

Interim Condensed Consolidated Balance Sheets

(Unaudited) As at, (In thousands of Canadian dollars)	Note	September 30, 2021	December 31, 2020
Assets			
Current assets			
Cash		\$ 9,666	\$ 9,156
Accounts receivable	4,13	3,888	2,348
Current portion of notes receivable	5	30	28
Current income tax receivable		-	652
Prepaid expenses		139	143
		13,723	12,327
Non-current assets			
Notes receivable	5	78	91
Deferred income tax asset	7	6,282	6,398
Intangible assets	6	64,173	70,143
		\$ 84,256	\$ 88,959
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,377	\$ 1,282
Contract transfer obligation	3,13	566	549
Current income taxes payable		315	-
Interest payable to Exchangeable Unitholders	10,13	484	484
Dividends payable to shareholders	12	1,067	1,067
		3,809	3,382
Non-current liabilities			
Debt facilities	8	70,909	73,379
Deferred payments	9,13	5,702	5,535
Contract transfer obligation	3,13	2,722	3,149
Interest rate swap liability	8	1,505	2,704
Exchangeable Units	10	55,406	49,249
		140,053	137,398
Shareholders' deficit			
Restricted voting shares	11	140,076	140,076
Deficit		(195,873)	(188,515)
		(55,797)	(48,439)
		\$ 84,256	\$ 88,959

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, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Revenues					
Fixed franchise fees		\$ 7,836	\$ 1,239	\$ 23,085	\$ 10,056
Variable franchise fees		3,483	8,038	12,034	19,124
Other revenue		1,115	1,460	4,366	4,073
		12,434	10,737	39,485	33,253
Expenses					
Cost of other revenue		215	197	782	481
Administration expense (recovery)	4,5,13	264	(50)	406	779
Management fees	3,13	4,986	4,411	15,527	12,690
Interest expense	3,8,9	740	761	2,225	2,243
Impairment and write-off of intangible assets	6	-	76	-	359
Amortization of intangible assets	6	1,905	2,041	5,769	6,488
		8,110	7,436	24,709	23,040
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	1,730	(3,527)	(6,157)	6,356
Gain (loss) on interest rate swap	8	254	133	1,199	(2,413)
Gain on deferred payments		-	310	-	1,191
Earnings (loss) before income tax		4,856	(1,235)	5,463	10,992
Current income tax expense		987	722	3,103	2,008
Deferred income tax expense		4	250	116	240
Income tax expense	7	991	972	3,219	2,248
Net and comprehensive earnings (loss)		\$ 3,865	\$ (2,207)	\$ 2,244	\$ 8,744
Basic earnings (loss) per share	12	\$ 0.41	\$ (0.23)	\$ 0.24	\$ 0.92
Weighted average number of shares outstanding used in computing basic earning per share		9,483,850	9,483,850	9,483,850	9,483,850
Diluted earnings (loss) per share	12	\$ 0.28	\$ (0.23)	\$ 0.24	\$ 0.53
Weighted average number of shares outstanding used in computing diluted earnings per share		12,811,517	9,483,850	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, (In thousands of Canadian dollars)	Restricted Voting Shares	Deficit	Shareholders' Deficit
Balance, December 31, 2020	\$ 140,076	\$ (188,515)	\$ (48,439)
Net loss	-	2,244	2,244
Dividends paid	-	(9,602)	(9,602)
Balance, September 30, 2021	\$ 140,076	\$ (195,873)	\$ (55,797)
 (In thousands of Canadian dollars)			
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)

See accompanying notes to the interim condensed consolidated financial statements.

