



Q2 2015

INTERIM REPORT
TO SHAREHOLDERS

Brookfield

Real Estate Services Inc.

Momentum you can build on

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 June 30, 2015, the Company Network consisted of 16,105 REALTORS®.

The Company Network has an approximate one fifth share of the Canadian residential resale real estate market based on 2014 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 Company Network. Approximately 71% of the Company's revenue 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.

Q2 2015 Interim Report to Shareholders

Financial and Operating Highlights

June 30, 2015 and 2014

Unaudited (In thousands of Canadian dollars)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Royalties	\$ 10,301	\$ 9,865	\$ 18,755	\$ 18,013
CFFO	\$ 7,502	\$ 6,922	\$ 13,520	\$ 12,620
Dividends	\$ 2,845	\$ 2,845	\$ 5,690	\$ 5,614
Interest on Exchangeable Units	\$ 1,336	\$ 1,950	\$ 2,654	\$ 3,220
Current income tax expense	\$ 1,130	\$ 794	\$ 2,024	\$ 1,623
Per Share basis				
Royalties	\$ 0.80	\$ 0.77	\$ 1.46	\$ 1.41
CFFO	\$ 0.59	\$ 0.54	\$ 1.06	\$ 0.99
Dividends	\$ 0.30	\$ 0.30	\$ 0.60	\$ 0.59
Interest on Exchangeable Units	\$ 0.40	\$ 0.59	\$ 0.80	\$ 0.97
Current income tax expense	\$ 0.12	\$ 0.08	\$ 0.21	\$ 0.17

For the three months ended June 30, 2015 (the "Quarter"), the Company generated net earnings of less than \$0.1 million, or nil per diluted restricted voting share ("Share"), compared to net earnings of \$4.0 million, or \$0.26 per Share for the same period in 2014. Cash flow from operations ("CFFO") was \$7.5 million, or \$0.59 per Share, as compared to \$6.9 million, or \$0.54 per Share, for the same period in 2014. Royalties were \$10.3 million, as compared to \$9.9 million for the same period in 2014. Cash operating costs (comprised of administration expenses, management fees and interest expenses) were \$2.8 million, as compared to \$2.9 million, for the same period in 2014.

Market transactional dollar volume for the rolling twelve months ended June 30, 2015 was \$211.7 billion, up 13.7% from the rolling twelve months ended June 30, 2014, driven by a 7.2% increase in selling price, and a 6.1% increase in home sales activity.

"We have had a successful first half of 2015 from both a financial and operational perspective," said Phil Soper, President and Chief Executive Officer, Brookfield Real Estate Services Inc. "Our cash flow from operations, was up over 8% for the quarter compared to the same period last year, thanks to the combination of an increase in royalties and a decrease in operating costs."

"Several exciting initiatives were announced during the second quarter, including a mid-year addition of 719 REALTORS® to our network, an expansion of our borrowing capacity and an increase in our distribution to shareholders, the second increase in our dividend since the beginning of 2014," added Soper.

The Company Network

As at June 30, 2015, the Company Network consisted of 16,105 REALTORS®, operating under 301 Franchise Agreements providing services from 660 locations, with an approximate one fifth share of the Canadian residential resale real estate market based on 2014 transactional dollar volume. During the Quarter, the Company Network decreased by 101 REALTORS®. On a year-to-date basis, the Company experienced a net increase of 728 REALTORS® as a result of the acquisition of Franchise Agreements on January 1, 2015 represented by 858 REALTORS® operating under the Royal LePage and Via Capitale brands, which was partially offset by the net attrition of 130 REALTORS®.

Q2 2015 Interim Report to Shareholders

Financial and Operating Highlights

June 30, 2015 and 2014

Monthly Cash Dividend

On June 18, 2015 the Company announced an increase in the targeted annual cash dividend per restricted voting share to \$1.25 per annum (\$0.1042 monthly) from \$1.20 per annum (\$0.10 monthly), an increase of 4.2 per cent. For the Quarter the Company paid cash dividends of \$0.30 per share or \$2.8 million. In addition, the Company has declared cash dividends of \$0.3126 per share or \$3.0 million payable in the third quarter ending September 30, 2015.

CFFO

This overview and accompanying MD&A make reference to cash flow from operations ("CFFO") on a total and per share basis. CFFO is defined as operating income prior to impairment and amortization of intangible assets. 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. 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 useful 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

"Brookfield Real Estate Services Inc. reached the mid-point of 2015 in excellent shape, and the outlook for our business remains promising. Even with the strong growth we have seen in our Agent count over the past 18 months, we believe that attractive investment opportunities remain to further grow the Company Network," said Soper. "Looking at the broader market, six months in, 2015 is shaping up to be a record year in terms of total sales, thanks in large part to booming markets in Toronto and Vancouver and a far more subdued than expected adjustment in Calgary. While economic headwinds do persist at home and abroad, we are confident that the market will remain healthy for the sum of the year."



Philip Soper
President and Chief Executive



Glen McMillan
Chief Financial Officer

August 4, 2015

Management's Discussion and Analysis

Highlights	4	Liquidity	22
Business Strategy	4	Capital Resources	23
Structure of Company Royalties	5	Off-Balance Sheet Arrangements	23
Overview of Second Quarter and Year to Date 2015 Operating Results	6	Transactions with Related Parties	23
Recent Developments	7	Critical Accounting Estimates and Assumptions	24
Key Performance Drivers	8	Financial Instruments	25
Stability of the Company's Royalty Stream	8	Disclosure Controls and Internal Controls over Financial Reporting	26
Number of REALTORS® in the Company Network	10	Outstanding Restricted Voting Shares	26
Transaction Volumes	11	Company Structure	26
Company's Growth Opportunities	12	Risk Factors	27
REALTOR® Productivity	13	Forward-Looking Statements	27
The Canadian Resale Residential Real Estate Market	14	Supplemental Information	28
Operating Results	15	Glossary of Terms	34
Year-to-Date Operating Results	17	Interim Condensed Consolidated Financial Statements	37
Cash Flow From Operations	18		
Debt Facilities	20		
Summary of Quarterly Results	21		

This section of Brookfield Real Estate Services Inc.'s (the "Company") interim report includes management's discussion and analysis ("MD&A") of our results and financial condition for the three and six months ended June 30, 2015 and has been prepared as at August 4, 2015. The three months ended June 30, 2015 shall be referred to in this MD&A as the "Quarter". The six months ended June 30, 2015 shall be referred to in this MD&A as the "YTD". The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS") and is expressed in Canadian dollars unless otherwise stated.

The definitions of terms capitalized in this MD&A are provided in the Glossary of Terms commencing on page 34.

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, 2014, prepared in accordance with IFRS. Additional information relating to our Company, including our Annual Information Form, is available on SEDAR at www.sedar.com.

Management's Discussion and Analysis of Results and Financial Condition

Highlights

Unaudited (\$ 000's) except REALTORS® and per share amounts	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Royalties	\$ 10,301	\$ 9,865	\$ 18,755	\$ 18,013
Less:				
Administration expenses	334	431	686	685
Management fee	1,876	1,730	3,380	3,155
Interest expense	589	782	1,169	1,553
Cash flow from operations	\$ 7,502	\$ 6,922	\$ 13,520	\$ 12,620
Amortization of intangible assets	(2,401)	(2,743)	(4,866)	(5,685)
Impairment of intangible assets	(169)	(681)	(215)	(750)
Interest on Exchangeable Units	(1,336)	(1,950)	(2,654)	(3,220)
Gain (loss) on fair value of Exchangeable Units	(2,928)	2,629	(6,755)	(2,163)
Gain (loss) on interest rate swap	280	–	(1,281)	–
Gain (loss) on fair value of purchase obligation	319	420	302	(477)
Current income tax expense	(1,130)	(794)	(2,024)	(1,623)
Deferred income tax recovery (expense)	(97)	210	487	503
Net and comprehensive earnings (loss)	\$ 40	\$ 4,013	\$ (3,486)	\$ (795)
Basic earnings (loss) per share	\$ 0.00	\$ 0.42	\$ (0.37)	\$ (0.08)
Diluted earnings (loss) per share	\$ 0.00	\$ 0.26	\$ (0.37)	\$ (0.08)
Cash flow from operations per share on a diluted basis	\$ 0.59	\$ 0.54	\$ 1.06	\$ 0.99
Total assets	\$ 92,946	\$ 92,912	\$ 92,946	\$ 92,912
Total financial liabilities	\$ 117,158	\$ 106,883	\$ 117,158	\$ 106,883
Number of REALTORS®	16,105	15,697	16,105	15,697

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, 2014.

As at June 30, 2015, the Company receives royalties from 16,105 Canadian REALTORS® contracted with 357 Broker-Owners operating under 301 Franchise Agreements from 660 locations, providing services under the Royal LePage, Via Capitale and Johnston & Daniel brand names collectively as the Company Network, with an approximate one fifth share of the Canadian residential resale real estate market (the "Canadian Market") based on 2014 transactional dollar volume.

Business Strategy

We are a long-established, Canadian-based real estate services firm focused on providing services to real estate Brokers and their Agents, who practice 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 unique value proposition, we cater to the diverse service requirements of regional real estate professionals, in virtually all significant population centers, across Canada.

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 ("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 Canadian Market. The Company is party to an Amended and Restated Management Services Agreement ("MSA") which governs the management of the Company and the delivery of services to REALTORS® by Brookfield Real Estate Services Manager Limited (the "Manager"), a subsidiary of Brookfield Asset Management Inc. ("BAM").

Management's Discussion and Analysis of Results and Financial Condition

The Manager developed and managed the Royal LePage Network before the inception of the Company, and BAM, through its subsidiary holdings, holds an approximate 28.4% interest in the Company. As a result of this arrangement, the underlying cash costs of the Company consist of management fees paid under the MSA, public company operating costs and carrying costs associated with our debt.

The number of REALTORS[®], the transaction volumes generated in the markets we serve, the manner in which we structure our contracted revenue streams, our success in attracting Agents and Brokers to our brands through our value proposition and our track record are all key drivers of the Company's performance. These drivers, in combination with other factors, including among others the economy at large and government and regulatory activity impact the Company's performance 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 88% (89% – 2014) 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 fees generated from warranty fees ("APEC"), technology fees and other fees. Approximately 71% of the Company's annual royalties are fixed in nature and thus partly insulated from market fluctuations as they are not directly driven by transaction volumes. The proportion of royalties that are fixed in nature can fluctuate from quarter to quarter. Those quarters with higher volumes in the Canadian Market would generally produce a higher proportion of variable franchise fees, all else being equal. In addition fixed fees are expected to become a higher percentage of royalties later in the year as Agents reach the \$1,300 cap on variable franchise fees. Management believes that the combination of a royalty stream based on the number of REALTORS[®] in the Network, increasing Agent and Broker productivity and an increasing supply of new housing inventory provides the base for a strong and stable cash flow. A description of each type of royalty fee follows:

Fixed Franchise 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 \$102 (\$100 prior to 2014) 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 Franchise 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 or Team of Agents' gross commission income, subject to a cap of \$1,300 per year. In 2014 approximately 3,000 Agents and Teams exceeded the cap.

Premium Franchise Fees Twenty-one 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 Agents' Gross Revenue. Of these locations, 13 are controlled by the Manager and are contractually obligated to pay the Premium Franchise Fees until August 2018.

NETWORK ROYALTY PROFILE

The Royal LePage Network: The fees generated from the Royal LePage Network accounted for 92% of the Company's fees for the Quarter (91% – 2014) and are primarily made up of a fixed monthly fee per Agent of \$102 plus a \$20 technology fee per participating Franchisee (representing 97% of Agents in 2014); a variable fee equal to 1% of the fees generated by the Agent or Team of Agents, capped at \$1,300 per Agent or Team of Agents; and a Premium Franchise Fee, as described above. Due to the variable fee-capping feature, approximately 57% (57% – 2014) of the Royal LePage Network fees were fixed in nature.

The Via Capitale Network: The fees generated from the Via Capitale Network, which services the Quebec market, accounted for 8% of the Company's fees for the Quarter (8% – 2014). These fees are primarily made up of a fixed monthly fee per Agent of \$170 (\$2,040 per annum) and fees generated from APEC. Approximately 66% (69% – 2014) of Via Capitale's royalties were fixed in nature.

Management's Discussion and Analysis of Results and Financial Condition

SALES REPRESENTATIVES

Substantially all REALTORS® in the Royal LePage and Via Capitale Networks pay fixed Franchise fees. However, certain REALTORS® act in partnership with other REALTORS® as a team (a "Team"). For purposes of the \$1,300 variable fee cap, the gross commission income of all Team members is aggregated to one cap.

FRANCHISE AGREEMENTS

Franchise Agreements are defined as the agreements pursuant to which brokerage offices offer residential brokerage services. These Franchise Agreements are comprised of a standard contract which governs matters such as use of the Trademarks, initial and renewal terms, services to be provided and fees. Over the term of the standard contract, the Franchisee may undertake activities which require an amendment to the standard contract such as the opening of a new location. These changes are documented by way of an addendum to the standard contract and form part of the standard contract.

Overview of Second Quarter and Year to Date 2015 Operating Results

For the rolling twelve months ended June 30, 2015, the Canadian Market closed up 13.7%, at \$211.7 billion, as compared to the same period of 2014, driven by 7.2% increase in selling price and 6.1% increase in units sold.

During the Quarter, the Canadian Market closed up 17%, at \$74.2 billion, as compared to the same period of 2014, driven by a 9.3% and 7.1% increase in price and units sold, respectively. The impact of the increase in units sold and price appreciation on the Canadian Market continues to be most pronounced in the GTA and Vancouver markets while a number of other markets across the country experienced flat to moderate price and unit sales increases. The continued increase in price is a function of a continued tight market and the mix of homes sold, backstopped by a continued low interest rate environment.

For the Quarter, the Company generated net earnings less than \$0.1 million (2014 – \$4.0 million), or nil per Share (2014 – \$0.26). The primary drivers of the decrease in the net earnings as compared to the same period in 2014 were a loss in the fair value on the Exchangeable Units of \$5.6 million (from a gain of \$2.6 million for the same quarter in 2014 to a loss of \$2.9 million for the Quarter) and an increase in income tax expense of \$0.6 million. The loss on the fair value on Exchangeable Units is a factor of an increase in the closing price of the Company's Restricted Voting Shares listed on the TSX for the three months ended June 30, 2015. The fair value of Exchangeable Units is measured using the closing price of the Company's actively traded shares listed on the TSX. Partly offsetting this decrease is an increase of \$0.6 million in CFFO, a decrease of \$0.6 million in interest on Exchangeable Units, a decrease of \$0.5 million in impairment of intangible assets and a decrease of \$0.3 million in amortization expense.

For the six months ended June 30, 2015 ("YTD") the Company generated a net loss of \$3.5 million (2014 – \$0.8 million), or \$0.37 per Share (2014 – \$0.08). The primary drivers of the increase in the net loss as compared to the same period in 2014 were an increase in the loss on the fair value on the Exchangeable Units of \$4.6 million (\$6.8 million for the YTD compared to a loss of \$2.2 million for the same period in 2014) and a loss on the fair value of the interest rate swap of \$1.3 million in 2015. The Company entered a 5 year interest rate swap on October 27, 2014 to fix the annual interest on the Company's \$53 million term facility (the "Term Facility") at 3.64%. Since December 31, 2014 the variable interest rate associated with the interest rate swap has decreased, which has resulted in the loss YTD of \$1.3 million. Partly offsetting this decrease is an increase of \$0.9 million in CFFO, a decrease of \$0.8 million in amortization expense, a decrease of \$0.6 million in interest on Exchangeable Units, and a decrease of \$0.5 million in impairment of intangible assets.

For the Quarter, the Company generated CFFO of \$7.5 million (2014 – \$6.9 million), or \$0.59 per Share (2014 – \$0.54). This \$0.6 million increase was driven by an increase in royalties of \$0.4 million and a \$0.2 million reduction in operating costs. The increase in revenues results from an increase in the number of REALTORS® in the Company's Network from 15,697 at June 30, 2014 to 16,105 at June 30, 2015. Operating costs decreased primarily due to reduced interest costs obtained through the refinancing of the Company's debt arrangements in October 2014 and a reduction in bad debt expenses, partly offset by an increase in management fees. Management fees are generally determined as 20% of CFFO before management fees.

