Q2 2016

Interim Report to Shareholders

Brookfield
Real Estate Services Inc.

Profile

About Brookfield Real Estate Services Inc.
Brookfield Real Estate Services Inc. is a leading provider of services to residential real estate brokers and a network of over 17,000 REALTORS®*. We operate in Canada under the Royal LePage, Via Capitale and Johnston & Daniel brands. Further information is available at **www.brookfieldresinc.com.**

Brookfield Real Estate Services Inc. is an affiliate of Brookfield Asset Management, a leading global alternative asset manager with over $240 billion of assets under management. For more information, go to **www.Brookfield.com**.

* REALTORS® is a trademark identifying real estate licensees in Canada who are members of the Canadian Real Estate Association.

Q2 2016

Management's Discussion and Analysis

Introduction

This section of Brookfield Real Estate Services Inc.'s interim report includes management's discussion and analysis ("MD&A") of the financial results and financial condition of the Company for the three and six months ended June 30, 2016, and has been prepared as at August 3, 2016. The three months ended June 30, 2016 shall be referred to in this MD&A as the "Quarter" and the six months ended June 30, 2016 shall be referred to in this MD&A as the "YTD". The three months ended June 30, 2015 shall be referred to in this MD&A as "Prior Year Quarter" and the six months ended June 30, 2015 shall be referred to in this MD&A as "Prior Year Period". 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 36.

This MD&A is intended to provide the reader with an assessment of the Company's past performance as well as its financial position, performance objectives and outlook. The information in this MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016 and the Company's audited financial statements for the year ended December 31, 2015, both of which have been prepared in accordance with IFRS. Additional information relating to the Company, including its 2015 Annual Information Form, is available on SEDAR at www.sedar.com.

This MD&A contains forward-looking information and other "forward-looking statements". Please see disclosure regarding Forward-Looking Statements on page 31. Reliance should not be placed on such 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 statements.

Management's Discussion and Analysis of Results and Financial Condition

Highlights

(Unaudited) (in 000's) except REALTOR® count	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Royalties	$ 10,869	$ 10,301	$ 20,266	$ 18,755
Administration expenses	(203)	(334)	(498)	(686)
Management fee	(2,003)	(1,876)	(3,690)	(3,380)
Interest expense	(653)	(589)	(1,318)	(1,169)
CFFO	$ 8,010	$ 7,502	$ 14,760	$ 13,520
Dividends paid	$ 3,082	$ 2,845	$ 6,163	$ 5,690
Interest on Exchangeable Units paid	$ 1,427	$ 1,336	$ 2,855	$ 2,636
Net and comprehensive earnings (loss)	$ 1,162	$ 40	$ 2,104	$ (3,486)
Number of REALTORS®	17,405	16,105	17,405	16,105

(Unaudited)	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
CFFO per Share	$ 0.63	$ 0.59	$ 1.15	$ 1.06
CFFO per Share, rolling twelve-month period ended June 30,			$ 2.35	$ 2.09
Dividends paid per Restricted Voting Share	$ 0.32	$ 0.30	$ 0.65	$ 0.60
Interest on Exchangeable Units paid per Exchangeable Unit	$ 0.43	$ 0.40	$ 0.86	$ 0.79
Net and comprehensive earnings (loss) per Share	$ 0.12	$ –	$ 0.22	$ (0.37)

The table above sets out selected historical information and other data for the Company, which should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the Quarter and YTD and the audited consolidated financial statements of the Company for the year ended December 31, 2015.

- Cash Flow from Operations ("CFFO") for the Quarter improved to $8.0 million or $0.63 per share on a diluted basis ("Share"), an increase of 7% as compared to $7.5 million or $0.59 per Share for the Prior Year Quarter.
- CFFO for the rolling twelve-month period ended June 30, 2016 was $2.35 per Share as compared to $2.09 per Share for the rolling twelve-month period ended June 30, 2015. The improvement in CFFO was driven by an increase in royalties as a result of an increase in the number of REALTORS® in the Company Network and lower cash operating expenses due to lower bad debt expenses as compared to the rolling twelve-month period ended June 30, 2015.
- The board of directors of BRESI (the "Board") declared a cash dividend of $0.1083 per Restricted Voting Share payable on September 30, 2016, to shareholders of record on August 31, 2016. This represents a targeted annual dividend of $1.30 per Restricted Voting Share.

Organization

BRESI is listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". Through its limited partnership holdings, BRESI owns certain Franchise Agreements and Trademarks of real estate services Brands in Canada.

BRESI directly owns a 75% interest in the Partnership which, in turn, owns VCLP. In addition, BRESI directly owns a 75% interest in the General Partner. (Collectively, the Partnership, VCLP and the General Partner represent the Company's "Subsidiaries" and each of them is a "Subsidiary"). The Partnership and VCLP (together the "Operating Subsidiaries") own and operate the assets from which BRESI derives its revenue.

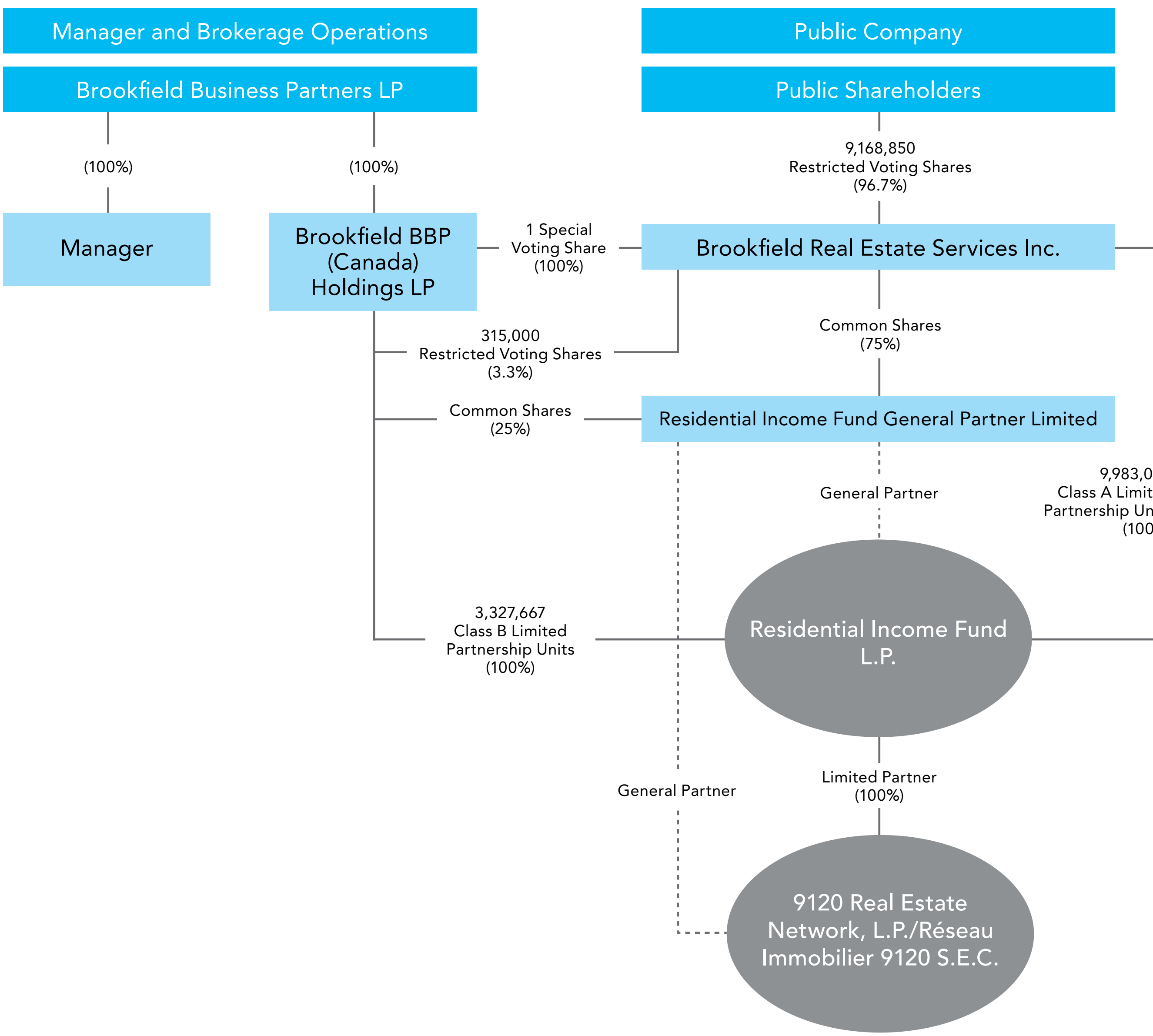
Management's Discussion and Analysis of Results and Financial Condition

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

Prior to June 1, 2016 all of BBP's interests in BRESI were owned by Brookfield Private Equity Direct Investments Holdings LP, a wholly-owned subsidiary of Brookfield Asset Management Inc.

The Company receives certain management, administrative and support services from the Manager. BRESI derives 100% of its revenue from royalties and other fees it receives under certain Franchise Agreements it purchases from the Manager.

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



Management's Discussion and Analysis of Results and Financial Condition

Business Strategy

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

BRESI's objective is to provide its stakeholders with an investment vehicle that pays stable and growing dividends. The Company's revenue is driven primarily by royalties derived from long-term Franchise Agreements. These royalties are weighted toward fees that are fixed in nature. The Company believes that this has proven to be effective in moderating the variations in overall industry activity that can occur in the Canadian residential real estate market ("Canadian Market"). The Company is party to the Management Services Agreement which governs the management of the Company and the delivery of services to Brokers and REALTORS® by the Manager.

The number of REALTORS® in the Company Network, the transaction volumes generated in the markets the Company serves, the manner in which the Company structures the contracted revenue streams, and the success in attracting REALTORS® to the Brands through the value proposition and the track record of the Company's Brands are all important factors in the Company's financial and operating performance. These factors, including, among others, general economic conditions and government and regulatory activity impact the Company's performance and are discussed in greater detail throughout this MD&A and in the Company's 2015 Annual Information Form which is available at www.sedar.com.

BRESI seeks to increase its Cash Flow from Operations by increasing the number of REALTORS® in the Company Network through the acquisition of Franchise Agreements and by attracting and retaining REALTORS® through the provision of services and additional fee for service offerings, which increases the productivity of the REALTORS®.

Structure of Company Royalties

The Company generates revenue from royalties with both fixed and variable components. Approximately 90% (Prior Year Quarter – 88%) of the Company's royalties during the Quarter were derived from the combined fixed franchise fee per REALTOR® per month, 1% variable franchise fee and Premium Franchise Fees. The remaining royalty stream is made up of franchise fees generated from warranty fees, technology fees and other fees. Approximately 72% of the Company's annual royalties have been partly insulated from the fluctuations in the Canadian Market as they are not directly driven by transaction volumes. The Company believes that the combination of a royalty stream based on the number of REALTORS® in the Network, increasing REALTORS® productivity and an increasing supply of new housing inventory provides the base for strong and stable cash flows. A description of each type of royalty fee follows:

Fixed franchise fees are paid based on the number of REALTORS® in the Franchise Network. Fixed franchise fees from Royal LePage Franchisees consist of a monthly fixed fee of $105 per REALTOR® ($102 in 2014 and 2015, and $100 prior to 2014), while fixed fees from Via Capitale Franchisees consist primarily of a monthly fee of $170 per REALTOR®.

On January 1, 2016, the Company increased the Royal LePage fixed fee to $105 per REALTOR® for approximately 85% of the Franchise Network and the balance of the increase will take effect on January 1, 2017.

Variable franchise fees are calculated as a percentage of Gross Revenues earned by the Franchisee's REALTORS®. Variable franchise fees from Royal LePage Franchisees are driven by the transactional dollar volume transacted by the REALTORS® and are derived as 1% of each REALTOR®'s Gross Revenues, subject to a cap of $1,325 per year ($1,300 per year prior to 2016). Certain REALTORS® in the Royal LePage Network work as part of a Team. All REALTORS® who are members of a Team pay fixed franchise fees. However, for the purposes of the $1,325 variable fee cap, the Gross Revenues of all Team members are aggregated to one cap.

On January 1, 2016, the Company implemented an increase in the cap for the variable franchise fee to $1,325 per year for approximately 85% of the Network and the balance of the increase will take effect on January 1, 2017.

The amount of variable franchise fee paid by an individual REALTOR® can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices. However, variable franchise fees are subject to a cap of $1,325 ($1,300 prior to 2016). For those REALTORS® who reach the cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® will not change based on changes in the Canadian Market. In 2015, over 3,000 REALTORS® and Teams exceeded the $1,300 cap.

Premium Franchise Fees are paid by 21 of the Company's larger Royal LePage locations in the greater Toronto area. Each of these Franchisees is obligated to pay Premium Franchise Fees until August 2018 ranging from 1% to 5% of the location's Gross Revenue. Of these locations, 11 are operated by the Manager.

Other franchise fees include primarily a fixed technology fee of $20 per month for REALTORS® in the Royal LePage Network, and fees for other ancillary services performed for REALTORS® in the Via Capitale and Royal LePage Networks.

Network Royalty Profile

As at June 30, 2016, the Company receives royalties from 17,405 REALTORS® contracted with 338 Broker-Owners operating under 303 Franchise Agreements from 670 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 Market based on 2015 transactional dollar volume.

The Royal LePage Network: The fees generated from the Royal LePage Network accounted for 94% of the Company's fees for the Quarter (Prior Year Quarter – 92%). Fees charged to the Royal LePage Network for the Quarter include:

- a fixed monthly franchise fee per REALTOR® of $105;
- a variable franchise fee equal to 1% of Gross Revenue up to a maximum annual variable franchise fee of $1,325 per REALTOR® or Team;
- a premium monthly franchise fee per applicable location, as described above; and
- a fixed monthly technology fee per REALTOR® of $20.

The Via Capitale Network: The fees generated from the Via Capitale Network, which services the Quebec market, accounted for 6% of the Company's fees for the Quarter (Prior Year Quarter – 8%). These fees are primarily made up of a fixed monthly fee per REALTOR® of $170 ($2,040 per annum) and other fees for warranties and other ancillary services.

