

Interim Condensed Consolidated Balance Sheets

(Unaudited) (In thousands of Canadian dollars)	Note	September 30, 2019	December 31, 2018
Assets			
Current assets			
Cash		\$ 5,709	\$ 4,339
Accounts receivable	4,13	4,384	4,024
Current portion of notes receivable	5	218	101
Current income tax receivable	8	218	358
Prepaid expenses		187	207
Goods and Services tax receivable		-	264
		10,716	9,293
Non-current assets			
Notes receivable	5	153	119
Interest rate swap asset	9	-	119
Deferred income tax asset	8	6,936	6,611
Intangible assets	6,7	80,523	79,517
		\$ 98,328	\$ 95,659
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 1,152	\$ 1,003
Deferred revenue		60	-
Contract transfer obligation	6,13	2,705	-
Interest payable to Exchangeable Unitholders	10,13	484	484
Dividends payable to shareholders	12	1,067	1,067
		5,468	2,554
Non-current liabilities			
Debt facilities	9	73,327	71,297
Contract transfer obligation	6,13	3,890	-
Interest rate swap liability	9	1,155	-
Exchangeable Units	10	48,983	48,484
		132,823	122,335
Shareholders' deficit			
Restricted voting shares	11	140,076	140,076
Deficit		(174,571)	(166,752)
		(34,495)	(26,676)
		\$ 98,328	\$ 95,659

See accompanying notes to the interim condensed consolidated financial statements.

Approved on behalf of the Board



Gail Kilgour
Director



Lorraine Bell
Director

Interim Condensed Consolidated Statements of Net and Comprehensive Earnings

(Unaudited)		Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
(In thousands of Canadian dollars, except per share amounts)	Note				
Revenues					
Fixed franchise fees		\$ 7,389	\$ 7,211	\$ 21,982	\$ 21,180
Variable franchise fees		3,077	3,121	8,455	8,934
Premium franchise fees		-	809	-	2,968
Other revenue, net		1,105	-	2,827	-
		11,571	11,141	33,264	33,082
Expenses					
Administration expenses	13	53	82	767	716
Management fees	3,13	4,041	2,078	11,748	6,069
Interest expense	9	748	669	2,270	2,020
Impairment and write-off of intangible assets, net	7	-	322	650	450
Amortization of intangible assets	7	2,634	1,900	7,929	5,834
		7,476	5,051	23,364	15,089
Operating income					
Interest on Exchangeable Units	10,13	(1,452)	(1,452)	(4,355)	(4,355)
Gain (loss) on fair value of Exchangeable Units	10	633	9,151	(499)	(765)
Gain (loss) on interest rate swap	9	155	108	(1,274)	171
Loss on fair value of purchase obligation		-	2	-	(541)
		3,431	13,899	3,772	12,503
Earnings before income tax					
Current income tax expense		882	1,367	2,314	4,137
Deferred income tax expense (recovery)		127	(12)	(325)	(152)
Income tax expense	8	1,009	1,355	1,989	3,985
Net and comprehensive earnings		\$ 2,422	\$ 12,544	\$ 1,783	\$ 8,518
Basic earnings per share					
Basic earnings per share	12	\$ 0.26	\$ 1.32	\$ 0.19	\$ 0.90
Weighted average number of shares outstanding used in computing basic loss per share		9,483,850	9,483,850	9,483,850	9,483,850
Diluted earnings per share					
Diluted earnings per share	12	\$ 0.26	\$ 0.38	\$ 0.19	\$ 0.90
Weighted average number of shares outstanding used in computing diluted loss per share		12,811,517	12,811,517	12,811,517	12,811,517

