

Interim Condensed Consolidated Balance Sheets

(Unaudited) (In thousands of Canadian dollars)	Note	September 30, 2020	December 31, 2019
Assets			
Current assets			
Cash		\$ 10,648	\$ 5,202
Accounts receivable	4,12	4,024	4,351
Current portion of notes receivable	5	108	208
Current income tax receivable		145	173
Prepaid expenses		130	211
		15,055	10,145
Non-current assets			
Notes receivable	5	96	103
Deferred income tax asset	7	6,478	6,718
Intangible assets	6	72,279	77,827
		\$ 93,908	\$ 94,793
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 1,342	\$ 1,210
Contract transfer obligation	3, 6,12	604	1,920
Interest payable to Exchangeable Unitholders	9,12	484	484
Dividends payable to shareholders	12	1,067	1,067
		3,497	4,681
Non-current liabilities			
Debt facilities	8	73,368	73,338
Deferred payments	3,9,12	5,480	-
Contract transfer obligation	3, 6,12	3,288	3,698
Interest rate swap liability	8	2,909	496
Exchangeable Units	9	42,627	48,983
		131,169	131,196
Shareholders' deficit			
Restricted voting shares	10	140,076	140,076
Deficit		(177,337)	(176,479)
		(37,261)	(36,403)
		\$ 93,908	\$ 94,793

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 (Loss)

(Unaudited) (In thousands of Canadian dollars, except per share amounts) Note	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Revenues				
Fixed franchise fees	\$ 1,239	\$ 7,389	\$ 10,056	\$ 21,982
Variable franchise fees	8,038	3,077	19,124	8,455
Other revenue	1,460	1,260	4,073	3,244
	10,737	11,726	33,253	33,681
Expenses				
Cost of other revenue	197	155	481	417
Administration expenses (recovery) 4,12	(50)	53	779	767
Management fees 3,12	4,411	4,041	12,690	11,748
Interest expense 8	761	748	2,243	2,270
Impairment and write-off of intangible assets 6	76	-	359	650
Amortization of intangible assets 6	2,041	2,634	6,488	7,929
	7,436	7,631	23,040	23,781
Operating income	3,301	4,095	10,213	9,900
Interest on Exchangeable Units 9,12	(1,452)	(1,452)	(4,355)	(4,355)
Gain (loss) on fair value of Exchangeable Units 9	(3,527)	633	6,356	(499)
Gain (loss) on interest rate swap 8	133	155	(2,413)	(1,274)
Gain on deferred payments 3,9	310	-	1,191	-
Earnings (loss) before income tax	(1,235)	3,431	10,992	3,772
Current income tax expense	722	882	2,008	2,314
Deferred income tax expense (recovery)	250	127	240	(325)
Income tax expense 7	972	1,009	2,248	1,989
Net and comprehensive earnings (loss)	\$ (2,207)	\$ 2,422	\$ 8,744	\$ 1,783
Basic earnings (loss) per share 11	\$ (0.23)	\$ 0.26	\$ 0.92	\$ 0.19
Weighted average number of shares outstanding used in computing basic earning (loss) per share	9,483,850	9,483,850	9,483,850	9,483,850
Diluted earnings (loss) per share 11	\$ (0.23)	\$ 0.26	\$ 0.53	\$ 0.19
Weighted average number of shares outstanding used in computing diluted earnings (loss) per share	9,483,850	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 nine months ended September 30, 2020 (In thousands of Canadian dollars)	Restricted Voting Shares	Deficit	Shareholder's deficit
Balance, December 31, 2019	\$ 140,076	\$ (176,479)	\$ (36,403)
Net earnings	-	8,744	8,744
Dividends paid	-	(9,602)	(9,602)
Balance, September 30, 2020	\$ 140,076	\$ (177,337)	\$ (37,261)

(Unaudited) For the nine months ended September 30, 2019 (In thousands of Canadian dollars)	Restricted Voting Shares	Deficit	Shareholder's deficit
Balance, December 31, 2018	\$ 140,076	\$ (166,752)	\$ (26,676)
Net loss	-	1,783	1,783
Dividends paid	-	(9,602)	(9,602)
Balance, September 30, 2019	\$ 140,076	\$ (174,571)	\$ (34,495)