The table below summarizes the Franchise fees received by each respective brand;

(Unaudited) Three months ended June 30, 2016 (in 000's)	Royal LePage	Via Capitale	Total
Fixed franchise fees	45%	5%	50%
Variable franchise fees	27%	–	27%
Premium franchise fees	13%	–	13%
Other revenue	9%	1%	10%
Total Brand Percentage	94%	6%	100%

(Unaudited) Three months ended June 30, 2015 (in 000's)	Royal LePage	Via Capitale	Total
Fixed franchise fees	44%	5%	49%
Variable franchise fees	26%	–	26%
Premium franchise fees	13%	–	13%
Other revenue	9%	3%	12%
Total Brand Percentage	92%	8%	100%

Management's Discussion and Analysis of Results and Financial Condition

Overview of Second Quarter and Year to Date 2016 Operating Results

(Unaudited) (in 000's) except per Share amounts; Restricted Voting Shares outstanding; Exchangeable Units outstanding; Number of REALTORS®;	**Three months ended June 30, 2016**	Three months ended June 30, 2015	**Six months ended June 30, 2016**	Six months ended June 30, 2015
Royalties	**$ 10,869**	$ 10,301	**$ 20,266**	$ 18,755
Less:				
Administration expenses	**203**	334	**498**	686
Management fee	**2,003**	1,876	**3,690**	3,380
Interest expense	**653**	589	**1,318**	1,169
Cash Flow from Operations	**$ 8,010**	$ 7,502	**$ 14,760**	$ 13,520
Impairment of intangible assets	**(34)**	(169)	**(34)**	(215)
Amortization of intangible assets	**(2,505)**	(2,401)	**(5,110)**	(4,866)
Interest on Exchangeable Units	**(1,427)**	(1,336)	**(2,855)**	(2,654)
Loss on fair value of Exchangeable Units	**(1,531)**	(2,928)	**(1,065)**	(6,755)
Gain / (loss) on interest rate swap	**136**	280	**24**	(1,281)
Gain / (loss) on fair value of purchase obligation	**(248)**	319	**(1,712)**	302
Current income tax expense	**(1,270)**	(1,130)	**(2,306)**	(2,024)
Deferred income tax (expense) / recovery	**31**	(97)	**402**	487
Net and comprehensive earnings / (loss)	**$ 1,162**	$ 40	**$ 2,104**	$ (3,486)
Basic earnings / (loss) per Restricted Voting Share	**$ 0.12**	$ 0.00	**$ 0.22**	$ (0.37)
Diluted earnings / (loss) per Share	**$ 0.12**	$ 0.00	**$ 0.22**	$ (0.37)
Cash Flow from Operations per Share	**$ 0.63**	$ 0.59	**$ 1.15**	$ 1.06
Dividends paid per Restricted Voting Share	**$ 0.32**	$ 0.30	**$ 0.65**	$ 0.60
Interest paid per Exchangeable Unit	**$ 0.43**	$ 0.40	**$ 0.86**	$ 0.79
Restricted Voting Shares outstanding	**9,483,850**	9,483,850	**9,483,850**	9,483,850
Exchangeable Units outstanding	**3,327,667**	3,327,667	**3,327,667**	3,327,667
Number of REALTORS®	**17,405**	16,105	**17,405**	16,105

(Unaudited) (in 000's) As at	**June 30, 2016**	December 31, 2015
Total assets	**$ 98,808**	$ 98,114
Total liabilities	**$ 128,237**	$ 123,484

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

Royalties:

The strong Canadian Market and an increase in the number of REALTORS® in the Company Network contributed to a $0.6 million increase in royalty revenues for the Quarter compared to the Prior Year Quarter. The total value of real estate bought and sold in Canada increased by 22% to $90.6 billion for the Quarter compared to the Prior Year Quarter, contributing to increased variable franchise fees and Premium Franchise Fees. The Company's Network of REALTORS® increased by 85 REALTORS® in the Quarter.

Net Earnings:
For the Quarter, the Company generated net earnings of $1.2 million or $0.12 per Share, compared to net earnings of less than $0.1 million or less than $0.01 per Share for the Prior Year Quarter.

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

- A $1.4 million decrease in the loss on the determination of the fair value on the Exchangeable Units from a loss of $2.9 million for the Prior Year Quarter, to a loss of $1.5 million during the Quarter;
- Increased royalty revenues as discussed above, net of associated increase in management fees;
- Reduced administration expenses, including bad debt expense; partly offset by
- An increase in the loss on the fair value of the purchase obligation from the revaluation of the estimated purchase price of Franchise Agreements, refer to further discussion under *Second Quarter and Year to Date Operating Results – Loss on fair value of purchase obligation*.

Dividends and distributions:
For the Quarter, the Company declared dividends of $0.32 per Restricted Voting Share, representing an annualized target dividend of $1.30 per Restricted Voting Share, an increase of $0.10 per Restricted Voting Share compared to the annualized target dividend for the Prior Year Quarter.

For the Quarter, interest on Exchangeable Units increased by $0.1 million compared to the Prior Year Quarter. This increase is consistent with the increase in dividends on the Restricted Voting Shares noted above.

VARIATION OF OPERATING RESULTS YEAR TO DATE COMPARED TO PRIOR YEAR PERIOD

Royalties:
From June 30, 2015 through June 30, 2016, the Company added 1,300 REALTORS® to the Company Network of REALTORS® through the addition of 1,178 REALTORS® from the acquisition of Franchise Agreements on July 1, 2015 and January 1, 2016 and 122 REALTORS® from recruiting growth. This REALTOR® growth coupled with continued growth experienced by the Canadian Market drove the $1.5 million increase in royalty revenues for the YTD compared to the Prior Year Period.

Net Earnings:
For the YTD, the Company generated net earnings of $2.1 million or $0.22 per Share, compared to net loss of $3.5 million or a loss of $0.37 per Share for the Prior Year Period.

The primary drivers for the increase to net earnings for the YTD compared to the net loss generated for the Prior Year Period were:

- A $5.7 million decrease in the loss on the determination of the fair value on the Exchangeable Units from a loss of $6.8 million for the Prior Year Period, to a loss of $1.1 million during the YTD;
- Increased royalty revenues as discussed above, net of associated increase in management fees;
- Reduced administration expenses, including bad debt expense; partly offset by
- An increase in the loss on the fair value of the purchase obligation from the revaluation of the estimated purchase price of Franchise Agreements, refer to further discussion under *Second Quarter and Year to Date Operating Results – Loss on fair value of purchase obligation*.

Dividends and distributions:
For the YTD, the Company declared dividends of $0.65 per Restricted Voting Share, representing an annualized target dividend of $1.30 per Restricted Voting Share, an increase of $0.10 per Restricted Voting Share compared to the annualized target dividend for the Prior Year Quarter.

For the YTD, interest on Exchangeable Units increased by $0.2 million compared to the Prior Year Period. This increase is consistent with the increase in dividends on the Restricted Voting Shares noted above.

Total Assets:
Total assets increased by $0.7 million since December 31, 2015 primarily as a result of the Company's acquisition of Franchise Agreements totaling $6.6 million on January 1, 2016 and an increase in accounts receivable of $0.8 million due to seasonality. These increases were partly offset by a $1.8 million reduction in cash (as a result of debt repayments in the first quarter of 2016) and amortization of intangible assets totaling $5.1 million.

Total Liabilities:
Total liabilities increased by $4.8 million since December 31, 2015. The main drivers of the increase are as follows:

- A net increase in Debt facilities of $4.0 million to reflect financing to acquire Franchise Agreements during the YTD and increase in the purchase obligation of $0.3 million representing the unpaid purchase price;
- An increase in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares (refer to further discussion under *Second Quarter and Year to Date Operating Results – Loss on fair value of Exchangeable Units)*; partly offset by
- A decrease in the Company's current income tax liability as a result of income tax installments paid in the YTD.

Key Performance Drivers
Key performance drivers of the Company's business include:

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

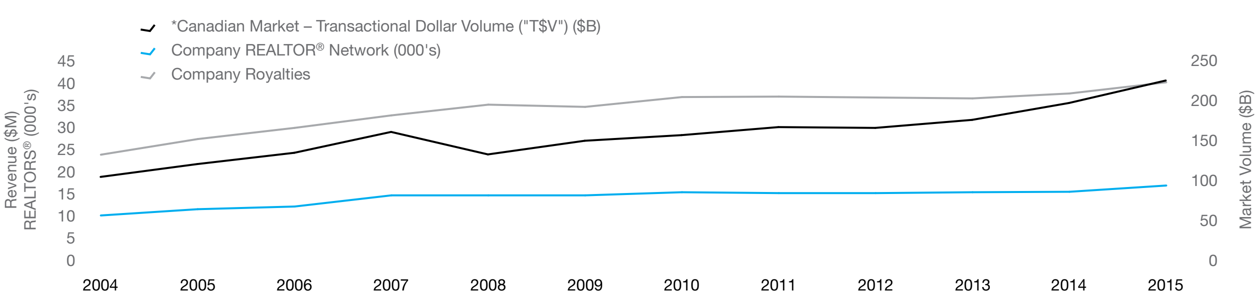
Stability of the Company's Royalty Stream
The stability of the Company's royalty stream is derived from a number of factors, including the fixed-fee structure of the Company's royalties, the ability to increase franchise fees under the terms of the Franchise Agreements, the geographic distribution of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

FIXED – FEE STRUCTURE
The Company estimates that approximately 72% of its royalties are fixed in nature. In addition to its fixed and other franchise fees, a substantial portion of the Company's variable franchise fees are effectively fixed in nature.

The amount of variable franchise fee paid by an individual REALTOR® can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices across Canada. However, variable franchise fees are subject to a cap of $1,325 ($1,300 prior to 2016). For those REALTORS® or Teams who reach the cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® or Team will not change based on changes in the Canadian Market.

The chart below compares the Company's royalties to the Canadian Market and the underlying number of REALTORS® in the Company Network.

ROYALTIES, MARKET AND REALTOR® TRENDS



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

INCREASE IN FEES

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

On February 11, 2015, the Company announced that the Royal LePage Network monthly fixed franchise fee of $102 per REALTOR® will be increased to $105 per REALTOR® and the maximum variable franchise fee payable based on 1% of each REALTOR®'s or Team's Gross Revenue will increase from $1,300 annually to $1,325.

The increase in royalty fees was implemented to 85% of the Royal LePage Network on January 1, 2016 and to the other 15% on January 1, 2017. The Company estimates this fee increase will result in approximately $0.6 million of incremental franchise fees when fully implemented.

GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at June 30, 2016, the Company Network of 17,405 REALTORS® operates through 284 Franchisees, contracted with 338 Broker-Owners, providing services across the country through 670 locations operating under 303 Franchise Agreements. Of the Company's Brokerages, approximately 69% operate with fewer than 50 REALTORS® and represent 16% of the Company Network. The Company's smallest Franchisees have one REALTOR® while the largest has almost 1,900 REALTORS®.

The Company Network of REALTORS® is geographically dispersed across Canada. As compared to the distribution of REALTORS® across Canada as at March 31, 2016, the Company Network is under-represented in British Columbia and Alberta. The Company has a relatively strong presence in Ontario (as a result of a historical base there) and Quebec (due in part to operating under two separate Brands).

As at June 30, 2016	Canadian[1] REALTOR® Population	Company REALTOR® Population
Ontario	56%	61%
British Columbia	18%	13%
Quebec	11%	13%
Alberta	9%	6%
Maritimes	3%	3%
Prairies	3%	4%
Total	100%	100%

[1] Source: CREA, as at March 31, 2016

FRANCHISE AGREEMENTS

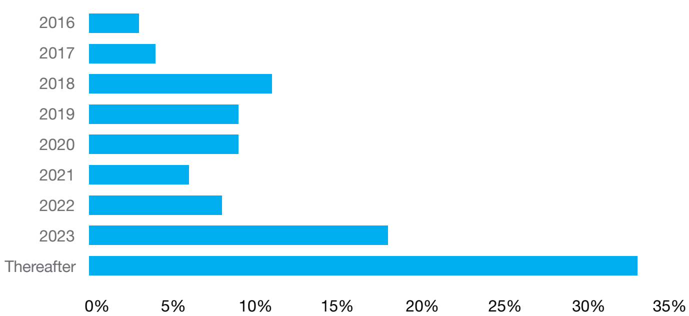
Franchise Agreements are contracts between the Company and Franchisees which govern matters such as use of the Trademarks, rights and obligations of Franchisees and the Company, renewal terms, services to be provided and franchise fees. Over the term of the Franchise Agreement, the Franchisee may undertake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

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

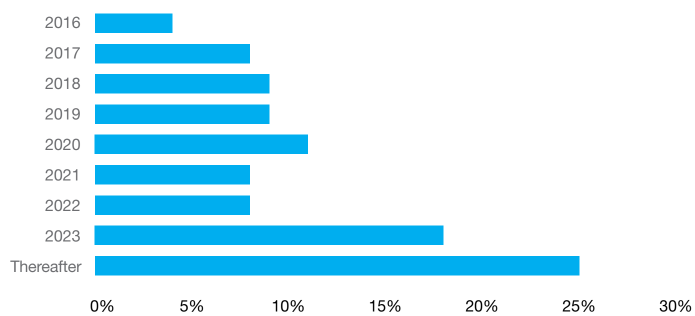
The Via Capitale Franchise Agreements, which are represented by 6% of the Company's REALTORS®, are typically five years in duration with standard renewal terms extending five years.

The Company's overall agreement renewal profile by year is not biased to any one year. A summary of the Company's agreement renewal profiles as at June 30, 2016 for the Company Network is shown below.

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



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



RENEWALS

The Company has historically enjoyed in excess of 95% renewal success of Franchise Agreements as they come due, expressed as a percentage of the underlying number of REALTORS® associated with these agreements. Due to the ongoing success of the Company's Franchisees, a number of opportunities, such as increasing Franchisee locations, present themselves to renew Franchise Agreements before they come due.

During the Quarter, three Franchise Agreements, representing 320 REALTORS® of the Company Network renewed, and five Franchise Agreements, representing 128 REALTORS® of the Company Network renewed early.

During the Quarter, three Franchise Agreements were terminated, of which two were as a result of Franchisees merging operations and one resulted in the loss of one REALTOR®.

For the YTD, six Franchise Agreements, representing 386 REALTORS® of the Company Network renewed, and seven Franchise Agreements, representing 180 REALTORS® of the Company Network renewed early.

For the YTD, eight Franchise Agreements were terminated, of which five were as a result of Franchisees merging operations and three resulted in the loss of 47 REALTORS®.

Number of REALTORS® in the Company Network

For the Quarter, the Company Network of 17,405 REALTORS® increased by 85 REALTORS®, compared to a net attrition of 101 REALTORS® during Prior Year Quarter.

For the YTD, the Company Network of 17,405 REALTORS® increased by 611 REALTORS®, compared to a net increase of 728 during the Prior Year Period. After taking into account the 459 REALTORS® (January 1, 2015 – 858 REALTORS®) added through the acquisition of Franchise Agreements on January 1, 2016, the Company experienced net recruitment growth of 152 REALTORS®, compared to net attrition of 130 REALTORS® for the Prior Year Period.