For the YTD, the Company generated CFFO of \$13.5 million (2014 – \$12.6 million), or \$1.06 per Share (2014 – \$0.99). This \$0.9 million increase was driven by an increase in royalties of \$0.7 million and \$0.2 million reduction in operating costs. The increase in revenues results from an increase in the number of REALTORS® in the Company's Network. Operating costs decreased due to \$0.4 million reduction in interest costs obtained through the refinancing of the Company's debt arrangements in October 2014, partly offset by an increase in management fees.

Management's Discussion and Analysis of Results and Financial Condition

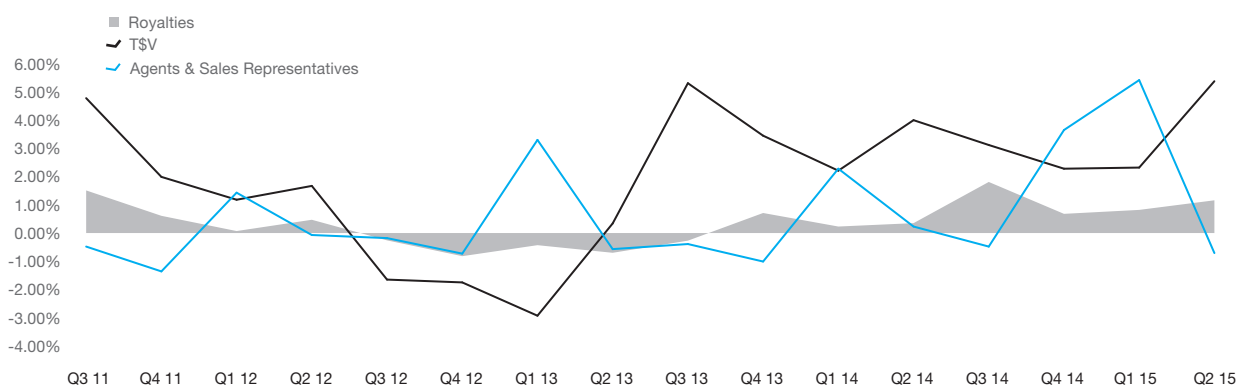
The Company Network experienced a net decrease of 101 REALTORS® during the Quarter, compared to a net increase of 12 REALTORS® in the same period in 2014. For the YTD, the Company Network increased by 728 REALTORS® (2014 – 387 REALTORS®). This increase consisted of 858 REALTORS® from acquisitions of Franchise Agreements on January 1, 2015 (493 REALTORS® – January 1, 2014), partially offset by net organic attrition of 130 REALTORS® for the period (2014 – 106 REALTORS®).

During the Quarter, two Franchise Agreements, representing 35 Agents that were subject to renewal, were renewed.

ROYALTIES

The most significant drivers of the Company's royalties are Canadian Market activity, the number of REALTORS® 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 REALTORS® on a rolling twelve-month quarter-over-quarter basis since 2010. As noted from the chart below, the vend-in of Franchise Agreements in the first quarter of each year and the organic change in the number of REALTORS®, combined with the fixed-fee nature of our royalties, mitigate the impact of the Canadian Market fluctuations. In addition, the Company has a policy of delaying the recording of variable and Premium Franchise Fee royalties until a home sale transaction closes.

ROLLING TWELVE-MONTH % CHANGE FROM PRIOR QUARTER



Recent Developments

APPOINTMENT OF CHIEF FINANCIAL OFFICER

On May 19, 2015, the Company announced the appointment of Mr. Glen McMillan as Chief Financial Officer for the Company. Mr. McMillan was most recently a Senior Vice President at Brookfield Asset Management.

DIVIDEND INCREASE

During the Quarter, the Company announced an increase in its annual dividend of 4.2% to \$1.25 per annum (\$0.1042 monthly) from \$1.20 per annum (\$0.10 monthly). The increase commenced for the July dividend payable.

ACQUISITIONS

On June 17, 2015, the Board of Directors announced that it had approved the acquisition of certain Franchise Agreements from the Manager. Under the Royal LePage brand, the Company purchased Franchise Agreements representing 12 real estate operations and 719 REALTORS® across Canada for approximately \$9.8 million. These agreements were purchased effective July 1, 2015 and are estimated to generate an annual royalty stream of \$1.4 million.

INCREASED BORROWING CAPACITY

On June 17, 2015, the Company announced that it completed an agreement with a Canadian Chartered Bank to increase the Company's credit facilities to provide an incremental \$10.0 million in available financing. This increased the maximum borrowings under the Company's financing arrangements from \$68.0 million to \$78.0 million.

Management's Discussion and Analysis of Results and Financial Condition

ECONOMIC DEVELOPMENTS

Early in July, 2015, the Bank of Canada ("BoC") lowered its target for the overnight rate by one-quarter of one per cent to 0.5%. In lowering the overnight rate, the BoC noted that its current estimate of growth in Canada in 2015 is considerably below its April, 2015 projection. The reduction to the rate reflects further downgrades of business investment plans in the energy sector as well as weaker-than-expected exports in non-commodity sectors. The BoC is currently projecting that Canada's Gross Domestic Product will grow by just over 1% in 2015.

Against the backdrop of mixed economic signals at home and abroad, the Canadian Market remained healthy in the second quarter of 2015, with strong national average price appreciation across all housing segments. Furthermore, the combination of high sales volumes and strong price appreciation in Toronto and Vancouver has put the national residential real estate market on track for a record year in terms of total sales.

Threats to the health of the Canadian Market for the rest of the year include the risk of sharper regional home price corrections if oil prices continue to fall further and further delays in anticipated export benefits from a lower Canadian dollar.

Key Performance Drivers

The key drivers of the Company's business:

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.

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 Franchise Agreements.

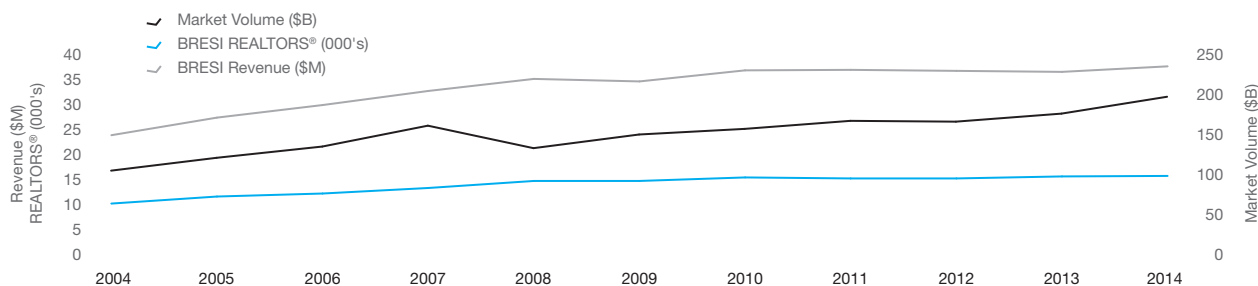
FIXED-FEE STRUCTURE

The fixed nature of the fees generated under the Company Network Franchise Agreements results in an approximate 71% fixed and 29% variable royalty stream which partially insulates the Company from fluctuations in the Market.

The chart below compares the Company's royalties to the Market and underlying Company Network.

INCREASE IN FEES

REVENUE, MARKET AND REALTOR® TRENDS



Under our Franchise Agreements we are permitted to increase our fixed and variable fees based on changes in the underlying consumer price index.

On February 11, 2015 the Company announced that the Royal LePage Network monthly fee of \$102 per Agent will be increased to \$105 per Agent and the cap on the 1% variable fee payable will increase from \$130,000 gross revenue to \$132,500 gross revenue. The increase in the cap translates to a maximum annual increase of \$25 for those Agents or Teams who earn more than \$132,500 annual gross commission income. In 2014, approximately 3,100 Agents and Teams earned in excess of this cap.

Management's Discussion and Analysis of Results and Financial Condition

The increases to take place on January 1, 2016 impact approximately 85% of the Franchise Agreements for the Royal LePage Network of Agents. The fee increase for the remainder of the Royal LePage Network will be effective January 1, 2017. Based on the number of fixed fee paying Agents in Royal LePage Network this increase in fees is expected to result in approximately \$600,000 of incremental Franchise fees when fully implemented.

NETWORK DIVERSITY AND GEOGRAPHIC DISTRIBUTION

As at June 30, 2015 the Company Network of 16,105 REALTORS® operates through 357 Broker-Owners providing services across the country through 660 locations operating under 301 Franchise Agreements.

With diverse Market requirements, our Franchisees operate unique real estate offices. Of our 301 Franchisees, approximately 69% operate with fewer than 50 REALTORS® and represent 21% of our Company Network. Our smallest Franchisees have one REALTOR® while our largest has over 1,300 REALTORS®.

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

	Canadian ¹ REALTOR® Population	Company ² Network REALTORS®
Ontario	56%	61%
BC	17%	10%
Quebec	12%	15%
Alberta	9%	7%
Maritimes	3%	3%
Prairies	3%	4%
Total	100%	100%

¹ Source CREA: as at June 30, 2015

² As at June 30, 2015

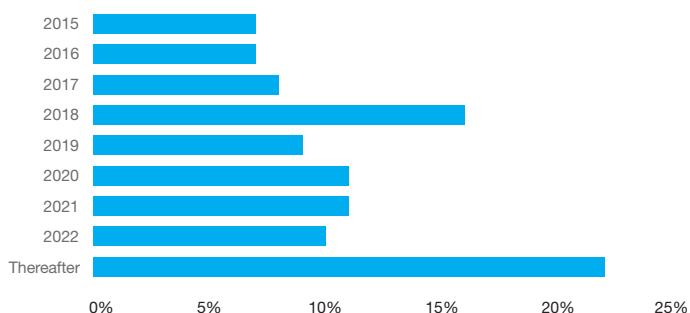
FRANCHISE AGREEMENT TERMS

The Royal LePage Franchise Agreements, under which 94% of the Company's REALTORS® operate, are for 10 to 20 year terms with a standard renewal term of ten years. These long-duration contracts exceed the industry norm of five years and thereby reduce agreement renewal risk. The Company further extends agreements to ten years when opportunities allow. The Company's overall agreement renewal profile by year is not overly skewed to any one year. A summary of our agreement renewal profiles as at December 31, 2014 for our Company Network is shown below.

The Via Capitale Franchise Agreements, under which 6% of the Company's REALTORS® operate, are typically five years in duration.

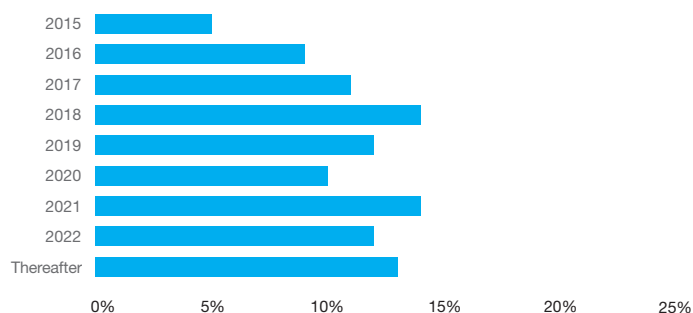
% OF FRANCHISE AGREEMENTS UP FOR RENEWAL

(by Number of Agents)



% OF FRANCHISE AGREEMENTS UP FOR RENEWAL

(by Number of Agreements)



Management's Discussion and Analysis of Results and Financial Condition

RENEWALS

The Company has historically enjoyed in excess of 95% renewal success of Franchise Agreements as they come due, expressed as a percentage of the underlying number of REALTORS® to these agreements. 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, two Franchise Agreements, representing 35 Agents that were subject to renewal, were renewed.

During the Quarter, no Franchise Agreements were terminated.

Number of REALTORS® in the Company Network

Year-to-date June 30, 2015, the Company Network of 16,105 REALTORS® increased by 728 REALTORS®, compared to a net increase of 387 REALTORS® during the same period in 2014. After taking into account the 858 REALTORS® added through the acquisition of Franchise Agreements and addendums on January 1, 2015, the Company experienced net attrition of 130 REALTORS® or 0.8% of the Company Network.

For the Quarter, the Company Network experienced net organic attrition of 101 REALTORS® with the majority of the decrease coming from the province of Quebec, compared to net organic recruitment of 12 REALTORS® for the same period in 2014.

SUMMARY OF CANADIAN AND COMPANY GROWTH IN REALTORS®

	Canada*		The Company Network	
	Number of Licensed Members	% Change	Number of Licensed Members	% Change
Opening	108,278	1.2	15,310	1.5
2014 Q1	428	0.4	375	2.4
2014 Q2	672	0.6	12	0.1
2014 Q3	587	0.5	(104)	(0.7)
2014 Q4	856	0.8	(216)	(1.4)
Opening	110,821	2.3	15,377	0.4
2015 Q1	603	0.5	829	5.4
2015 Q2	1,074	1.0	(101)	(0.7)
Closing	112,498	1.5	16,105	4.7

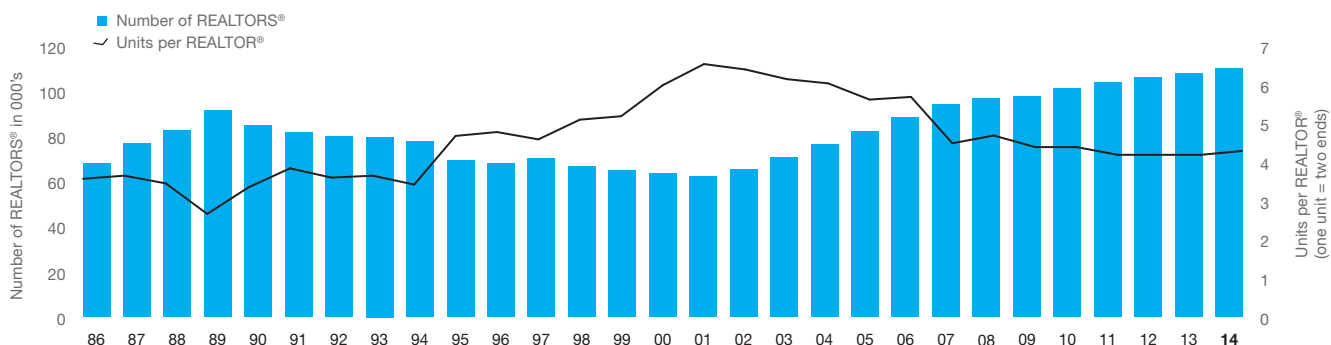
*Source – CREA

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 what appears to be an increase in market activity serviced by REALTORS® operating as Teams. This increase in REALTORS® and change in mix has resulted in a modest 3% year-over-year increase in the number of homes sold per REALTOR®. As summarized in the chart below, it shows 2014 and 2013 closing up at 4.3 units per REALTOR®, from 4.2 in 2012 and in line with 4.3 units per REALTOR® in 2011.

Management's Discussion and Analysis of Results and Financial Condition

CANADIAN REAL ESTATE REALTORS®

(Years ended December 31)



Transaction Volumes

For the twelve months ended June 30, 2015, the Canadian Market closed up 13.7%, at \$211.7 billion, as compared to the same period of 2014, driven by a 7.2% and 6.1% increase in price and units sold, respectively. The increase in average selling price of a home was buoyed by robust activity in the GTA and Vancouver markets and the low interest rate environment.