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 September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash provided by (used for):					
Operating activities					
Net earnings (loss) for the period		\$ (2,207)	\$ 2,422	\$ 8,744	\$ 1,783
Adjusted for					
Loss (gain) on fair value of Exchangeable Units	9	3,527	(633)	(6,356)	499
Loss (gain) on interest rate swap	8	(133)	(155)	2,413	1,274
Deferred payments	3,9,12	1,413	-	5,425	-
Interest expense	8	2,162	2,183	6,456	6,397
Interest paid		(2,098)	(2,166)	(6,311)	(6,366)
Interest income		36	111	88	132
Interest received		(34)	(94)	(84)	(115)
Current income tax expense	7	722	882	2,008	2,314
Income taxes paid		(720)	(630)	(1,980)	(3,057)
Deferred income tax expense (recovery)	7	250	127	240	(325)
Impairment and write-off of intangible assets	6	76	-	359	650
Amortization of intangible assets	6	2,235	2,725	6,825	8,020
Changes in non-cash working capital		(336)	1,165	583	847
		4,893	5,937	18,410	12,053
Investing activities					
Payment of contract transfer obligation	3,6,12	(377)	(943)	(1,726)	(2,701)
Franchise agreement expenses	6	(85)	(174)	(1,636)	(380)
Interest expense on contract transfer obligation		51	89	176	300
Interest expense paid on contract transfer obligation		(51)	(89)	(176)	(300)
		(462)	(1,117)	(3,362)	(3,081)
Financing activities					
Borrowings under debt facilities	8	-	-	-	2,000
Dividends paid to shareholders		(3,201)	(3,201)	(9,602)	(9,602)
		(3,201)	(3,201)	(9,602)	(7,602)
Increase in cash during the period		1,230	1,619	5,446	1,370
Cash, beginning of the period		9,418	4,090	5,202	4,339
Cash, end of the period		\$ 10,648	\$ 5,709	\$ 10,648	\$ 5,709

See accompanying notes to the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019
(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 Residential Income Fund L.P. (the “Partnership”) which, in turn, owns 9120 Real Estate Network, L.P. (“VCLP”). In addition, Bridgemarq directly owns a 75% interest in the general partner of the Partnership, Residential Income Fund General Partner Limited (“RIFGP”) (Collectively, the Partnership, VCLP and RIFGP represent the Company’s “Subsidiaries” and each of them is a “Subsidiary”). The Partnership and VCLP (together the “Operating Subsidiaries”) own and operate the assets from which the Company derives its revenue.

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

The Company receives certain management, administrative and support services from Bridgemarq Real Estate Services Manager Ltd. (“BRESML”, and together with its subsidiaries, the “Manager”), an indirect wholly owned subsidiary of BBP (see Note 12). The Company is party to an amended and restated Management Services Agreement (the “MSA”) with the Manager which governs the relationship between the Manager and the Company. The MSA has an initial term of ten-years expiring on December 31, 2028. On expiry, the MSA automatically renews for an additional ten-year term unless the Company or the Manager provides notice of their intention to terminate no later than six months prior to expiry.

During the three and nine months ended September 30, 2020, the Company derived approximately 86% and 88% (three and nine months ended September 30, 2019 – 89% and 90%) of its revenues from franchise 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 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, 2019.

These interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on November 5, 2020 and should be read in conjunction with the audited Annual Financial Statements of the Company for the year ended December 31, 2019.

The interim condensed consolidated financial statements have been prepared on a going concern basis.