As at December 31,	2003 – 2009	2010	2011	2012	2013	2014	2015	2016[2]
Company Network								
Opening REALTOR® Count[1]	9,238	14,631	15,308	15,061	15,086	15,310	15,377	16,794
Acquisition	2,882	417	247	217	516	493	1,577	459
Net Recruiting Growth (Attrition)	2,511	260	(494)	(192)	(292)	(426)	(160)	152
Closing REALTOR® Count	14,631	15,308	15,061	15,086	15,310	15,377	16,794	17,405
% Change in the period	58%	5%	-2%	0%	1%	0%	9%	4%

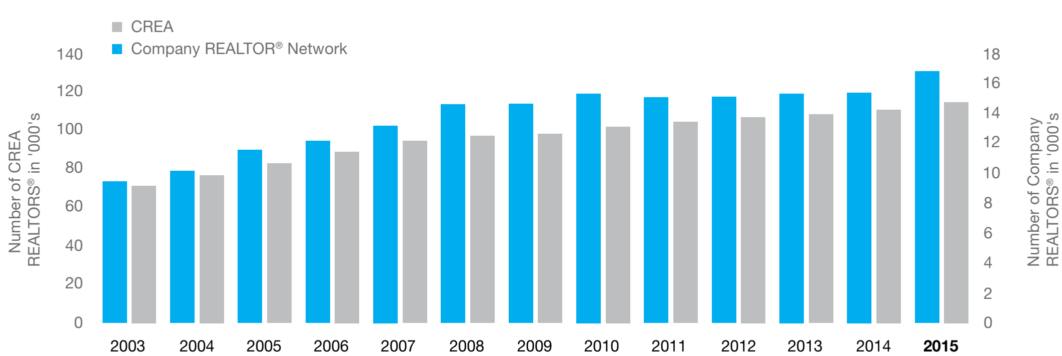
Canadian REALTOR® Population[3]	2003 – 2009	2010	2011	2012	2013	2014	2015	2016[5]
CREA REALTOR® Membership[4]	98,161	101,916	104,407	106,944	109,032	110,821	114,664	115,835
% Change in the period	38%	4%	2%	2%	2%	2%	3%	1%

[1] Opening Count as at August 2003
[2] As at June 30, 2016
[3] Source: CREA, Membership Data
[4] CREA Membership as of December 31, 2003: 71,267
[5] As at March 31, 2016, CREA Membership as of June 30, 2016 not available at the MDA date

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

CANADIAN REAL ESTATE REALTORS®

(Years ended December 31)

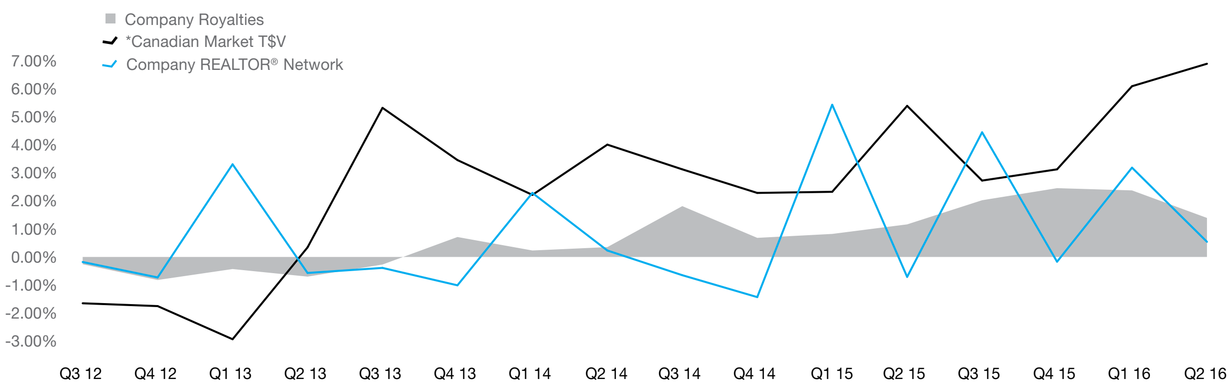


Management's Discussion and Analysis of Results and Financial Condition

Transactional Dollar Volumes

The chart below shows the quarter-over-quarter percentage change in transactional dollar volume in Canada as compared to the percentage change in the Company's royalty revenues and the percentage change in the number of REALTORS® on a rolling twelve-month basis since the second quarter of 2012. The number of REALTORS® in the Company Network increases when the Company purchases Franchise Agreements from the Manager. This generally occurs on January 1 of each year. In 2015, an additional purchase of Franchise Agreements was approved July 1. During those quarters where no Franchise Agreements are purchased, REALTOR® growth tends be more modest, and can sometimes be slightly negative, indicating periods of net attrition.

ROLLING TWELVE MONTH % CHANGE FROM PRIOR QUARTER



*Source: CREA

Transactional dollar volume of real estate in Canada has been growing since the second quarter of 2013 as real estate values and volumes have been strong, particularly in the major metropolitan centers of Toronto and Vancouver. Royalty revenues have also continued to grow, albeit at a slower rate than transactional dollar volumes of the Canadian Market, due in part to the fixed nature of the Company's royalty fees.

For the Quarter, the Canadian Market closed up 22%, at $90.6 billion, as compared to the Prior Year Quarter, driven by a 12% and 9% increase in price and units sold, respectively. The increase in average selling price of a home was buoyed by robust activity in the Greater Toronto and metropolitan Vancouver markets and the low interest rate environment.

For the twelve-month period ended June 30, 2016, the Canadian Market closed up 20%, at $254.2 billion, as compared to the twelve-month period ended June 30, 2015, driven by a 12% increase in price and 8% increase in units sold.

For the Quarter, the greater Toronto area ("GTA") market closed up 25%, at $28.0 billion, as compared to the Prior Year Quarter, driven by a 16% and 7% increase in price and units sold, respectively.

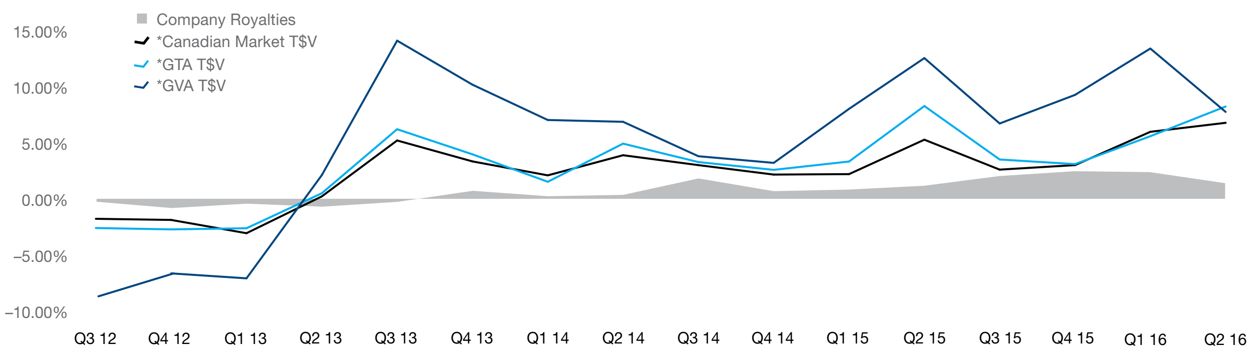
For the rolling twelve-month period ended June 30, 2016, the GTA market closed up 23%, at $72.5 billion, as compared to the rolling twelve-month period ended June 30, 2015, driven by a 13% increase in price and 9% increase in units sold.

For the Quarter, the greater Vancouver area ("GVA") market closed up 30%, at $15.2 billion, as compared to the Prior Year Quarter, driven by an 16% and an 11% increase in price and units sold, respectively.

For the rolling twelve-month period ended June 30, 2016, the GVA market closed up 43%, at $47.7 billion, as compared to the rolling twelve-month period ended June 30, 2015, driven by a 17% and 23% increase in price and units sold, respectively.

Management's Discussion and Analysis of Results and Financial Condition

ROLLING TWELVE-MONTH % CHANGE FROM PRIOR QUARTER



*Source: CREA

Company's Growth Opportunities

Growth in the Company's royalties is achieved through;

- increasing the number of REALTORS® in the Company Network through recruitment growth;
- acquiring Franchise Agreements from the Manager;
- increasing the productivity of REALTORS®;
- expanding the range of products and services supporting Franchisees and their REALTORS®; and
- increasing the adoption of these products and services.

GROWTH IN NUMBER OF REALTORS®

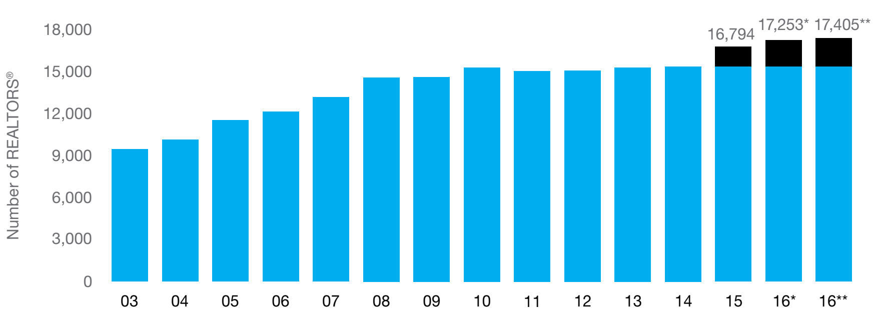
The Company strives to increase the number of REALTORS® in the Company Network through the continued momentum of converting competitive offerings to the Company's Brands and development of programs to increase REALTOR® growth. This is generally achieved through acquisition of Franchise Agreements from the Manager.

Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 88% (8,167 REALTORS®), of which 83% has been through acquisitions and 17% through growth. This represents a 5% CAGR in the Company Network. This compares favorably with the 4% growth in the number of REALTORS® across Canada over the same period.

On January 1, 2016, the Company purchased Franchise Agreements representing 33 real estate operations, serviced by an estimated 459 REALTORS® operating under the Royal LePage and Via Capitale Brands. The estimated purchase price of these agreements was $6.6 million, with an estimated annual royalty stream of $1.0 million.

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

COMPANY GROWTH



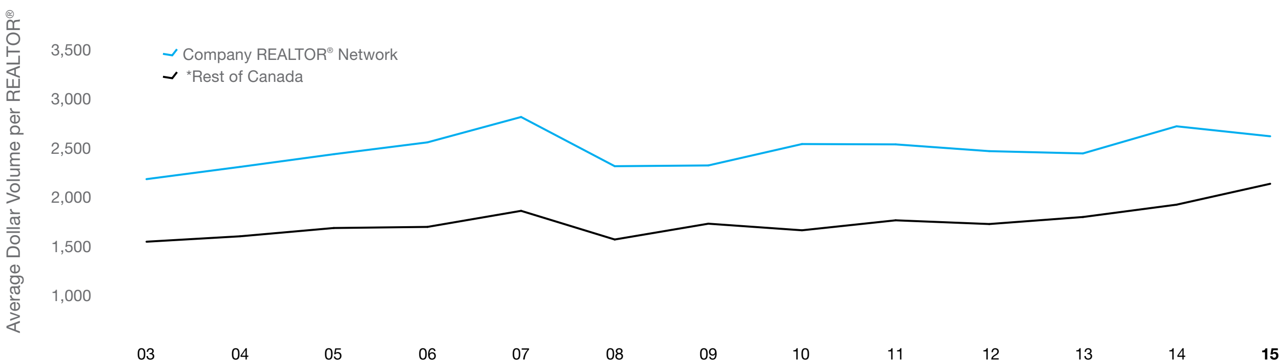
Year ended December 31, except 2016
* As at January 1, 2016
**As at June 30, 2016

REALTOR® Productivity

The average Company Network REALTOR® generated approximately $2.5 million in transactional dollar volume for the twelve months ended December 31, 2015, compared to an estimated $1.9 million in transactional dollar volume generated by an average Canadian REALTOR® outside the Company Network. Management believes that the higher productivity of the Company's Network of REALTORS® makes the Company less prone to a loss of REALTORS® during a period of reduced transactional dollar volume. The average transactional dollar volume per REALTOR® for the years ended December 31, 2003 through to 2015 is summarized in the chart on the below.

CANADIAN RESIDENTIAL REAL ESTATE MARKET REALTOR® PRODUCTIVITY

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



*Source: CREA

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

PRODUCTS AND SERVICES

The Manager, on behalf of the Company, invests in recruitment and retention programs to help Franchisees efficiently attract and retain the best talent in the real estate business. During the Quarter, the Manager launched a number of new marketing materials to help Franchisees with their recruiting efforts, including new email drip campaigns and an experienced REALTORS® transition presentation. In addition, two new Broker training and accountability programs were launched to support continuous improvement in recruiting and retention results.

The Manager also launched a new partnership with a leading luxury real estate services organization, which will provide the Royal LePage Network of REALTORS® and their luxury listings with international exposure on the world's leading luxury real estate portal.

The Manager continued its investment in meaningful technology, including the launch of travel time search functionality on the Royal LePage website. This feature allows consumers to calculate commute times as part of their considerations when deciding where to buy a home.

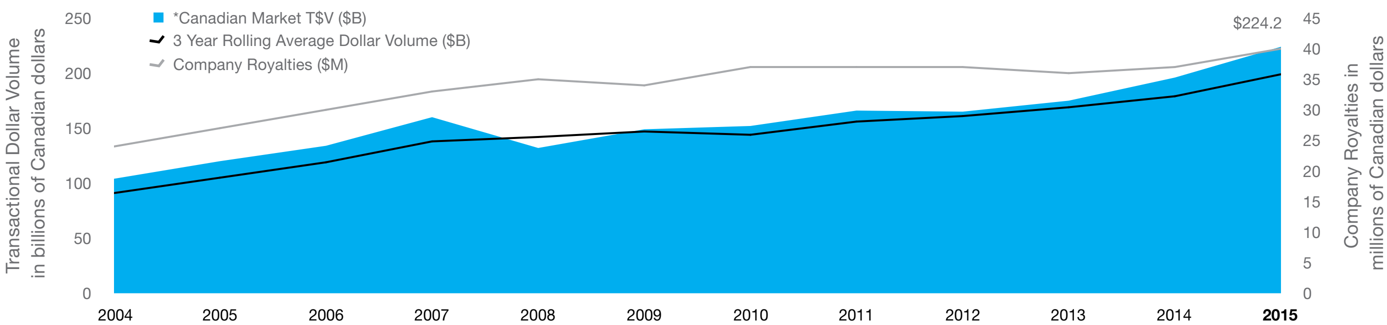
The Canadian Residential Real Estate Market

Since 2004, the Canadian Market has grown at a CAGR of 7% compared to our royalty revenues, which have grown at a rate of 5%.

Over the last three years the Canadian Market has grown at a much stronger pace with a CAGR of 13% driven by a 5% increase in units and an 8% increase in selling price. A low interest rate environment, government policies to encourage immigration and a reduction in listings over that three-year period has contributed to the more robust activity, despite government-mandated mortgage tightening rules and increased down payment requirements.

MARKET DOLLAR VOLUME – CANADIAN RESIDENTIAL REAL ESTATE MARKET

(2004–2015)

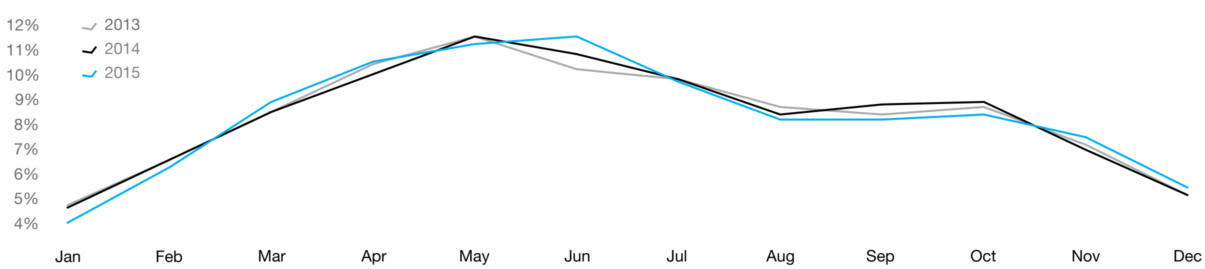


*Source: CREA

The Company's royalty revenues are affected by the seasonality of the Canadian Market, which typically sees stronger transaction dollar volumes in the second and third quarters of each year, as summarized in the chart below. The impact of the seasonality of the Canadian Market is somewhat mitigated by the fixed-fee nature of the Company's royalties, the acquisition of Franchise Agreements at the beginning of the year and in the latter part of the year by the Royal LePage REALTORS® and Teams who have capped with respect to variable franchise fees.

CANADIAN RESIDENTIAL REAL ESTATE MARKET

(*% Canadian Market T$V by month)



*Source: CREA

Management's Discussion and Analysis of Results and Financial Condition

Canadian Market Outlook

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

From CREA[1]: Canadian resale housing market trends that defined 2015 have intensified. National sales activity and average prices reached new heights in the first half of 2016 amid a growing supply shortage of single family homes in British Columbia and Ontario, particularly in B.C.'s Lower Mainland as well as in and around the Greater Toronto Area (GTA).

Price gains in these regions stand in contrast to declines in provinces where economic and housing market prospects are closely tied to the outlook for the oil patch and other natural resource industries. Elsewhere, home prices are growing modestly, such as in Ottawa or Montreal.