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Shareholders' Deficit

(Unaudited)		Common Equity	Deficit	Total Deficit
For the nine months ended September 30, 2019				
(In thousands of Canadian dollars)				
Balance, December 31, 2018		\$ 140,076	\$ (166,752)	\$ (26,676)
Net earnings		-	1,783	1,783
Dividends paid		-	(9,602)	(9,602)
Balance, September 30, 2019		\$ 140,076	\$ (174,571)	\$ (34,495)
(Unaudited)				
For the nine months ended September 30, 2018				
(In thousands of Canadian dollars)				
Balance, December 31, 2017		\$ 140,076	\$ (171,454)	\$ (31,378)
Changes in accounting policy		-	114	114
Net earnings		-	8,518	8,518
Dividends paid		-	(9,602)	(9,602)
Balance, September 30, 2018		\$ 140,076	\$ (172,424)	\$ (32,348)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)		Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
(In thousands of Canadian dollars)	Note				
Cash provided by (used for):					
Operating activities					
Net income for the period		\$ 2,422	\$ 12,544	\$ 1,783	\$ 8,518
Adjusted for					
Loss (gain) on fair value of Exchangeable Units	10	(633)	(9,151)	499	765
Loss (gain) on fair value of purchase obligation	6	-	(2)	-	541
Loss (gain) on interest rate swap	9,13	(155)	(108)	1,274	(171)
Interest expense	14	2,111	2,094	6,325	6,292
Interest paid		(2,111)	(2,098)	(6,311)	(6,274)
Interest income		39	10	60	60
Interest received		(39)	(10)	(60)	(60)
Current income tax expense	8	882	1,367	2,314	4,137
Income taxes paid		(630)	(1,355)	(3,057)	(4,585)
Deferred income tax expense (recovery)	8	127	(12)	(325)	(152)
Impairment and write-off of intangible assets	7	-	322	650	450
Amortization of intangible assets	7	2,634	1,900	7,929	5,834
Changes in non-cash working capital		1,199	1,339	881	652
		5,846	6,840	11,962	16,007
Investing activities					
Payment of contract transfer obligation	6	(943)	-	(2,701)	-
Purchase of intangible assets	6	-	-	-	(8,561)
Franchise agreement expenses	7	(83)	-	(289)	-
Interest expense on contract transfer obligation	6	89	-	300	-
Interest expense paid on contract transfer obligation	6	(89)	-	(300)	-
Interest expense on purchase obligation	6,13	-	27	-	83
Interest expense paid on purchase obligation	6,13	-	(43)	-	(74)
Deferred Costs		-	(244)	-	(244)
		(1,026)	(260)	(2,990)	(8,796)
Financing activities					
Borrowings under debt facilities	9	-	-	2,000	7,200
Repayment under debt facilities	9	-	(4,000)	-	(4,000)
Dividends paid to shareholders	12	(3,201)	(3,201)	(9,602)	(9,602)
		(3,201)	(7,201)	(7,602)	(6,402)
Increase (decrease) in cash during the period		1,619	(621)	1,370	809
Cash, beginning of the period		4,090	4,888	4,339	3,458
Cash, end of the period		\$ 5,709	\$ 4,267	\$ 5,709	\$ 4,267

See accompanying notes to the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2019 and 2018
(Expressed in thousands of Canadian dollars, unless stated otherwise)

1. Organization

Bridgemarq Real Estate Services Inc. (“Bridgemarq” and, together with its subsidiaries the “Company”), is incorporated under the *Ontario Business Corporations Act*. Bridgemarq is listed on the Toronto Stock Exchange (“TSX”) under the symbol “BRE”. Through its ownership interest in Residential Income Fund L.P. (the “Partnership”), Bridgemarq owns certain Franchise Agreements (“Franchise Agreements”) and Trademark Rights (“Trademarks”) of residential real estate brands in Canada.

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

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

The Company receives certain management, administrative and support services from Bridgemarq Real Estate Services Manager Ltd. (formerly known as Brookfield Real Estate Services Manager Ltd. or “BRESML”, and together with its subsidiaries, the “Manager”), an indirect wholly owned subsidiary of BBP (see Note 14). The Company is party to an amended and restated Management Services Agreement (the “Amended MSA”) with the Manager. The Amended MSA was entered into on November 7, 2018 and governs the relationship between the Manager and the Company. The Amended MSA is effective January 1, 2019 and has a term of ten-years expiring on December 31, 2028. On expiry, the Amended MSA automatically renews for an additional ten-year term unless the Company or the Manager provides notice of their intention to terminate no later than six months prior to expiry. Prior to entering into the Amended MSA, the Company was party to a previous version of the MSA (the “Previous MSA”) which, among other things, governed the acquisition of Franchise Agreements by the Company.

During the three months and nine months ended September 30, 2019, the Company derived approximately 90% and 92% (three and nine months ended September 30, 2018 – 100% and 100%) of its revenues from franchise fees it receives under the Franchise Agreements or other contracts.