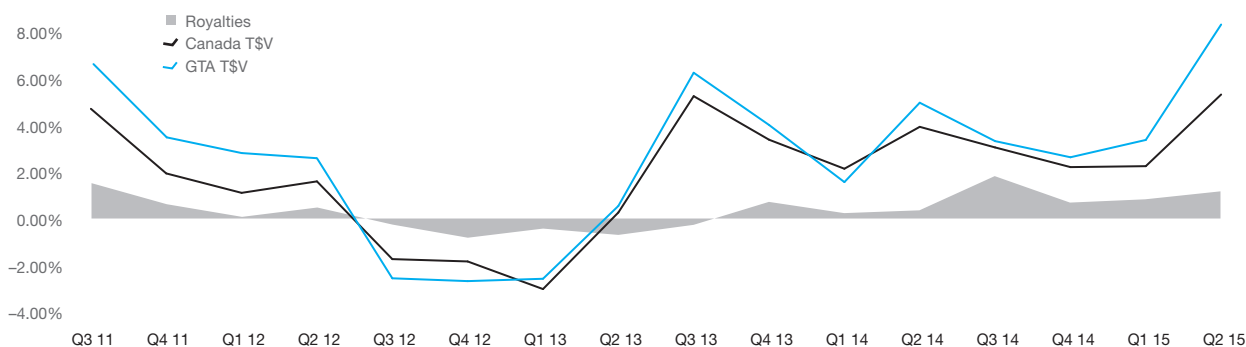
During the Quarter, the Market closed up 17.0%, at \$74.2 billion, as compared to the same period of 2014, driven by a 9.3% increase in price and 7.1% increase in units sold.

For the twelve months ended June 30, 2015, the GTA Market closed up 19.0%, at \$59.2 billion, as compared to the same period of 2014, driven by a 9.3% and 8.9% increase in price and units sold, respectively, for the reasons noted above.

During the Quarter, the GTA Market closed up 25.6%, at \$22.5 billion, as compared to the same period of 2014, driven by an 11.1% and 13.0% increase in price and units sold, respectively.

The GTA market, as presented in the chart below, 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 the change in the overall Market.

ROLLING TWELVE-MONTH % CHANGE FROM PRIOR QUARTER



Management's Discussion and Analysis of Results and Financial Condition

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

From CMHC¹: On an annual basis, housing starts are expected to range between 166,540 and 188,580 units in 2015 and from 162,840 to 190,830 units in 2016. Multiple Listing Service® (MLS®) sales are expected to range between 437,100 and 494,500 units in 2015 and 424,500 to 491,300 units in 2016. The average MLS® price is forecast to be between \$402,139 and \$439,589 in 2015. In 2016, the average MLS® price is expected to be between \$398,191 and \$457,200. The point forecasts call for a 3.4 per cent gain in 2015. In 2015, housing starts activity is expected to slow in oil-producing regions, particularly Alberta, as a result of weakening economic conditions due to the decline in world oil prices. However, these declines are expected to be partly offset by increasing starts activity in other regions, particularly Ontario, where the economy stands to benefit from falling oil prices, lower interest rates, and a lower Canada/U.S. dollar exchange rate.

From CREA²: The forecast or national average home price growth has been revised upward to \$429,400 or an annual increase of 5.2 per cent in 2015. This reflects forecast average price gains in British Columbia and Ontario together with a projected increase in their proportion of national sales. British Columbia is expected to be the only province where average prices rise faster (8.5 per cent) than that national average, while the rise in Ontario's average price (5.6 per cent) is predicted to be roughly in line with the national increase.

From TREB³: Greater Toronto Area REALTORS® reported 11,992 sales in June 2015. This result represented a new record for the month of June and an 18.4 per cent increase over June 2014 results of 10,132. Selling prices were up markedly on a year-over-year basis in June, for all major home types. The MLS® Home Price Index (HPI) Composite Benchmark was up 8.9 per cent in comparison to June 2014. The average selling price was up by 12.3 per cent over the same period to \$639,184. High-end homes have accounted for the greater share of the overall transactions this year compared to last year. This is the key reason why the average selling price has increased at a greater annual rate than the MLS® HPI Composite Benchmark.

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; acquiring Franchise Agreements from the Manager; increasing the productivity of Agents, expanding the range of products and services supporting Franchisees and their REALTORS®; 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 2015 in light of the economy and Canadian Market conditions is to increase the number of REALTORS® in the Company Network through the continued momentum of converting competitive offerings to the Company's brands and development of programs to increase organic Agent growth.

Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 74% (6,867 REALTORS®), of which 89% has been through acquisitions and 11% through organic growth. This represents a cumulative annual growth rate of 4.74% in our Company Network.

Growth through acquisition is achieved by purchasing Franchise Agreements acquired by the Manager's dedicated Company Network development team.

On January 1, 2015, the Company purchased Franchise Agreements representing 40 real estate operations, serviced by an estimated 858 Agents operating under the Royal LePage and Via Capitale brands. The estimated purchase price of these agreements was \$10.2 million, with an estimated annual royalty stream of \$1.5 million.

Subsequent to the end of the Quarter, the Company purchased Franchise Agreements representing 12 real estate operations, serviced by an estimated 719 Agents operating under the Royal LePage brand. The estimated purchase price of these agreements was \$9.8 million, with an estimated annual royalty stream of \$1.4 million.

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

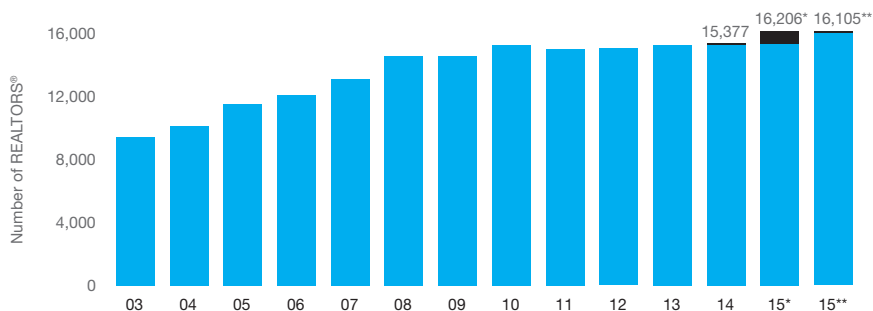
¹ Source: CMHC Housing Market Outlook – Second Quarter 2015

² Source: CREA Updates Resale Housing Forecast, published June 15, 2015

³ Source: TREB Market Watch data, published July 7, 2015

Management's Discussion and Analysis of Results and Financial Condition

COMPANY GROWTH



Year ended December 31, except 2014

*As at March 31, 2015

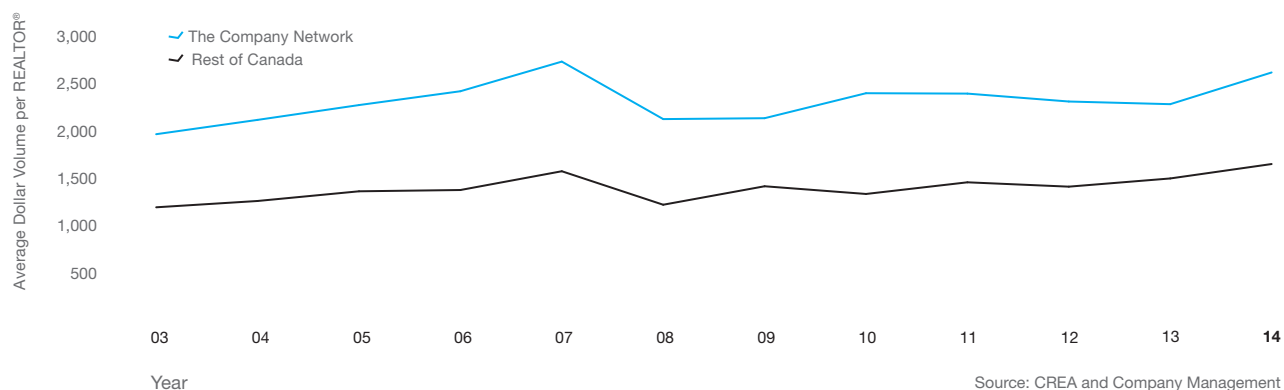
**As at June 30, 2015

REALTOR® Productivity

The average Company Network REALTOR® generated approximately \$2.6 million in transactional dollar volume for the twelve months ended December 31, 2014, which is up 11% from 2013. This productivity was 51% greater than the estimated average of \$1.7 million for all other Canadian REALTORS®, up from \$1.5 million in 2013. Management believes that the higher productivity of Company Network REALTORS® makes the Company less prone 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 2014 is summarized in the chart below.

CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET REALTOR® PRODUCTIVITY

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



Source: CREA and Company Management

PRODUCTS AND SERVICES

During 2014 the Manager re-launched 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.

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.

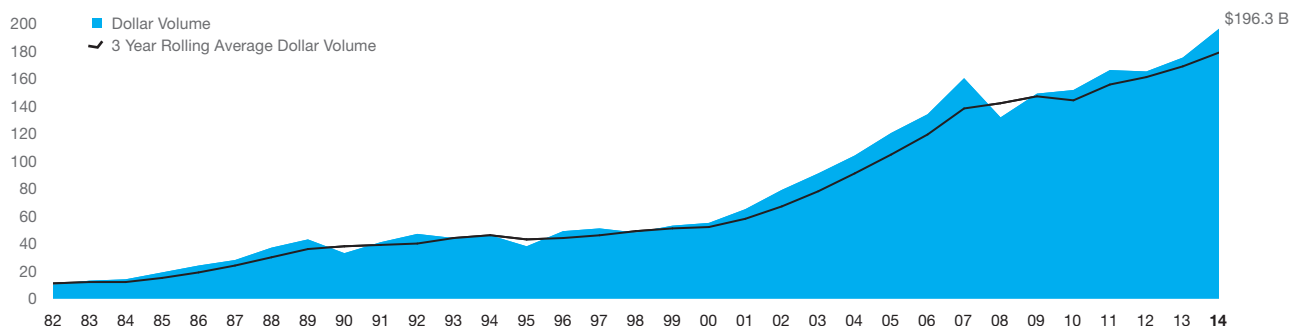
Management's Discussion and Analysis of Results and Financial Condition

The Canadian Resale Residential Real Estate Market

Since 1980, the Canadian Market has grown at a CAGR of 9.7%. Over the last three years the Canadian Market has been relatively stable with a CAGR of 6% driven by a 1.5% increase in units and a 4.1% increase in selling price due in part to a combination of a low interest rate environment and government-mandated mortgage tightening rules. Over the last twenty-five years there have been three significant downturns. In each case, the Canadian Market has demonstrated its resilience by returning to pre-downturn levels within 24 months. These downturns occurred in 1990, 1995 and 2008 with durations of 13, 14 and 16 months after decreases of 26%, 21% and 19%, respectively.

MARKET DOLLAR VOLUME – CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET

(1982–2014) (In \$billions)

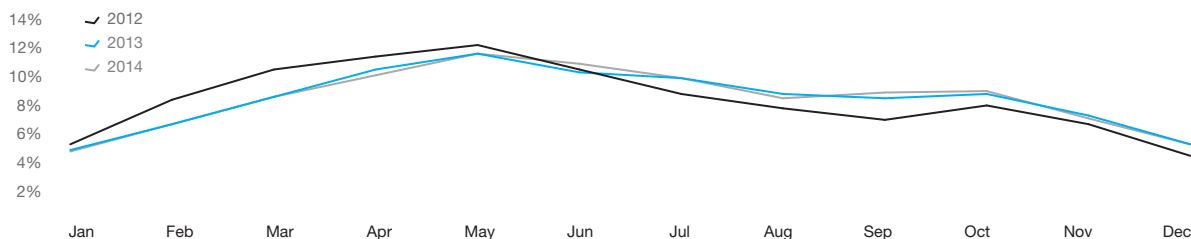


Source: CREA

The Company's royalty revenues are affected by the seasonality of the Canadian Market, which typically has stronger second and third quarters, as summarized in the chart below. The seasonality of the Canadian Market is in turn mitigated throughout the year by the fixed-fee nature of the Company's royalties, the acquisition of Franchise Agreements at the beginning of the year and in the latter part of the year by the Royal LePage Agents and Teams who have capped out under the variable fee.

CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET

(% Transaction dollar volume by month)



Source: CREA and Company Management

Management's Discussion and Analysis of Results and Financial Condition

Operating Results

Unaudited (\$ 000's) except REALTORS® and per share amounts	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Royalties				
Fixed Franchise fees	\$ 5,025	\$ 4,913	\$ 9,956	\$ 9,652
Variable Franchise fees	2,716	2,582	\$ 4,475	\$ 4,310
Premium Franchise Fees	1,362	1,268	\$ 2,191	\$ 2,059
Other revenue	1,198	1,102	\$ 2,133	\$ 1,992
	10,301	9,865	18,755	18,013
Less:				
Administration	334	431	686	685
Management fee	1,876	1,730	3,380	3,155
Interest expense	589	782	1,169	1,553
	2,799	2,943	5,235	5,393
Cash flow from operations	7,502	6,922	13,520	12,620
Amortization of intangible assets	2,401	2,743	4,866	5,685
Impairment of intangible assets	169	681	215	750
Interest on Exchangeable Units	1,336	1,950	2,654	3,220
Loss (gain) on fair value of Exchangeable Units	2,928	(2,629)	6,755	2,163
Loss (gain) on interest rate swap	(280)	–	1,281	–
Loss (gain) on fair value of purchase obligation	(319)	(420)	(302)	477
Earnings (loss) before income taxes	1,267	4,597	(1,949)	325
Current income tax expense	(1,130)	(794)	(2,024)	(1,623)
Deferred income tax recovery (expense)	(97)	210	487	503
Net and comprehensive earnings (loss)	\$ 40	\$ 4,013	\$ (3,486)	\$ (795)
Basic earnings (loss) per share	\$ 0.00	\$ 0.42	\$ (0.37)	\$ (0.08)
Diluted earnings (loss) per share	\$ 0.00	\$ 0.26	\$ (0.37)	\$ (0.08)
Number of REALTORS®	16,105	15,697	16,105	15,697

For the Quarter, the Company generated net earnings before income taxes of \$1.3 million and CFFO of \$7.5 million, compared to net earnings before income taxes of \$4.6 million and CFFO of \$6.9 million for the same period in 2014.

The Company Network as at June 30, 2015 consisted of 16,105 Agents, which includes 255 Broker-Owners and managers who do not pay fees. Approximately 93% of the Company Network of paying Agents are represented by our Franchisees operating under the per-Agent combined flat fee of \$102 per month and 1% of gross earnings option and the balance to the approximate \$170 per month flat fee.

Royalties for the Quarter totaled \$10.3 million, compared to \$9.9 million for the same period in 2014. Fixed, variable and Premium Franchise Fees together represented 88% of royalties (89% – 2014). Royalties increased due primarily to the larger Agent base.

Fixed Franchise fees for the Quarter increased by 2.3% as compared to the same period of 2014, due to the increase in the Agent base resulting from the acquisition of Franchise Agreements representing 858 Agents at the beginning of the year, partly offset by attrition experienced over the Quarter.

Variable Franchise fees for the Quarter increased by 5.2%, which follows the increase in transaction dollar value of the Canadian Market driven by robust Toronto and Vancouver markets, partly offset by the impact of Agents and Teams who have exceeded the \$1,300 annual variable fee cap (and thus are no longer contributing incrementally to variable Franchise fee revenues) and the over weighting of the BC market (where the Company's Network of Agents is under represented) due to higher selling prices in the Vancouver area.

Management's Discussion and Analysis of Results and Financial Condition

Premium Franchise Fees are derived from 21 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 have increased by 7.4%, which follows the increase in the underlying market activity.

Other fees and services include home warranty fees, technology fees and other fees, which accounted for approximately 11.6% of total royalties for the Quarter. Other fees increased 8.7% in the Quarter over the same period due to higher warranty fees earned and technology fees earned from Franchise Agreements acquired on January 1, 2015.

Administration expenses of \$0.3 million for the Quarter were down \$0.1 million compared to 2014, as a result of lower bad debt expenses.

Management fee expense of \$1.9 million for the Quarter, calculated in accordance with the MSA, was up by \$0.2 million compared to the same period in 2014, due to an increase in royalties.