The Company’s significant accounting policies are as follows:

ACCOUNTS RECEIVABLE

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless stated otherwise)

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 may incur franchise agreement expenses prior to or concurrent with entering into Franchise Agreements including payments to franchisees or prospective franchisees to defray the costs of converting REALTORS® or brokerages to the Company’s brands as well as contract specific legal costs, if any. The Company has also provided certain fee rebates to franchisees to provide financial support during the recent pandemic. These costs and rebates are capitalized on an agreement by agreement basis and amortized over the same term as the agreement to which they relate or, where the underlying agreement is less than a year, charged to the consolidated statement of net and comprehensive earnings. Where the franchise agreement expenses represent cash payments or fee rebates to franchisees, the amortization 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 for indicators of impairment or recovery of Franchise Agreements, the Company considers certain factors including, the financial performance of the business, franchise fees earned, term to maturity, historical REALTOR® count, collectability of receivables and underlying market conditions. When reviewing indicators for impairment on individual Ancillary Agreements, the Company considers certain factors including, prior year’s revenues and estimated future revenues under each Ancillary Agreement as well as underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges if the carrying amount of a Franchise Agreement or Ancillary Agreement (or cash-generating unit) exceeds its recoverable amount (recoverable amount is determined as the higher of a) estimated fair value less costs of disposal and b) value-in-use). Where the counter-parties of one or more Franchise Agreements combine their operations by way of a merger, acquisition or other combination subsequent to the acquisition of the underlying Franchise Agreement, the carrying value of the underlying intangible assets are combined for purposes of evaluating impairment.

If the carrying value of the intangible asset exceeds the recoverable amount, the intangible asset is written down to the recoverable amount and an impairment loss is charged to 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 REALTORS®’s gross revenue, which is the gross commission income earned on a transaction. Variable franchise fees are recognized at the point in time when a residential real estate transaction is closed and finalized by the REALTOR® and/or a lease is signed by the vendor or lessor.

Notes to the Interim Condensed Consolidated Financial Statements

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

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

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

External referral fees are generated from external parties who receive service referrals from the Company. External referral fees are recognized as revenue net of their direct costs at the point in time when the Company has completed its obligation under the agreement, which is when the control of the services are transferred to the customer.

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

The Company's revenues are affected by the seasonality of Canadian real estate markets, which historically have seen stronger transactional dollar volumes in the second and third quarters of each year. It is unknown whether this seasonality pattern will recur in 2020 due to the uncertainty surrounding the impact of COVID-19.

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

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

For the three and nine months ended September 30, 2020, the Company incurred management fees of \$4,838 and \$14,592 (three and nine months ended September 30, 2019 - \$5,073 and \$14,749) for these services, \$4,411 and \$12,690 of which was charged to the interim condensed consolidated statements of net and comprehensive earnings (three and nine months ended September 30, 2019 - \$4,041 and \$11,748) and \$428 and \$1,902 was used to reduce the contract transfer obligation owing to the Manager plus related interest (three and nine months ended September 30, 2019 - \$1,032 and \$3,001).

For the three and nine months ended September 30, 2020, the Company elected to defer payments of \$1,724 and \$5,648 related to management fees under a deferral agreement with the Manager. These deferred payments are non-interest bearing, are due no later than five years from the date of deferral and are repayable in cash or the issuance of Exchangeable Units, at the option of the Company. On initial recognition, the Company recorded the fair value of the deferred payment obligation at \$4,632 using an income approach to determine fair value. For the three and nine months ended September 30, 2020, the Company recorded a gain of \$310 and \$1,017 related to these deferred payments. The carrying value of the deferred payments will accrete to its face amount over the term of the deferral using the effective interest rate method.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless stated otherwise)

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, 2020, the Company had accounts receivable of \$4,024 (December 31, 2019 - \$4,351) net of an allowance for doubtful accounts of \$796 (December 31, 2019 - \$749). During the three months ended September 30, 2020, administration expense included a bad debt recovery of \$258 (2019 - bad debt recovery of \$120). During the nine months ended September 30, 2020, administration expenses included a bad debt expense of \$57 (2019 \$127).

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.

The table below summarizes the aging of accounts receivable as at September 30, 2020 and December 31, 2019.

As at,	September 30, 2020	December 31, 2019
Current	\$ 3,139	\$ 3,459
30 Days	244	683
60 Days	112	323
90+ Days	1,325	635
Subtotal	\$ 4,820	\$ 5,100
Allowance for Doubtful Accounts	(796)	(749)
Accounts Receivable	\$ 4,024	\$ 4,351

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

5. Notes Receivable

The Company has certain franchisees with which it has entered into a signed formalized payment plan in respect of franchise fees due to the Company which were in arrears. Amounts under these payment plans which are due greater than one year from the financial statement date have been classified as non-current. The terms stipulated in the payment plan require the franchisees to repay the total outstanding balance in monthly payments plus interest based on a spread above the prime interest rate. As at September 30, 2020, the Company had notes receivable of \$204 (December 31, 2019 - \$311), of which \$108 was due within 12 months (December 31, 2019 - \$208) and \$96 was considered non-current (December 31, 2019 - \$103).