Activity should begin to rebalance away from B.C. and Ontario, as supply shortages put upward pressure on home prices and constrain transactions even as housing demand remains strong in these provinces and interest rates remain low. Accordingly, sales activity over the second half of the year is expected to ease in B.C., Ontario and on a national basis.

Sales in Alberta, Saskatchewan and Newfoundland & Labrador are expected to struggle to regain traction this year, resulting in continuing softness for home prices. In most other provinces, home sales activity and average prices should improve as their economies strengthen and interest rates remain low.

Nationally, sales activity is forecast to rise by 6.1% to 536,400 units in 2016. This would represent a new annual record, but remain below the peak reached in the 2007 after adjusting for population growth. British Columbia is forecast to post the largest annual increase in activity (+20.0%) this year, while Alberta is expected to record the largest annual decline in activity (-11.5%). Although housing demand remains strong among many housing markets in Ontario, a lack of supply is projected to constrain the increase in sales activity (+5.2%) this year.

From TREB[2]: The MLS® Home Price Index Composite Benchmark was up by 16% on a year-over-year basis. The average selling price for all home types combined was up by a slightly higher annual rate of 16.8% to $746,546. The single-detached, semi-detached and townhouse market segments led the way in terms of price growth.

From CMHC[3]: The trend measure of housing starts in Canada was 197,918 units in June compared to 190,302 in May, according to CMHC. The trend is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR) of housing starts.

Overall, June saw housing starts pick up pace in Canada, bolstered by apartment construction in Ontario – especially new condo construction in Toronto's downtown core. However, elsewhere in the country, construction activity slowed as apartment construction eased in Quebec. Housing starts are also trending down in Alberta as a result of high inventories in the new and existing home markets of that province.

The standalone monthly SAAR for all areas in Canada was 218,333 units in June, up from 186,709 units in May. The SAAR of urban starts increased by 18.1% in June to 202,702 units. Multiple urban starts increased by 26.7% to 142,819 units in June and the single-detached urban starts increased by 1.7% to 59,883 units.

[1] Source: CREA Updates Resale Housing Forecast, published June 15, 2016
[2] Source: TREB Market Watch, published July 6, 2016
[3] Source: CMHC News Release, published July 11, 2016

Management's Discussion and Analysis of Results and Financial Condition

In June, the seasonally adjusted annual rate of urban starts increased in British Columbia, Ontario, and in the Prairies, but decreased in Atlantic Canada, and Québec.

From the BoC[4]: The target for the overnight lending rate is maintained at 0.5%. Inflation in Canada is on track to return to 2% in 2017 as the complex adjustment underway in Canada's economy proceeds. The fundamentals remain in place for a pickup in growth over the projection horizon, albeit in a climate of heightened uncertainty.

Global GDP growth is projected to be 2.9% in 2016, 3.3% in 2017, and 3.5% in 2018. In particular, after a weak start to 2016 the US economy is showing signs of a rebound, with a healthy labour market and solid consumption growth.

In Canada, the quarterly pattern of growth has been uneven. Real GDP grew by 2.4% in the first quarter but is estimated to have contracted by 1% in the second quarter, pulled down by volatile trade flows, uneven consumer spending, and the Alberta wildfires. A pick-up to 3.5% is expected in the third quarter as oil production resumes and rebuilding begins in Fort McMurray. Consumer spending will also get a boost from the Canada Child Benefit.

Real GDP is expected to grow by 1.3% in 2016, 2.2% in 2017, and 2.1% in 2018. The Bank projects above-potential growth from the second half of 2016, lifted by rising US demand and supported by accommodative monetary and financial conditions. Federal infrastructure spending and other fiscal measures announced in the March budget will also contribute to growth. Despite recent volatility, the Bank expects the underlying trend of export growth to continue, leading to a pick-up in business investment. Higher global oil prices are helping to stabilize Canada's energy sector and household spending is expected to increase moderately.

COMPANY MARKET OUTLOOK

Canada's residential real estate market continued to show strong appreciation in the second quarter of 2016, most notably in GVA and GTA. Southern Ontario continued to see substantial year-over- year home price appreciation, with robust sales activity and healthy price growth in both Toronto proper and in the region's other urban centres, with no near-term signs of slowing down. Vancouver, Canada's most expensive market is also experiencing the strongest home price appreciation in the nation.

A couple of regions have provided pleasant surprises this quarter, including oil-impacted areas where home values have been remarkably resilient, and in Quebec, where the broad-based recovery story continues, with Montreal homes experiencing healthy price increases for another consecutive quarter. Looking forward amid continued world economic uncertainty, the historically low interest rate environment that has fueled Canada's real estate market growth in recent years is expected to continue longer than previously anticipated. This extended period of low-cost borrowing will in turn further delay the cyclical cooling of Canada's hottest real estate markets, originally forecasted for the second half of 2016.

[4] Source: BoC press release published July 13, 2016

Second Quarter and Year to Date Operating Results

(Unaudited) (in 000's) except per Share amounts and number of REALTORS®;	**Three months ended June 30, 2016**	Three months ended June 30, 2015	**Six months ended June 30, 2016**	Six months ended June 30, 2015
Royalties				
Fixed franchise fees	**$ 5,440**	$ 5,025	**$ 10,825**	$ 9,956
Variable franchise fees	**2,912**	2,716	**5,075**	4,475
Premium franchise fees	**1,463**	1,362	**2,306**	2,191
Other revenue	**1,054**	1,198	**2,060**	2,133
	10,869	10,301	**20,266**	18,755
Less:				
Administration	**203**	334	**498**	686
Management fee	**2,003**	1,876	**3,690**	3,380
Interest expense	**653**	589	**1,318**	1,169
	2,859	2,799	**5,506**	5,235
Cash Flow from Operations	**8,010**	7,502	**14,760**	13,520
Impairment of intangible assets	**(34)**	(169)	**(34)**	(215)
Amortization of intangible assets	**(2,505)**	(2,401)	**(5,110)**	(4,866)
Interest on Exchangeable Units	**(1,427)**	(1,336)	**(2,855)**	(2,654)
Loss on fair value of Exchangeable Units	**(1,531)**	(2,928)	**(1,065)**	(6,755)
Gain / (loss) on interest rate swap	**136**	280	**24**	(1,281)
Gain / (loss) on fair value of purchase obligation	**(248)**	319	**(1,712)**	302
Earnings / (loss) before income taxes	**2,401**	1,267	**4,008**	(1,949)
Current income tax expense	**1,270**	1,130	**2,306**	2,024
Deferred income tax expense / (recovery)	**(31)**	97	**(402)**	(487)
Net and comprehensive earnings / (loss)	**$ 1,162**	$ 40	**$ 2,104**	$ (3,486)
Basic earnings / (loss) per Restricted Voting Share	**$ 0.12**	$ 0.00	**$ 0.22**	$ (0.37)
Diluted earnings / (loss) per Share	**$ 0.12**	$ 0.00	**$ 0.22**	$ (0.37)
Number of REALTORS®	**17,405**	16,105	**17,405**	16,105

SECOND QUARTER OPERATING RESULTS

During the Quarter, the Company generated net earnings of $1.2 million and CFFO of $8.0 million, as compared to net earnings of less than $0.1 million and CFFO of $7.5 million for the Prior Year Quarter.

Royalties for the Quarter totaled $10.9 million, compared to $10.3 million for the Prior Year Quarter. Fixed, variable and Premium Franchise Fees together represented 90% of royalties for the Quarter (Prior Year Quarter – 88%). Royalties increased due primarily to the larger REALTOR® base and continued strong Canadian Market, particularly in Toronto and Vancouver.

Fixed franchise fees for the Quarter increased by 8% as compared to the Prior Year Quarter, due to the increase in the REALTOR® base driven primarily by the acquisition of Franchise Agreements on July 1, 2015 and January 1, 2016 representing 719 and 459 REALTORS®, respectively, and net recruitment growth of 85 REALTORS® for the Quarter.

Variable franchise fees for the Quarter increased by 7%, which relates to the increase in the REALTOR® base and an increase in transaction dollar value of the Canadian Market driven by the continued strong Toronto and Vancouver markets.

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% compared to Prior Year Quarter.

Other fees and services include home warranty fees, technology fees and other fees, which accounted for approximately 10% (Prior Year Quarter – 12%) of total royalties for the Quarter. Other fees decreased 12% in the Quarter as compared to the Prior Year Quarter due to lower margin earned on warranty programs offered by Via Capitale Network partly offset by higher technology fees earned from Franchise Agreements acquired on July 1, 2015 and January 1, 2016.

Administration expenses of $0.2 million for the Quarter were lower than for the Prior Year Quarter primarily due to lower bad debt expense.

Management fee expense of $2.0 million for the Quarter, calculated in accordance with the MSA, increased 7% in the Quarter as compared to the Prior Year Quarter, due to the increase in royalties.

Interest expense increased by less than $0.1 million as compared to the same period in 2015 as a result of the increase in total borrowings to finance the purchase of Franchise Agreements under the terms of the MSA. The Company's debt facilities are more fully described under *Debt Facilities*.

Amortization of Intangible Assets for the Quarter totaled $2.5 million, an increase of 4% compared to the Prior Year Quarter as a result of the amortization expense related to Franchise Agreements acquired on July 1, 2015 and January 1, 2016.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. For the Quarter, total distributions amounted to $0.43 per Exchangeable Unit compared to $0.40 per Exchangeable Unit for the Prior Year Quarter. The interest paid to Exchangeable Unitholders was higher in the Quarter as a result of the Board approving two increases to the distribution per Exchangeable Unit in 2015, which is calculated in reference to the two dividend increases per Restricted Voting Share approved by the Board in 2015.

Loss on fair value of Exchangeable Units represents the change in fair value during the Quarter of the Exchangeable Units. The Exchangeable Units are valued based on a $14.52 price for the Company's Restricted Voting Shares at the beginning of the Quarter compared to $14.98 at June 30, 2016 resulting in a loss of $1.5 million as a result of the increase in obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Quarter, the change in fair value of Exchangeable Units were valued based on a $14.15 price for the Company's Restricted Voting Shares at the beginning of the Prior Year Quarter compared to $15.03 at June 30, 2015, resulting in a loss of $2.9 million.

Gain on Interest Rate Swap of $0.1 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%.

Loss on purchase obligation increased by $0.2 million as a result of an increase in the estimated cash flows from Franchise Agreements purchased on July 1, 2015 and January 1, 2016. The increase in the estimated cash flows results in a higher value ascribed to Franchise Agreements purchased. The purchase obligation will be paid on or about October 31, 2016, the determination date of the final purchase price of such purchased Franchise Agreements.

Income Tax Expense The effective income tax rate paid by the Company for the Quarter was 51.62% (Prior Year Quarter – 96.80%). The Company's effective income tax rate in the interim condensed consolidated statement of net and comprehensive earnings (loss) is significantly different than the Company's enacted income tax rate of 26.5% (2015 – 26.5%). The difference in the effective income tax rate is driven by a number of items that are included in the determination of net earnings but excluded from the determination of taxable income. Items deducted in determining net earnings that are not deductible in determining taxable income include, among other things, interest on Exchangeable Units and fair valuation adjustments on Exchangeable Units.

YEAR TO DATE OPERATING RESULTS

For the YTD, the Company generated net earnings of $2.1 million and CFFO of $14.8 million, as compared to net loss of $3.5 million and CFFO of $13.5 million for the Prior Year Period.

Royalties for the YTD totaled $20.3 million, compared to $18.8 million for the Prior Year Period. Fixed, variable and Premium Franchise Fees together represented 90% of royalties YTD (Prior Year Period – 89%). Royalties increased due primarily to the larger REALTOR® base and continued strong Canadian Market, particularly in Toronto and Vancouver.

Fixed franchise fees for the YTD increased by 9% as compared to the Prior Year Period, due to the increase in the REALTOR® base driven primarily by the acquisition of Franchise Agreements on July 1, 2015 and January 1, 2016 representing 719 and 459 REALTORS®, respectively, and net recruitment growth of 122 REALTORS® since June 30, 2015.

Variable franchise fees for the YTD increased by 13%, which relates to the increase in the REALTOR® base and an increase in transaction dollar value of the Canadian Market driven by the continued strong Toronto and Vancouver markets.

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 YTD have increased by 5% compared to Prior Year Period.

Other fees and services include home warranty fees, technology fees and other fees, which accounted for approximately 10% of total royalties for the YTD (Prior Year Period – 11%). Other fees decreased 3% YTD as compared to the Prior Year Period due to lower margin earned on warranty programs offered by Via Capitale Network partly offset by higher technology fees earned from Franchise Agreements acquired on July 1, 2015 and January 1, 2016.

Administration expenses of $0.5 million for the YTD were lower than for the Prior Year Period primarily due to lower bad debt expense.

Management fee expense of $3.7 million for the YTD, calculated in accordance with the MSA, increased 9% YTD as compared to the Prior Year Period, due primarily to the increase in royalties and lower bad debt expense.

Interest expense increased by $0.2 million as compared to the same period in 2015 as a result of the increase in total borrowings to finance the purchase of Franchise Agreements under the terms of the MSA. The Company's debt facilities are more fully described under *Debt Facilities*.

Amortization of Intangible Assets for the YTD totaled $5.1 million, an increase of 5% compared to the Prior Year Period as a result of Franchise Agreements acquired on July 1, 2015 and January 1, 2016 being amortized.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. For the YTD, total distributions amounted to $0.86 per Exchangeable Unit compared to $0.79 per Exchangeable Unit for the Prior Year Period. The interest paid to Exchangeable Unitholders was higher YTD as a result of the Board approving two increase to the distribution per Exchangeable Unit in 2015, which is calculated in reference to the two dividend increases per Restricted Voting Share approved by the Board in 2015.

Loss on fair value of Exchangeable Units represents the change in fair value YTD of the Exchangeable Units. The Exchangeable Units are valued based on a $14.66 price for the Company's Restricted Voting Shares at the beginning of the year compared to $14.98 at June 30, 2016 resulting in a loss of $1.1 million as a result of the increase in obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Period, the change in fair value of Exchangeable Units were valued based on a $13.00 price for the Company's Restricted Voting Shares at the beginning of the Prior Year Period compared to $15.03 at June 30, 2015, resulting in a loss of $6.8 million.

Gain on Interest Rate Swap of less than $0.1 million YTD 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%.

Loss on purchase obligation increased by $1.7 million as a result of an increase in the estimated cash flows from Franchise Agreements purchase on July 1, 2015 and January 1, 2016. The increase in the estimated cash flows results in a higher value ascribed to Franchise Agreements purchased. The purchase obligation will be paid on or about October 31, 2016, the determination date of the final purchase price of such purchased Franchise Agreements.

Income Tax Expense The effective income tax rate paid by the Company for the YTD was 47.51% (Prior Year Period – negative 78.84%). The Company's effective income tax rate in the interim condensed consolidated statement of net and comprehensive earnings (loss) is significantly different than the Company's enacted income tax rate of 26.5% (2015 – 26.5%). The difference in the effective income tax rate is driven by a number of items that are included in the determination of net earnings (loss) but excluded from the determination of taxable income. Items deducted in determining net earnings (loss) that are not deductible in determining taxable income include, among other things, interest on Exchangeable Units and fair valuation adjustments on Exchangeable Units.

