starts	185,807	188,751	193,950	200,299	209,699	214,422	214,827	**208,402**
Seasonally adjusted housing starts	194,700	205,000	200,200	205,500	229,000	222,900	197,976	**175,191**
Greater Toronto Area								
Transactional dollar volume[1]	$ 38,739	$ 41,325	$ 42,792	$ 44,025	$ 45,197	$ 44,081	$ 42,940	**$ 41,870**
Average selling price	$ 451,027	$ 459,693	$ 466,352	$ 475,838	$ 486,422	$ 493,291	$ 498,364	**$ 501,844**
Number of units sold	85,890	89,897	91,760	92,522	92,918	89,361	86,162	**83,432**
Housing starts	35,183	37,485	39,745	42,053	43,544	46,596	49,817	**45,830**

Source: CREA
[1] ($ millions).
N/A: Not available at time of MD&A

SUPPLEMENTAL INFORMATION – CASH FLOW FROM OPERATIONS

			IFRS			Canadian GAAP
Cash flow from operations and its utilization since fund inception ($ 000's)	**Total**	**Three months ended March 31, 2013**	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011	Year ended Dec. 31, 2010	Aug. 7, 2003 to Dec. 31, 2009
Royalties	**$ 309,063**	**$ 8,064**	$ 36,519	$ 36,720	$ 36,630	$ 191,130
Less:						
Administration	**9,462**	**271**	1,361	1,667	1,771	4,392
Interest expense	**25,054**	**719**	2,961	3,042	2,900	15,432
Management fee	**56,558**	**1,482**	6,772	6,747	6,713	34,844
Cash flow from operations	**217,989**	**5,592**	25,425	25,264	25,246	136,462
Less:						
Dividends to shareholders	**117,777**	**2,618**	10,471	12,605	15,212	76,871
Interest/dividends to Exchangeable unitholders/non-controlling interest	**42,276**	**1,168**	5,272	4,672	5,337	25,827
Total dividends	**160,053**	**3,786**	15,743	17,277	20,549	102,698
Cash flow from operations less total dividends	**57,936**	**1,806**	9,682	7,987	4,697	33,764
Less: Funding of acquisitions	**43,757**	**3,171**	2,965	6,062	6,415	25,144
Less: Purchase of units under NCIB	**4,096**	**–**	–	–	–	4,096
Net change in the Period	**$ 10,083**	**$ (1,365)**	$ 6,717	$ 1,925	$ (1,718)	$ 4,524
Cumulative change	**$ 10,083**	**$ 10,083**	$ 11,448	$ 4,731	$ 2,806	$ 12,386
Dividends percentage payout [1]	**73%**	**68%**	62%	68%	81%	75%

[1] This represents the total dividends paid as a percentage of cash flow from operations.

			IFRS			Canadian GAAP
Cash flow from operations reconciled to cash flow from operating activities ($ 000's)	**Total**	**Three months ended March 31, 2013**	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011	Year ended Dec. 31, 2010	Aug. 7, 2003 to Dec. 31, 2009
Cash flow from operating activities	**$ 175,569**	**$ 1,146**	$ 12,946	$ 18,588	$ 6,100	$ 136,789
Add (deduct):						
Changes in non-cash working capital items	**2,502**	**1,517**	(49)	1,490	(1,224)	768
Interest on Exchangeable units	**16,449**	**1,168**	5,272	4,672	5,337	–
Income taxes paid	**9,233**	**1,204**	8,029	–	–	–
Interest on Trust units	**15,212**	**–**	–	–	15,212	–
Non-cash interest expense	**(976)**	**557**	(773)	514	(179)	(1,095)
Cash flow from operations	**$ 217,989**	**$ 5,592**	$ 25,425	$ 25,264	$ 25,246	$ 136,462