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

As at,	September 30, 2020	December 31, 2019
Current portion	\$ 108	\$ 208
Receivable in 13-24 months	28	28
Receivable thereafter	68	75
Notes Receivable	\$ 204	\$ 311

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless stated otherwise)

6. Intangible Assets

In accordance with terms of the MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements under the Royal LePage and Via Capitale brands as well as the Ancillary Agreements, 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 and the fair value ascribed to the Ancillary Agreements was \$4,590 with the fair value for these agreements determined using a discounted cash flow model. A portion of management fees payable under the MSA has been allocated to reduce the contract transfer obligation associated with these transferred agreements. For the three and nine months ended September 30, 2020, \$377 and \$1,726 of payments for management fees paid under the MSA were allocated to reduce the contract transfer obligation (three and nine months ended September 30, 2019 - \$943 and \$2,701) with a further \$51 and \$176 allocated to interest on the contract transfer obligation (three and nine months ended September 30, 2019 - \$89 and \$300). The contract transfer obligation bears interest at variable rates.

Franchise agreement expenses are recorded as additions to intangible assets net of any recovery of previously paid franchise agreement expenses. For the three and nine months ended September 30, 2020, the Company recorded franchise agreement expenses of \$85 and \$1,636 as additions to intangible assets (three and nine months ended September 30, 2019 - \$136 and \$380).

For the three and nine months ended September 30, 2020, the Company identified six and 15 Franchise Agreements with a carrying amount in excess of their recoverable amount (three and nine months ended September 30, 2019 - nil and nine). For the three and nine months ended September 30, 2020, the Company recognized an impairment charge of \$76 and \$359 related to those Franchise Agreements (three and nine months ended September 30, 2019 - nil and \$650).

For the nine months ended September 30, 2020, the Company identified three Franchise Agreements that were subject to early termination or non-renewal (nine months ended September 30, 2019 - two). For the nine months ended September 30, 2019, the Company recognized a write-off of \$130 related to those Franchise Agreements.

For the three and nine months ended September, 2020, the Company recorded amortization of intangible assets of \$2,235 and \$6,825 (three and nine months ended September 30, 2019 - \$2,687 and \$8,020), of which \$194 and \$337 was recorded as a reduction in revenues (three and nine months ended September 30, 2019 - \$53 and \$91).

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

	Franchise Agreements & Ancillary Agreements	Trademarks	Total
Cost			
At December 31, 2019	\$ 246,231	\$ 5,427	\$ 251,658
Franchise agreement expenses, net	1,299	-	1,299
Impairment	(359)	-	(359)
At September 30, 2020	\$ 247,171	\$ 5,427	\$ 252,598
Accumulated amortization			
At December 31, 2019	\$ (170,812)	\$ (3,019)	\$ (173,831)
Amortization expense	(6,350)	(138)	(6,488)
At September 30, 2020	\$ (177,162)	\$ (3,157)	\$ (180,319)
Carrying value			
At December 31, 2019	\$ 75,419	\$ 2,408	\$ 77,827
At September 30, 2020	\$ 70,009	\$ 2,270	\$ 72,279

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019
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7. Income Taxes

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

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

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Earnings (loss) before income tax for the period:	\$ (1,235)	\$ 3,431	\$ 10,992	\$ 3,772
Expected income tax expense (recovery) at statutory rate of 26.5% (2019 - 26.5%)	(327)	909	2,913	1,000
Increase (decrease) in income tax expense due to the following:				
Non-deductible amortization	124	141	373	379
Non-deductible loss (gain) on fair value of Exchangeable Units	935	(168)	(1,684)	132
Non-deductible interest on Exchangeable Units	385	385	1,154	1,154
Non-deductible impairment and write-off of intangible assets, net	5	-	18	7
Income allocated to Exchangeable Unitholders	(299)	(259)	(678)	(680)
Recognition of deferred tax assets and other	149	1	152	(3)
Total income tax expense	\$ 972	1,009	\$ 2,248	\$ 1,989