Summary of Quarterly Results and Cash Flow from Operations

(Unaudited) For three months ended,	2016		2015				2014	
(in 000's) except per Share amounts and number of REALTORS®;	**June 30**	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30
Royalties								
Fixed franchise fees	**$ 5,440**	$ 5,385	$ 5,311	$ 5,109	$ 5,025	$ 4,931	$ 4,814	$ 4,813
Variable franchise fees	**2,912**	2,163	1,606	3,115	2,716	1,759	1,457	2,793
Premium franchise fees	**1,463**	843	1,431	2,270	1,362	829	1,364	2,153
Other revenue	**1,054**	1,006	1,191	1,071	1,198	935	949	1,036
	10,869	9,397	9,539	11,565	10,301	8,454	8,584	10,795
Less:								
Administration	**203**	295	252	348	334	352	339	602
Management fee	**2,003**	1,687	1,734	2,115	1,876	1,504	1,431	1,883
Interest expense	**653**	665	619	640	589	580	1,089	777
Cash Flow from Operations	**8,010**	6,750	6,934	8,462	7,502	6,018	5,725	7,533
Impairment of intangible assets	**(34)**	–	(697)	(135)	(169)	(46)	(1,096)	(538)
Amortization of intangible assets	**(2,505)**	(2,605)	(2,502)	(2,524)	(2,401)	(2,465)	(2,510)	(2,633)
Interest on Exchangeable Units	**(1,427)**	(1,428)	(1,408)	(1,372)	(1,336)	(1,318)	(1,318)	(1,318)
Gain / (loss) on fair value of Exchangeable Units	**(1,531)**	466	(4,027)	5,258	(2,928)	(3,827)	2,928	399
Gain / (loss) on interest rate swap	**136**	(112)	84	(257)	280	(1,561)	(482)	–
Gain / (loss) on fair value of purchase obligation	**(248)**	(1,464)	(454)	(481)	319	(17)	(260)	(218)
Earnings (loss) before income taxes	**2,401**	1,607	(2,070)	8,951	1,267	(3,216)	2,987	3,225
Current income tax expense	**1,270**	1,036	1,136	1,309	1,130	894	836	1,198
Deferred income tax expense / (recovery)	**(31)**	(371)	(205)	(169)	97	(584)	(298)	(190)
Net and comprehensive earnings (loss)	**$ 1,162**	$ 942	$ (3,001)	$ 7,811	$ 40	$ (3,526)	$ 2,449	$ 2,217
Basic earnings / (loss) per Restricted Voting Share	**$ 0.12**	$ 0.10	$ (0.32)	$ 0.82	$ –	$ (0.37)	$ 0.26	$ 0.23
Diluted earnings / (loss) per Share	**$ 0.12**	$ 0.10	$ (0.32)	$ 0.31	$ –	$ (0.37)	$ 0.26	$ 0.23
Cash Flow from Operations per Share	**$ 0.63**	$ 0.53	$ 0.54	$ 0.66	$ 0.59	$ 0.47	$ 0.45	$ 0.59
Number of REALTORS®	**17,405**	17,320	16,794	16,826	16,105	16,206	15,377	15,593

For the 12 months ended June 30, 2016, the Company generated CFFO of $2.35 per Share, as compared to $2.09 CFFO generated for the 12 months ended June 30, 2015. 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

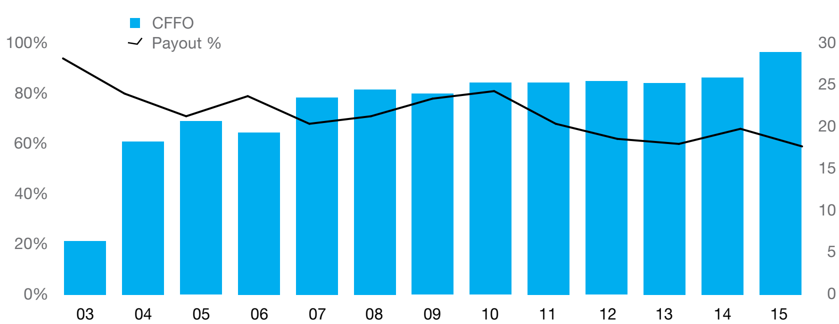
(Unaudited) For twelve months ended,	2016		2015				2014	
(in 000's) except per Share amounts	**June 30**	Mar. 31	Dec. 31	Sept 30	June 30	Mar. 31	Dec. 31	Sept. 30
Royalties	**$ 41,370**	$ 40,802	$ 39,859	$ 38,904	$ 38,134	$ 37,698	$ 37,392	$ 37,140
Less:								
Administration	**1,098**	1,229	1,286	1,373	1,627	1,724	1,626	1,327
Management fee	**7,539**	7,412	7,229	6,926	6,694	6,548	6,469	6,624
Interest expense	**2,577**	2,513	2,428	2,898	3,035	3,228	3,419	3,080
	30,156	29,648	28,916	27,707	26,778	26,198	25,878	26,109
Cash Flow from Operations per Share	**$ 2.35**	$ 2.31	$ 2.26	$ 2.16	$ 2.09	$ 2.04	$ 2.02	$ 2.04

The Company's operations have generated significant cash flows with $307.1 million of CFFO generated since inception, of which $214.6 million has been distributed to shareholders and Exchangeable Unitholders. Of the remaining $92.5 million retained by the Company, $78.6 million has been invested in Franchise Agreements, $4.1 million was used to purchase shares of the Company in 2008 and 2009 and the balance was used to pay income taxes and fund net working capital requirements.

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

CASH FLOW FROM OPERATIONS

(Years ended December 31, in $ millions)



The table below presents a reconciliation of cash flow from operating activities, as presented in the interim condensed consolidated statements of cash flows, to cash flows from operations, a measure used by the management of the Company to assess performance.

CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO CASH FLOW FROM OPERATIONS

(Unaudited) (in 000's)	**Three months ended June 30, 2016**	Three months ended June 30, 2015	**Six months ended June 30, 2016**	Six months ended June 30, 2015
Cash flow from operating activities	**$ 5,005**	$ 3,698	**$ 8,339**	$ 7,841
Add (deduct):				
Interest on Exchangeable Units	**1,427**	1,336	**2,855**	2,654
Income taxes paid	**1,265**	1,938	**2,874**	2,246
Changes in non-cash working capital items	**332**	558	**721**	820
Interest expense	**(2,023)**	(1,888)	**(4,055)**	(3,743)
Interest paid	**2,004**	1,860	**4,026**	3,702
CFFO	**$ 8,010**	$ 7,502	**$ 14,760**	$ 13,520

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 shareholders of Restricted Voting Shares and Exchangeable Unitholders, and to meet cash tax payments. Investors are cautioned, however, that CFFO should not be interpreted as an alternative to using net earnings (as a measure of profitability) or cash provided by operating activities (as a measure for cash flows) to evaluate the Company's financial performance.

The Company has paid out, in the past, and could pay out, in any given period, 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 and other non-cash charges to net earnings. Management does not view the payment of cash in excess of net income as an economic return of capital as these intangible assets and other non-cash charges are not expected to require a further cash outlay in the future. The value of intangible assets is dependent upon the Company's ability to retain and renew the underlying Franchise Agreements and to ensure the ongoing integrity of the Trademarks. The Company has 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, 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

As at June 30, 2016 the Company's $78.0 million financing is comprised of the following three arrangements, maturing February 17, 2020.

- A $53.0 million term facility (the "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 (the "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, 2016 the Company is compliant with these covenants.

Liquidity

Cash Flow from Operations is the largest source of liquidity for the Company. CFFO is derived substantially from royalties received under Franchise Agreements. Given that Franchisees are contractually obligated to pay royalties for up to ten years under the Franchise Agreements and given the high degree of success the Company has had in renewing its Franchise Agreements in the past when they come due, the Company believes that the existing portfolio of Franchise Agreements, will generate sufficient cash flow, along with its non-cash working capital and capital resources, for the Company to meet its operating commitments.

The Company's ability to grow its Cash Flow from Operations is dependent upon the ability of the Manager to increase the size of the Network, which it can do by, a) supporting Franchisees in their efforts to recruit REALTORS® to their Brokerages, b) assisting Franchisees to acquire Brokerages from outside the Network and, c) entering into new Franchise Agreements which can then be purchased by the Company under the terms of the MSA. Under the terms of the MSA the Company purchases new Franchise Agreements subject to a) the Franchise Agreements meeting specific criteria as outlined in the MSA, and b) the Company having sufficient liquidity to complete any purchase of Franchise Agreements. The Company has entered into the Acquisition Facility specifically to provide capital resources to purchase Franchise Agreements from the Manager. The Company meets regularly with the Manager during the year to determine the Manager's progress in entering into new Franchise Agreements.

For the YTD, the Company funded the purchase of Franchise Agreements through $6.0 million in borrowings under its available debt facilities. The Company generated sufficient CFFO during the six months ended June 30, 2016 (after payment of dividends, interest on Exchangeable Units and its operating obligations) to pay $2.0 million of those borrowings and to pay $2.7 million to settle the purchase obligation outstanding for the Franchise Agreements acquired on January 1, 2015 under the Royal LePage and Via Capitale Brands and Franchise Agreements acquired on January 1, 2013 under the Via Capitale brand that are subject to a three-year purchase price determination period. The Company anticipates using its debt facilities to fund the purchase of Franchise Agreements in the future with repayments of any borrowings to be funded through CFFO.

WORKING CAPITAL

Changes in the Company's net working capital are primarily driven by Cash Flow 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.

Overall non-cash working capital increased by $2.8 million from negative non-cash working capital of $5.6 million as at March 31, 2016 to negative non-cash working capital of $2.8 million as at June 30, 2016. The increase in non-cash working capital resulted primarily from:

- A $2.5 million decrease in the current portion of the purchase obligation, driven by the $2.7 million repayment of outstanding purchase obligation for Franchise Agreements purchased on January 1, 2015 and January 1, 2013, partly offset by $0.2 million increase in amounts owing for the purchase of Franchise Agreements on July 1, 2015 and January 1, 2016, for which the Company has not yet fully paid; and
- A $0.3 million increase in accounts receivable as a result of higher revenues earned from the increase in REALTORS® in the Company Network.

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

(Unaudited) (in 000's) As at	**June 30, 2016**	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	Change in quarter	Change from prior year same period
Current assets										
Accounts receivable and current portion of notes receivable	**$ 4,773**	$ 4,521	$ 4,043	$ 5,011	$ 5,903	$ 5,345	$ 5,034	$ 5,371	$ 252	$ (1,130)
Prepaid expenses	**167**	172	202	126	164	179	119	142	(5)	3
	$ 4,940	$ 4,693	$ 4,245	$ 5,137	$ 6,067	$ 5,524	$ 5,153	$ 5,513	$ 247	$ (1,127)
Current liabilities										
Accounts payable and accrued liabilities	**$ 1,112**	$ 1,203	$ 1,181	$ 1,240	$ 1,213	$ 1,231	$ 1,100	$ 1,120	$ (91)	$ (101)
Debt facilities	**–**	–	–	–	–	–	–	52,925	–	–
Current portion of Purchase obligation	**5,098**	7,571	2,824	2,371	1,887	4,404	2,150	1,882	(2,473)	3,211
Current income tax liability	**72**	67	640	474	86	894	308	375	5	(14)
Interest payable to Exchangeable Unitholders	**476**	476	476	441	441	423	423	423	–	35
Dividends payable to Restricted Voting shareholders	**1,027**	1,027	1,027	988	988	948	948	948	–	39
	7,785	10,344	6,148	5,514	4,615	7,900	4,929	57,673	(2,559)	3,170
Net working capital	**$ (2,845)**	$ (5,651)	$ (1,903)	$ (377)	$ 1,452	$ (2,376)	$ 224	$ (52,160)	$ 2,806	$ (4,297)

Capital Resources

A summary of capital resources available to the Company as at June 30, 2016 and December 31, 2015 is presented below.

(Unaudited) (in 000's) As at		June 30, 2016		December 31, 2015
Cash	**$**	**3,810**	$	5,645
Term Facility		**–**		–
Acquisition Facility		**4,100**		8,100
Operating Facility		**5,000**		5,000
Net borrowing capacity	**$**	**9,100**	$	13,100
Capital resources	**$**	**12,910**	$	18,745

As at June 30, 2016, $15.9 million of the Acquisition Facility has been drawn by the Company, leaving $9.1 million available under the debt facilities. This represents a decrease of $4.0 million in net borrowing capacity as a result of the Company borrowing $6.0 million on the Acquisition Facility on January 1, 2016 to fund the acquisition of certain Franchise Agreements from the Manager and repayment of $2.0 million on March 29, 2016.

In addition to the capital resources included in the table above, the Company generates substantial CFFO which can be used to fund dividend payments and interest on Exchangeable Units as well as the acquisition of Franchise Agreements and repayment of purchase obligation on Franchise Agreements.

Commitments

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

(Unaudited) (in 000's)		2016		2017		2018		2019		Beyond 2019		Total
Accounts payable and accrued liabilities	$	1,112	$	–	$	–	$	–	$	–	$	1,112
Purchase obligation		5,098		–		–		–		–		5,098
Interest payable to Exchangeable Unitholders		476		–		–		–		–		476
Dividends payable to Restricted Voting shareholders		1,027		–		–		–		–		1,027
Interest on Debt facilities		1,154		2,308		2,308		2,308		385		8,463
Term facility		–		–		–		–		53,000		53,000
Acquisition facility		–		–		–		–		15,900		15,900
Exchangeable Units		–		–		–		–		49,849		49,849
Total	$	8,867	$	2,308	$	2,308	$	2,308	$	119,134	$	134,925

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 BBP, primarily through its ownership of the Exchangeable Units of the Partnership and Restricted Voting Shares. The Exchangeable Units were issued by the Company at its inception to affiliates of BBP as consideration for certain assets purchased from those affiliates. These assets included the Trademarks and Franchise Agreements related to the business of its Royal LePage residential real estate Brokerage Franchise operations.

The Manager operates 24 corporately owned Royal LePage residential Brokerage locations. These locations are serviced by 1,889 REALTORS® with 1,283 REALTORS® operating out of 14 locations situated in the GTA Market and 606 REALTORS® operating from 10 locations situated in the GVA market. All of these Franchise Agreements associated with the Brokerages have been purchased by the Company.

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 up for renewal between 2023-2024. Included in the GTA based Franchise Agreement is an obligation to pay Premium Franchise Fees ranging from 1% to 5% for 11 of the 14 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 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, the Manager provides certain management, administrative and support services to the Company and its subsidiaries and in return is paid a monthly fee equal to 20 percent of the distributable cash flow of the Company. The Manager can earn an additional fee for net organic recruitment growth, which closely aligns the Manager and the Company's goals with growing the underlying Network of REALTORS®. The MSA also provides the Manager with the ability to sell other branded Canadian Franchises that it may acquire to the Company, based on a pre-determined formula.

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

On January 1 of each year, (or such other time as the Board may deem appropriate), the Company may, subject to approval by the Board and meeting certain criteria detailed in the MSA, purchase Royal LePage and Via Capitale Franchise Agreements entered into 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, 2016 the Company acquired 33 Franchise Agreements for $6.6 million comprising 459 REALTORS® generating approximately $1.0 million in annual royalties. A payment of $6.0 million, approximating 80% of the estimated purchase price and applicable taxes was paid on January 8, 2016 through a draw on the Company's Acquisition Facility. The remaining obligation is to be paid in 2016 when the final purchase price is determined in accordance with the MSA.

On July 1, 2015, the Company acquired 12 Franchise Agreements for $9.8 million comprising 719 REALTORS® generating approximately $1.4 million in annual royalties. A payment of $8.8 million, approximating 80% of the estimated purchase and applicable taxes was paid on July 3, 2015 through a draw on the Company's Acquisition Facility. The remaining obligation is to be paid in 2016 when the final purchase price is determined in accordance with the MSA.