Interest expense decreased by \$0.2 million in the Quarter over the same period, due to the refinancing of the Company's debt arrangements in the fourth quarter of 2014. Interest expense is derived from the Company's \$53.0 million Term Facility and \$20.0 million acquisition facility (the "Acquisition Facility"). The effective interest rate on the Company's debt facilities for the Quarter was 3.56%, compared to 5.24% during the second quarter of 2014. The Term Facility has a variable rate interest obligation which the Company swapped under contract to a fixed rate of 3.64%. The Acquisition Facility has a variable rate interest obligation of BAs +1.70% or Prime +0.5%. An annual standby fee of 0.15% applies to undrawn amounts under the Acquisition Facility. As at June 30, 2015, \$8.0 million of the Acquisition Facility has been drawn by the Company. On July 2, 2015, the Company drew an additional \$8.9 million on the acquisition facility in order to purchase 12 additional real estate operations through Franchise Agreements and addendums from the Manager.

Amortization of Intangible Assets Intangible assets relate to the Franchise Agreements and trademarks acquired by the Company. Franchise Agreements and trademarks are amortized on a straight-line basis over their expected useful life. Amortization during the Quarter totaled \$2.4 million, a decrease of 12.5% from 2014 as older Franchise Agreements expire or whose carrying value is written down due to impairment.

Interest on Exchangeable Units represents the distribution of \$1.65 per annum per Exchangeable Unit as approved by the Company's Board of Directors.

Loss on fair value of Exchangeable Units represents the change in fair value of the Exchangeable Units during the Quarter. As the Company's publicly quoted share price increased in value during the Quarter, the Company recorded a loss of \$2.9 million, for the resulting increase in the fair value of the underlying Exchangeable Unit obligations.

Gain on interest rate swap of \$0.3 million is a non-cash item which represents the change in fair value of the five year interest rate swap entered into on October 27, 2014 by the Company. The interest rate swap fixes the annual interest rate on the Company's Term Facility at 3.64%.

Income Tax Expense (Recovery) The effective income tax rate paid by the Company for the Quarter is 26.5% (2014 – 26.5%), which, after adjusting for various temporary differences, including, among other items, non-deductible expenses and the utilization of tax shield attributable to the Company's Franchise Agreements, resulted in an overall tax provision of \$1.2 million (2014 – \$0.6 million) consisting of a \$1.1 million current income tax expense (2014 – \$0.8 million) and a \$0.1 million deferred income tax expense (2014 – \$0.2 million recovery).

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 June 30, 2015, the Company's deferred tax asset was \$6.4 million (December 31, 2014 – \$5.9 million) and was calculated using an effective tax rate of 26.5% (2014 – 26.5%). During the Quarter, the Company recorded a \$0.1 million deferred income tax expense (2014 – \$0.2 million recovery). The Company is subject to certain Canadian federal and provincial tax laws and regulations. Changes to these laws or regulations may affect our deferred tax asset, current tax liability, return on investments and business operations.

Management's Discussion and Analysis of Results and Financial Condition

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

COMPANY TAX POOLS

Future Deduction Basis (\$ millions)	Balance December 31, 2014	Estimated Addition for 2015	Estimated Deduction for 2015	Estimated Balance December 31, 2015
7% of Balance	\$ 68.6	\$ 7.7	\$ 5.3 ¹	\$ 71.0
5 Year Straight-Line	\$ 0.2	–	–	\$ 0.2
	\$ 68.8	\$ 7.7	\$ 5.3	\$ 71.2

¹ This estimated deduction for 2015 is calculated as 7% of the sum of the remaining balance as of December 31, 2014 and the tax effected estimated addition for 2015.

Year-to-Date Operating Results

For the YTD, the Company generated a net loss before income taxes of \$2.0 million and CFFO of \$13.5 million, as compared to net earnings before income taxes of \$0.3 million and CFFO of \$12.6 million for the same period in 2014.

Royalties for the YTD totaled \$18.8 million, compared to \$18.0 million for the same period in 2014. Fixed, variable and Premium Franchise Fees together represented 89% of royalties (89% – 2014). Royalties increased due primarily to the larger Agent base.

Fixed Franchise fees for the YTD increased by 3.2% as compared to the same period of 2014, due to the increase in the Agent base resulting from the acquisition of Franchise Agreements and addendums representing 858 Agents at the beginning of the year, partly offset by attrition.

Variable Franchise fees for the YTD increased by 3.8%, which relates to the increase in transaction dollar value of the Canadian Market driven by robust Toronto and Vancouver markets, partly offset by the impact of Agents and Teams who have exceeded the \$1,300 annual variable fee cap (and thus are no longer contributing to variable Franchise fee revenues) and the over weighting of the BC market (where the Company's Network of Agents is under represented) due to higher selling prices in the Vancouver area.

Premium Franchise Fees are derived from the 21 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 YTD have increased by 6.4%, which follows the increase in the underlying market activity.

Other fees and services include home warranty fees, technology fees and other fees, which accounted for approximately 11.4% of total royalties for the YTD. Other fees increased 7.1% in the YTD over the same period due to higher warranty fees earned and technology fees earned from Franchise Agreements and addendums acquired on January 1, 2015.

Administration expenses of \$0.7 million for the YTD were consistent with administrative expenses in 2014.

Management fee expense of \$3.4 million for the YTD, calculated in accordance with the MSA, was up by \$0.2 million compared to the same period in 2014, due primarily to the increase in royalties.

Interest expense decreased by \$0.4 million or a decrease of 24.7% for the YTD as compared to the same period in 2014, due primarily to the refinancing of the Company's debt arrangements in the fourth quarter of 2014. The effective interest rate on the Company's debt facilities for the YTD was 3.51%, compared to 5.53% during the first half of 2014.

Amortization of Intangible Assets during the six months totaled \$4.9 million, a decrease of 14.4% from 2014 as certain Franchise Agreements became fully amortized since the first half of 2014.

Interest on Exchangeable Units represents the distribution of \$1.65 per annum per Exchangeable Unit approved by the Company's Board of Directors.

Loss on fair value of Exchangeable Units represents the change in fair value during the period of the Exchangeable Units. As the Company's share price increased in value during the YTD, the Company recorded a loss of \$6.8 million, for the resulting increase in the fair value of the underlying Exchangeable Unit obligations.

Management's Discussion and Analysis of Results and Financial Condition

Loss on interest rate swap of \$1.3 million is a non-cash item which represents the change in fair value of the interest rate swap entered into on October 27, 2014 by the Company. The interest rate swap fixes the annual interest rate on the Company's Term Facility at 3.64%.

Income Tax Expense (Recovery) The effective income tax rate paid by the Company for the YTD is 26.5% (2014 – 26.5%), which, after adjusting for various temporary differences, including, among other items, non-deductible expenses and the utilization of tax shield attributable to the Company's Franchise Agreements, resulted in an overall tax provision of \$1.5 million (2014 – \$1.1 million), consisting of a \$2.0 million current income tax expense (2014 – \$1.6 million) and a \$0.5 million deferred income tax recovery (2014 – \$0.5 million).

CASH FLOW FROM OPERATIONS

On a rolling 12 months basis, at June 30, 2015, the Company generated CFFO of \$2.09 per Share, as compared to \$2.00 CFFO generated during the same period of 2014. A summary of the Company's CFFO generated over the last eight quarters on a rolling 12 months basis is presented in the table below.

ROLLING TWELVE-MONTH CASH FLOW FROM OPERATIONS

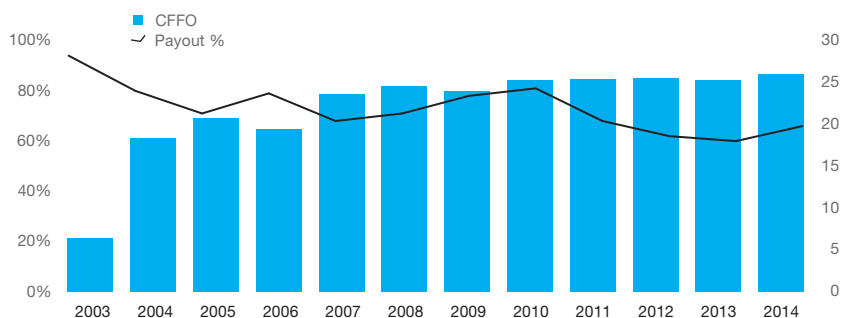
Twelve months ended	2015				2014			2013	
Unaudited (\$ 000's) except per share amounts	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	
Royalties	\$ 38,134	\$ 37,698	\$ 37,392	\$ 37,140	\$ 36,478	\$ 36,352	\$ 36,268	\$ 36,014	
Less:									
Administration	1,627	1,724	1,626	1,327	1,118	1,325	1,342	1,786	
Management fee	6,694	6,548	6,469	6,624	6,609	6,620	6,677	6,553	
Interest expense	3,035	3,228	3,419	3,080	3,067	3,092	3,040	3,014	
	26,778	26,198	25,878	26,109	25,684	25,315	25,209	24,661	
Cash flow from operations per share on a diluted basis	\$ 2.09	\$ 2.04	\$ 2.02	\$ 2.04	\$ 2.00	\$ 1.98	\$ 1.97	\$ 1.92	

The Company's operations have been a significant source of capital, with \$277 million of CFFO generated since inception, of which \$196.9 million has been distributed to shareholders and Exchangeable Unitholders. Of the remaining \$80.1 million retained by the Company, \$62.8 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 and the balance to pay income taxes and fund net working capital requirements.

The chart below present 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 presents 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 cash flow from operating activities, as presented in the Interim Condensed Consolidated Statements of Cash Flows.

CASH FLOW FROM OPERATIONS AND ITS UTILIZATION

Unaudited (\$ 000's)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Royalties	\$ 10,301	\$ 9,865	\$ 18,755	\$ 18,013
Less:				
Administration expenses	334	431	686	685
Management fee	1,876	1,730	3,380	3,155
Interest expense	589	782	1,169	1,553
Cash flow from operations	7,502	6,922	13,520	12,620
Less:				
Dividends to shareholders	2,845	2,845	5,690	5,614
Interest on Exchangeable Units	1,336	1,950	2,654	3,220
Total dividends and interest	4,181	4,795	8,344	8,834
Cash flow from operations less total dividends to shareholders and interest on Exchangeable Units	3,321	2,127	5,176	3,786
Less: funding of acquisitions	2,201	–	10,346	3,501
Total	\$ 1,120	\$ 2,127	\$ (5,170)	\$ 285

CASH FLOW FROM OPERATIONS RECONCILED TO CASH FLOW FROM OPERATING ACTIVITIES

Unaudited (\$ 000's)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash flow from operating activities	\$ 3,693	\$ 2,708	\$ 7,859	\$ 6,019
Add (deduct):				
Interest on Exchangeable Units	1,336	1,950	2,654	3,220
Income taxes paid	1,938	799	2,246	1,807
Changes in non-cash working capital items	558	1,469	820	1,653
Interest expense	(1,925)	(2,685)	(3,823)	(4,683)
Interest paid	1,902	2,681	3,764	4,604
Cash flow from operations	\$ 7,502	\$ 6,922	\$ 13,520	\$ 12,620

CFFO represents operating income before deducting amortization and impairment of intangible assets.

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 cash provided by operating activities (as a measure for cash flows).

Management's Discussion and Analysis of Results and Financial Condition

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 non-cash amortization of intangible assets. Management does not view the payment of cash in excess of net income as an economic return of capital as these intangible assets are not expected to require a further cash outlay in the future. The value of intangible assets is dependent upon the Company's ability to retain and renew the underlying Franchise Agreements and to ensure the ongoing integrity of the Trademarks. The Company has not paid out all of the CFFO to shareholders as the cash generated in excess of these amounts has been used to fund the acquisition of Franchise Agreements, pay distributions to the Exchangeable Unitholders, fund the purchase of shares under normal course issuer bids and pay liabilities as they come due. 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 Facilities

On June 18, 2015 the Company signed an amending agreement with a Canadian Chartered Bank to increase the Company's debt facilities to provide an incremental \$10.0 million in available financing. As at June 30, 2015 the Company's \$78.0 million financing comprised of the following three arrangements, maturing February 17, 2020.

- A \$53.0 million Term Facility. The Term Facility bears a variable interest rate of Banker's Acceptances (BAs) +1.70% or Prime + 0.5%, which the Company has swapped to a fixed rate of 3.64%. The swap contract matures on October 28, 2019.
- A \$20.0 Acquisition Facility to support acquisitions pursued by the Company, bearing a variable interest rate of BAs +1.70% or Prime + 0.5%. A standby fee of 0.15% applies on undrawn amounts under this facility.
- A \$5.0 million revolving operating facility (the "Operating Facility") to meet the Company's day-to-day operating requirements, bearing a variable interest rate of BAs +1.70% or Prime + 0.5%.

The covenants of this financing 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 2.5 to 1. Consolidated EBITDA is defined as operating income before deducting amortization and impairment of intangible assets. Senior Indebtedness is defined as borrowings on the Company's debt facilities. Senior Interest Expense is defined as interest on Senior Indebtedness. As at June 30, 2015 the Company is compliant with these covenants.

Management's Discussion and Analysis of Results and Financial Condition

Summary of Quarterly Results

Three months ended	2015			2014			2013		
Unaudited (\$ 000's) except Agents, Sales Representatives and per share amounts	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	
Royalties									
Fixed Franchise fees	\$ 5,025	\$ 4,931	\$ 4,814	\$ 4,813	\$ 4,913	\$ 4,739	\$ 4,719	\$ 4,725	
Variable Franchise fees	2,716	1,759	1,457	2,793	2,582	1,728	1,399	2,469	
Premium Franchise Fees	1,362	829	1,364	2,153	1,268	791	1,285	1,913	
Other revenue and services	1,198	935	949	1,036	1,102	890	929	1,026	
	10,301	8,454	8,584	10,795	9,865	8,148	8,332	10,133	
Less:									
Administration	334	352	339	602	431	254	40	393	
Management fee	1,876	1,504	1,431	1,883	1,730	1,425	1,586	1,868	
Interest expense	589	580	1,089	777	782	771	750	764	
Cash flow from operations	7,502	6,018	5,725	7,533	6,922	5,698	5,956	7,108	
Interest on Exchangeable Units	1,336	1,318	1,318	1,318	1,950	1,270	1,168	1,168	
Loss (gain) on fair value of Exchangeable Units	2,928	3,827	(2,928)	(399)	(2,629)	4,792	(499)	4,325	
Loss (gain) on interest rate swap	(280)	1,561	482	-	-	-	-	-	
Loss (gain) on fair value of purchase obligation	(319)	17	260	218	(420)	897	343	(203)	
Amortization of intangible assets	2,401	2,465	2,510	2,633	2,743	2,942	2,882	3,211	
Impairment of intangible assets	169	46	1,096	538	681	69	909	94	
Earnings (loss) before income taxes	1,267	(3,216)	2,987	3,225	4,597	(4,272)	1,153	(1,487)	
Current income tax expense	1,130	894	836	1,198	794	829	887	1,134	
Deferred income tax expense (recovery)	97	(584)	(298)	(190)	(210)	(293)	(303)	(109)	
Net and comprehensive earnings (loss)	\$ 40	\$ (3,526)	\$ 2,449	\$ 2,217	\$ 4,013	\$ (4,808)	\$ 569	\$ (2,512)	
Basic earnings (loss) per share	\$ 0.00	\$ (0.37)	\$ 0.26	\$ 0.23	\$ 0.42	\$ (0.51)	\$ 0.06	\$ (0.26)	
Diluted earnings (loss) per share	\$ 0.00	\$ (0.37)	\$ 0.26	\$ 0.23	\$ 0.26	\$ (0.51)	\$ 0.06	\$ (0.26)	
Cash flow from operations per share on a diluted basis	\$ 0.59	\$ 0.47	\$ 0.45	\$ 0.59	\$ 0.54	\$ 0.44	\$ 0.46	\$ 0.55	
Number of Agents and Sales Representatives	15,850	15,963	15,143	15,362	15,462	15,437	15,068	15,203	
Number of REALTORS®	16,105	16,206	15,377	15,593	15,697	15,685	15,310	15,451	

Management's Discussion and Analysis of Results and Financial Condition

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.