The major components of income tax expense include the following:

Years ended December 31,	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Current income tax expense	\$ 722	\$ 882	\$ 2,008	\$ 2,314
Deferred income tax expense (recovery)	250	127	240	(325)
Total income tax expense	\$ 972	\$ 1,009	\$ 2,248	\$ 1,989

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

	Intangible Assets	Contract transfer obligation	Other	Total
Deferred income tax assets:				
At December 31, 2019	\$ 5,099	\$ 1,488	\$ 132	\$ 6,718
Deferred income tax recovery (expense)	(209)	(355)	323	(240)
At September 30, 2020	\$ 4,890	\$ 1,133	\$ 455	\$ 6,478
Deferred income tax assets:				
At December 31, 2018	\$ 6,642	\$ -	\$ (31)	\$ 6,611
Transfer of contracts on January 3, 2019	(2,463)	2,463	-	-
Deferred income tax recovery (expense)	920	(975)	163	107
At December 31, 2019	\$ 5,099	\$ 1,488	\$ 132	\$ 6,718

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless stated otherwise)

8. Debt Facilities

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

As at	September 30, 2020	December 31, 2019
Term facility	\$ 55,000	\$ 55,000
Acquisition facility	18,500	18,500
	\$ 73,500	\$ 73,500
Financing fees	(132)	(162)
Debt facilities	\$ 73,368	\$ 73,338

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

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

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

A \$5,000 revolving operating facility (the "Operating Facility") is available to meet the Company's day-to-day operating requirements. No amounts have been drawn on this facility at September 30, 2020.

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

The Company's ability to borrow under these arrangements is subject to certain covenants. Under these covenants, the Company must maintain a ratio of Consolidated EBITDA to Interest Expense on Senior Indebtedness at a minimum of 3.0 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4.0 to 1. The Company is obligated to make limited principal repayments under the Debt Facilities in circumstances where the ratio of Senior Indebtedness to Consolidated EBITDA exceeds 3.4:1. Such payments shall continue until the ratio of Senior Indebtedness to Consolidated EBITDA is less than 3.25:1.

Consolidated EBITDA is defined as operating income before impairment and amortization of intangible assets and interest expense. Senior Indebtedness is defined as borrowings on the Company's debt facilities. At September 30, 2020 and December 31, 2019, the Company complied with all covenants under the debt facilities.

The Company has entered into an interest rate swap agreement to swap the variable interest rate obligation on the \$55,000 Term Facility to a fixed rate obligation of 3.94% through to Maturity. The interest rate swap is a financial instrument and is disclosed at its fair value with any change in their fair value recorded as a gain or loss in the Company's 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, 2020, the Company determined that the fair value of the interest rate swaps represents a liability of \$2,909 (December 31, 2019 -\$496). For the three and nine months ended September 30, 2020, the Company recognized a fair value gain of \$133 and loss of \$2,413 (three and nine months ended September 30, 2019 - gain of \$155 and loss of \$1,274).

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9. Exchangeable Units

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

The Company measures the Exchangeable Units at their fair value using the closing price of the Company's restricted voting shares listed on the TSX. At September 30, 2020, the Company used the closing market price of Bridgemarq's shares of \$12.81 (December 31, 2019 - \$14.72). During the three months ended September 30, 2020, the Company recorded a loss of \$3,527 related to the fair value of the Exchangeable Units (2019 - a gain of \$633). For the nine months ended September 30, 2020, the Company recorded a gain of \$6,356 (2019 - a loss of \$499).

The Exchangeable Unitholders are entitled to cash distributions from the Partnership in respect of their economic interest in the Partnership as and when declared by the Board of Directors of RIFGP. Such distributions are made on a before tax basis and are directly taxable in the hands of the Exchangeable Unitholders. For the three and nine months ended September 30, 2020 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, 2019 - \$1,452 and \$4,355).