On January 1, 2015, the Company acquired 40 Franchise Agreements for $10.2 million comprising 848 REALTORS® generating approximately $1.5 million in annual royalties. A payment of $9.2 million, approximating 80% of the estimated purchase price and applicable taxes was paid on January 2, 2015 using cash on hand and a drawdown of $8.0 million on the Company's then $10.0 million Acquisition Facility. The remaining obligation of $2.5 million, based on the final price determined in accordance with the MSA, was paid during the Quarter using cash on hand.

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 $0.5 million in the YTD include costs related to the Company's public reporting, directors fees, bad debt expense and regulatory and insurance costs.

The Company's intangible assets are regularly monitored for indications of impairment in the carrying value of these assets.

The preparation of financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the Company's interim condensed consolidated financial statements require the determination of future cash flows utilized in assessing the fair value and related 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 prepared in a manner consistent with prior periods, and management is not aware of any trends, commitments, events or uncertainties that will materially affect the methodology or assumptions utilized in these interim condensed consolidated financial statements. The estimates are impacted by, among other things, movements in interest rates, which are highly uncertain. The interrelated nature of these factors prevents management from quantifying the overall impact of these movements on the Company's interim condensed consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

Accounting for Franchise Agreements

The critical judgment 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 has 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 purchase obligation in connection with the purchase of Franchise Agreements. The Company has determined that the purchase obligation is an embedded derivative instrument in a non-financial host contract, whereby the value changes in response to changes in the estimated royalty expected to be earned under the Franchise Agreement and the actual royalty earned during the determination period. The Company records any change in the fair value of this financial liability in the interim condensed consolidated statement of net and comprehensive earnings (loss).

Impairment of Intangible Assets

Under IAS 36, Impairment of Assets, the Company ensures that the carrying value of intangible assets are not more than their recoverable amount (i.e. the higher of; a) fair value less costs of disposal, and b) value-in-use). The Company regularly reviews intangible assets to determine whether indicators of impairment exist on individual Franchise Agreements and Trademarks. When reviewing indicators of impairment for Franchise Agreements, the Company considers certain factors including, royalties earned, term to maturity, historical REALTOR® count, collectability of receivables from the Brokerage and underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges if the carrying amount of a Franchise Agreement exceeds its recoverable amount or when the recovery of the carrying amount is no longer reasonably assured.

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 of Restricted Voting Shares, debt facilities, Interest Rate Swap liability and Exchangeable Unit liability.

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

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 or Banker Acceptance interest rates. As at June 30, 2016 the Company has drawn $15.9 million on the Acquisition Facility, and nil on the Operating Facility.

Disclosure Controls and Internal Controls over Financial Reporting

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

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

The evaluation of the effectiveness of DC&P, as defined in National Instrument 52-109 *Certification of Disclosures in Issuers' Annual and Interim Filings*, was performed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. They conclude that these DC&P were adequate and effective as at June 30, 2016. 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 was evaluated as defined in National Instrument 52-109 under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. Based on the evaluations, they conclude that ICFR is adequate and effective to provide such assurance as at June 30, 2016. The design of ICFR is undertaken in accordance with the 1992 COSO framework.

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, 2016 the Company has issued 9,483,850 Restricted Voting Shares, no preferred shares and one Special Voting Share.

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

Risk Factors

Risks related to the residential real estate Brokerage industry and the business of the Company are outlined in the Company's Annual Information Form, which is available at www.sedar.com and on the Company's website at www.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(s)", "further", "growth", "will", "forecast", "objective", "continue", "determine", "ongoing", "foreseeable", "maintain", "seeks", "strive", "momentum", "expects", "anticipates", "increase", "near-term", "signs", "experiencing", "uncertainty", "extended" 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 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 shareholders of Restricted Voting Shares and interest to Exchangeable Unitholders, ability to renew and/or extend Franchise Agreements, the ability to maintain brand equity through the use of Trademarks, the methods used by shareholders or analysts to evaluate the value of the Company and its publicly traded securities, the availability of equity and debt financing, 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 Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Supplemental Information – Distributions/Dividend History

(per Restricted Voting Share*)

Month Declared	2009	2010	2011	2012	2013	2014	2015	**2016**
January	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	**$ 0.1083**
February	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	**$ 0.1083**
March	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	**$ 0.1083**
April	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	**$ 0.1083**
May	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	**$ 0.1083**
June	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	**$ 0.1083**
July	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	
August	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	
September	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	
October	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	
November	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	
December	$ 0.1570	$ 0.3170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1083	
	$ 1.4436	$ 1.6036	$ 1.1040	$ 1.1040	$ 1.1040	$ 1.2000	$ 1.2335	**$ 0.6498**

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

Supplemental Information – Share Performance

(in Canadian dollars) except shares outstanding and average daily volume For three months ended,	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept 30, 2015	Dec. 31, 2015	Mar. 31, 2016	**June 30, 2016**
Trading price range of units (TSX: "BRE")								
Close	$ 13.88	$ 13.00	$ 14.15	$ 15.03	$ 13.45	$ 14.66	$ 14.52	**$ 14.98**
High	$ 14.26	$ 14.08	$ 14.68	$ 15.25	$ 15.25	$ 15.08	$ 15.00	**$ 15.70**
Low	$ 13.65	$ 12.90	$ 14.02	$ 13.82	$ 13.25	$ 13.26	$ 13.21	**$ 14.30**
Average daily volume	13,254	14,139	20,818	13,070	5,318	4,304	5,319	**7,030**
Number of Restricted Voting Shares outstanding at period end	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	**9,483,850**
Market capitalization	$ 177,824	$ 166,550	$ 181,283	$ 192,557	$ 172,315	$ 187,817	$ 186,023	**$ 191,917**

Supplemental Information – Canadian Residential Real Estate Market

For three months ended,	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	**June 30, 2016**
Canada								
Transaction dollar volume[1]	$ 52,913	$ 41,356	$ 43,233	$ 74,202	$ 58,668	$ 48,130	$ 56,860	**$ 90,569**
Average selling price	$ 403,303	$ 414,044	$ 428,177	$ 451,666	$ 433,884	$ 454,644	$ 498,261	**$ 506,921**
Number of units sold	131,199	99,883	100,970	164,285	135,216	105,863	114,117	**178,664**
Number of REALTORS® at period end[2]	109,965	110,821	111,424	112,498	113,499	114,664	115,835	**–**
Housing starts	47,653	43,436	33,599	48,355	52,738	46,906	35,602	**49,222**
Greater Toronto Area								
Transaction dollar volume[1]	$ 13,836	$ 11,267	$ 11,673	$ 22,457	$ 15,984	$ 13,238	$ 15,277	**$ 28,032**
Average selling price	$ 556,803	$ 577,292	$ 594,560	$ 641,610	$ 612,930	$ 626,384	$ 675,406	**$ 746,505**
Number of units sold	24,849	19,517	19,633	35,001	26,078	21,134	22,619	**37,551**
Housing starts	6,621	11,278	8,236	10,987	12,500	10,564	9,412	**10,069**
Greater Vancouver Area								
Transaction dollar volume[1]	$ 7,249	$ 6,388	$ 8,028	$ 11,678	$ 9,524	$ 9,721	$ 13,280	**$ 15,150**
Average selling price	$ 814,861	$ 813,447	$ 873,748	$ 909,289	$ 874,403	$ 950,988	$1,094,897	**$1,058,700**
Number of units sold	8,896	7,853	9,188	12,843	10,892	10,222	12,129	**14,310**
Housing starts	5,531	4,571	4,283	5,655	5,298	5,627	7,081	**7,759**
Greater Montreal Area								
Transaction dollar volume[1]	$ 2,433	$ 2,565	$ 3,158	$ 4,246	$ 2,640	$ 2,780	$ 3,523	**$ 4,413**
Average selling price	$ 331,969	$ 347,232	$ 326,004	$ 337,815	$ 345,053	$ 346,288	$ 332,327	**$ 346,743**
Number of units sold	7,329	7,387	9,687	12,569	7,651	8,028	10,601	**12,727**
Housing starts	4,255	5,644	2,148	4,526	6,588	5,482	2,791	**4,719**

[1] (in millions Canadian dollars)
[2] CREA Membership data as of June 30, 2016 not available as of MDA date.
Source: CREA, CMHC, TREB

For twelve months ended,	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	**June 30, 2016**
Canada								
Transaction dollar volume[1]	$ 191,979	$ 196,347	$ 200,898	$ 211,704	$ 217,459	$ 224,233	$ 237,860	**$ 254,227**
Average selling price	$ 403,419	$ 408,068	$ 413,875	$ 426,533	$ 434,610	$ 442,856	$ 457,880	**$ 476,205**
Number of units sold	475,880	481,162	485,407	496,337	500,354	506,334	519,481	**533,860**
Housing starts	174,211	171,915	173,472	173,043	178,128	181,598	183,601	**184,468**
Greater Toronto Area								
Transaction dollar volume[1]	$ 51,452	$ 52,841	$ 54,660	$ 59,233	$ 61,381	$ 63,352	$ 66,956	**$ 72,531**
Average selling price	$ 557,866	$ 566,489	$ 575,587	$ 598,313	$ 612,408	$ 622,037	$ 638,698	**$ 675,448**
Number of units sold	92,230	93,278	94,964	99,000	100,229	101,846	104,832	**107,382**
Housing starts	32,305	33,547	34,693	37,122	43,001	42,287	43,463	**42,545**
Greater Vancouver Area								
Transaction dollar volume[1]	$ 26,500	$ 27,380	$ 29,604	$ 33,343	$ 35,618	$ 38,951	$ 44,203	**$ 47,675**
Average selling price	$ 805,031	$ 812,632	$ 826,696	$ 859,799	$ 873,504	$ 902,793	$ 959,142	**$1,002,566**
Number of units sold	32,918	33,693	35,810	38,780	40,776	43,145	46,086	**47,553**
Housing starts	19,395	19,212	19,122	20,040	19,807	20,863	23,661	**25,765**
Greater Montreal Area								
Transaction dollar volume[1]	$ 11,587	$ 11,760	$ 11,884	$ 12,402	$ 12,609	$ 12,824	$ 13,189	**$ 13,356**
Average selling price	$ 325,185	$ 328,822	$ 331,696	$ 335,443	$ 338,097	$ 338,052	$ 339,494	**$ 342,400**
Number of units sold	35,632	35,764	35,828	36,972	37,294	37,935	38,849	**39,007**
Housing starts	17,591	18,672	17,435	16,573	18,906	18,744	19,387	**19,580**

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

Supplemental Information – Cash Flow from Operations

CASH FLOW FROM OPERATIONS AND ITS UTILIZATION SINCE COMPANY INCEPTION

			IFRS			Canadian GAAP
(Unaudited) (in 000's)	Total	Six months ended June 30, 2016	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014	Jan. 1, 2010 to Dec. 31, 2013	Aug.7, 2003 to Dec. 31, 2009
Royalties	$ 434,784	$ 20,266	$ 39,859	$ 37,392	$ 146,137	$ 191,130
Less:						
Administration	13,943	498	1,286	1,626	6,141	4,392
Management fee	79,141	3,690	7,229	6,469	26,909	34,844
Interest expense	34,540	1,318	2,428	3,419	11,943	15,432
Cash Flow from Operations	307,160	14,760	28,916	25,878	101,144	136,462
Less:						
Dividends to Restricted Voting shareholders	154,717	6,163	11,619	11,305	48,759	76,871
Interest to Exchangeable Unitholders	59,925	2,855	5,434	5,856	19,953	25,827
Total equity distributions	214,642	9,018	17,053	17,161	68,712	102,698
Cash Flow from Operations less total dividends	92,518	5,742	11,863	8,717	32,432	33,764
Less: Funding of acquisitions	78,622	8,034	18,150	5,998	21,296	25,144
Less: Purchase of units under NCIB	4,096	–	–	–	–	4,096
Net change in the Period	$ 9,800	$ (2,292)	$ (6,287)	$ 2,719	$ 11,136	$ 4,524
Taxes and working capital	(5,990)	457	8,880	(3,300)	(14,345)	2,318
Change in period	$ 3,810	$ (1,835)	$ 2,593	$ (581)	$ (3,209)	$ 6,842
Cash balance, beginning of Period	–	$ 5,645	$ 3,052	$ 3,633	$ 6,842	–
Cash balance, end of Period	$ 3,810	$ 3,810	$ 5,645	$ 3,052	$ 3,633	$ 6,842
Equity Distributions payment rate[1]	70%	61%	59%	66%	68%	75%

[1] This represents the total equity distributions paid as a percentage of Cash Flow from Operations.

CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO CASH FLOW FROM OPERATIONS

			IFRS			Canadian GAAP
(Unaudited) (in 000's)	Total	Six months ended June 30, 2016	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014	Jan. 1, 2010 to Dec. 31, 2013	Aug.7, 2003 to Dec. 31, 2009
Cash flow from operating activities	$ 235,007	$ 8,339	$ 20,433	$ 16,957	$ 52,489	$ 136,789
Add (deduct):						
Changes in non-cash working capital items	2,004	721	(1,045)	127	1,433	768
Interest on Exchangeable Units	34,098	2,855	5,434	5,856	19,953	–
Income taxes paid	22,287	2,874	4,137	3,201	12,075	–
Interest on Trust units	15,212	–	–	–	15,212	–
Non-cash interest expense	(1,448)	(29)	(43)	(263)	(18)	(1,095)
Cash Flow from Operations	$ 307,160	$ 14,760	$ 28,916	$ 25,878	$ 101,144	$ 136,462

Supplemental Information – Selected Operating Information

As at	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	**June 30, 2016**
Number of REALTORS®	15,593	15,377	16,206	16,105	16,826	16,794	17,320	**17,405**
Number of locations	634	637	668	660	670	662	670	**670**
Number of Franchise Agreements	306	302	312	301	322	305	308	**303**

Supplemental Information – Acquisitions

Year acquired by the Company (in millions) except number of REALTORS®	2016	2015	2014	2013	2012	2011
Estimate purchase price						
Royal LePage	$ 6.0	$ 19.3	$ 6.1	$ 6.0	$ 1.9	$ 2.5
Via Capitale	0.6	0.7	0.2	0.7	1.0	1.0
	$ 6.6	$ 20.0	$ 6.3	$ 6.7	$ 2.9	$ 3.5
Actual purchase price						
Royal LePage	(a), (b)	(a), (b)	$ 7.1	$ 5.8	$ 1.9	$ 2.4
Via Capitale	(a), (b)	0.6	(a), (c)	0.9	0.8	0.8
	(a)	(a)	$ 7.1	$ 6.7	$ 2.7	$ 3.2
Acquired REALTORS®						
Royal LePage	419	1,530	484	462	145	188
Via Capitale	40	47	9	54	72	59
	459	1,577	493	516	217	247

(a) Actual purchase price to be determined at the end of the purchase price determination period in accordance with the MSA and applicable asset purchase agreement
(b) Actual purchase price determined is subject to audit of incremental cash flows earned
(c) Actual purchase price for Via Capitale is determined over a three year period for acquisitions made prior to January 1, 2015

Management's Discussion and Analysis of Results and Financial Condition

Glossary of Terms

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

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

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

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

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

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

"Cash Flow from Operations" or **"CFFO"** means 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.

"Company" means BRESI, together with its subsidiaries.

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

"Exchangeable Units" means the 3,327,667 Class B LP Units the Partnership issued at the inception of the Company to an affiliate of BBP in partial consideration for the Partnership's acquisition of the assets of the Partnership from that affiliate. The Class B LP Units, except as otherwise noted, have economic and voting rights equivalent in all material respects to the Class A LP Units. 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" means a residential real estate Brokerage Franchise operated pursuant to a Franchise Agreement with the Manager's comprehensive systems consisting of proprietary technological, marketing, promotional, communication and support systems.