Unaudited (\$ 000's)	2015	2016	2017	Beyond 2017	Total
Accounts payable and accrued liabilities	\$ 1,213	\$ –	\$ –	\$ –	\$ 1,213
Purchase obligation	–	1,887	5	–	1,892
Interest payable to Exchangeable Unitholders	441	–	–	–	441
Dividends payable to shareholders	988	–	–	–	988
Interest on long-term debt	1,169	2,338	2,338	5,066	10,911
Interest rate swap liability	–	–	–	1,763	1,763
Debt facilities	–	–	–	61,000	61,000
Exchangeable Units	–	–	–	50,015	50,015
Total	\$ 3,811	\$ 4,225	\$ 2,343	\$ 117,844	\$ 128,223

Overall non-cash working capital increased by \$1.3 million from a \$0.2 million as at December 31, 2014 to \$1.5 million as at June 30, 2015. The increase in non-cash working capital resulted from:

- A \$0.8 million increase in receivables. The second and third quarters of each year tend to generate higher Market activity as compared to the first and fourth quarters. The Company requires a larger investment in receivables during periods of increased Market activity.
- A \$0.3 million reduction in the current portion of purchase obligation, resulting from a reduction in amounts owing for Franchise Agreements for which the Company has not yet fully paid, and
- A \$0.2 million decrease in current income tax liability.

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

WORKING CAPITAL

As at Unaudited (\$ 000's)	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014	Change in quarter	Change in year
Current assets								
Accounts receivable and current portion of notes receivable	\$ 5,903	\$ 5,345	\$ 5,034	\$ 5,371	\$ 7,358	\$ 5,760	\$ 558	\$ (1,455)
Income tax receivable	–	–	–	–	332	327	–	(332)
Prepaid expenses	164	179	119	142	62	89	(15)	102
	\$ 6,067	\$ 5,524	\$ 5,153	\$ 5,513	\$ 7,752	\$ 6,176	\$ 543	\$ (1,685)
Current liabilities								
Accounts payable and accrued liabilities	\$ 1,213	\$ 1,231	\$ 1,100	\$ 1,120	\$ 1,752	\$ 1,695	\$ (18)	\$ (539)
Debt facilities	–	–	–	52,925	52,877	52,829	–	(52,877)
Current portion of Purchase obligation	1,887	4,404	2,150	1,882	4,180	4,626	(2,517)	(2,293)
Current income tax liability	86	894	308	375	–	–	(808)	86
Interest payable to Exchangeable Unitholders	441	423	423	423	423	423	18	18
Dividends payable to shareholders	988	948	948	948	948	948	40	40
	4,615	7,900	4,929	57,673	60,180	60,521	(3,285)	(55,565)
Net working capital	\$ 1,452	\$ (2,376)	\$ 224	\$ (52,160)	\$ (52,428)	\$ (54,345)	\$ 3,828	\$ 53,880

Management's Discussion and Analysis of Results and Financial Condition

Capital Resources

As at Unaudited (\$ 000's)	June 30, 2015	Dec. 31, 2014
Cash and cash equivalents	\$ 2,875	\$ 3,052
Term Facility	–	–
Acquisition Facility	12,000	2,000
Operating Facility	5,000	5,000
Net borrowing capacity	\$ 17,000	\$ 7,000
Capital resources	\$ 19,875	\$ 10,052

As at June 30, 2015, \$8.0 million of the Acquisition Facility has been drawn by the Company. On July 2, 2015, the Company drew an additional \$8.9 million on the acquisition facility in order to purchase 12 additional real estate operations through Franchise Agreements and addendums from the Manager.

In addition to the capital resources included in the table above, the Company generates substantial CFFO which can be used to fund dividend and interest on Exchangeable Units as well as 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 71.6% by the public and 28.4% by BAM, primarily through its ownership of the Exchangeable Units. BAM primarily 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 27 corporately owned Royal LePage residential brokerage locations. These locations are serviced by 1,914 REALTORS® with 1,346 REALTORS® operating out of 15 locations situated in the GTA Market and 568 REALTORS® operating from 12 locations situated in the Vancouver mainland Market. The Vancouver operations are represented by 195 REALTORS® acquired through the acquisition of an existing Independent Royal LePage Franchisee in the fourth quarter of 2013, 103 REALTORS® acquired through the acquisition of an existing Independent Royal LePage Franchisee in the Quarter, and 270 REALTORS® acquired through the acquisition and conversion of a competing Franchise operation during the fourth quarter of 2014. On July 1, 2015, the Company purchased the Franchise Agreements associated with these 270 REALTORS®.

All of these corporately owned operations operate under Franchise Agreements with the standard fixed and variable Franchise fees. The GTA based locations are up for renewal in 2023, while the Vancouver mainland based operations are under the standard Franchise Agreement ten year terms with five year renewal terms from their date of signing. Included in the GTA based Franchise Agreement is an additional premium fee ranging from 1% to 5% for 13 of the 15 location's gross commission income to August 2018.

The management of the Company is provided by the Manager under the terms of the MSA. The Manager is a company controlled by the Exchangeable Unitholders. The MSA, as amended and restated, was effective January 1, 2014, with an initial five-year term and a provision for the automatic renewal of successive five-year terms. Under the MSA, BRESML provides certain management, administrative and support services to the Company and its subsidiaries and in return is paid a monthly fee equal to 20 percent of the distributable cash flow of the Company and its subsidiaries. The Manager can earn an additional fee for organic growth, which closely aligns the Manager and the Company's goals with growing the underlying network of Agents. The MSA also provides the Manager with the ability to sell other branded Canadian Franchises to the Company, based on a pre-determined formula.

Management's Discussion and Analysis of Results and Financial Condition

The MSA prescribes the conditions under which the Company purchases Franchise Agreements and addendums from the Manager and the formula for calculating the purchase price. The final purchase prices for existing brands is based on the average annual royalties earned over one year, with 80% of the purchase price payable upon acquisition and the remaining balance to be paid at a later date, subject to adjustment.

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 and Via Capitale Franchises acquired by the Manager prior to 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, at the option of the Company.

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

On January 1, 2015, the Company, acquired 40 Franchise Agreements and addendums for \$10.2 million comprising 848 Agents generating approximately \$1.5 million in annual royalties. Under terms of the MSA, 80% of the purchase price and applicable taxes were due on January 1, 2015. The Company satisfied this obligation through cash on hand and a drawdown of \$8.0 million on the Company's \$20.0 million acquisition line. The remaining obligation is to be paid in 2016 when the final purchase price is determined in accordance with the MSA.

During June, 2015, the Board of Directors approved an amendment to the MSA to facilitate the vend-in of certain Franchise Agreements and addendums on July 1, 2015. Pursuant to the amendment to the MSA, the Company acquired 12 Franchise Agreements and addendums for \$9.8 million comprising 719 Agents generating approximately \$1.4 million in annual royalties. A payment of \$7.8 million, approximating 80% of the estimated purchase plus HST was paid on July 3, 2015 through a draw on the Company's Acquisition Facility and cash on hand. The remainder is to be paid when the final purchase price is determined on October 31, 2016.

Critical Accounting Estimates and Assumptions

Substantially all of the Company's activities are based on cash transactions, with revenue and expenditures based on contracted terms. The operating activities not based on contractual terms include the Company's administration costs, and the amortization period of intangible assets. The Company's administration costs of approximately \$1.7 million per annum relate to the Company's public reporting, regulatory and insurance costs.

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.

The preparation of financial statements requires management to select appropriate accounting policies and to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the Company's consolidated financial statements require the determination of future cash flows utilized in assessing the impairment of intangible assets, determining the useful life of intangible assets, assessing the recoverability of accounts receivable, measurement of deferred taxes, measurement of the fair values of purchase obligation (receivable) and Exchangeable Units and fair values used for disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with those in prior periods, and management is not aware of any trends, commitments, events or uncertainties that will materially affect the methodology or assumptions utilized in these consolidated financial statements. The estimates are impacted by, among other things, movements in interest rates, which are highly uncertain. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all assets and liability account balances.

Management's Discussion and Analysis of Results and Financial Condition

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

ACCOUNTING FOR FRANCHISE AGREEMENTS

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

IMPAIRMENT CHARGES FOR INTANGIBLE ASSETS

Under IAS 36, Impairment of Assets, the Company needs to ensure that the intangible assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value-in-use). The critical judgment made in impairment charges for intangible asset is determining whether there is any indication that a particular Franchise Agreement is potentially impaired. Management has identified a number of items that are important to the operating profitability of Franchisees and use them to assist in determining impairment indicators. These factors include aging of receivables, Agent count, known financial difficulties, non-compliance with contractual obligations and the underlying market conditions.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, purchase obligation, current income tax liability, interest payable to Exchangeable Unitholders, dividends payable to shareholders, debt facilities, interest rate swap liability and Exchangeable Unit liability.

The Company is exposed to credit risk with respect to accounts and notes receivable to the extent that any Franchisees are unable to pay their fees. The Company's credit risk is limited to the recorded amount of accounts receivable. Management reviews the financial position of all Franchisees during the application process and closely monitors outstanding amounts receivable on an ongoing basis.

On October 27, 2014 the Company entered into an interest rate swap arrangement to fix the interest rate on the Company's \$53.0 million Term Facility at 3.64% to October 28, 2019. The Company's Term Facility matures on February 17, 2020.

The Company is exposed to the risk of interest rate fluctuations on its \$20.0 million Acquisition Facility and \$5.0 million Operating Facility as the interest rate on these facilities are based on prime and Banker Acceptance rates. As at June 30, 2015 the Company has drawn \$8.0 million on the Acquisition Facility, and the \$5.0 million operating facility has remained undrawn.

In July 2015, The Company drew an additional \$8.9 million on the Acquisition Facility to finance the purchase of Franchise Agreements on July 1, 2015.

Management's Discussion and Analysis of Results and Financial Condition

Disclosure Controls and Internal Controls over Financial Reporting

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 June 30, 2015. The Company's management can therefore provide reasonable assurance that it receives material information relating to the Company in a timely manner so that it can provide investors with complete and reliable information.

INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management has designed ICFR to provide reasonable assurance that the Company's financial reporting is reliable and that the Company's interim condensed 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 June 30, 2015. The design of ICFR is undertaken in accordance with the 1992 COSO framework. During 2015 it is management's intention to undertake the assessment, planning and implementation of the 2013 COSO framework as it relates to the Company's ICFR.

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. As of June 30, the Company has issued 9,483,850 Restricted Voting 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 Exchangeable Unitholders in the Company and has been issued to the Exchangeable Unitholder. The Special Voting Shares are not eligible to receive dividend and can be redeemed at \$0.01 per share.

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 71.6% interest in the economics of the Company's underlying assets, and the remaining non-controlling interests are held by the subsidiaries of BAM.

Management's Discussion and Analysis of Results and Financial Condition

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.

Forward-Looking Statements

This MD&A contains forward-looking information and other "forward-looking statements". Words such as "outlook", "believe", "further", "grow", "shaping up", "will", "remain", "persist", "forecast", "objective", "subsequent to", "continue", "determine", "projecting", "ongoing", "foreseeable", "maintain", "intention" and other expressions that are predictions of or could indicate future events and trends and that do not relate to historical matters, identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those indicated in the forward looking statements include: a change in general economic conditions (including interest rates, consumer confidence, commodity prices and other general economic factors or indicators), the level of residential real estate resale transactions, the availability of attractive investment opportunities, the average rate of commissions charged, competition from other real estate Brokers or from discount and/or Internet-based real estate alternatives, the closing of existing real estate brokerage offices, other developments in the residential real estate brokerage industry or the Company that reduce the number of REALTORS® in the Company's Network or royalty revenue from the Company's Network, availability to generate sufficient cash flows in the future to pay dividends to restricted voting shareholders and interest to Exchangeable Unitholders, ability to renew and/or extend Franchise Agreements, our ability to maintain brand equity through the use of trademarks, the methods used by shareholders or analysts to evaluate the value of the Company and its publicly traded securities, the availability of equity and debt financing, a change in tax law or regulations, and other risks detailed in the Company's annual information form, which is filed with securities commissions and posted on SEDAR at www.sedar.com. The Corporation undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Net Earnings and Cash Flow From Operations for the Period

Three months ended (\$ 000's, unaudited)	Sept. 30, 2013	Dec. 31, 2013	Mar. 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015
Royalties	\$ 10,133	\$ 8,332	\$ 8,148	\$ 9,865	\$ 10,795	\$ 8,584	\$ 8,454	\$ 10,301
Less:								
Administration	393	40	254	431	602	339	352	334
Management fee	1,868	1,586	1,425	1,730	1,883	1,431	1,504	1,876
Interest expense	764	750	771	782	777	1,089	580	589
Cash flow from operations	7,108	5,956	5,698	6,922	7,533	5,725	6,018	7,502
Interest on Exchangeable Units	1,168	1,168	1,270	1,950	1,318	1,318	1,318	1,336
Loss (gain) on fair value of Exchangeable Units	4,325	(499)	4,792	(2,629)	(399)	(2,928)	3,827	2,928
Loss on interest rate swap	–	–	–	–	–	482	1,561	(280)
Loss (gain) on fair value of purchase obligation	(203)	343	897	(420)	218	260	17	(319)
Amortization of intangible assets	3,211	2,882	2,942	2,743	2,633	2,510	2,465	2,401
Impairment of intangible assets	94	909	69	681	538	1,096	46	169
Earnings (loss) before taxes	(1,487)	1,153	(4,272)	4,597	3,225	2,987	(3,216)	1,267
Current income tax expense	(1,134)	(887)	(829)	(794)	(1,198)	(836)	(894)	(1,130)
Deferred income tax recovery	109	303	293	210	190	298	584	(97)
Net income	(2,512)	569	(4,808)	4,013	2,217	2,449	(3,526)	40
Add:								
Amortization of intangible assets	3,211	2,882	2,942	2,743	2,633	2,510	2,465	2,401
Impairment of intangible assets	94	909	69	681	538	1,096	46	169
Current income tax expense	1,134	887	829	794	1,198	836	894	1,130
Deferred income tax expense (recovery)	(109)	(303)	(293)	(210)	(190)	(298)	(584)	97
Interest on Exchangeable Units	1,168	1,168	1,270	1,950	1,318	1,318	1,318	1,336
Loss (gain) on interest rate swap	–	–	–	–	–	482	1,561	(280)
Loss (gain) on fair value of Exchangeable Units	4,325	(499)	4,792	(2,629)	(399)	(2,928)	3,827	2,928
Loss (gain) on fair value of purchase obligation	(203)	343	897	(420)	218	260	17	(319)
Cash flow from operations	7,108	5,956	5,698	6,922	7,533	5,725	6,018	7,502
Less change in:								
Unutilized cash	(3,322)	(2,170)	(1,583)	(2,127)	(3,370)	(1,561)	(1,855)	(3,321)
Cash required for dividends	\$ 3,786	\$ 3,786	\$ 4,115	\$ 4,795	\$ 4,163	\$ 4,164	\$ 4,163	\$ 4,181
Cash flow from operations available to:								
Public shareholders	\$ 2,618	\$ 2,618	\$ 2,845	\$ 2,845	\$ 2,845	\$ 2,846	\$ 2,845	\$ 2,845
Exchangeable Unitholders	1,168	1,168	1,270	1,950	1,318	1,318	1,318	1,336
	\$ 3,786	\$ 3,786	\$ 4,115	\$ 4,795	\$ 4,163	\$ 4,164	\$ 4,163	\$ 4,181

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Selected Financial and Operating Information

Three months ended (\$'000's, unaudited)	Sept. 30, 2013	Dec. 31, 2013	Mar. 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015
Revenue								
Fixed Franchise fees	\$ 4,725	\$ 4,719	\$ 4,739	\$ 4,913	\$ 4,813	\$ 4,814	\$ 4,931	\$ 5,025
Variable Franchise fees	2,469	1,399	1,728	2,582	2,793	1,457	1,759	\$ 2,716
Premium Franchise Fees	1,913	1,285	791	1,268	2,153	1,364	829	\$ 1,362
Other fee revenue and services	1,026	929	890	1,102	1,036	949	935	\$ 1,198
	\$ 10,133	\$ 8,332	\$ 8,148	\$ 9,865	\$ 10,795	\$ 8,584	\$ 8,454	\$ 10,301
% Revenue by region								
British Columbia	11	10	10	10	10	10	10	10
Prairies and Alberta	10	10	10	11	11	11	10	10
Ontario	59	59	59	59	59	59	61	61
Quebec	17	18	17	16	16	16	15	15
Maritimes	3	3	4	4	4	4	3	3
	100	100	100	100	100	100	100	100