SUPPLEMENTAL INFORMATION – ACQUISITIONS

Date acquired by the Company, January 1, ($ millions unless stated otherwise)	**2013**	**2012**	**2011**	**2010**	**2009**
Purchase price					
Estimated	6.74	2.88	3.48	5.24	3.44
Actual (a) (d)	(a)	2.70	3.34	5.70	3.31
Payments					
Initial	5.40	2.30	2.78	4.20	2.75
Final (b) (c) (d)	(a)	0.40	0.56	1.50	0.56
Estimated					
Annual royalty stream	1.05	0.49	0.55	0.89	0.70
Number of REALTORS®	516	217	247	417	316
Number of locations	27	12	8	17	25
Number of agreements	44	25	23	21	21
Actual					
Annual royalty stream (b)	(d)	0.45	0.52	0.95	0.66
Number of REALTORS®	(d)	217	231	417	316
Number of locations	27	12	8	17	25
Number of agreements	44	25	23	21	21

(a) To be determined at the end of the year in accordance with the MSA and appropriate purchase agreement.
(b) Audited.
(c) Purchase price obligation as at December 31.
(d) Purchase price obligation and actual values for Via Capitale are calculated over three years.

Interim Condensed Consolidated Balance Sheets

Unaudited As at (In thousands of Canadian dollars)	Note	March 31, 2013	December 31, 2012
Assets			
Current assets			
Cash		$ 460	$ 5,103
Accounts receivable	4	5,539	4,247
Income tax receivable		423	60
Prepaid expenses		90	117
		6,512	9,527
Non-current assets			
Notes receivable	5	106	–
Deferred tax asset	8	4,402	4,322
Purchase receivable	6	–	70
Intangible assets	6, 7	89,527	86,507
		$ 100,547	$ 100,426
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,262	$ 1,408
Purchase obligation – current portion	6	3,661	463
Interest payable to Exchangeable unitholders		389	989
Dividends payable to shareholders		872	872
		6,184	3,732
Non-current liabilities			
Long-term debt	10	52,645	52,602
Purchase obligation	6	88	–
Exchangeable units	11	42,694	41,995
		101,611	98,329
Shareholders' equity (deficit)			
Restricted voting shares	12	140,076	140,076
Deficit		(141,140)	(137,979)
		(1,064)	2,097
		$ 100,547	$ 100,426

See accompanying notes to the interim condensed consolidated financial statements.

Approved on behalf of the Board

Director

Director

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

Unaudited (In thousands of Canadian dollars, except share and per share amounts)	Note	Three months ended March 31, 2013	Three months ended March 31, 2012
Royalties			
Fixed franchise fees		$ 4,771	$ 4,719
Variable franchise fees		1,654	1,814
Premium franchise fees		724	821
Other revenue and services		915	866
		8,064	8,220
Expenses			
Administration	14	271	452
Management fee	3	1,482	1,482
Interest expense		719	725
Impairment of intangible assets	7	388	–
Amortization of intangible assets	7	3,331	3,350
		6,191	6,009
Operating income		1,873	2,211
Interest on Exchangeable units		(1,168)	(1,168)
Loss on fair value of Exchangeable units	11	(699)	(3,527)
Gain on fair value of purchase obligation		212	–
Earnings (loss) before income tax		218	(2,484)
Current income tax expense		(841)	(837)
Deferred income tax recovery		80	141
Income tax expense	8	(761)	(696)
Net and comprehensive loss		$ (543)	$ (3,180)
Basic and diluted loss per share	13	$ (0.06)	$ (0.34)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit)

Unaudited (In thousands of Canadian dollars)	Common equity	Deficit	Total deficit
Balance, December 31, 2012	$ 140,076	$ (137,979)	$ 2,097
Net loss	–	(543)	(543)
Dividends declared	–	(2,618)	(2,618)
Balance, March 31, 2013	**$ 140,076**	**$ (141,140)**	**$ (1,064)**

Unaudited (In thousands of Canadian dollars)	Common equity	Deficit	Total equity
Balance, December 31, 2011	$ 140,076	$ (130,480)	$ 9,596
Net loss	–	(3,180)	(3,180)
Dividends declared	–	(2,618)	(2,618)
Balance, March 31, 2012	$ 140,076	$ (136,278)	$ 3,798