2. Significant Accounting Policies

BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board using the accounting policies described herein and the accounting policies used to prepare the Annual Financial Statements of the Company as of and for the year ended December 31, 2018, except for those changes in accounting policies described below.

These interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on November 5, 2019 and should be read in conjunction with the audited Annual Financial Statements of the Company for the year ended December 31, 2018.

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

The Company’s significant accounting policies are as follows:

CHANGES IN ACCOUNTING POLICIES

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

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

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

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

INTANGIBLE ASSETS

Intangible assets, consisting of Franchise Agreements, Trademarks and other agreements transferred from the Manager ("Ancillary Agreements"), are accounted for using the cost method. Intangible assets are recorded at initial cost less accumulated amortization and accumulated net impairment losses.

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

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

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

The Company may incur franchise agreement expenses prior to or concurrent with entering into Franchise Agreements. These costs include payments to franchisees or prospective franchisees to defray the costs of converting REALTORS® or brokerages to the Company's brands as well as contract specific legal costs, if any. These costs are capitalized on an agreement by agreement basis and amortized over the same term as the agreement to which they relate or, where the underlying agreement is less than a year, charged to the interim condensed consolidated statement of net and comprehensive earnings. Where the franchise agreement expenses represent cash payments to franchisees, the amortization or charge is recorded as a reduction in revenues.

The Company reviews intangible assets each reporting period to determine whether indicators of impairment or a reversal of impairment exists on individual Franchise Agreements, Trademarks and Ancillary Agreements. When reviewing indicators for impairment or recovery of Franchise Agreements, the Company considers certain factors including, the financial performance of the business, franchise fees earned, term to maturity, historical REALTOR® count, collectability of receivables and underlying market conditions. When reviewing indicators for impairment on individual Ancillary Agreements, the Company considers certain factors including, prior year's revenues and estimated future revenues under each Ancillary Agreement as well as underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges

Notes to the Interim Condensed Consolidated Financial Statements

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if the carrying amount of a Franchise Agreement or Ancillary Agreement (or cash-generating unit) exceeds its recoverable amount (recoverable amount is determined as the higher of a) estimated fair value less costs of disposal and b) value-in-use). Where the counter-parties of one or more Franchise Agreements combine their operations by way of a merger, acquisition or other combination subsequent to the acquisition of the underlying Franchise Agreement, the carrying value of the underlying intangible assets are combined for purposes of evaluating impairment.

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

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

REVENUE RECOGNITION

The Company is in the business of providing information and services to REALTORS® and real estate brokers in Canada through a portfolio of highly regarded real estate services brands. Certain of these information and services (the "Service Offering") are provided in exchange for franchise fees received from franchisees. The Service Offering is offered as a complete suite of services. Franchisees who pay franchise fees under the Franchise Agreements cannot elect to purchase any service under the Service Offering individually or on a stand-alone basis.

Franchise fees include franchise fees which have both fixed and variable components. Fixed franchise fees are payable to the Company as a fixed monthly amount per REALTOR® without regard to transaction volumes generated by that REALTOR®. Fixed franchise fees are recognized over time, which is when the control of the services and the right to use the trademark are transferred to the customer.

Variable franchise fees are payable to the Company based on the transaction volumes generated by REALTORS®, subject to a cap. Variable franchise fees are a percentage of a REALTOR®'s gross revenue, which is the gross commission income earned on a transaction. Variable franchise fees are recognized at the point in time when a residential real estate transaction is closed and finalized by the REALTOR® and/or a lease is signed by the vendor or lessor.

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

In addition to the Service Offering, the Company provides certain ancillary services to franchisees under the Ancillary Agreements. These include information and services provided outside of those provided in the Franchise Agreements. Each franchisee has the option of purchasing the services provided under the Ancillary Agreements independent of the Service Offering. Revenues under the Ancillary Agreements are derived primarily from referral fees charged to external companies, lead management services provided to franchisees and other miscellaneous revenues.

External referral fees are generated from external parties who receive service referrals from the Company. External referral fees are recognized as revenue at the point in time when the sale transaction associated with the referral is closed which is when the control of the services are transferred to the customer.