Three months ended Changes during the period	Sept. 30, 2013	Dec. 31, 2013	Mar. 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015
Number of REALTORS®	(48)	(141)	375	12	(104)	(216)	829	(101)
Number of Agents and Sales Representatives	(49)	(135)	369	25	(100)	(219)	820	(113)
Number of locations	(4)	(42)	19	(10)	(2)	3	31	(8)
At end of period								
Number of REALTORS®	15,451	15,310	15,685	15,697	15,593	15,377	16,206	16,105
Number of Agents and Sales Representatives	15,203	15,068	15,437	15,462	15,362	15,143	15,963	15,850
Number of locations	669	627	646	636	634	637	668	660
Number of Franchise Agreements		307	313	308	306	302	312	301

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Distributions/Dividends History

Month	Dividends Declared per Share							
	2008	2009	2010	2011	2012	2013	2014	2015
January	\$ 0.1040	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.10	\$ 0.10
February	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	0.10
March	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	0.10
April	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	0.10
May	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	0.10
June	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	0.1042
July	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	
August	0.1170	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	
September	0.1170	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	
October	0.1170	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	
November	0.1170	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	
December	0.1170	0.1570	0.3170	0.0920	0.0920	0.0920	0.10	
	\$ 1.31	\$ 1.44	\$ 1.60	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.20	\$ 0.60

Supplemental Information – Share and Exchangeable Unit Performance

Three months ended	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	Mar. 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015
Trading price range of units (TSX: "BRE")									
High	\$ 13.10	\$ 13.92	\$ 14.03	\$ 14.99	\$ 14.95	\$ 14.26	\$ 14.08	\$ 14.68	\$ 15.25
Low	\$ 12.02	\$ 12.40	\$ 13.10	\$ 13.25	\$ 13.95	\$ 13.65	\$ 12.90	\$ 14.02	\$ 13.82
Close	\$ 12.20	\$ 13.50	\$ 13.35	\$ 14.79	\$ 14.00	\$ 13.88	\$ 13.00	\$ 14.15	\$ 15.03
Average daily volume	11,156	8,939	9,441	5,964	7,735	13,254	14,139	20,818	13,070
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	9,483,850
Net enterprise value at period end (thousands)									
Market capitalization	\$ 156,301	\$ 172,955	\$ 171,034	\$ 189,482	\$ 179,361	\$ 177,824	\$ 166,550	\$ 181,283	\$ 192,557
Debt facilities	52,691	52,736	52,782	52,829	52,877	52,925	52,760	60,751	60,760
Less:									
Cash on hand	2,317	2,939	3,633	674	537	2,266	3,052	4,228	2,875
	\$ 206,675	\$ 222,752	\$ 220,183	\$ 241,637	\$ 231,701	\$ 228,483	\$ 216,258	\$ 237,806	\$ 250,442

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Canadian Residential Resale Real Estate Market

Three months ended	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	Mar. 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015
Canada									
Transaction dollar volume ¹	\$ 56,229	\$ 47,104	\$ 36,988	\$ 38,682	\$ 63,396	\$ 52,913	\$ 41,356	\$ 43,233	\$ 74,203
Average selling price	\$ 385,444	\$ 382,262	\$ 390,988	\$ 399,921	\$ 413,394	\$ 403,306	\$ 414,040	\$ 428,178	\$ 451,672
Number of units sold	145,881	123,224	94,601	96,725	153,355	131,199	99,883	100,970	164,285
Number of REALTORS® at period end	107,812	108,196	108,278	108,706	109,378	109,965	110,821	111,424	112,498
Housing starts	44,026	46,899	45,732	32,042	48,784	47,653	43,436	33,599	48,355
Greater Toronto Area									
Transaction dollar volume ¹	\$ 15,499	\$ 12,149	\$ 9,879	\$ 9,854	\$ 17,884	\$ 13,836	\$ 11,267	\$ 11,674	\$ 22,457
Average selling price	\$ 533,455	\$ 516,451	\$ 534,896	\$ 549,061	\$ 577,555	\$ 556,803	\$ 577,292	\$ 594,586	\$ 641,610
Number of units sold	29,054	23,524	18,469	17,947	30,965	24,849	19,517	19,633	35,001
Housing starts	8,583	8,233	10,036	7,090	8,558	6,621	11,278	8,236	10,987
Twelve months ended	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	Mar. 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015
Canada									
Transaction dollar volume ¹	\$ 160,765	\$ 169,296	\$ 175,129	\$ 179,003	\$ 186,170	\$ 191,979	\$ 196,347	\$ 200,898	\$ 211,705
Average selling price	\$ 368,355	\$ 375,901	\$ 382,466	\$ 388,773	\$ 397,879	\$ 403,420	\$ 408,068	\$ 413,875	\$ 426,535
Number of units sold	436,440	450,374	457,893	460,431	467,905	475,880	481,162	485,407	496,337
Housing starts	190,403	176,964	170,134	168,699	173,457	174,211	171,915	173,472	173,043
Seasonally adjusted housing starts	199,586	193,637	189,672	156,823	198,185	197,343	180,560	189,709	202,818
Greater Toronto Area									
Transaction dollar volume ¹	\$ 42,129	\$ 44,787	\$ 46,616	\$ 47,381	\$ 49,766	\$ 51,453	\$ 52,841	\$ 54,661	\$ 59,234
Average selling price	\$ 508,981	\$ 516,394	\$ 524,092	\$ 532,407	\$ 547,451	\$ 557,877	\$ 566,489	\$ 575,597	\$ 598,323
Number of units sold	82,771	86,730	88,946	88,994	90,905	92,230	93,278	94,964	99,000
Housing starts	41,677	36,711	33,547	33,942	33,917	32,305	33,547	34,693	37,122

Source: CREA, TREB

¹ (\$ millions)

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Cash Flow From Operations

Cash flow from operations and its utilization since Company inception Unaudited (\$ 000's)			IFRS					Canadian GAAP
	Total	Six months ended June 30, 2015	Year ended Dec. 31, 2014	Year ended Dec. 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	\$ 393,414	\$ 18,755	\$ 37,392	\$ 36,268	\$ 36,519	\$ 36,720	\$ 36,630	\$ 191,130
Less:								
Administration	12,845	686	1,626	1,342	1,361	1,667	1,771	4,392
Interest expense	34,174	3,380	3,419	3,040	2,961	3,042	2,900	15,432
Management fee	69,391	1,169	6,469	6,677	6,772	6,747	6,713	34,844
Cash flow from operations	277,004	13,520	25,878	25,209	25,425	25,264	25,246	136,462
Less:								
Dividends to shareholders	142,625	5,690	11,305	10,471	10,471	12,605	15,212	76,871
Interest to Exchangeable Unitholder	54,290	2,654	5,856	4,672	5,272	4,672	5,337	25,827
Total dividends	196,915	8,344	17,161	15,143	15,743	17,277	20,549	102,698
Cash flow from operations less total dividends	80,089	5,176	8,717	10,066	9,682	7,987	4,697	33,764
Less: Funding of acquisitions	62,784	10,346	5,998	5,854	2,965	6,062	6,415	25,144
Less: Purchase of units under NCIB	4,096	-	-	-	-	-	-	4,096
Net change in the Period	\$ 13,209	\$ (5,170)	\$ 2,719	\$ 4,212	\$ 6,717	\$ 1,925	\$ (1,718)	\$ 4,524
Taxes and working capital	(10,334)	4,993	(3,300)	(5,682)	(7,207)	(2,004)	548	2,318
Change in period	\$ 2,875	\$ (177)	\$ (581)	\$ (1,470)	\$ (490)	\$ (79)	\$ (1,170)	\$ 6,842
Cash balance, beginning of Period	-	\$ 3,052	\$ 3,633	\$ 5,103	\$ 5,593	\$ 5,672	\$ 6,842	-
Cash balance, end of Period	\$ 2,875	\$ 2,875	\$ 3,052	\$ 3,633	\$ 5,103	\$ 5,593	\$ 5,672	\$ 6,842
Dividends percentage payout ¹	71%	62%	66%	60%	62%	68%	81%	75%

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

Cash flow from operations Reconciled to cash flow from operating activities Unaudited (\$ 000's)			IFRS					Canadian GAAP
	Total	Six months ended June 30, 2015	Year ended Dec. 31, 2014	Year ended Dec. 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	\$ 214,241	\$ 7,859	\$ 17,104	\$ 14,855	\$ 12,946	\$ 18,588	\$ 6,100	\$ 136,789
Add (deduct):								
Changes in non-cash working capital items	3,148	820	127	1,216	(49)	1,490	(1,224)	768
Interest on Exchangeable Units	28,463	2,654	5,856	4,672	5,272	4,672	5,337	-
Income taxes paid	17,522	2,246	3,201	4,046	8,029	-	-	-
Interest on Trust units	15,212	-	-	-	-	-	15,212	-
Non-cash interest expense	(1,582)	(59)	(410)	420	(773)	514	(179)	(1,095)
Cash flow from operations	\$ 277,004	\$ 13,520	\$ 25,878	\$ 25,209	\$ 25,425	\$ 25,264	\$ 25,246	\$ 136,462

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Acquisitions

Date acquired by the Company, January 1, (\$ millions unless stated otherwise)	2015	2014	2013	2012	2011	2010	2009
Purchase price							
Estimated	10.26	7.21	6.74	2.88	3.48	5.24	3.44
Actual (a), (c), (d)	(a)	7.05	6.60	2.70	3.34	5.70	3.31
Payments							
Initial	8.14	5.00	5.40	2.30	2.78	4.20	2.78
Final (b), (c), (d)	(a)	7.05	1.20	0.40	0.56	1.50	0.53
Estimated							
Annual royalty stream	1.50	0.95	1.05	0.49	0.55	0.89	0.70
Number of REALTORS®	858	493	516	217	247	417	316
Number of agreements	40	46	44	25	23	21	21
Actual							
Annual royalty stream (b), (d)	(a)	0.99	0.98	0.45	0.52	0.95	0.66
Number of REALTORS® (d)	(a)	482	487	217	231	417	316
Number of agreements	40	46	44	25	23	21	21

(a) To be determined at the end of the reporting period in accordance with the MSA and appropriate purchase agreement

(b) Audited

(c) Purchase price obligation and actual values for Via Capitale is calculated over three years for acquisitions made prior to 2015

(d) For 2014, finalized numbers for Royal LePage Acquisitions, excludes Via Capitale

Management's Discussion and Analysis of Results and Financial Condition

Glossary of Terms

"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.

"Agents' Gross Revenues" is defined as, in respect of a Franchisee, the gross commission income (net of outside Broker payments) paid in respect of the closings of residential resale real estate transactions through Agents associated with such Franchisee.

"Broker(s)" is defined as an individual licensed with the relevant regulatory body to manage a real estate brokerage office.

"Brookfield Asset Management" or **"BAM"** means Brookfield Asset Management Inc., a corporation incorporated under the laws of Ontario.

"Brookfield Private Equity Direct Investments Holdings LP" or **"BPEDIH LP"** is a wholly-owned subsidiary of Brookfield Asset Management operating in Canada.

"Canadian Real Estate Association" or **"CREA"** is the national association which represents the real estate industry on federal public policy matters, and provides member services and education.

"Cash Flow from Operations" or **"CFFO"** is defined as operating income before deducting amortization and impairment of intangible assets. 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.

"Class A LP Units" is defined as the Class A ordinary limited partnership units of the Partnership.

"Class B LP Units" is defined as the Class B subordinated limited partnership units of the Partnership, all of which are held by Brookfield Holdings or an affiliate of Brookfield Holdings.

"Canada Mortgage and Housing Corporation" or **"CMHC"** is Canada's national housing agency, established as a government-owned corporation. CMHC is Canada's premier provider of mortgage loan insurance, mortgage-backed securities, housing policy and programs, and housing research.

"Company" is defined as Brookfield Real Estate Services Inc., a corporation incorporated under the laws of the Province of Ontario.

"Company Network" is defined as the collective network of Franchisees providing services under the Royal LePage, Johnston & Daniel and Via Capitale brand names.

"Conversion" represents the Company's change from an Income Trust to a corporate structure on December 31, 2010.

"COSO" stands for the Committee of Sponsoring Organization for the Treadway Commission. The committee establishes a common framework on enterprise management, internal control and fraud deterrence.

"EBITDA" stands for Earnings Before Interest, Tax, Depreciation and Amortization. It is a useful indicator of the Company's profitability and a key metric used to assess compliance with the debt covenants.

"Exchangeable Units" represent the 3,327,667 Class B LP Units the Partnership issued to TBI (a predecessor of Brookfield Holdings) in partial consideration for the Partnership's acquisition of the Partnership Assets from TBI. The Class B LP Units, except as otherwise noted, have economic and voting rights equivalent in all material respects to the Class A LP Units. The Class B LP Units are indirectly exchangeable, on a one-for-one basis, subject to adjustment, for restricted voting shares of the Company.

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

"Franchise Agreements" is defined as the Franchise Agreements pursuant to which brokerage offices offer residential brokerage services using the Trademarks.

"Franchisees" is defined as the Franchisees operating under the Franchise Agreements.

Management's Discussion and Analysis of Results and Financial Condition

"Franchise Network" is defined as the Royal LePage Network, Johnston & Daniel Network and the Via Capitale Network.

"General Partner" is defined as Residential Income Fund General Partner Limited, a corporation incorporated under the laws of the Province of Ontario to be the general partner of the Partnership.

"International Accounting Standards" or **"IAS"** is an older set of standards for providing guidance on the preparation and disclosure of financial statements. Since 2001, a new set of standards known as the International Financial Reporting Standards (IFRS) has been issued to supplement and update IAS in an effort to globalize the standards.

"International Accounting Standards Board" or **"IASB"** is an independent, not-for-profit organization responsible for developing International Financial Reporting Standards, and promoting the use and application of these standards.

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

"Lag Effect" represents the timing differences between the time the Market reports a home sale and 45 to 60 days later when the Company records the related variable and premium fee revenue upon the close of the home sale.

"Management Services Agreement" or **"MSA"** is defined as the second amended and restated management services agreement made effective December 31, 2012, among the Partnership, the Company, the General Partner, Via Capitale L.P. and the Manager pursuant to which, among other things, the Manager provides management and administrative services to the Partnership, the Company, the General Partner and Via Capitale L.P. including management of the Partnership Assets on behalf of the Partnership and Via Capitale L.P.

"Manager" is defined as Brookfield Real Estate Services Manager Limited, a corporation incorporated under the laws of the Province of Ontario to provide management and administrative services to the Company, the Fund, the General Partner and the Partnership.

"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.

"MLS® or Multiple Listing Service®" is a registered trademark of the Canadian Real Estate Association and refers to the real estate database service operated by local real estate boards under which properties may be listed, purchased or sold.

"Net Increase (or Decrease) in Agents" is defined, in respect of any fiscal year of the Company, as the number of Agents in the Network at the end of the relevant fiscal year, excluding any Agents that were added to the Network (a) as a direct result of the assignment or transfer of an Incremental Franchise, a Via Capitale Incremental Franchise, a New Franchise or an Incremental New Franchise to the Company (or any affiliate thereof) during such fiscal year or (b) as a result of (i) any acquisition made by existing Franchisees of additional offices and/or Agents, or any business combination entered into by an existing Franchisee, that results in the addition of offices and/or Agents during such fiscal year less (ii) the number of Agents in the Network at the beginning of such fiscal year.

"Net Organic Agent Growth Fee" is defined as a fee payable to the Manager under the MSA for the net organic growth of the Company's Network of Agents in each calendar year with such payment limited to the cumulative net organic Agent growth since December 31, 2013.

"Partnership" is defined as Residential Income Fund L.P., a limited partnership established under the laws of the Province of Ontario.