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

Unaudited (In thousands of Canadian dollars)	Note	Three months ended March 31, 2013	Three months ended March 31, 2012
Cash provided by (used for):			
Operating activities			
Loss for the Period		$ (543)	$ (3,180)
Items not affecting cash			
Loss on fair value of Exchangeable units	11	699	3,527
Gain on fair value of purchase obligation		(212)	–
Interest expense		1,887	1,893
Interest paid		(2,444)	(1,847)
Current income tax expense		841	837
Income taxes paid		(1,204)	(4,400)
Deferred income tax recovery		(80)	(141)
Impairment of intangible assets		388	–
Amortization of intangible assets		3,331	3,350
Changes in non-cash working capital		(1,517)	(503)
		1,146	(464)
Investing activity			
Purchase of intangible assets	6	(3,171)	(1,359)
Financing activity			
Dividends paid to shareholders		(2,618)	(2,618)
Decrease in cash during the Period		(4,643)	(4,441)
Cash, beginning of the Period		5,103	5,593
Cash, end of the Period		$ 460	$ 1,152

See accompanying notes to the interim condensed consolidated financial statements.

1. ORGANIZATION

Brookfield Real Estate Services Inc. (the "Company") is incorporated under the *Ontario Business Corporations Act.* The Company's registered office is located at 39 Wynford Drive, Toronto, Canada, M3C 3K5 and is listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". Through its limited partnership holdings, the Company owns certain franchise agreements and trademark rights of residential real estate brands in Canada.

The Company directly holds a 75% interest in Residential Income Fund General Partner Limited ("RIFGP") and its subsidiaries, Residential Income Fund L.P. (the "Partnership") and 9120 Real Estate Network, L.P. ("VCLP"), a wholly owned subsidiary of the Partnership, both of which own and operate the assets from which the Company derives its sole source of revenue.

On December 31, 2012, the Company executed a series of transactions (the "Restructure") to effectively collapse and dissolve the Company's wholly owned subsidiaries Brookfield Real Estate Services Fund (the "Fund") and RL RES Holding Trust ("RLHT"). The Restructure did not result in any changes to the underlying business operations of the Company. The Restructure has been accounted for as a continuity-of-interests, with no significant impact on the net assets, financial position or results of operations of the Company.

Immediately following the Restructure, on December 31, 2012, RIFGP and 4541219 Canada Inc., the General Partner of VCLP, amalgamated to form Residential Income Fund General Partner Limited (the "Amalgamation"), a corporation established under the laws of Ontario and the sole general partner of the Partnership and VCLP. The amalgamation will not have any impact on the net assets, financial position or results of operations of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on March 5, 2013.

Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed.

The interim condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2012, except for the adoption of IFRS 10, 11, 12 and 13. These interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2012.

These interim condensed consolidated financial statements have been prepared on a going concern basis and include the accounts of the Company, its 75% owned subsidiaries RIFGP, VCLP and the Partnership. RIFGP is the managing general partner of the Partnership. Brookfield Canada Holdings Inc. (a corporation resulting from the amalgamation of Trilon Bancorp Inc. and Brascan Asset Management Holdings, effective January 10, 2012) ("BHCI"), owns the remaining 25% interest in the Partnership and RIFGP. The Company receives certain management, administrative and support services from Brookfield Real Estate Services Manager Ltd. ("BRESML"), a party related to BHCI via common control. Royal LePage Real Estate Services Limited ("RES"), a wholly owned subsidiary of BRESML, pays royalties to the Company under a franchise agreement.

Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Company and its controlled subsidiaries. The financial results of controlled subsidiaries are consolidated with the results of the Company from the date that control is acquired through to the date that control ceases. For the purpose of consolidating the financial results of the Company, control of an entity is deemed to exist when the Company, directly or indirectly, has the power to influence the financial and operating decisions of an entity, allowing it to realize economic benefits from its activities.