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

The Company's revenues are affected by the seasonality of Canadian real estate markets, which typically see stronger transactional dollar volumes in the second and third quarters of each year. The impact of the seasonality of Canadian real estate markets is somewhat mitigated by the fixed-fee nature of the Company's franchise fees and the addition of Franchise Agreements during the year.

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2019 and 2018

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

EXCHANGEABLE UNITS

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

EARNINGS PER SHARE

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

3. Management Services Agreement

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

Under the terms of the Amended MSA, effective January 1, 2019, the monthly fee payable to the Manager is equal to a fixed management fee of \$840 plus a variable management fee equal to a) the greater of i) 23.5% of the distributable cash (as defined in the Amended MSA) of the Company before management fees or ii) 0.342% of the market value of the restricted voting shares on a diluted basis for the first five years of the term of the Amended MSA, and b) the greater of i) 25% of the distributable cash (as defined in the Amended MSA) of the Company before management fees or ii) 0.375% of the market value of the restricted voting shares on a diluted basis thereafter. In addition, under the terms of the Amended MSA, the Company will no longer pay the Manager to acquire Franchise Agreements, but rather, will enter into Franchise Agreements directly (see Note 6 and Note 7).

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

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

For the three and nine months ended September 30, 2019, the Company incurred management fees of \$5,073 and \$14,749 (2018 – \$2,078 and \$6,069) for these services, \$4,041 and \$11,748 of which were charged to the interim condensed consolidated statements of net and comprehensive earnings (three and nine months ended September 30, 2018 – \$2,078 and \$6,069) and \$1,032 and \$3,001 were used to reduce the contract transfer obligation owing to the Manager plus related interest (three and nine months ended September 30, 2018 – nil).

4. Accounts Receivable

Accounts receivable represent amounts due from the Company’s franchise network for franchise fees plus amounts due pursuant to the Ancillary Agreements. Accounts receivable are valued initially at fair value, then subsequently measured at amortized cost less any provision for doubtful accounts. As at September 30, 2019, the Company had accounts receivable of \$4,384 (December 31, 2018 – \$4,024) net of an allowance for doubtful accounts of \$523 (December 31, 2018 – \$472). During the three and nine months ended September 30, 2019, administration expenses included a net reversal of bad debt expense of \$120 and bad debt expense of \$127 (three and nine months ended September 30, 2018 – a net reversal of bad debt expense of \$55 and bad debt expense of \$125).

Management analyses accounts receivable to determine the allowance for doubtful accounts by assessing the collectability of receivables owing from each individual franchisee. This assessment takes into consideration certain factors including the aging of outstanding fees, franchisee operating performance, historical payment patterns, current collection efforts, relevant forward looking information and the Company’s security interests, if any.

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

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

The table below summarizes the aging of accounts receivable as at September 30, 2019 and December 31, 2018.

As at,	September 30, 2019	December 31, 2018
Current	\$ 3,552	\$ 2,917
30 Days	470	666
60 Days	273	201
90+ Days	612	712
Subtotal	\$ 4,907	\$ 4,496
Allowance for Doubtful Accounts	(523)	(472)
Accounts Receivable	\$ 4,384	\$ 4,024

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

5. Notes Receivable

The Company has certain franchisees with which it has entered into a signed formalized payment plan in respect of franchise fees due to the Company which were in arrears. Amounts under these payment plans which are due greater than one year from the financial statement date have been classified as non-current. The terms stipulated in the payment plan require the franchisees to repay the total outstanding balance in monthly payments plus interest based on a spread above the prime interest rate. As at September 30, 2019, the Company had notes receivable of \$371 (December 31, 2018 - \$220), of which \$218 was due within 12 months (December 31, 2018 - \$101) and \$153 was considered non-current (December 31, 2018 - \$119).

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

As at,	September 30, 2019	December 31, 2018
Current portion	\$ 218	\$ 101
Receivable in 13-24 months	75	29
Receivable thereafter	78	90
Notes Receivable	\$ 371	\$ 220

6. Franchise Agreements

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

In accordance with terms of the Amended MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements under the Royal LePage and Via Capitale brands as well as the Ancillary Agreements, which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to the Franchise Agreements was \$4,706 with the fair value for these agreements determined using the prescribed formula under the Previous MSA. The fair value ascribed to the Ancillary Agreements was \$4,590 with the fair value for these agreements determined using a discounted cash flow model. These fair values have been included in intangible assets (see note 7). A portion of management fees payable under the Amended MSA has been allocated to reduce the contract transfer obligation associated with these transferred agreements. For the three and nine months ended September 30, 2019, \$943 and \$2,701 of payments for management fees paid under the Amended MSA were allocated to reduce the contract transfer obligation (three and nine months ended September 30, 2018 - nil) with a further \$89 and \$300 allocated to interest on the contract transfer obligation (three and nine months ended September 30, 2018 - nil and nil). The contract transfer obligation bears interest at variable rates.