Consolidated Statements of Cash Flows

(Unaudited) (In thousands of Canadian dollars)	Note	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash provided by:					
Operating activities					
Net (loss) earnings for the period		3,865	\$ (2,207)	\$ 2,244	\$ 8,744
Adjusted for					
Loss (gain) on fair value of Exchangeable Units	10	(1,730)	3,527	6,157	(6,356)
Loss (gain) on interest rate swap	8	(254)	(133)	(1,199)	2,413
Deferred payments	9	-	1,413	-	5,425
Interest expense	3,8,9,10	2,151	2,162	6,454	6,456
Interest paid		(2,086)	(2,098)	(6,267)	(6,311)
Interest income		6	36	28	88
Interest received		(6)	(34)	(27)	(84)
Current income tax expense	7	987	722	3,103	2,008
Income taxes paid		(1,380)	(720)	(2,880)	(1,980)
Deferred income tax expense	7	4	250	116	240
Impairment and write-off of intangible assets	6	-	76	-	359
Amortization of intangible assets	6	1,905	2,041	5,769	6,488
Net changes in non-cash working capital		849	(336)	(677)	583
		4,311	4,699	12,821	18,073
Investing activities					
Payment of contract transfer obligation	3,13	(137)	(377)	(410)	(1,726)
Franchise agreement expenses	6	85	109	201	(1,299)
Interest expense on contract transfer obligation	3,13	41	51	130	176
Interest expense paid on contract transfer obligation	3,13	(41)	(51)	(130)	(176)
		(52)	(268)	(209)	(3,025)
Financing activities					
Repayments under debt facilities	8	-	-	(2,500)	-
Dividends paid to shareholders	12	(3,201)	(3,201)	(9,602)	(9,602)
		(3,201)	(3,201)	(12,102)	(9,602)
Increase in cash during the period		1,058	1,230	510	5,446
Cash, beginning of the period		8,608	9,418	9,156	5,202
Cash, end of the period		9,666	\$ 10,648	\$ 9,666	\$ 10,648

See accompanying notes to the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020
(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.

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. 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 the MSA no later than six months prior to expiry.

During the three and nine months ended September 30, 2021, the Company derived approximately 91% and 89% of its revenues from franchise fees it receives under the Franchise Agreements (three and nine months ended September 30, 2020 – 86% and 88%).

2. Significant Accounting Policies

BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting 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, 2020.

These interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on November 8, 2021 and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2020.

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

ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

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

INTANGIBLE ASSETS

Intangible assets, consisting of Franchise Agreements, Trademarks and other agreements purchased or 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.

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020
(Expressed in thousands of Canadian dollars, unless stated otherwise)

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 may also provide certain fee rebates to franchisees under certain circumstances. These costs and rebates (net of any amounts recovered from franchisees) 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 (loss). The amortization charge for these fee rebates and any franchise agreement expenses represented by cash payments to franchisees 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 impairment 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 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 net and comprehensive earnings 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.

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 charged in 2020. For the period from April 1, 2020 to December 31, 2020, the Company suspended fixed franchise fees and increased variable franchise fees (subject to a cap) for franchisees representing approximately 82% of the Company's REALTORS®.

Notes to the Interim Condensed Consolidated Financial Statements

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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 (loss).

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, when the performance obligation has been satisfied, which is when a lead is assigned to the REALTOR® or the franchisee.

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. This historical seasonality pattern did not recur in 2020 as the Canadian real estate market was impacted by a world wide pandemic, particularly in the second quarter of 2020. There can be no certainty that this historical seasonality pattern will recur in 2021 or any future year.

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 net and comprehensive earnings in the period the change occurs. The fair value of these financial liabilities is based on the market price of Bridgemarq's restricted voting shares and the number of Exchangeable Units outstanding at the reporting date.

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, 2021, the Company incurred management fees of \$5,164 and \$16,067 (three and nine months ended September 30, 2020 - \$4,839 and \$14,592) for these services, \$4,986 and \$15,527 of which was charged to the consolidated statements of net and comprehensive earnings (loss) (three and nine months ended September 30, 2020 - \$4,411 and \$12,690) and \$178 and \$540 was used to reduce the contract transfer obligation owing to the Manager plus related interest (three and nine months ended September 30, 2020 - \$428 and \$1,902).