Accounting and reporting changes adopted during the Period:

IFRS 10 – Consolidated Financial Statements ("IFRS 10")
IFRS 10 replaces the consolidation requirements in SIC-12 *Consolidation – Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements*. The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is applicable for annual periods beginning on or after January 1, 2013. The Company has adopted and assessed the impact of the new standard, and there has been no impact on the Company's financial position or performance. The Company has performed a review of its investees and determined that there has been no impact on the Company's financial position or performance as a result of adopting the standard.

IFRS 12 – Disclosure of Interests in Other Entities ("IFRS 12")
IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is applicable and has been adopted by the Company for annual periods beginning on or after January 1, 2013. The adoption of the standard has not had an impact on the financial position or performance of the Company.

IFRS 13 – Fair Value Measurement ("IFRS 13")
IFRS 13 replaces the current guidance on fair value measurement in IFRS with a single standard. The standard defines fair value, provides guidance on its determination and requires disclosures about fair value measurements but does not change the requirements about the items that should be measured and disclosed at fair value. The standard is applicable and has been adopted by the Company for annual periods beginning on or after January 1, 2013. As a result of adopting IFRS 13, the Company has increased the level of disclosure associated with items measured at fair value. For related disclosures, see notes 6 and 11.

3. MANAGEMENT SERVICES AGREEMENT

On January 1, 2011, the Company entered into the Amended and Restated Management Services Agreement ("MSA") dated January 1, 2011 with BRESML. The MSA has been in effect since 2003, had an initial term of 10 years and has an automatic renewal for successive 10-year periods subject to approval of the Company and BRESML. The Company and BRESML have agreed to extend the termination date of the MSA to December 31, 2013 and the date for delivery of such notice to on or before June 30, 2013. The Board of Directors of the Company has convened a Special Committee to evaluate various alternatives associated with the renewal of the MSA and has engaged an external advisor.

Under the MSA, BRESML is to provide certain management, administrative and support services to the Company and its subsidiaries and in return is paid a monthly fee equal to 20% and 30% of the distributable cash of the Partnership and VCLP, respectively. For the three months ended March 31, 2013, the Company incurred management fees of $1,482 (March 31, 2012 – $1,482) for these services. The MSA also prescribes the conditions under which the Company purchases franchise agreements from BRESML and the formula for calculating the purchase price.

4. ACCOUNTS RECEIVABLE

Accounts receivable are related to fees due from the Company's franchise network and are valued initially at fair value, then subsequently measured at amortized cost less any provision for doubtful accounts. As at March 31, 2013, the Company had accounts receivable of $5,539 (December 31, 2012 – $4,247) net of $823 (December 31, 2012 – $779) allowance for doubtful accounts. During the three months ended March 31, 2013, $44 of net bad debt expense was included in administration expense (March 31, 2012 – $142).

The table below summarizes the aging of accounts receivable. Management considers amounts owed for longer than 90 days as overdue.

	90+ Days	60 Days	30 Days	Current	Total
Accounts receivable	$ 603	$ 194	$ 616	$ 4,126	$ 5,539

5. NOTES RECEIVABLE

The Company has some receivable payments from franchisees whose payment plan extends more than one year from the financial statement date as at March 31, 2013 and as a result has been classified as non-current, as per IAS 1 guidance.

6. ASSET ACQUISITIONS

The Company's purchase of franchise agreements is governed by terms set out in the MSA.

On January 1, 2013, the Partnership acquired 37 new Royal LePage franchise agreements from BRESML at an estimated purchase price of $6,019. A payment of $4,815, equal to 80% of the estimated purchase price, was due on January 1, 2013, and the remainder is to be paid when the final purchase price is determined on October 31, 2013, the determination date. Until the determination date, the estimated price is revised over the determination period, the one-year period starting on November 1 of the year immediately preceding the purchase date through to October 31 of the following year, based on the annual royalty stream earned. Any subsequent changes to the value of the estimated purchase price during the determination period are recognized in the consolidated statements of earnings and comprehensive earnings and are classified as (loss) gain on fair value of purchase obligation in the period in which the change occurs. The unpaid balance due as of January 1, 2013 is subject to interest at the rate prescribed in the MSA.