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

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

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

7. Intangible Assets

For the nine months ended September 30, 2019, the Company identified six Franchise Agreements with a carrying amount in excess of their recoverable amount (nine months ended September 30, 2018 – six). For the nine months ended September 30, 2019, the Company recognized an impairment charge of \$520 related to those Franchise Agreements (three and nine months ended September 30, 2018 – \$446 and \$548).

In 2018, there was one Franchise Agreement, previously identified as being impaired, where the conditions causing such impairment had become more favourable such that a portion of the impairment charges recorded in prior periods could be reversed. For the three and nine months ended September 30, 2018, the Company recognized a reversal of previously recorded impairment charges of \$125 to increase the carrying value of the intangible asset to its revised recoverable amount.

For the nine months ended September 30, 2019, the Company identified two Franchise Agreements that were subject to early termination or non-renewal (nine months ended September 30, 2018 – two). For the nine months ended September 30, 2019, the Company recognized a write-off of \$130 related to those Franchise Agreements (nine months ended September 30, 2018 – \$27).

For the three and nine months ended September 30, 2019, the Company recorded the amortization of intangible assets of \$2,634 and \$7,929 (three and nine months ended September 30, 2018 – \$1,900 and \$5,834), of which \$53 and \$91 was recorded as a reduction in revenues (three and nine months ended September 30, 2018 – nil).

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

	Franchise Agreements & Ancillary Agreements	Trademarks	Total
Cost			
At December 31, 2018	\$ 237,387	\$ 5,427	\$ 242,814
Additions	9,296	-	9,296
Franchise agreement expenses	289	-	289
Impairment	(520)	-	(520)
Amounts written-off	(156)	-	(156)
At September 30, 2019	\$ 246,296	\$ 5,427	\$ 251,723
Accumulated amortization			
At December 31, 2018	\$ (160,462)	\$ (2,835)	\$ (163,297)
Amortization expense	(7,791)	(138)	(7,929)
Amounts written-off	26	-	26
At September 30, 2019	\$ (168,227)	\$ (2,973)	\$ (171,200)
Carrying value			
At December 31, 2018	\$ 76,925	\$ 2,592	\$ 79,517
At September 30, 2019	\$ 78,069	\$ 2,454	\$ 80,523

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

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8. Income Taxes

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

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

	Three Months ended September 30, 2019	Three Months ended September 30, 2018	Nine Months ended September 30, 2019	Nine Months ended September 30, 2018
Earnings before income tax for the period:	\$ 3,431	\$ 13,899	\$ 3,772	\$ 12,503
Expected income tax expense at statutory rate of 26.5% (2018 – 26.5%)	909	3,684	1,000	3,313
Increase (decrease) in income tax expense due to the following:				
Non-deductible amortization	141	136	379	424
Non-deductible loss (gain) on fair value of Exchangeable Units	(168)	(2,425)	132	203
Non-deductible interest on Exchangeable Units	385	385	1,154	1,154
Non-deductible impairment (recovery) and write-off of intangible assets, net	-	(1)	7	8
Income allocated to Exchangeable Unitholders	(259)	(424)	(680)	(1,245)
Recognition of deferred tax assets and other	1	-	(3)	128
Total income tax expense	\$ 1,009	\$ 1,355	\$ 1,989	\$ 3,985

The major components of income tax expense include the following:

	Three Months ended September 30, 2019	Three Months ended September 30, 2018	Nine Months ended September 30, 2019	Six Months ended September 30, 2018
Current income tax expense	\$ 882	\$ 1,367	\$ 2,314	\$ 4,137
Deferred income tax expense (recovery)	127	(12)	(325)	(152)
Total income tax expense	\$ 1,009	\$ 1,355	\$ 1,989	\$ 3,985