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. As at September 30, 2021, the Company had accounts receivable of \$3,888 (December 31, 2020 - \$2,348) net of an allowance for doubtful accounts of \$128 (December 31, 2020 - \$310). During the three and nine months ended September 30, 2021, administration expense included a bad debt expense of \$39 and a recovery related to accounts receivable of \$312 (three and nine months ended September 30, 2020 - recovery of \$258 and bad debt expense of \$57).

Management reviews accounts receivable to determine whether an allowance for doubtful accounts is required by assessing the collectability of receivables owing from each individual franchisee. This assessment takes into consideration certain factors including the aging of outstanding balances, 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

For the nine months ended September 30, 2021 and 2020
(Expressed in thousands of Canadian dollars, unless stated otherwise)

The table below summarizes the aging of accounts receivable as at September 30, 2021 and December 31, 2020.

As at,	September 30, 2021	December 31, 2020
Current	\$ 3,363	\$ 1,962
30 Days	401	322
60 Days	88	63
90+ Days	164	311
Subtotal	\$ 4,016	\$ 2,658
Allowance for doubtful accounts	(128)	(310)
Accounts receivable	\$ 3,888	\$ 2,348

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 at an agreed rate. As at September 30, 2021, there was no allowance for doubtful accounts related to notes receivable (December 31, 2020 - \$85).

During the three and nine months ended September 30, 2021, administration expense included a bad debt recovery related to notes receivable of nil and \$86 (three and nine months ended September 30, 2020 - \$15 and \$43).

As at,	September 30, 2021	December 31, 2020
Current portion	\$ 30	\$ 88
Receivable in 13-24 months	33	53
Receivable thereafter	45	63
Subtotal	108	204
Allowance for doubtful accounts	-	(85)
Notes receivable	\$ 108	\$ 119

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020
(Expressed in thousands of Canadian dollars, unless stated otherwise)

6. Intangible Assets

Franchise agreement expenses and rebates are recorded as additions to intangible assets net of any recovery of previously paid franchise agreement expenses and net of any amortization of previously capitalized franchise agreement expenses. For the three and nine months ended September 30, 2021, net reductions of intangible assets of \$85 and \$201 (three and nine months ended September 30, 2020 - net additions of \$85 and \$1,636) reflect amortization of those franchise agreement expenses and rebates of \$129 and \$418 (three and nine months ended September 30, 2020 - \$194 and \$336) recorded as a reduction of revenues.

The company recorded no impairments or write-offs of intangible assets during the three and nine months ended September 30, 2021.

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 and recognized an impairment charge of \$76 and \$359 related to those Franchise Agreements.

A summary of intangible assets as at September 30, 2021 and December 31, 2020 is provided in the charts below.

	Franchise Agreements & Ancillary Agreements	Trademarks	Total
Cost			
At December 31, 2020	\$ 244,470	\$ 5,427	\$ 249,897
Franchise agreement expenses and rebates, net	(201)	-	(201)
At September 30, 2021	\$ 244,269	\$ 5,427	\$ 249,696
Accumulated amortization			
At December 31, 2020	\$ (176,550)	\$ (3,204)	\$ (179,754)
Amortization expense	(5,677)	(92)	(5,769)
At September 30, 2021	\$ (182,227)	\$ (3,296)	\$ (185,523)
Carrying value			
At December 31, 2020	\$ 67,920	\$ 2,223	\$ 70,143
At September 30, 2021	\$ 62,042	\$ 2,131	\$ 64,173

Year ended December 31, 2020	Franchise Agreements & Ancillary Agreements	Trademarks	Total
Cost			
At December 31, 2019	\$ 246,231	\$ 5,427	\$ 251,658
Franchise agreement expenses and rebates, net	1,189	-	1,189
Impairment	(368)	-	(368)
Agreements expiring during the year	(2,582)	-	(2,582)
At December 31, 2020	\$ 244,470	\$ 5,427	\$ 249,897
Accumulated amortization			
At December 31, 2019	\$ (170,812)	\$ (3,019)	\$ (173,831)
Amortization expense	(8,320)	(185)	(8,505)
Agreements expiring during the year	2,582	-	2,582
At December 31, 2020	\$ (176,550)	\$ (3,204)	\$ (179,754)
Carrying value			
At December 31, 2019	\$ 75,419	\$2,408	\$77,827
At December 31, 2020	\$ 67,920	\$2,223	\$70,143