On January 1, 2013, VCLP acquired seven new Via Capitale franchise agreements from BRESML and a subsidiary of BRESML at an estimated purchase price of $720. A payment of $576, equal to 80% of the estimated purchase price, was due on January 1, 2013, and the remainder is to be paid over the next three years when the final purchase price is determined on October 31, 2015, the determination date. Until the determination date, the estimated price is revised over the determination period, a three-year period from November 1, 2012 to October 31, 2015, based on the average annual royalty stream earned. Any subsequent changes to the value of the estimated purchase obligation are recognized in the consolidated statements of earnings and comprehensive earnings and are classified as (loss) gain on fair value of purchase obligation in the period in which the change occurs. The unpaid balance due as of January 1, 2013 is subject to interest at the rate prescribed in the MSA.

During the determination period, the Company records changes in the purchase obligation to reflect the fair value of outstanding purchase obligation (receivable). Actual cash flows generated from the franchise agreements during the determination period(s) are used to estimate and forecast the annual royalty fees to be earned during the determination period. The estimated yield expected to be generated from the royalty streams is determined by dividing the per share amount distributed in cash by the Company in the 52-week period ending the day preceding the purchase date by the current market price per share of the Company. For each reporting period until the determination date, the estimated royalty stream is updated with actual cash flows generated for each franchise agreement for which an outstanding purchase obligation (receivable) exists. The estimated yield is updated to reflect actual royalty fees generated.

For the three months ended March 31, 2013 and 2012, the Company did not incur interest expense related to outstanding purchase obligation payments.

On January 1, 2012, the Partnership acquired 20 new Royal LePage franchise agreements from BRESML at an estimated purchase price of $1,863. A payment of $1,491, equal to 80% of the estimated purchase price, was paid from cash on hand in 2012, and the remainder was paid by January 31, 2013.

On January 1, 2012, VCLP acquired five new Via Capitale franchise agreements from BRESML and a subsidiary of BRESML at an estimated purchase price of $1,018. A payment of $814, equal to 80% of the estimated purchase price, was paid from cash on hand in 2012, and the remainder was paid by January 31, 2013.

The additions to intangible assets during the three months ended March 31, 2013 and 2012 are summarized as follows:

	Royal LePage	VCLP	March 31, 2013	December 31, 2012
Franchise agreements	$ 6,019	$ 720	$ 6,739	$ 2,881

The purchase obligation consists of the following:

	Royal LePage	VCLP	March 31, 2013	December 31, 2012
Purchase obligation at beginning of period	$ 426	$ (33)	$ 393	$ 832
Current period's purchase obligation	6,019	720	6,739	2,881
Price adjustment on current period's purchases	(12)	(200)	(212)	(355)
Payment on current period's purchases	(2,350)	(281)	(2,631)	(2,305)
Payment of obligation on prior years' purchases	(426)	(114)	(540)	(660)
Purchase obligation at end of period	$ 3,657	$ 92	$ 3,749	$ 393
Current portion of purchase obligation	$ 3,657	$ 4	$ 3,661	$ 463
Long-term portion of purchase obligation	–	88	88	(70)
Purchase obligation at end of period	$ 3,657	$ 92	$ 3,749	$ 393

7. INTANGIBLE ASSETS

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

	Franchise Agreements	Trademarks	Total
Cost			
At December 31, 2012	194,750	5,427	200,177
Purchases	6,739	–	6,739
Impairment	(215)	–	(215)
Amounts written off	(774)	–	(774)
At March 31, 2013	**$ 200,500**	**$ 5,427**	**$ 205,927**
Accumulated amortization			
At December 31, 2012	111,933	1,737	113,670
Amortization expense	3,285	46	3,331
Amounts written off	(601)	–	(601)
At March 31, 2013	**$ 114,617**	**$ 1,783**	**$ 116,400**
Carrying value			
At December 31, 2012	$ 82,817	$ 3,690	$ 86,507
At March 31, 2013	**$ 85,883**	**$ 3,644**	**$ 89,527**

For the three months ended March 31, 2013, the Company recognized an impairment charge of $388 (March 31, 2012 – $nil), relating to franchisees where the recovery of capitalized value is no longer reasonably assured, and for the expiry and non-renewal of franchise agreements in the Royal LePage and Via Capitale networks.