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

	Intangible Assets	Contract transfer obligation	Other	Total
Deferred income tax assets:				
At December 31, 2018	\$ 6,642	\$ -	\$ (31)	\$ 6,611
Deferred income tax recovery (expense)	(2,463)	2,463	-	-
Transfer of contracts on January 3, 2019	704	(716)	337	325
At September 30, 2019	\$ 4,883	\$ 1,747	\$ 306	\$ 6,936
		Intangible Assets	Other	Total
Deferred income tax assets:				
At December 31, 2017		\$ 6,447	\$ (12)	\$ 6,435
Deferred income tax recovery (expense)		236	(19)	217
Changes in accounting policy (Note 2)		(41)	-	(41)
At December 31, 2018		\$ 6,642	\$ (31)	\$ 6,611

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9. Debt Facilities

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

As at	September, 2019	December 31, 2018
Term facility	\$ 55,000	\$ 53,000
Acquisition facility	18,500	18,500
	\$ 73,500	\$ 71,500
Financing fees	(173)	(203)
Debt facilities	\$ 73,327	\$ 71,297

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

A \$55,000 non-revolving term variable rate facility (the "Term Facility"). Repayment of principal outstanding is due on Maturity.

A \$20,000 revolving acquisition facility (the "Acquisition Facility") is available to support acquisitions pursued by the Company. A standby fee of 0.15% applies on undrawn amounts under the Acquisition Facility. Repayment of principal outstanding is due on Maturity.

A \$5,000 revolving operating facility (the "Operating Facility") is available to meet the Company's day-to-day operating requirements. No amounts have been drawn on this facility at September 30, 2019.

Borrowings under each of these arrangements are secured by a first ranking security interest in substantially all assets of the Company and bear interest at a variable rate of Banker's Acceptances (BAs) +1.70% or Prime + 0.5%, at the option of the Company.

The Company's ability to borrow under these arrangements is subject to certain covenants. Under these covenants, the Company must maintain a ratio of Consolidated EBITDA to Interest Expense on Senior Indebtedness at a minimum of 3.0 to 1 (5.0 to 1 prior to January 1, 2019) and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4.0 to 1 (2.5 to 1 prior to January 1, 2019). 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 September 30, 2019 and December 31, 2018, the Company complied with all covenants under the debt facilities.

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

In October, 2014, the Company entered into a five-year interest rate swap agreement to swap the variable interest obligation on \$53,000 of the Term Facility to a fixed rate obligation of 3.64% through October 2019. In March of 2019, the Company entered into an additional interest rate swap agreement to swap the variable interest rate obligation on the entire Term Facility to a fixed rate obligation of 3.94% for the period from November 2019 through December 31, 2023. The interest rate swaps are financial instruments and are disclosed at their fair value with any change in their fair value recorded as a gain or loss in the Company's interim condensed consolidated statements of net and comprehensive earnings. The fair value is determined using a discounted cash flow model using observable yield curves and applicable credit spreads at a credit adjusted rate. At September 30, 2019, the Company determined that the fair value of the interest rate swaps represents a liability of \$1,155 (December 31, 2018 - an asset of \$119). For the three and nine months ended September 30, 2019, the Company recognized a fair value gain of \$155 and a fair value loss of \$1,274 (three and nine months ended September 30, 2018 - a fair value gain of \$108 and \$171).

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10. Exchangeable Units

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

The Company measures the Exchangeable Units at their fair value using the closing price of the Company's restricted voting shares listed on the TSX. At September 30, 2019, the Company used the closing market price of Bridgemarq's shares of \$14.72 (December 31, 2018 - \$14.57). During the three and nine months ended September 30, 2019, the Company recorded a gain of \$633 and a loss of \$499 related to the fair value of the Exchangeable Units (three and nine months ended September 30, 2018 - a gain of \$9,151 and a loss of \$765).

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 nine months ended September 30, 2019 the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of \$1,452 and \$4,355 (three and nine months ended September 30, 2018 - \$1,452 and \$4,355).

11. Share Capital

Bridgemarq is authorized to issue an unlimited number of restricted voting shares, an unlimited number of preferred shares and one special voting share.

Each restricted voting share represents a proportionate voting right in Bridgemarq, and holders of the restricted voting shares are entitled to dividends declared and distributed by Bridgemarq.