"Partnership Agreement" is defined as the second amended and restated limited partnership agreement dated the 31st day of December, 2012, among the General Partner and the Company, pursuant to which the Partnership is governed as the same may be amended from time to time.

"Partnership Assets" is defined as, collectively, the Trademarks, all rights under the Franchise Agreements (other than the Franchise Agreements in respect of Incremental Franchises), and all rights to receive the Royalties.

"Premium Franchise Fees" are collected on certain Franchise locations to reflect the premier locations (principally the Greater Toronto Area) in which such Franchises operate. The premium fee is payable in addition to the basic fixed fee and the basic variable fee as an uncapped amount ranging from 1% to 5% (based on location, with an average of 3%) of the Agents' Gross Revenue.

"Quarter" is defined as the three months ending June 30, 2015.

Management's Discussion and Analysis of Results and Financial Condition

"REALTOR®" is the exclusive designation for a member of The Canadian Real Estate Association and is defined as an individual licensed to trade in real estate and includes Brokers, Agents and Sales Representatives.

"Residential Income Fund L.P." or **"RIFLP"** is a limited partnership established under the laws of the Province of Ontario.

"Restricted Voting Shares" is defined as the restricted voting shares in the capital of the Company.

"Royal LePage" is defined as, collectively, the Business as conducted by the Manager under the name Royal LePage, as a franchisor and as the manager of the Partnership, the General Partner, and the Company.

"Royal LePage Network" is defined as, collectively, the network of Franchisees licensed under Franchise Agreements to carry on residential property brokerage operations using one or more of the Trademarks (but excluding Franchises granted by the Manager that have not become Incremental Franchises).

"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.

"Special Voting Shares" is defined as the share of the Company issued to represent voting rights in the Company that accompany securities convertible into or exchangeable for Restricted Voting Shares, including the Subordinated LP Units and Ordinary LP Units held by Brookfield Holdings or an affiliated entity of Brookfield Holdings or the Manager or an affiliated entity of the Manager.

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

"Team" is defined as a group of Agents and/or Sales Representatives in the Royal LePage Network who work, represent and market themselves as part of a team rather than as individual Agents. Each member of the Team pays the \$102/month fixed fee and the collective gross income generated by the Team is subject to 1% variable fee cap of \$1,300 per year, rather than \$1,300 cap per Agent or Sales Representative.

"Toronto Real Estate Board" or **"TREB"** is Canada's largest not-for-profit real estate board. TREB serves more than 36,000 licensed real estate Brokers and Salespersons in and about the Greater Toronto Area. The organization offers its members services that range from professional development, arbitration services to releasing a variety of residential and commercial market related reports.

"Trademarks" is defined as the trade-mark rights related to the Business held by or licensed to Brookfield Holdings, the Manager or Via Capitale including, without limitation, the Royal LePage Trademarks and the La Capitale Trademarks.

"TSX" is defined as the Toronto Stock Exchange.

"Unitholders" is defined as the holders of Units and a "Unitholder" means any one of them.

"Units" is defined as the units of the Partnership, other than Special Fund Units, each representing an equal undivided beneficial interest in the Partnership.

"Via Capitale" is defined as, collectively, the Business as conducted by the Manager and the Via Capitale Manager.

"Via Capitale L.P." or **"VCLP"** is defined as 9120 Real Estate Network, L.P./Réseau Immobilier 9120 S.E.C., a limited partnership established under the laws of the Province of Quebec.

"Via Capitale Manager" is defined as 9120-5583 Quebec Inc., a wholly owned subsidiary of the Manager, incorporated under the laws of the Province of Quebec, doing business under the name of Réseau Immobilier La Capitale/La Capitale Real Estate Network.

"Via Capitale Network" is defined as, collectively, the network of Franchisees licensed under Franchise Agreements to carry on residential property brokerage operations using one or more of the La Capitale Trademarks (but excluding Franchises owned by the Manager or the Via Capitale Manager).

Interim Condensed Consolidated Balance Sheets

Unaudited (In thousands of Canadian dollars)	Note	June 30, 2015	December 31, 2014
Assets			
Current assets			
Cash		\$ 2,875	\$ 3,052
Accounts receivable	4	5,531	4,758
Current portion of notes receivable	5	372	276
Prepaid expenses		164	119
		8,942	8,205
Non-current assets			
Notes receivable	5	208	230
Deferred income tax asset	8	6,402	5,915
Intangible assets	6, 7	77,394	72,212
		\$ 92,946	\$ 86,562
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,213	\$ 1,100
Current portion of purchase obligation	6	1,887	2,150
Current income tax liability	8	86	308
Interest payable to Exchangeable Unitholders	10	441	423
Dividends payable to shareholders		988	948
		4,615	4,929
Non-current liabilities			
Debt facilities	9	60,760	52,760
Purchase obligation	6	5	127
Interest rate swap liability	9	1,763	482
Exchangeable Units	10	50,015	43,260
		117,158	101,558
Shareholders' deficit			
Restricted voting shares	11	140,076	140,076
Deficit		(164,288)	(155,072)
		(24,212)	(14,996)
		\$ 92,946	\$ 86,562

See accompanying notes to the interim condensed consolidated financial statements.

Approved on behalf of the Board



Simon Dean
Director



Lorraine Bell
Director

Interim Condensed Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)

Unaudited (In thousands of Canadian dollars, except share and per share amounts)	Note	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Royalties					
Fixed franchise fees		\$ 5,025	\$ 4,913	\$ 9,956	\$ 9,652
Variable franchise fees		2,716	2,582	4,475	4,310
Premium franchise fees		1,362	1,268	2,191	2,059
Other revenue		1,198	1,102	2,133	1,992
		10,301	9,865	18,755	18,013
Expenses					
Administration		334	431	686	685
Management fee	3	1,876	1,730	3,380	3,155
Interest expense	9	589	782	1,169	1,553
Impairment of intangible assets	7	169	681	215	750
Amortization of intangible assets	7	2,401	2,743	4,866	5,685
		5,369	6,367	10,316	11,828
Operating income					
Interest on Exchangeable Units	10	(1,336)	(1,950)	(2,654)	(3,220)
Gain (loss) on fair value of Exchangeable Units	10	(2,928)	2,629	(6,755)	(2,163)
Gain (loss) on interest rate swap	9	280	–	(1,281)	–
Gain (loss) on fair value of purchase obligation	6	319	420	302	(477)
Earnings (loss) before income tax					
Current income tax expense		1,130	794	2,024	1,623
Deferred income tax expense (recovery)		97	(210)	(487)	(503)
Income tax expense	8	1,227	584	1,537	1,120
Net and comprehensive earnings (loss)					
		\$ 40	\$ 4,013	\$ (3,486)	\$ (795)
Basic earnings (loss) per share					
	12	\$ 0.00	\$ 0.42	\$ (0.37)	\$ (0.08)
Weighted average number of shares outstanding used in computing basic earnings per share					
		9,483,850	9,483,850	9,483,850	9,483,850
Diluted earnings (loss) per share					
	12	\$ 0.00	\$ 0.26	\$ (0.37)	\$ (0.08)
Weighted average number of shares outstanding used in computing diluted earnings per share					
		12,811,517	12,811,517	12,811,517	12,811,517

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Shareholders' Deficit

Unaudited (In thousands of Canadian dollars)	Common Equity	Deficit	Total Deficit
Balance, December 31, 2014	\$ 140,076	\$ (155,072)	\$ (14,996)
Net loss	–	(3,486)	(3,486)
Dividends declared	–	(5,730)	(5,730)
Balance, June 30, 2015	\$ 140,076	\$ (164,288)	\$ (24,212)
Unaudited (In thousands of Canadian dollars)			
	Common Equity	Deficit	Total Deficit
Balance, December 31, 2013	\$ 140,076	\$ (147,562)	\$ (7,486)
Net loss	–	(795)	(795)
Dividends declared	–	(5,690)	(5,690)
Balance, June 30, 2014	\$ 140,076	\$ (154,047)	\$ (13,971)

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 June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash provided by (used for):					
Operating activities					
Net earnings (loss) for the period		\$ 40	\$ 4,013	\$ (3,486)	\$ (795)
Adjusted for					
Loss (gain) on fair value of Exchangeable Units	10	2,928	(2,629)	6,755	2,163
Loss (gain) on fair value of purchase obligation	6	(319)	(420)	(302)	477
Loss (gain) on interest rate swap	9	(280)	–	1,281	–
Interest expense		1,925	2,685	3,823	4,683
Interest paid		(1,902)	(2,681)	(3,764)	(4,604)
Current income tax expense	8	1,130	794	2,024	1,623
Income taxes paid		(1,938)	(799)	(2,246)	(1,807)
Deferred income tax expense (recovery)	8	97	(210)	(487)	(503)
Impairment of intangible assets	7	169	681	215	750
Amortization of intangible assets	7	2,401	2,743	4,866	5,685
Changes in non-cash working capital		(558)	(1,469)	(820)	(1,653)
		3,693	2,708	7,859	6,019
Investing activity					
Purchase of intangible assets	6	(2,201)	–	(10,346)	(3,501)
		(2,201)	–	(10,346)	(3,501)
Financing activity					
Borrowings under debt facilities	9	–	–	8,000	–
Dividends paid to shareholders		(2,845)	(2,845)	(5,690)	(5,614)
		(2,845)	(2,845)	2,310	(5,614)
Decrease in cash during the period		(1,353)	(137)	(177)	(3,096)
Cash, beginning of the period		4,228	674	3,052	3,633
Cash, end of the period		\$ 2,875	\$ 537	\$ 2,875	\$ 537

See accompanying notes to the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2015 and 2014 (unaudited)
(Expressed in thousands of Canadian dollars, unless stated otherwise)

1. Organization

Brookfield Real Estate Services Inc. (the "Company"), is incorporated under the *Ontario Business Corporations Act*. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". Through its limited partnership holdings, the Company owns certain Franchise Agreements ("Franchise Agreements") and trademark rights of residential real estate brands in Canada.

The Company directly holds a 75% common share 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.

Brookfield Private Equity Direct Investments Holdings LP ("BPEDIH"), a wholly-owned subsidiary of Brookfield Asset Management ("BAM") operating in Canada, owns the remaining 25% common share interest in RIFGP through its ownership of Exchangeable Units (the "Exchangeable Units").

2. Significant Accounting Policies

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 note disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

These 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, 2014 and should be read in conjunction with these consolidated financial statements.

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. The Company receives certain management, administrative and support services from Brookfield Real Estate Services Manager Ltd. (together with its subsidiaries, "BRESML"), a party related to BPEDIH as a result of common control. BRESML, pays royalties to the Company under a Franchise Agreement (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 an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

3. Management Services Agreement

Effective January 1, 2014, the Company entered into an amended and restated Management Services Agreement ("MSA") with BRESML. The MSA has an initial five year term and a provision for the automatic renewal of successive five year terms.

The MSA, among other things, prescribes the conditions under which the Company purchases Franchise Agreements from BRESML and the formula for calculating the purchase price. The final purchase price for existing brands is based on the average annual royalties earned over one year, with 80% of the purchase price payable upon acquisition and the remaining balance to be paid at a later date, subject to adjustment, if any, for the audit of the actual annual royalties earned. The MSA also provides BRESML with the ability to sell other Canadian branded Franchises to the Company based on a predetermined formula and payment structure. Further, an incentive fee is to be paid to BRESML for net organic growth, with the fee being calculated in accordance with the terms noted above based on the average annual royalty fees per Agent.

Under the MSA, BRESML provides certain management, administrative and support services to the Company and its subsidiaries and in return is paid a monthly fee equal to 20% of the distributable cash of each of the Partnership and VCLP.

For the three and six months ended June 30, 2015, the Company incurred management fees of \$1,876 and \$3,380 (three and six months ended June 30, 2014 – \$1,730 and \$3,155) for these services.

Notes to the Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2015 and 2014 (unaudited)
(Expressed in thousands of Canadian dollars, unless stated otherwise)

4. Accounts Receivable

Accounts receivable are related to fees due from the Company's Franchise network pursuant to Franchise Agreements and are valued initially at fair value, then subsequently measured at amortized cost less any provision for doubtful accounts. As at June 30, 2015 the Company had accounts receivable of \$5,531 (December 31, 2014 – \$4,758) net of \$993 (December 31, 2014 – \$810) allowance for doubtful accounts. During the three and six months ended June 30, 2015, \$124 and \$246 of net bad debt expense was included in administration expense (three and six months ended June 30, 2014 – \$225 and \$253 of net bad expense). Management conducts an analysis to determine the allowance for doubtful accounts by assessing the collectability of receivables on a Franchisee by Franchisee basis. This assessment takes into consideration certain factors including the aging of outstanding fees, Franchisee operating performance, historical payment patterns, current collection efforts and the Company's security interests, if any.

The table below summarizes the aging of accounts receivable as at June 30, 2015. Management considers amounts owed for longer than 90 days as overdue.

	90+ Days	60 Days	30 Days	Current	Total
Accounts receivable	\$ 762	\$ 232	\$ 545	\$ 3,992	\$ 5,531

5. Notes Receivable

The Company has certain Franchisees with which it has entered into a payment plan in respect of Franchise fees currently due to the Company which are in arrears. Any amounts due under these payment plans greater than one year from the financial statement date have been classified as non-current. The terms stipulated in the payment plan require the Franchisees to repay the total outstanding balance in equal monthly payments plus interest based on a spread above prime rate. As at June 30, 2015, the Company had notes receivable of \$580, of which \$372 was due within 12 months and \$208 was considered non-current (December 31, 2014 – \$276 current and \$230 non-current).

6. Asset Acquisitions

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

On January 1, 2015, the Partnership and VCLP acquired 35 and five Franchise Agreements and addendums, respectively from BRESML at a combined estimated purchase price of \$10,263. A payment of \$8,145, approximating 80% of the estimated purchase price plus HST, was due on January 1, 2015 and the remainder is to be paid after the final purchase price is determined on October 31, 2015, the determination date. Until the determination date, the estimated price is revised periodically based on updated information used to value these Franchise Agreements. Any subsequent changes to the value of the estimated purchase price prior to the determination date are recognized in the interim condensed consolidated statements of earnings (loss) and comprehensive earnings (loss) and are classified as a gain or loss on fair value of purchase obligation in the period in which the change occurs. The unpaid balance due as of January 1, 2015 is subject to interest at the rate prescribed in the MSA of prime plus 1%.

During the determination period, the Company records changes in the purchase obligation to reflect the fair value of outstanding purchase obligation. Actual cash flows generated from the Franchise Agreements during the determination period 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. 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 exists. The estimated yield is updated to reflect actual royalty fees generated and is used to calculate the fair value of outstanding purchase obligation.

For the three and six months ended June 30, 2015, the Company recorded a gain of \$319 and \$302 on the fair value of purchase obligation (three and six months ended June 30, 2014 – \$420 and a loss of \$477).

For the three and six months ended June 30, 2015, the Company incurred \$37 and \$80 of interest expense related to outstanding purchase obligation payments (three and six months ended June 30, 2014 – \$47 and \$90).

On January 1, 2014, the Partnership acquired 45 new Royal LePage Franchise Agreements from BRESML at an estimated purchase price of \$6,059. A payment of \$4,847, equal to 80% of the estimated purchase price, was paid from cash on hand in 2014 and the remainder was paid in June 2015.

Notes to the Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2015 and 2014 (unaudited)
(Expressed in thousands of Canadian dollars, unless stated otherwise)

On January 1, 2014, VCLP acquired one Via Capitale Franchise Agreements from BRESML at an estimated purchase price of \$193. A payment of \$155, equal to 80% of the estimated purchase price was paid from cash on hand in 2014 and the remainder is to be paid by January 31, 2017.