Management determined the recoverable amount using a value-in-use amount. The discount rate used was the pre-tax rate, which reflects current market assessment of the risks specific to the asset. In calculating the discounted future cash flow for each franchisee, management performed a net present value of annuity calculation using actual cash flows received in 2011, 2012, and two months of 2013, the pre-tax discount rate and the life of the agreements plus one renewal term as the assumptions.

Trademarks arise when a new brand is acquired.

8. INCOME TAXES

The Company uses the liability method of tax allocation in accounting for income taxes. Under this method, temporary differences between the carrying amount of balance sheet items and their corresponding tax basis result in either deferred income tax assets or liabilities, except to the extent a temporary difference was present on the initial recognition of the asset outside of a business combination. 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:

Three months ended		**March 31, 2013**		March 31, 2012
Earnings (loss) before income taxes for the period:	**$**	**218**	$	(2,484)
Expected income tax recovery at statutory rate of 26.5% (2012 – 26.5%)		**58**		(652)
Increase (decrease) in income tax expense (recovery) due to the following:				
Non-deductible amortization		**387**		395
Non-deductible loss on fair value of Exchangeable units		**185**		926
Non-deductible interest on Exchangeable units		**310**		307
Non-deductible impairment and write-off of intangibles		**61**		–
Non-deductible purchase obligation		**(14)**		–
Income allocated to Exchangeable unitholders		**(294)**		(280)
Other		**68**		–
Total income tax expense	**$**	**761**	$	696

The major components of income tax expense include the following:

Three months ended		**March 31, 2013**		March 31, 2012
Current tax expense	**$**	**841**	$	837
Deferred tax recovery		**(80)**		(141)
	$	**761**	$	696

Deferred income taxes arise from temporary differences in the recognition of income and expense for financial and tax purposes. The significant components of the Company's deferred tax assets are as follows:

Three months ended		**March 31, 2013**		March 31, 2012
Intangibles	**$**	**4,418**	$	4,256
Financing costs		**(16)**		66
	$	**4,402**	$	4,322

9. OPERATING CREDIT FACILITY

The Partnership has a credit facility (the "Revolver") of up to $2,000 from a Canadian financial institution. This Revolver may be used to provide working capital to the Partnership from time to time. The Revolver is subject to annual renewal, with outstanding principal under the Revolver subject to interest at the lender's prime rate plus 2.5% to 3% or the Banker's Acceptance rate plus 3.5% to 4%, based on the ratio of total debt to Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization ("Consolidated EBITDA") of the Partnership, as defined in the amended credit agreement. EBITDA is defined as earnings (loss) before tax, before interest on Exchangeable units, gain (loss) on fair value of Exchangeable units and gain (loss) on purchase obligation adjustment. As at March 31, 2013, the Company is compliant with its financial covenants. The assets of the Company have been pledged as security against the operating facility. As at March 31, 2013 and March 31, 2012, the Revolver had not been drawn upon.

10. LONG-TERM DEBT

The Company's long-term debt consists of the following debt facilities:

As at		**March 31, 2013**		March 31, 2012
Private debt placement	**$**	**32,481**	$	32,454
Term facility		**20,164**		20,148
	$	**52,645**	$	52,602

Long-term debt includes a $32,700 private debt placement with a number of Canadian institutional investors, with fixed interest of 5.809%, and a $20,300 term facility provided by a Canadian financial institution, with interest available in the form of a floating rate at prime plus 1.5%, payable quarterly, or at Banker's Acceptance rates plus 3% with terms of up to six months. Both facilities have a five-year term maturing on February 17, 2015. The assets of the Company have been pledged as security against the term facility.

The Company incurred $855 in issue costs associated with the debt obligations, resulting in net proceeds of $52,145.