The special voting share represents the proportionate voting rights of the Exchangeable Unitholders of the Partnership. The special voting share is redeemable by the holder at \$0.01 per share, and the holder is not entitled to dividends declared by Bridgemarq.

No additional restricted voting shares were issued during the three and nine months ended September 30, 2019 or the year ended December 31, 2018.

No preferred shares were issued or outstanding as at September 30, 2019 or December 31, 2018.

The following table summarizes the outstanding shares of Bridgemarq:

As at	September 30, 2019	December 31, 2018
Restricted voting shares	9,483,850	9,483,850
Special voting share	1	1

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12. Earnings Per Share

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

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
(In thousands of Canadian dollars, except share and per share amounts)				
Net earnings available to restricted voting shareholders – basic	\$ 2,422	\$ 12,544	\$ 1,783	\$ 8,518
Interest on Exchangeable Units	1,452	1,452	4,355	4,355
Loss (gain) on fair value of Exchangeable Units	633	(9,151)	499	765
Net earnings available to restricted voting shareholders – diluted	\$ 4,507	\$ 4,845	\$ 6,637	\$ 13,638
Weighted average number of shares outstanding used in computing basic earnings per share	9,483,850	9,483,850	9,483,850	9,483,850
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 per share	12,811,517	12,811,517	12,811,517	12,811,517
Basic earnings per share	\$ 0.26	\$ 1.32	\$ 0.19	\$ 0.90
Diluted earnings per share	\$ 0.26	\$ 0.38	\$ 0.19	\$ 0.90
Dividends declared	\$ 3,201	\$ 3,201	\$ 9,602	\$ 9,602
Restricted voting shares	9,483,850	9,483,850	9,483,850	9,483,850
Dividends per restricted voting share	\$ 0.34	\$ 0.34	\$ 1.01	\$ 1.01

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 nine months ended September 30, 2019 and the three and nine months ended September 30, 2018. These transactions have been recorded at the exchange amount as agreed between the parties.

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
a) Revenues				
Fixed franchise fees	\$ 681	\$ 721	\$ 2,086	\$ 2,908
Variable franchise fees	\$ 237	\$ 236	\$ 784	\$ 1,088
Premium franchise fees	\$ -	\$ 809	\$ -	\$ 2,968
Other revenue, net	\$ 15	\$ -	\$ 86	\$ -
b) Expenses				
Management fees	\$ 4,041	\$ 2,078	\$ 11,748	\$ 6,069
Insurance premiums and other	\$ 4	\$ 5	\$ 15	\$ 17
Interest on contract transfer obligation	\$ 88		\$ 299	
Interest on purchase obligation	\$ -	\$ 27	\$ -	\$ 83
c) Interest				
Interest to Exchangeable Unitholders	\$ 1,452	\$ 1,452	\$ 4,355	\$ 4,355

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

As at	September 30, 2019	December 31, 2018
d) Accounts receivable		
Franchise fees receivable	\$ 327	\$ 318
e) Accounts payable and accrued liabilities		
Management fees	\$ 849	\$ 522
Interest on contract transfer obligation	\$ 28	\$ -
Interest on purchase obligation	\$ -	\$ 26
f) Interest payable to Exchangeable Unitholders	\$ 484	\$ 484
g) Contract transfer obligation	\$ 6,595	\$ -

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

The members of the Company's board of directors are compensated for their services. During the three and nine months ended September 30, 2019, the Company incurred \$57 and \$182 in directors' fees (three and nine months ended September 30, 2018 - \$202 and \$331). In 2018, the Company capitalized \$125 of directors' fees representing fees paid to certain directors for their participation on a special committee of the Board established to evaluate the Company's options with respect to the renewal of the Previous MSA. Those directors' fees not capitalized are included in administration expenses.

14. Financial Instruments

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

A) CREDIT RISK

Credit risk arises from the possibility that franchisees may not pay amounts owing to the Company. The Company's credit risk is limited to the recorded amount of accounts receivable and notes receivable. The Manager reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis to evaluate the risk of a default occurring over the expected life of the accounts receivable. This monitoring includes evaluating the franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether an impairment should be recorded.

As at September 30, 2019, the Company has an allowance for doubtful accounts of \$523 (December 31, 2018 - \$472).