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

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

"Franchise Network" means the Royal LePage Network, Johnston & Daniel Network and the Via Capitale Network.

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

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

"Interest Rate Swap" means the financial arrangement entered into with a Canadian Chartered Bank on October 27, 2014 to fix the interest rate on the Company's $53.0 million Term Facility at 3.64% to October 28, 2019. The fluctuation of the fair value of the Interest Rate Swap is primarily driven by the change in the expected variable interest rate yield curve from the expected variable interest rate yield curve at the inception of the financial arrangement.

"Management Services Agreement" or **"MSA"** means the third amended and restated Management Services Agreement, made effective January 1, 2014 between the Company and the Manager, pursuant to which, among other things, the Manager provides management and administrative services to the Company, including management of the assets of the Company.

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

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

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

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

"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.

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

"Restricted Voting Shares" means the Restricted Voting Shares in the capital of BRESI.

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

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

"Special Voting Share" means the share of BRESI issued to represent voting rights in BRESI that accompany securities convertible into or exchangeable for Restricted Voting Shares, including the Subordinated LP Units and Ordinary LP Units held by BBP or the Manager or an affiliated entity of the Manager.

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

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

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

"TSX" means the Toronto Stock Exchange.

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

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

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

Interim Condensed Consolidated Balance Sheets

(Unaudited) (In thousands of Canadian dollars)	Note	June 30, 2016	December 31, 2015
Assets			
Current assets			
Cash		$ 3,810	$ 5,645
Accounts receivable	4	4,658	3,911
Current portion of notes receivable	5	115	132
Prepaid expenses		167	202
		8,750	9,890
Non-current assets			
Notes receivable	5	91	157
Deferred income tax asset	8	7,178	6,776
Intangible assets	6, 7	82,789	81,291
		$ 98,808	$ 98,114
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,112	$ 1,181
Current portion of purchase obligation	6	5,098	2,824
Current income tax liability	8	72	640
Interest payable to Exchangeable Unitholders	10, 13	476	476
Dividends payable to shareholders		1,027	1,027
		7,785	6,148
Non-current liabilities			
Debt facilities	9	68,691	64,662
Purchase obligation	6	–	1,954
Interest rate swap liability	9	1,912	1,936
Exchangeable Units	10	49,849	48,784
		128,237	123,484
Shareholders' deficit			
Restricted voting shares	11	140,076	140,076
Deficit		(169,505)	(165,446)
		(29,429)	(25,370)
		$ 98,808	$ 98,114

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 Net and Comprehensive Earnings (Loss)

(Unaudited) (In thousands of Canadian dollars, except share and per share amounts)	Note	**Three months ended June 30, 2016**	Three months ended June 30, 2015	**Six months ended June 30, 2016**	Six months ended June 30, 2015
Royalties					
Fixed franchise fees		**$ 5,440**	$ 5,025	**$ 10,825**	$ 9,956
Variable franchise fees		**2,912**	2,716	**5,075**	4,475
Premium franchise fees		**1,463**	1,362	**2,306**	2,191
Other revenue		**1,054**	1,198	**2,060**	2,133
		10,869	10,301	**20,266**	18,755
Expenses					
Administration		**203**	334	**498**	686
Management fee	3	**2,003**	1,876	**3,690**	3,380
Interest expense	9	**653**	589	**1,318**	1,169
Impairment and write-off of intangible assets	7	**34**	169	**34**	215
Amortization of intangible assets	7	**2,505**	2,401	**5,110**	4,866
		5,398	5,369	**10,650**	10,316
Operating income		**5,471**	4,932	**9,616**	8,439
Interest on Exchangeable Units	10	**(1,427)**	(1,336)	**(2,855)**	(2,654)
Loss on fair value of Exchangeable Units	10	**(1,531)**	(2,928)	**(1,065)**	(6,755)
Gain / (loss) on interest rate swap	9	**136**	280	**24**	(1,281)
Gain / (loss) on fair value of purchase obligation	6	**(248)**	319	**(1,712)**	302
Earnings / (loss) before income tax		**2,401**	1,267	**4,008**	(1,949)
Current income tax expense		**1,270**	1,130	**2,306**	2,024
Deferred income tax expense / (recovery)		**(31)**	97	**(402)**	(487)
Income tax expense	8	**1,239**	1,227	**1,904**	1,537
Net and comprehensive earnings / (loss)		**$ 1,162**	$ 40	**$ 2,104**	$ (3,486)
Basic earnings / (loss) per restricted voting share	12	**$ 0.12**	$ 0.00	**$ 0.22**	$ (0.37)
Weighted average number of restricted voting shares outstanding used in computing basic earnings (loss) per share		**9,483,850**	9,483,850	**9,483,850**	9,483,850
Diluted earnings / (loss) per share	12	**$ 0.12**	$ 0.00	**$ 0.22**	$ (0.37)
Weighted average number of shares outstanding used in computing diluted earnings (loss) 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) For the six months ended June 30, 2016 (In thousands of Canadian dollars)	**Common Equity**	**Deficit**	**Total Deficit**
Balance, December 31, 2015	$ 140,076	$ (165,446)	$ (25,370)
Net earnings	–	2,104	2,104
Dividends declared	–	(6,163)	(6,163)
Balance, June 30, 2016	**$ 140,076**	**$ (169,505)**	**$ (29,429)**

(Unaudited) For the six months ended June 30, 2015 (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)

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, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash provided by (used for):					
Operating activities					
Net earnings / (loss) for the period		$ 1,162	$ 40	$ 2,104	$ (3,486)
Adjusted for					
Loss on fair value of Exchangeable Units	10	1,531	2,928	1,065	6,755
(Gain) / loss on fair value of purchase obligation	6	248	(319)	1,712	(302)
(Gain) / loss on interest rate swap	9	(136)	(280)	(24)	1,281
Interest expense		2,023	1,888	4,055	3,743
Interest paid		(2,004)	(1,860)	(4,026)	(3,702)
Current income tax expense	8	1,270	1,130	2,306	2,024
Income taxes paid		(1,265)	(1,938)	(2,874)	(2,246)
Deferred income tax expense / (recovery)	8	(31)	97	(402)	(487)
Impairment and write-off of intangible assets	7	34	169	34	215
Amortization of intangible assets	7	2,505	2,401	5,110	4,866
Changes in non-cash working capital		(332)	(558)	(721)	(820)
		5,005	3,698	8,339	7,841
Investing activity					
Purchase of intangible assets	6	(2,721)	(2,201)	(8,034)	(10,346)
Interest expense on purchase obligation	6, 13	57	37	118	80
Interest paid on purchase obligation		(56)	(42)	(95)	(62)
		(2,720)	(2,206)	(8,011)	(10,328)
Financing activity					
Borrowings under debt facilities	9	–	–	6,000	8,000
Repayment under debt facilities	9	–	–	(2,000)	–
Dividends paid to shareholders of restricted voting shares		(3,082)	(2,845)	(6,163)	(5,690)
		(3,082)	(2,845)	(2,163)	2,310
Decrease in cash during the period		(797)	(1,353)	(1,835)	(177)
Cash, beginning of the period		4,607	4,228	5,645	3,052
Cash, end of the period		$ 3,810	$ 2,875	$ 3,810	$ 2,875

See accompanying notes to the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)
For the three and six months ended June 30, 2016 and 2015
(Expressed in thousands of Canadian dollars, unless stated otherwise)

1. Organization

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

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

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

Prior to June 1, 2016 all of BBP's interests in BRESI were owned by Brookfield Private Equity Direct Investments Holdings LP, a wholly-owned subsidiary of Brookfield Asset Management Inc.

The Company receives certain management, administrative and support services from Brookfield Real Estate Services Manager Ltd. ("BRESML", and together with its subsidiaries, the "Manager"), an indirect wholly owned subsidiary of BBP. The Company is party to a Management Services Agreement ("MSA") with the Manager. The MSA governs the relationship between the Manager and the Company including the management services provided by the Manager and the acquisition of Franchise Agreements by the Company. The Company derives 100% of its revenue from royalties and other fees it receives under the Franchise Agreements.

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, 2015 and should be read in conjunction with those consolidated financial statements.

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

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies include:

INTANGIBLE ASSETS

Intangible assets, consisting of Franchise Agreements and Trademarks, are accounted for using the cost method. Intangible assets are recorded at initial cost less accumulated amortization and accumulated impairment losses.

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

The Company acquires Franchise Agreements periodically based on the terms of the MSA and recognizes the purchase on the date of acquisition (an "Acquisition Date") at cost. The calculation of the purchase price is prescribed in the MSA with reference to a) the estimated cash flows to be earned during the twelve-month period (the "Determination Period") prior to the determination date (the "Determination Date") net of management fees paid to the Manager, b) the yield on the Company's restricted voting shares prior to the start of the Determination Period; and c) income taxes. Under the terms of the MSA, 80% of the estimated purchase price is payable to the Manager on the Acquisition Date, and the remainder is deferred until after the final purchase price is determined as of the Determination Date. The deferred 20% of the estimated purchase price represents the outstanding purchase obligation liability. The purchase obligation liability is updated each reporting period to reflect revisions to the estimated cash flows to be earned for each Franchise Agreement during the Determination Period. Subsequent changes to the value of the estimated purchase price and purchase obligation prior to the Determination Date are considered an earn–out provision representing a derivative instrument and are recognized as a fair value change in the interim condensed consolidated statements of net and comprehensive earnings (loss) in the period they arise.

The Company regularly reviews intangible assets to determine whether indicators of impairment exist on individual Franchise Agreements and Trademarks. When reviewing indicators of impairment of Franchise Agreements, the Company considers certain factors including, royalties earned, term to maturity, historical REALTOR®[1] count, collectability of receivables from the brokerage and underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges if the carrying amount of a Franchise Agreement (or cash-generating unit) exceeds its recoverable amount (recoverable amount is determined as the higher of a) estimated fair value less costs of disposal and b) value-in-use).

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

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

PURCHASE OBLIGATION

The Company's purchase obligation arises from the purchase of Franchise Agreements as discussed above under *Intangible Assets*. The earn-out provisions of the purchase obligation represent a derivative instrument embedded in a non-financial contract which is not closely related to the host contract. Purchase obligations are recorded in the interim condensed consolidated balance sheet at fair value with changes in the fair value recognized as income or expense in the period they arise.

EXCHANGEABLE UNITS

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

REVENUE RECOGNITION

Franchise fees are generally based on a fixed dollar amount per REALTOR® ("fixed franchise fee") plus a percentage of a REALTORS®'s gross revenue ("variable franchise fees") to a specified maximum. A REALTOR®'s gross revenue is the gross commission income earned in respect of the closed and finalized residential real estate transaction. Fixed franchise fee revenues are recognized when earned, and when the collection of fixed franchise fee from the brokerage is reasonably assured. Variable franchise fee revenues are recognized at the time a residential real estate transaction is closed and finalized by the REALTOR® and or a lease is signed by the vendor or lessor, and when collection of variable franchise fee from the brokerage is reasonably assured.

[1] REALTOR® is a trademark identifying real estate licensees in Canada who are members of the Canadian Real Estate Association.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

Premium franchise fees are calculated as a percentage of a REALTOR®'s gross commission income (ranging from 1% to 5%) for a select number of franchise locations. These fees are recognized as revenue at the time a residential real estate transaction is closed and finalized or a lease is signed by the vendor or lessor, and collection of premium franchise fees from the brokerage is reasonably assured.

Other revenue is generally recognized when the related services have been provided, the amount is determinable and the collection of other revenue from the brokerage is reasonably assured.

EARNINGS (LOSS) PER SHARE

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

3. Management Services Agreement

The MSA has an initial five-year term expiring on December 31, 2018 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 the Manager and the formula for calculating the purchase price. The purchase price for existing brands is based on the average annual cash flows earned over a twelve-month period, 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, to the actual cash flows earned. Further, an incentive fee is to be paid to the Manager for net organic REALTOR® growth, with the fee being calculated on similar terms. The MSA also provides the Manager with the ability to sell other Canadian branded franchises to the Company based on a predetermined formula and payment structure.

Under the MSA, the Manager provides certain management, administrative and support services to the Company and in return is paid a monthly fee equal to 20% of the distributable cash of the Company.

For the three and six months ended June 30, 2016, the Company incurred management fees of $2,003 and $3,690 (three and six months ended June 30, 2015 – $1,876 and $3,380) for these services.

4. Accounts Receivable

Accounts receivable represent royalties 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, 2016, the Company had accounts receivable of $4,658 (December 31, 2015 – $3,911) net of an allowance for doubtful account of $851 (December 31, 2015 – $738). For the three months ended June 30, 2016, administrative expenses include a net reversal of bad debt expense of $16 as a result of collections on accounts receivable which had been previously identified as doubtful (three months ended June 30, 2015 – bad debt expense of $124). For the six months ended June 30, 2016, administration expenses include $75 of bad debt expense (six months ended June 30, 2015 – $246).

Management conducts an analysis to determine the allowance for doubtful accounts by assessing the collectability of receivables under each individual Franchise Agreement. 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, 2016 and December 31, 2015.

As at	June 30, 2016	December 31, 2015
Current	$ 4,031	$ 3,047
30 Days	327	412
60 Days	150	183
90+ Days	1,001	1,007
Subtotal	$ 5,509	$ 4,649
Allowance for Doubtful Accounts	(851)	(738)
Accounts Receivable	$ 4,658	$ 3,911

(Expressed in thousands of Canadian dollars, unless stated otherwise)

The Company recognizes royalty revenues to the extent that collection is reasonably assured at the time the royalty revenue is earned. During the three and six months ended June 30, 2016, the Company identified $83 and $191 (three and six months ended June 30, 2015 – $152 and $281) of royalty revenues that were not recognized as collection was not reasonably assured at the time the revenue was earned. As at June 30, 2016 the Company had a cumulative amount of $738 of royalty income that was not recognized as collection was not reasonably assured at the time the revenue was earned (December 31, 2015 – $714).

5. Notes Receivable

The Company has certain franchisees with which it has entered into a signed formalized payment plan in respect of franchise fees due to the Company which were in arrears. Any amounts under these payment plans which are due greater than one year from the financial statement date have been classified as non-current. The terms stipulated in the payment plan require the franchisees to repay the total outstanding balance in monthly payments plus interest based on a spread above prime interest rate ("Prime"). As at June 30, 2016, the Company had notes receivable of $206 (December 31, 2015 – $289), of which $115 was due within 12 months (December 31, 2015 – $132 current).

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

As at		**June 30, 2016**		December 31, 2015
Current portion	**$**	**115**	$	132
Receivable in 13-24 months		**44**		85
Receivable in 25-36 months		**47**		60
Receivable in 37-48 months		**–**		12
Notes Receivable	**$**	**206**	$	289

6. Asset Acquisitions

On January 1, 2016 (an "Acquisition Date") the Company acquired 27 Franchise Agreements under the Royal LePage brand and six Franchise Agreements under the Via Capitale brand from the Manager for an estimated purchase price of $6,642. A payment of $5,313, approximating 80% of the estimated purchase price plus applicable taxes, was paid on January 8, 2016. The remainder is to be paid after the final purchase price is determined as at October 31, 2016, (a "Determination Date").

On July 1, 2015 (an "Acquisition Date") the Company acquired 12 Franchise Agreements under the Royal LePage brand from the Manager for an estimated purchase price of $9,755. A payment of $7,804, approximating 80% of the estimated purchase price plus applicable taxes, was paid on July 3, 2015. The remainder is to be paid after the final purchase price is determined as at October 31, 2016, (a "Determination Date").