The private placement and term facility had fair values of $34,451 and $20,300, respectively, at March 31, 2013 (December 31, 2012 – $34,492 and $20,300).

During the three months ended March 31, 2013, $43 of amortization of the issue costs was recorded as interest expense (March 31, 2012 – $46).

11. EXCHANGEABLE UNITS

BHCI owns 25 common shares in RIFGP, 3,327,667 Exchangeable units of the Partnership and one special voting share of the Company, which accompanies the Exchangeable units; this reflects an effective 25% interest in the Partnership. The special voting share entitles the holder 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 indirectly holds the remaining 75% interest in the Partnership through Class A limited partnership units of the Partnership. The Exchangeable unitholders are entitled to indirectly exchange, on a one-for-one basis, subject to adjustment, the Exchangeable units for restricted voting shares of the Company.

The Company measures the Exchangeable units at their fair value using the closing price of the Company's actively traded shares listed on the TSX, as of the last date of market trading for the Period. As at March 31, 2013, the closing market price of the Company's shares was $12.83 (December 31, 2012 – $12.62). During the three months ended March 31, 2013, the Company recorded a loss of $699 related to the fair value of the Exchangeable units (March 31, 2012 – $3,527).

12. SHARE CAPITAL

The Company 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 the Company, and holders of the Company's restricted voting shares are entitled to dividends declared and distributed by the Company.

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 the Company.

No additional restricted voting shares were issued during the three months ended March 31, 2013.

No preferred shares were issued or outstanding as at March 31, 2013.

The following table summarizes the outstanding shares of the Company:

As at	**March 31, 2013**	March 31, 2012
Restricted voting shares	**9,483,850**	9,483,850
Special voting share	**1**	1

13. LOSS PER SHARE

Basic and diluted loss per share have been determined as follows:

Three months ended March 31, (In thousands of Canadian dollars, except share and per share amounts)	**2013**	2012
Net loss available to restricted voting shareholders – basic	**$ (543)**	$ (3,180)
Interest on Exchangeable units	**1,168**	1,168
Loss on fair value of Exchangeable units	**699**	3,527
Net earnings available to restricted voting shareholders – diluted	**$ 1,324**	$ 1,515
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 and diluted loss per share	**$ (0.06)**	$ (0.34)
Dividends declared	**$ 2,618**	$ 2,618
Restricted voting shares	**9,483,850**	9,483,850
Dividends per restricted voting share	**$ 0.28**	$ 0.28

14. RELATED PARTY TRANSACTIONS

Unless disclosed elsewhere, the Company had the following transactions with parties related to the Exchangeable unitholders for the three months ended March 31, 2013 and 2012. These transactions have been recorded at the exchange amount agreed to between the parties.

Three months ended (In thousands of Canadian dollars)		**March 31, 2013**		March 31, 2012
a) Royalties				
Fixed, variable and other franchise fees	**$**	**706**	$	631
Premium franchise fees	**$**	**613**	$	698
b) Expenses				
Management fee	**$**	**1,482**	$	1,482
Insurance and other	**$**	**27**	$	27
c) Interest paid				
Interest paid to Exchangeable unitholders	**$**	**1,168**	$	1,168

Insurance expense, as disclosed above, was incurred through an affiliate of BRESML and the Exchangeable unitholder.

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

As at		**March 31, 2013**		December 31, 2012
d) Accounts receivable				
Franchise fees receivable and other	**$**	**1,846**	$	1,440
e) Non-current assets				
Purchase receivable	**$**	**–**	$	70
f) Accounts payable and accrued liabilities				
Management fee	**$**	**479**	$	565
Administrative shared service liability and other	**$**	**118**	$	85
Interest on purchase obligation	**$**	**–**	$	8
g) Interest payable to Exchangeable unitholders	**$**	**389**	$	989
h) Purchase obligation payable	**$**	**3,749**	$	463

15. 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 the franchisees may experience financial difficulty and be unable to pay outstanding franchise fees. The Company's credit risk is limited to the recorded amount of accounts receivable. Management reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis. As at March 31, 2013, the Company has an allowance for doubtful accounts of $823 (December 31, 2012 – $779).