B) LIQUIDITY RISK

The Company is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs, including paying dividends to shareholders of restricted voting shares and interest to Exchangeable Unitholders. The Company manages liquidity risk by maintaining conservative debt levels compared with those required by the covenants associated with the debt facilities. Also, the Company has a \$20,000 Acquisition Facility, of which \$18,500 has been drawn, and a \$5,000 undrawn Operating Facility (see Note 9).

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

As at September 30,	2019	2020	2021	2022	Beyond 2022	Total
Accounts payable and accrued liabilities	\$ 1,152	\$ -	\$ -	\$ -	\$ -	\$ 1,152
Deferred revenue	60	-	-	-	-	60
Current contract transfer obligation	922	1,783	-	-	-	2,705
Interest payable to Exchangeable Unitholders	484	-	-	-	-	484
Dividends payable to shareholders	1,067	-	-	-	-	1,067
Interest on long-term debt	2,668	2,896	2,896	2,896	2,896	14,252
Interest on contract transfer obligation	77	223	171	142	371	984
Long term contract transfer obligation	-	194	548	572	2,576	3,890
Interest rate swap liability	-	-	-	-	1,155	1,155
Debt facilities	-	-	-	-	73,500	73,500
Exchangeable Units	-	-	-	-	48,983	48,983
Total	\$ 6,430	\$ 5,096	\$ 3,615	\$ 3,610	\$ 129,481	\$ 148,232

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 \$53,000 of the Company's Term Facility at 3.64% until October 28, 2019 and an additional interest rate swap to fix the interest on the Term Facility at 3.94% from October 28, 2019 to December 31, 2023.

The Acquisition Facility bears interest at a variable rate of BAs + 1.70% or Prime + 0.5%. Management has elected to pay interest at variable interest rates on the Acquisition Facility and \$2,000 of the Term Facility until October 28, 2019 and monitors this position on an ongoing basis. An increase of 1% in the Company's effective interest rate on its variable rate debt would result in an increase in its annual interest expense of approximately \$205.

D) FAIR VALUE

The fair value of certain of the Company's financial instruments, including cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, interest payable to Exchangeable Unitholders and dividends payable to holders of restricted voting shares, are estimated by management to approximate their carrying values due to their short-term nature. The fair value of the Company's outstanding borrowings of \$73,500 approximate their carrying value of \$73,327 and the fair value of the Company's outstanding contract transfer obligation approximates the carrying value of \$6,595 as a result of their floating rate terms.

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E) FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the interim condensed consolidated balance sheets as at September 30, 2019 and December 31, 2018, classified using the fair value hierarchy.

As at September 30, 2019	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Exchangeable Units	48,983	-	-	48,983
Interest rate swap liability	-	1,155	-	1,155
Total	\$ 48,983	\$ 1,155	\$ -	\$ 50,138

As at December 31, 2018	Level 1	Level 2	Level 3	Total
Financial asset:				
Interest rate swap asset	-	119	-	119
Total	\$ -	\$ 119	\$ -	\$ 119

Financial liability:				
Exchangeable Units	48,484	-	-	48,484
Total	\$ 48,484	\$ -	\$ -	\$ 48,484

See Note 10 for disclosures related to Level 1 fair values and Note 9 for disclosures related to the Level 2 fair values.

There were no transfers between fair value hierarchy levels during the period.

15. Management of Capital

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

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

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

The covenants of the debt facilities prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense on Senior Indebtedness at a minimum of 3.0 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4.0 to 1.

Senior Indebtedness is defined as borrowings under the Company's debt facilities, as disclosed in Note 9. As at September 30, 2019 and December 31, 2018. The Company is compliant with all financial covenants. There were no changes in the Company's approach to capital management during the period.

16. Segmented Information

The Company has only one business segment which is providing information and services to REALTORS® and real estate brokers in Canada through a portfolio of highly regarded real estate services brands. The economic characteristics are consistent across the Company's brands as they each provide services, similar in nature, in the Canadian residential real estate market. Of the Company's revenues for the three and nine months ended September 30, 2019, 92% and 93% respectively (three and nine months ended September 30, 2018 - 95% and 96% respectively) are generated from the network of franchisees operating under the Royal LePage and Johnston and Daniel brands and 8% and 7% respectively (three and nine months ended September 30, 2018 - 5% and 4% respectively) are generated from the network of franchisees operating under the Via Capitale brand.