The purchase obligation consists of the following:

	Royal LePage	Via Capitale	June 30, 2015	December 31, 2014
Purchase obligation at beginning of period	\$ 2,202	\$ 75	\$ 2,277	\$ 1,068
Current period's purchase obligation	9,544	719	10,263	6,252
Price adjustment on current period purchases	(405)	103	(302)	955
Payment on current period purchases	(7,570)	(575)	(8,145)	(5,002)
Payment of obligations on prior years' purchases	(2,201)	–	(2,201)	(996)
Purchase obligation at end of period	\$ 1,570	\$ 322	\$ 1,892	\$ 2,277
Current portion of purchase obligation	\$ 1,570	\$ 317	\$ 1,887	\$ 2,150
Long-term portion of purchase obligation	–	5	5	127
Purchase obligation at end of period	\$ 1,570	\$ 322	\$ 1,892	\$ 2,277

7. Intangible Assets

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

	Franchise Agreements	Trademarks	Total
Cost			
At December 31, 2014	\$ 197,582	\$ 5,427	\$ 203,009
Purchases	10,263	–	10,263
Impairment	(169)	–	(169)
Amounts written-off	(170)	–	(170)
At June 30, 2015	\$ 207,506	\$ 5,427	\$ 212,933
Accumulated amortization			
At December 31, 2014	\$ 128,691	\$ 2,106	\$ 130,797
Amortization expense	4,782	84	4,866
Amounts written-off	(124)	–	(124)
At June 30, 2015	\$ 133,349	\$ 2,190	\$ 135,539
Carrying value			
At December 31, 2014	\$ 68,891	\$ 3,321	\$ 72,212
At June 30, 2015	\$ 74,157	\$ 3,237	\$ 77,394

For the three and six months ended June 30, 2015, the Company recognized net impairment charges and write-offs of \$169 and \$215 (three and six months ended June 30, 2014 – \$681 and \$750). Impairment charges relate to Franchisees where the carrying amount on the Franchise Agreement exceeds the recoverable amount (higher of fair value less costs of disposal and the value-in-use) or when the recovery of the capitalized value is no longer reasonably assured. Write-offs relate to the early termination, expiry and non-renewal of Franchise Agreements in the Royal LePage and Via Capitale networks. For the three and six months ended June 30, 2015, the Company recorded \$2,401 and \$4,866 (three and six months ended June 30, 2014 – \$2,743 and \$5,685) intangible asset amortization expense.

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 forecasted cash flow based on certain factors including Agent count, historical data, market condition, company factors, the pre-tax discount rate and the life of the agreements plus one renewal term as the assumptions.

Notes to the Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2015 and 2014 (unaudited)
(Expressed in thousands of Canadian dollars, unless stated otherwise)

8. Income Taxes

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

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

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Earnings (loss) before income tax for the period:	\$ 1,267	\$ 4,597	\$ (1,949)	\$ 325
Expected income tax (recovery) expense at statutory rate of 26.5% (2014 – 26.5%)	336	1,218	(516)	86
Increase (decrease) in income tax expense (recovery) due to the following:				
Non-deductible amortization	262	324	532	663
Non-deductible loss on fair value of Exchangeable Units	776	(696)	1,790	574
Non-deductible interest on Exchangeable Units	354	518	703	854
Non-deductible impairment and write-off on intangible assets	11	45	14	50
Non-deductible purchase obligation	(21)	(27)	(20)	32
Income allocated to Exchangeable Unitholders	(457)	(422)	(804)	(750)
Recognition of deferred tax assets and other	(34)	(376)	(162)	(389)
Total income tax expense	\$ 1,227	\$ 584	\$ 1,537	\$ 1,120

The major components of income tax expense include the following:

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Current income tax expense	\$ 1,130	\$ 794	\$ 2,024	\$ 1,623
Deferred income tax expense (recovery)	97	(210)	(487)	(503)
Total income tax expense	\$ 1,227	\$ 584	\$ 1,537	\$ 1,120

Deferred income tax assets arise from temporary differences as a result of differences between the income tax values of intangible assets as compared to their carrying values.

Notes to the Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2015 and 2014 (unaudited)
(Expressed in thousands of Canadian dollars, unless stated otherwise)

9. Debt Facilities

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

As at	June 30, 2015	December 31, 2014
Term facility	\$ 53,000	\$ 53,000
Acquisition facility	8,000	–
	\$ 61,000	\$ 53,000
Financing Fees	(240)	(240)
	\$ 60,760	\$ 52,760

On June 18, 2015 the Company signed an amending agreement with a Canadian Chartered Bank to increase the Company's debt facilities to provide an incremental \$10,000 in available financing. As at June 30, 2015 the Company's \$78,000 financing comprise of the following three arrangements, maturing February 17, 2020:

A \$53,000 non-revolving term variable rate facility (the "Term Facility"). The Term Facility bears a variable interest rate of Banker's Acceptances (BAs) +1.70% or Prime + 0.5%. Repayment of principal outstanding is due on maturity.

A \$20,000 revolving acquisition facility (the "Acquisition Facility") to support acquisitions pursued by the Company. The Acquisition Facility bears a variable interest rate of BAs +1.70% or Prime + 0.5%. A standby fee of 0.15% applies on undrawn amounts under the Acquisition Facility. Repayment of principal outstanding is due on maturity. In January 2015, \$8,000 was drawn on this facility to finance the purchase of Franchise Agreements on January 1, 2015.

A \$5,000 revolving operating facility (the "Operating Facility") to meet the Company's day-to-day operating requirements. The Operating Facility bears a variable interest rate of BAs +1.70% or Prime + 0.5%. No amounts have been drawn on this facility at June 30, 2015.

The covenants of these debt facilities prescribe that the Company must maintain a ratio of Consolidated EBITDA to Interest Expense on Senior Indebtedness at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.5 to 1. Consolidated EBITDA is defined as operating income before impairment and amortization of intangible assets. Senior Indebtedness is defined as borrowings on the Company's debt facilities.

On October 27, 2014 the Company entered into a five year interest rate swap agreement to swap the variable interest obligation on the Term Facility to a fixed rate obligation of 3.64%. The interest rate swap is a financial instrument and is fair valued and classified as fair value through profit or loss. The fair value is determined using a discounted cash flow model using observable yield curves and applicable credit spread at a credit adjusted rate. At June 30, 2015 the Company determined that the fair value of the interest rate swap represents a liability of \$1,763 (December 31, 2014 – \$482). For the three months ended June 30, 2015, the Company recognized a fair value gain of \$280. For the six months ended June 30, 2015, the Company recognized a fair value loss of \$1,281.

10. Exchangeable Units

BPEDIH owns 315,000 restricted voting shares of the Company, 25 common shares in RIFGP, 3,327,667 Exchangeable Units of the Partnership and one special voting share of the Company, reflecting an effective 28.4% 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 71.6% 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.

Notes to the Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2015 and 2014 (unaudited)
 (Expressed in thousands of Canadian dollars, unless stated otherwise)

The Company measures the Exchangeable Units at their fair value using the closing price of the Company's restricted voting shares listed on the TSX, as of the last day of market trading for the period. As at June 30, 2015, the closing market price of the Company's shares was \$15.03 (December 31, 2014 – \$13.00). During the three and six months ended June 30, 2015, the Company recorded a loss of \$2,928 and \$6,755 related to the fair value of the Exchangeable Units (three and six months ended June 30, 2014 – a gain of \$2,629 and a loss of \$2,163).

The Exchangeable Unitholders are entitled to cash distributions from the Partnership in respect of their economic interest in the Partnership as and when declared by the Board of Directors. Such distributions are made on a before tax basis and are directly taxable in the hands of the Exchangeable Unitholders. Distributions are also made from the Partnership to the Company. These distributions are subject to taxation at the Company level and as such reduce the amount of cash available for dividends to the restricted voting shareholders. For three and six months ended June 30, 2015 the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of \$1,336 and \$2,654 (three and six months ended June 30, 2014 – \$1,950 and \$3,220).

11. 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 2015.

No preferred shares were issued or outstanding as at June 30, 2015.

The following table summarizes the outstanding shares of the Company:

As at	June 30, 2015	December 31, 2014
Restricted voting shares	9,483,850	9,483,850
Special voting share	1	1

Notes to the Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2015 and 2014 (unaudited)
(Expressed in thousands of Canadian dollars, unless stated otherwise)

12. Earnings Per Share

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

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
(In thousands of Canadian dollars, except share and per share amounts)				
Net earnings (loss) available to restricted voting shareholders – basic	\$ 40	\$ 4,013	\$ (3,486)	\$ (795)
Interest on Exchangeable Units	1,336	1,950	2,654	3,220
Loss (gain) on fair value of Exchangeable Units	2,928	(2,629)	6,755	2,163
Net income available to restricted voting shareholders – diluted	\$ 4,304	\$ 3,334	\$ 5,923	\$ 4,588
Weighted average number of shares outstanding used in computing basic loss per share	9,483,850	9,483,850	9,483,850	9,483,850
Total outstanding Exchangeable Units	3,327,667	3,327,667	3,327,667	3,327,667
Weighted average number of shares outstanding used in computing diluted loss per share	12,811,517	12,811,517	12,811,517	12,811,517
Basic earnings (loss) per share	\$ 0.00	\$ 0.42	\$ (0.37)	\$ (0.08)
Diluted earnings (loss) per share	\$ 0.00	\$ 0.26	\$ (0.37)	\$ (0.08)
Dividends declared	\$ 2,885	\$ 2,845	\$ 5,730	\$ 5,690
Restricted voting shares	9,483,850	9,483,850	9,483,850	9,483,850
Dividends per restricted voting share	\$ 0.30	\$ 0.30	\$ 0.60	\$ 0.60

13. Related Party Transactions

In addition to transactions disclosed elsewhere in these interim condensed consolidated financial statements, the Company had the following transactions with parties related to the Exchangeable Unitholders during 2015 and 2014. These transactions have been recorded at the exchange amount as agreed between the parties.

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
a) Royalties				
Fixed, variable and other Franchise fees	\$ 827	\$ 825	\$ 1,614	\$ 1,595
Premium Franchise Fees	\$ 1,134	\$ 1,097	\$ 1,851	\$ 1,784
b) Expenses				
Management fees	\$ 1,876	\$ 1,730	\$ 3,380	\$ 3,155
Insurance premiums and other	\$ 26	\$ 22	\$ 48	\$ 44
Interest on purchase obligations	\$ 37	\$ 47	\$ 80	\$ 90
c) Interest				
Interest to Exchangeable Unitholders	\$ 1,336	\$ 1,950	\$ 2,654	\$ 3,220

Notes to the Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2015 and 2014 (unaudited)
(Expressed in thousands of Canadian dollars, unless stated otherwise)

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

As at	June 30, 2015	December 31, 2014
d) Accounts receivable		
Franchise fees receivable and other	\$ 921	\$ 696
e) Accounts payable and accrued liabilities		
Management fees	\$ 737	\$ 582
Interest on purchase obligations	\$ 39	\$ 20
Administrative shared service liability and other	\$ –	\$ 205
f) Interest payable to Exchangeable Unitholders	\$ 441	\$ 423
g) Purchase obligation	\$ 1,892	\$ 2,277

During the three and six months ended June 30, 2015, the Company paid fees of \$48 and \$103 to the members of its board of directors as director compensation for their services (three and six months ended June, 2014 – \$52 and \$105). These directors' fees are included in administrative expense.

14. Financial Instruments

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

A) CREDIT RISK

Credit risk arises from the possibility that the Franchisees may not pay amounts owing to the Company. The Company's credit risk is limited to the recorded amount of accounts receivable and notes receivable. Management reviews the financial position of all Franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis. As at June 30, 2015, the Company has an allowance for doubtful accounts of \$993 (December 31, 2014 – \$810).

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. The Company manages liquidity risk by maintaining more conservative debt covenant ratios compared with those required by the covenants associated with the debt facilities. Also, the Company has a \$20,000 Acquisition Facility (of which \$8,000 was drawn in January 2015 and \$8,900 was drawn in July 2015) and a \$5,000 unutilized Operating Facility (see Note 9—Debt Facilities).

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

	2015	2016	2017	Beyond 2017	Total
Accounts payable and accrued liabilities	\$ 1,213	\$ –	\$ –	\$ –	\$ 1,213
Purchase obligation	–	1,887	5	–	1,892
Interest payable to Exchangeable Unitholders	441	–	–	–	441
Dividends payable to shareholders	988	–	–	–	988
Interest on long-term debt	1,169	2,338	2,338	5,066	10,911
Interest rate swap liability	–	–	–	1,763	1,763
Debt facilities	–	–	–	61,000	61,000
Exchangeable Units	–	–	–	50,015	50,015
Total	\$ 3,811	\$ 4,225	\$ 2,343	\$ 117,844	\$ 128,223

Notes to the Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2015 and 2014 (unaudited)
(Expressed in thousands of Canadian dollars, unless stated otherwise)

C) INTEREST RATE RISK

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

As described in Note 9, on October 27, 2014 the Company entered into a five year interest rate swap to fix the interest on the Company's \$53,000 Term Facility at 3.64% to the October 28, 2019 maturity date of the swap. The Term Facility matures on February 17, 2020.

In January 2015 the Company drew \$8,000 on its \$20,000 Acquisition Facility. Subsequent to the end of the quarter, the Company drew an additional \$8,900 on the Acquisition Facility (see Note 17 – Subsequent Events). The Acquisition Facility bears variable interest at a rate of BAs + 1.70% or Prime + 0.5%. Management has elected to continue with the variable rate position on the Acquisition Facility and monitors this position on an ongoing basis. An increase of 1% in the Company's effective interest rate on its variable rate Acquisition Facility would result in an interest expense increase of approximately \$169.

D) FAIR VALUE

The fair value of the Company's financial instruments, comprising cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, purchase obligation, interest payable to Exchangeable Unitholders and dividends payable to shareholders, are estimated by management to approximate their carrying values due to their short-term nature. The fair value of the Company's outstanding borrowings of \$61,000 approximate their carrying value of \$60,700 as a result of their floating rate terms

E) FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the interim condensed consolidated balance sheet as at June 30, 2015 and December 31, 2014, classified using the fair value hierarchy:

As at June 30, 2015	Level 1	Level 2	Level 3	Total
Financial asset or liability:				
Purchase obligation	\$ –	\$ –	\$ 1,892	\$ 1,892
Interest rate swap liability	–	1,763	–	1,763
Exchangeable Units	50,015	–	–	50,015
Total	\$ 50,015	\$ 1,763	\$ 1,892	\$ 53,670
As at December 31, 2014	Level 1	Level 2	Level 3	Total
Financial asset or liability:				
Purchase obligation	\$ –	\$ –	\$ 2,277	\$ 2,277
Interest rate swap liability	–	482	–	482
Exchangeable Units	43,260	–	–	43,260
Total	\$ 43,260	\$ 482	\$ 2,277	\$ 46,019

See Note 6 for a reconciliation of the Level 3 fair values, Note 9 for disclosure related to Level 2 fair values and Note 10 for disclosures related to the Level 1 fair values. There were no transfers between fair value hierarchy levels during the period. The Level 3 fair values are calculated according to a predetermined formula specified in the MSA based on cash flow estimated from newly acquired Franchise Agreements during their determination period. As such, the fair value is sensitive to the cash flow amounts and all other inputs are observable.

Notes to the Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2015 and 2014 (unaudited)
(Expressed in thousands of Canadian dollars, unless stated otherwise)

15. Management of Capital

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

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

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

The covenants of the debt facilities prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense on Senior Indebtedness at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.50 to 1.

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

16. Segmented Information

The Company has only one business segment which is the ownership and generation of residential brokerage Franchise Agreements.

17. Subsequent Events

On July 1, 2015 the Partnership acquired 12 Franchise Agreements and addendums from BRESML for an estimated purchase price of \$9,800. A payment of \$7,800, approximating 80% of the estimated purchase price plus HST was paid on July 3, 2015 through an \$8,900 draw on the Company's Acquisition Facility. The remainder is to be paid when the final purchase price is determined on October 31, 2016, the determination date. Until the determination date, the estimated price is revised periodically based on updated information used to value these Franchise Agreements and addendums. Any subsequent changes to the value of the estimated purchase price prior to the determination date are recognized in the interim condensed consolidated statements of earnings (loss) and comprehensive earnings (loss) and are classified as a gain or loss on fair value of purchase obligation in the period in which the change occurs.

18. Approval Of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on August 4, 2015.

Brookfield

Real Estate Services Inc.

Momentum you can build on

www.brookfieldresinc.com