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 ongoing future dividends to shareholders and interest to Exchangeable unitholders. Management reduces liquidity risk by maintaining more conservative debt covenant ratios compared with those required by the covenants associated with the long-term debt. Also, the Company has a $2,000 unutilized credit under the Revolver, as described in Note 9.

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

	2013	2014	2015	Beyond 2015	Total
Accounts payable and accrued liabilities	$ 1,262	$ –	$ –	$ –	$ 1,262
Purchase obligation	2,760	901	9	79	3,749
Interest payable to Exchangeable unitholders	389	–	–	–	389
Dividends payable to shareholders	872	–	–	–	872
Interest on long-term debt	2,282	3,042	761	–	6,085
Private debt placement	–	–	32,700	–	32,700
Term facility	–	–	20,300	–	20,300
Exchangeable units	–	–	–	42,694	42,694
Total	$ 7,565	$ 3,943	$ 53,770	$ 42,773	$ 108,051

c) Interest rate risk

The Company is exposed to the risk of interest rate fluctuations on its Revolver and term facilities as the interest rates on these facilities are tied to the prime and Banker's Acceptance rates. Management has elected to continue with a floating rate position on these facilities and monitors this position on an ongoing basis. The Company's $32,700 private debt placement is fixed and accordingly does not have cash flow risk of interest rate fluctuations or short-term refinancing risk. An increase of 1% in the Company's effective interest rate on its variable rate debt would result in an interest expense increase of approximately $203 (2012 – $203).

d) Fair value

The fair value of the Company's financial instruments, which consist of cash, accounts receivable, accounts payable and accrued liabilities, purchase obligation (receivable), interest payable to Exchangeable unitholders and dividends payable to shareholders, is estimated by management to approximate their carrying values due to their short-term nature. Similarly, the Company's floating rate debt has a fair value that approximates its face value. The Company determines the fair value of the fixed rate debt through the use of a discounted cash flow analysis using relevant risk-free bond rates plus an applicable risk premium. The fair value of the Company's long-term debt is disclosed in Note 10.

e) Fair value hierarchy

The following table summarizes the financial instruments measured at fair value in the condensed consolidated balance sheet as at March 31, 2013 and December 31, 2012, classified using the fair value hierarchy:

As at March 31, 2013	Level 1	Level 2	Level 3	Total
Financial asset or liability				
Purchase obligation	$ –	$ –	$ 3,749	$ 3,749
Exchangeable units	42,694	–	–	42,694
Total	**$ 42,694**	**$ –**	**$ 3,749**	**$ 46,443**

As at December 31, 2012	Level 1	Level 2	Level 3	Total
Financial asset or liability				
Purchase obligation, net	$ –	$ –	$ 393	$ 393
Exchangeable units	41,995	–	–	41,995
Total	$ 41,995	$ –	$ 393	$ 42,388

See Note 6 for a reconciliation of the Level 3 fair values, and Note 11 for disclosures related to the Level 1 fair values. There were no transfers between fair value hierarchy levels during the Period.

16. MANAGEMENT OF CAPITAL

The Company's capital is made up of its cash on hand, long-term debt, Exchangeable units and shareholders' equity (deficit).

The Company's objectives when managing capital are to maintain a capital structure that provides financing options to the Company while remaining compliant with the covenants associated with the long-term debt; maintain financial flexibility to preserve its ability to meet financial obligations, including debt servicing and dividends to shareholders; and deploy 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 the objectives stated above and to respond to changes in economic conditions.

The covenants of the long-term debt prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.25 to 1.

Senior Indebtedness is defined as the Company's long-term debt, disclosed under Note 10, which is made up of $32,700 in private debt placement and $20,300 in a term facility. Senior Interest Expense includes interest expenses generated on the Company's Senior Indebtedness.

The Company is compliant with all financial covenants. There were no changes in the Company's approach to capital management during the Period.

17. SEGMENTED INFORMATION

The Company has only one business segment, which is the ownership and generation of residential brokerage franchise agreements.

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