On January 1, 2015, (an "Acquisition Date") the Company acquired 35 Franchise Agreements under the Royal LePage brand and five Franchise Agreements under the Via Capitale brand from the Manager for an estimated purchase price of $10,263. A payment of $8,145, approximating 80% of the estimated purchase price plus applicable taxes, was paid on January 2, 2015. The remainder was paid during the three months ended June 30, 2016 based on the final purchased price determined as at October 31, 2015, (a "Determination Date").

The unpaid balance due as of an Acquisition Date is subject to interest at the rate prescribed in the MSA of Prime plus 1%.

For the three and six months ended June 30, 2016, the Company recorded a loss of $248 and $1,712 on the fair value of purchase obligation (three and six months ended June 30, 2015 – a gain of $319 and $302).

For the three and six months ended June 30, 2016, the Company incurred $57 and $118 of interest expense related to outstanding purchase obligation liability (three and six months ended June 30, 2015 – $37 and $80).

(Expressed in thousands of Canadian dollars, unless stated otherwise)

The purchase obligation by brand consists of the following:

As at	Royal LePage	Via Capitale	June 30, 2016	December 31, 2015
Purchase obligation at beginning of the period	$ 4,484	$ 294	$ 4,778	$ 2,277
Current period's purchases	6,066	576	6,642	20,018
Adjustment to purchase obligation in the period	1,769	(57)	1,712	633
Payments made during the period	(7,304)	(730)	(8,034)	(18,150)
Purchase obligation at end of period	$ 5,015	$ 83	$ 5,098	$ 4,778
Current portion of purchase obligation	$ 5,015	$ 83	$ 5,098	$ 2,824
Long-term portion of purchase obligation	–	–	–	1,954
Purchase obligation at end of period	$ 5,015	$ 83	$ 5,098	$ 4,778

7. Intangible Assets

As at June 30, 2016, there were no Franchise Agreements identified with a carrying amount in excess of their recoverable amount, as such for the three and six months ended June 30, 2016 there were no impairment charges recognized (three and six months ended June 30, 2015 – $169 respectively related to three franchisees).

For the three and six months ended June 30, 2016, the Company recognized write offs of $34 related to one Franchise Agreement that was subject to non-renewal (three and six months ended June 30, 2015 – $nil and $46 related to three franchisees).

For the three and six months ended June 30, 2016, the Company recorded $2,505 and $5,110 (three and six months ended June 30, 2015 – $2,401 and $4,866) intangible asset amortization expense.

A summary of intangible assets is provided in the following chart:

	Franchise Agreements	Trademarks	Total
Cost			
At December 31, 2015	$ 214,094	$ 5,427	$ 219,521
Purchases	6,642	–	6,642
Impairment	–	–	–
Amounts written-off	(52)	–	(52)
At June 30, 2016	**$ 220,684**	**$ 5,427**	**$ 226,111**
Accumulated amortization			
At December 31, 2015	$ (135,948)	$ (2,282)	$ (138,230)
Amortization expense	(5,018)	(92)	(5,110)
Amounts written-off	18	–	18
At June 30, 2016	**$ (140,948)**	**$ (2,374)**	**$ (143,322)**
Carrying value			
At December 31, 2015	$ 78,146	$ 3,145	$ 81,291
At June 30, 2016	**$ 79,736**	**$ 3,053**	**$ 82,789**

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.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

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

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Earnings / (loss) before income tax for the period:	$ 2,401	$ 1,267	$ 4,008	$ (1,949)
Expected income tax expense (recovery) at statutory rate of 26.5% (2015 – 26.5%)	636	336	1,062	(516)
Increase (decrease) in income tax expense due to the following:				
Non-deductible amortization	264	262	513	532
Non-deductible loss on fair value of Exchangeable Units	406	776	282	1,790
Non-deductible interest on Exchangeable Units	378	354	757	703
Non-deductible impairment and write-off on intangible assets	(2)	11	(2)	14
Non-deductible adjustments to purchase obligation	16	(21)	113	(20)
Income allocated to Exchangeable Unitholders	(450)	(457)	(812)	(804)
Recognition of deferred tax assets and other	(9)	(34)	(9)	(162)
Total income tax expense	$ 1,239	$ 1,227	$ 1,904	$ 1,537

The major components of income tax expense include the following:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Current income tax expense	$ 1,270	$ 1,130	$ 2,306	$ 2,024
Deferred income tax expense / (recovery)	(31)	97	(402)	(487)
Total income tax expense	$ 1,239	$ 1,227	$ 1,904	$ 1,537

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.

9. Debt Facilities

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

As at	June 30, 2016	December 31, 2015
Term facility	$ 53,000	$ 53,000
Acquisition facility	15,900	11,900
	$ 68,900	$ 64,900
Financing fees	(209)	(238)
Debt facilities	$ 68,691	$ 64,662

The Company has $78,000 in financing available under a borrowing agreement with a Canadian chartered bank. The debt facilities under this agreement are comprised of the following, which mature February 17, 2020 ("Maturity"):

A $53,000 non-revolving term variable rate facility (the "Term Facility"). Repayment of principal outstanding is due on Maturity.

A $20,000 revolving acquisition facility (the "Acquisition Facility") to support acquisitions pursued by the Company. A standby fee of 0.15% applies on undrawn amounts under the Acquisition Facility. Repayment of principal outstanding is due on Maturity. During the six months ended June 30, 2016, the Company borrowed $6,000 to finance the purchase of Franchise Agreements (June 30, 2015 – $8,000). During the six months ended June 30, 2016, the Company made repayments on the facility of $2,000 (June 30, 2015 – nil). As of June 30, 2016, $4,100 is available to the Company to support acquisitions.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

A $5,000 revolving operating facility (the "Operating Facility") is available to meet the Company's day-to-day operating requirements. No amounts have been drawn on this facility at June 30, 2016.

Borrowings under each of these arrangements bear interest at a variable rate of Banker's Acceptances (BAs) +1.70% or Prime + 0.5%, at the option of the Company.

The Company's ability to borrow under these arrangements is subject to certain covenants. Under these covenants, the Company must maintain a ratio of Consolidated EBITDA to Interest Expense on Senior Indebtedness at a minimum of 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. At June 30, 2016 and December 31, 2015, the Company complied with all covenants under the debt facilities.

The Company has 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% until October 28, 2019. The interest rate swap is a financial instrument and is disclosed at its fair value with any change in that fair value recorded as a gain or loss in income in the period such gain or loss occurs. The fair value is determined using a discounted cash flow model using observable yield curves and applicable credit spreads at a credit adjusted rate. At June 30, 2016 the Company determined that the fair value of the interest rate swap represents a liability of $1,912 (December 31, 2015 – $1,936). For the three and six months ended June 30, 2016, the Company recognized a fair value gain of $136 and $24 (three and six months ended June 30, 2015 – a gain of $280 and a loss of $1,281).

10. Exchangeable Units

The Exchangeable Units are exchangeable on a one-for-one basis to restricted voting shares of the Company at the option of the holder.

The Company measures the Exchangeable Units at their fair value using the closing price of the Company's restricted voting shares listed on the TSX. At June 30, 2016, the Company used the closing market price of $14.98 (December 31, 2015 – $14.66). During the three and six months ended June 30, 2016, the Company recorded a loss of $1,531 and $1,065 related to the fair value of the Exchangeable Units (three and six months ended June 30, 2015 – $2,928 and $6,755).

The Exchangeable Unitholders are entitled to cash distributions from the Partnership in respect of their economic interest in the Partnership as and when declared by the board of directors of RIFGP. Such distributions are made on a before tax basis and are directly taxable in the hands of the Exchangeable Unitholders. For the three and six months ended June 30, 2016 the board of directors of RIFGP declared distributions payable to the Exchangeable Unitholders of $1,427 and $2,855 (three and six months ended June 30, 2015 – $1,336 and $2,654).

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 the three and six months ended June 30, 2016 or the twelve months ended December 31, 2015.

No preferred shares were issued or outstanding as at June 30, 2016 or December 31, 2015.

The following table summarizes the outstanding shares of the Company:

As at	**June 30, 2016**	December 31, 2015
Restricted voting shares	**9,483,850**	9,483,850
Special voting share	**1**	1

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)
For the three and six months ended June 30, 2016 and 2015
(Expressed in thousands of Canadian dollars, unless stated otherwise)

12. Earnings (Loss) Per Share

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

(In thousands of Canadian dollars, except share and per share amounts)	**Three months ended June 30, 2016**	Three months ended June 30, 2015	**Six months ended June 30, 2016**	Six months ended June 30, 2015
Net earnings / (loss) available to restricted voting shareholders – basic	**$ 1,162**	$ 40	**$ 2,104**	$ (3,486)
Interest on Exchangeable Units	**1,427**	1,336	**2,855**	2,654
Loss on fair value of Exchangeable Units	**1,531**	2,928	**1,065**	6,755
Net earnings available to restricted voting shareholders – diluted	**$ 4,120**	$ 4,304	**$ 6,024**	$ 5,923
Weighted average number of shares outstanding used in computing basic earnings (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 earnings (loss) per share	**12,811,517**	12,811,517	**12,811,517**	12,811,517
Basic earnings / (loss) per restricted voting share	**$ 0.12**	$ 0.00	**$ 0.22**	$ (0.37)
Diluted earnings / (loss) per share	**$ 0.12**	$ 0.00	**$ 0.22**	$ (0.37)
Dividends declared	**$ 3,082**	$ 2,885	**$ 6,163**	$ 5,730
Restricted voting shares	**9,483,850**	9,483,850	**9,483,850**	9,483,850
Dividends per restricted voting share	**$ 0.32**	$ 0.30	**$ 0.65**	$ 0.60

13. Related Party Transactions

In addition to transactions disclosed elsewhere in the interim condensed consolidated financial statements, the Company had the following transactions with parties related to the Manager or the Exchangeable Unitholders during the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015. These transactions have been recorded at the exchange amount as agreed between the parties.

	Three months ended June 30, 2016	Three months ended June 30, 2015	**Six months ended June 30, 2016**	Six months ended June 30, 2015
a) Royalties				
Fixed, variable and other revenue	**$ 1,052**	$ 827	**$ 2,085**	$ 1,614
Premium franchise fees	**$ 1,213**	$ 1,134	**$ 1,948**	$ 1,851
b) Expenses				
Management fees	**$ 2,003**	$ 1,876	**$ 3,690**	$ 3,380
Insurance premiums and other	**$ 19**	$ 26	**$ 38**	$ 48
Interest on purchase obligations	**$ 57**	$ 37	**$ 118**	$ 80
c) Interest				
Interest to Exchangeable Unitholders	**$ 1,427**	$ 1,336	**$ 2,855**	$ 2,654

(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, 2016	December 31, 2015
d) Accounts receivable		
Franchise fees receivable and other	**$ 1,044**	$ 782
e) Accounts payable and accrued liabilities		
Management fees	**$ 808**	$ 646
Interest on purchase obligations	**$ 72**	$ 49
f) Interest payable to Exchangeable Unitholders	**$ 476**	$ 476
g) Purchase obligation	**$ 5,098**	$ 4,778

The members of the Company's board of directors are compensated for their services. During the three and six months ended June 30, 2016, the Company incurred $82 and $132 (three and six months ended June 30, 2015 – $48 and $103) in directors' fees. These directors' fees are included in administration expense.

14. Financial Instruments

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

A) CREDIT RISK

Credit risk arises from the possibility that 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. The Manager 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, 2016, the Company has an allowance for doubtful accounts of $851 (December 31, 2015 – $738). In addition, as at June 30, 2016 the Company had a cumulative amount of $738 royalty income that was not recognized as collectability was not reasonably assured at the time the revenue was earned (December 31, 2015 – $714).

B) LIQUIDITY RISK

The Company is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs, including paying dividends to shareholders of restricted voting shares and interest to Exchangeable Unitholders. The Company manages liquidity risk by maintaining conservative debt levels compared with those required by the covenants associated with the debt facilities. Also, the Company has a $20,000 Acquisition Facility (of which $15,900 is drawn) and a $5,000 unutilized Operating Facility (see Note 9-Debt Facilities).

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

	2016	2017	2018	2019	Beyond 2019	Total
Accounts payable and accrued liabilities	$ 1,112	$ –	$ –	$ –	$ –	$ 1,112
Purchase obligation	5,098	–	–	–	–	5,098
Interest payable to Exchangeable Unitholders	476	–	–	–	–	476
Dividends payable to restricted voting shareholders	1,027	–	–	–	–	1,027
Interest on debt facilities	1,154	2,308	2,308	2,308	385	8,463
Term facility	–	–	–	–	53,000	53,000
Acquisition facility	–	–	–	–	15,900	15,900
Exchangeable Units	–	–	–	–	49,849	49,849
Total	$ 8,867	$ 2,308	$ 2,308	$ 2,308	$ 119,134	$ 134,925

(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, the Company has entered into a five-year interest rate swap to fix the interest on the Company's $53,000 Term Facility at 3.64% until October 28, 2019.

The Company has drawn $15,900 on its $20,000 Acquisition Facility. The Acquisition Facility bears variable interest at a rate of BAs + 1.70% or Prime + 0.5%. Management has elected to pay interest at variable interest rates on the Acquisition Facility and monitors this position on an ongoing basis. An increase of 1% in the Company's effective interest rate on its variable rate Acquisition Facility would result in an increase in its annual interest expense of approximately $159.

D) FAIR VALUE

The fair value of the Company's financial instruments, comprising cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, interest payable to Exchangeable Unitholders and dividends payable to holders of restricted voting shares, are estimated by management to approximate their carrying values due to their short-term nature. The fair value of the Company's outstanding borrowings of $68,900 approximate their carrying value of $68,691 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 sheets as at June 30, 2016 and December 31, 2015, classified using the fair value hierarchy:

As at June 30, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial asset or liability:				
Purchase obligation	$ –	$ –	$ 5,098	$ 5,098
Interest rate swap liability	–	1,912	–	1,912
Exchangeable Units	49,849	–	–	49,849
Total	**$ 49,849**	**$ 1,912**	**$ 5,098**	**$ 56,859**

As at December 31, 2015	Level 1	Level 2	Level 3	Total
Financial asset or liability:				
Purchase obligation	$ –	$ –	$ 4,778	$ 4,778
Interest rate swap liability	–	1,936	–	1,936
Exchangeable Units	48,784	–	–	48,784
Total	$ 48,784	$ 1,936	$ 4,778	$ 55,498

See Note 6 for disclosures related to Level 3 fair values, Note 9 for disclosures 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 in accordance with the terms prescribed by the MSA as discussed in Note 2 under *Intangible Assets* and *Purchase Obligation*. The fair value of the purchase obligation is sensitive to the changes in the estimated cash flows to be earned during the Determination Period. All other inputs are observable and do not change after the Acquisition Date. A change in the estimated cash flows during the Determination Period causes a change in the fair value of the purchase obligation, determined in accordance with the formula for calculating the purchase price prescribed by the MSA.

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 providing information and services to REALTORS® and real estate brokers in Canada through a portfolio of highly regarded real estate services brands. The economic characteristics are consistent across the Company's brands as they each provide services, similar in nature, in the Canadian residential real estate market. Of the Company's royalty revenues for the three and six months ended June 30, 2016, 94% and 93% respectively (three and six months ended June 30, 2015 – 92% and 93% respectively) are generated from the network of franchisees operating under the Royal LePage and Johnston and Daniel brands and 6% and 7% respectively (three and six months ended June 30, 2015 – 8% and 7% respectively) are generated from the network of franchisees operating under the Via Capitale brand.

17. 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 3, 2016.

Brookfield
Real Estate Services Inc.

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