During the nine months ended September 30, 2020, the Company elected to defer the payment of interest of \$968 on the Exchangeable Units under a deferral agreement with BBP. These deferred payments are non-interest bearing, are due no later than five years from the date of deferral and are repayable in cash or the issuance of Exchangeable Units, at the option of the Company. On initial recognition, the Company recorded the fair value of the deferred payment obligation at \$794 using an income approach to determine fair value. For the nine months ended September 30, 2020, the Company recorded a gain of \$174 related to these deferred payments. The carrying value of the deferred payments will accrete to its face amount over the term of the deferral using the effective interest rate method.

10. Share Capital

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

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

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

No additional restricted voting shares were issued during the nine months ended September 30, 2020 or the year ended December 31, 2019.

No preferred shares were issued or outstanding as at September 30, 2020 or December 31, 2019.

The following table summarizes the outstanding shares of Bridgemarq:

As at September 30,	2020	2019
Restricted voting shares	9,483,850	9,483,850
Special voting share	1	1

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11. Earnings (Loss) Per Share

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

(In thousands of Canadian dollars, except share and per share amounts)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Net earnings (loss) available to restricted voting shareholders – basic	\$ (2,207)	\$ 2,422	\$ 8,744	\$ 1,783
Interest on Exchangeable Units	1,452	1,452	4,355	4,355
Loss (gain) on fair value of Exchangeable Units	3,527	633	(6,356)	499
Net earnings available to restricted voting shareholders – diluted	\$ 2,772	\$ 4,507	\$ 6,743	\$ 6,637
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
Weighted average number of shares outstanding used in computing diluted earnings per share	9,483,850	12,811,517	12,811,517	12,811,517
Basic earnings (loss) per share	\$ (0.23)	\$ 0.26	\$ 0.92	\$ 0.19
Diluted earnings (loss) per share	\$ (0.23)	\$ 0.26	\$ 0.53	\$ 0.19
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

12. 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, 2020 and 2019. These transactions have been recorded at the exchange amount as agreed between the parties.

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine ended September 30, 2019
a) Revenues				
Fixed franchise fees	\$ 8	\$ 681	\$ 719	\$ 2,086
Variable franchise fees	\$ 626	\$ 237	\$ 1,833	\$ 784
Other revenue, net	\$ 27	\$ 15	\$ 77	\$ 86
b) Expenses				
Management fees	\$ 4,411	\$ 4,041	\$ 12,690	\$ 11,748
Insurance premiums and other	\$ 7	\$ 4	\$ 16	\$ 15
Interest on contract transfer obligation	\$ 51	\$ 89	\$ 176	\$ 300
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, 2020	December 31, 2019
d) Accounts receivable		
Franchise fees receivable and other	\$ 245	\$ 305
e) Management fees and Interest on contract transfer obligation		
Management fees and interest on contract transfer obligation payable	\$ 695	\$ 787
Management fee payments deferred	\$ 4,679	\$ -
f) Interest payable to Exchangeable Unitholders		
Interest payments deferred	\$ 484	\$ 484
	\$ 801	\$ -
g) Contract transfer obligation	\$ 3,892	\$ 5,618

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, to the Company for nominal consideration. The fair value ascribed to these agreements was \$9,296. A portion of management fees payable under the MSA has been allocated to the repayment of the contract transfer obligation associated with these transferred agreements.

The members of the Company's board of directors are compensated for their services. During the three and nine months ended September 30, 2020, the Company incurred \$67 and \$201 in directors' fees (three and nine months ended September 30, 2019 - \$57 and \$182). These directors' fees are included in administration expenses.

13. Financial Instruments

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

A) CREDIT RISK

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

As at September 30, 2020, the Company has recorded an allowance for doubtful accounts of \$796 (December 31, 2019 - \$749).

B) LIQUIDITY RISK

The Company is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs, including paying dividends to shareholders of restricted voting shares and interest to Exchangeable Unitholders. The Company manages liquidity risk by maintaining conservative debt levels compared with those required by the covenants associated with the debt facilities. The Company has a \$20,000 Acquisition Facility, of which \$18,500 has been drawn, and a \$5,000 undrawn Operating Facility (see Note 8). In addition, the Company has entered into an agreement with the Manager and BBP whereby the Company can elect to defer payment of management fees to the Manager and interest on Exchangeable Units to BBP, providing additional liquidity for the Company. In the nine months ended September 30, 2020, the Company deferred payments of \$6,616 under the agreement. These deferred payments are non-interest bearing, are due no later than five years from the date of deferral and are repayable in cash or the issuance of Exchangeable Units, at the option of the Company.

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

As at September 30,	2020	2021	2022	2023	Beyond 2023	Total
Accounts payable and accrued liabilities	\$ 1,342	\$ -	\$ -	\$ -	\$ -	\$ 1,342
Current contract transfer obligation	134	470	-	-	-	604
Interest payable to Exchangeable Unitholders	484	-	-	-	-	484
Dividends payable to shareholders	1,067	-	-	-	-	1,067
Interest on long-term debt	724	2,896	2,896	2,896	-	9,412
Interest on contract transfer obligation	48	171	143	113	258	733
Long term contract transfer obligation	-	548	573	602	1,565	3,288
Interest rate swap liability	-	-	-	2,909	-	2,909
Debt facilities	-	-	-	73,500	-	73,500
Deferred payments	-	-	-	-	5,480	5,480
Exchangeable Units	-	-	-	-	42,627	42,627
Total	\$ 3,799	\$ 4,085	\$ 3,612	\$ 80,020	\$ 49,930	\$ 141,446

C) INTEREST RATE RISK

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

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

The Acquisition Facility bears interest at a variable rate of BAs + 1.70% or Prime + 0.5%. Management has elected to pay interest at variable interest rates on the Acquisition Facility and monitors this position on an ongoing basis. An increase of 1% in the Company's effective interest rate on its variable rate debt would result in an increase in its annual interest expense of approximately \$185.

D) FAIR VALUE

The fair value of certain of the Company's financial instruments, including cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, interest payable to Exchangeable Unitholders and dividends payable to holders of restricted voting shares, are estimated by management to approximate their carrying values due to their short-term nature. The fair value of deferred payments is estimated to approximate its carrying value due to the Company's option to settle this amount through the issuance of Exchangeable Units at any time. The fair value of the Company's outstanding borrowings of \$73,500 approximate their carrying value of \$73,368 and the fair value of the Company's outstanding contract transfer obligation approximates the carrying value of \$3,892 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 consolidated balance sheets as at September 30, 2020 and December 31, 2019, classified using the fair value hierarchy.

As at September 30, 2020	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Exchangeable Units	42,627	-	-	42,627
Interest rate swap liability	-	2,909	-	2,909
Total	\$ 42,627	\$ 2,909	\$ -	\$ 45,536

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

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

14. Management of Capital

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

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

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

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

Senior Indebtedness is defined as borrowings under the Company's debt facilities, as disclosed in Note 8. As at September 30, 2020 and December 31, 2019. The Company is compliant with all financial covenants. There were no changes in the Company's approach to capital management during the period.

15. Segmented Information

The Company has only one business segment which is providing information and services to REALTORS® and real estate brokers in Canada through a portfolio of highly regarded real estate services brands. The economic characteristics are consistent across the Company's brands as they each provide services, similar in nature, in the Canadian residential real estate market. Of the Company's revenues for the three and nine months ended September 30, 2020, 93% and 92% (three and nine months ended September 30, 2019 – 92% and 93%) are generated from services provided under the Royal LePage and Johnston and Daniel brands and 7% and 8% (three and nine months ended September 30, 2019 – 8% and 7%) are generated from services provided under the Via Capitale brand.

Notes to the Interim Condensed Consolidated Financial Statements

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16. Global Pandemic

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

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

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

A significant deterioration in results of the Company’s operations could impact the Company’s ability to remain in compliance with its debt covenants. The Company believes it will have adequate liquidity to support its operations and meet its financial obligations for at least twelve months. In order to improve its liquidity, the Company has negotiated a deferral of management fee payments to the Manager and a deferral of interest payments on the Exchangeable Units to BBP and has applied judgment in assessing its ability to meet, or, if necessary, renegotiate or obtain a waiver of its debt covenants for an appropriate period of time.