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020
(Expressed in thousands of Canadian dollars, unless stated otherwise)

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, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended, September 30, 2020
Earnings (loss) before income tax for the period:	\$ 4,856	\$ (1,235)	\$ 5,463	\$ 10,992
Expected income tax expense (recovery) at statutory rate of 26.5% (2020 - 26.5%)	1,287	(327)	1,448	2,913
Increase (decrease) in income tax expense due to the following:				
Non-deductible amortization	122	124	366	373
Non-deductible loss (non-taxable gain) on fair value of Exchangeable Units	(459)	935	1,631	(1,684)
Non-deductible interest on Exchangeable Units	385	385	1,154	1,154
Non-deductible impairment and write-off of intangible assets, net	-	5	-	18
Income allocated to Exchangeable Unitholders	(344)	(299)	(1,161)	(678)
Recognition of deferred tax assets and other	-	149	(219)	152
Total income tax expense	\$ 991	972	\$ 3,219	\$ 2,248

The major components of income tax expense include the following:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Current income tax expense	\$ 987	\$ 722	\$ 3,103	\$ 2,008
Deferred income tax expense	4	250	116	240
Total income tax expense	\$ 991	\$ 972	\$ 3,219	\$ 2,248

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, 2020	\$ 4,988	\$ 980	\$ 430	\$ 6,398
Deferred income tax recovery (expense)	266	(109)	(273)	(116)
At September 30, 2021	\$ 5,254	\$ 871	\$ 157	\$ 6,282
Deferred income tax assets:				
At December 31, 2019	\$ 5,098	\$ 1,488	\$ 132	\$ 6,718
Deferred income tax recovery (expense)	(110)	(508)	298	(320)
At December 31, 2020	\$ 4,988	\$ 980	\$ 430	\$ 6,398

Notes to the Interim Condensed Consolidated Financial Statements

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8. Debt Facilities

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

As at	September 30, 2021	December 31, 2020
Term facility	\$ 55,000	\$ 55,000
Acquisition facility	16,000	18,500
	\$ 71,000	\$ 73,500
Financing fees	(91)	(121)
Debt facilities	\$ 70,909	\$ 73,379

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, 2021.

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 the Company maintain certain financial 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 net earnings before income taxes, fair value adjustments on interest rate swaps and Exchangeable Units, impairment and amortization of intangible assets and interest expense. Senior Indebtedness is defined as borrowings on the Company's debt facilities. At September 30, 2021 and December 31, 2020, 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 the fair value recorded as a gain or loss in the Company's consolidated statements of net and comprehensive earnings (loss). 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, 2021, the Company determined that the fair value of the interest rate swaps represents a liability of \$1,505 (December 31, 2020 -\$2,704). For the three and nine months ended September 30, 2021, the Company recognized a fair value gain of \$254 and \$1,199 (three and nine months ended September 30, 2020 - gain of \$133 and a loss of \$2,413).

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9. Deferred Payments

The Company has deferred payment of certain amounts owing to BBP and the Manager pursuant to an agreement with BBP and the Manager. These deferred payments of \$6,616, are non-interest bearing, are due no later than 2025 and are repayable in cash or the issuance of Exchangeable Units, at the option of the Company. For the three and nine months ended September 30, 2021, the Company recorded interest expense of \$57 and \$167 (2020 - \$55 and \$110) reflecting accretion of the carrying value of the deferred payments using the effective interest rate method.

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, 2021, the Company used the closing market price of Bridgemarq's shares of \$16.65 (December 31, 2020 - \$14.80). During the three and nine months ended September 30, 2021, the Company recorded a gain of \$1,730 and a loss \$6,157 related to the fair value of the Exchangeable Units (three and nine months ended September 30, 2020 - a loss of \$3,527 and a gain of \$6,356).

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, 2021 the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of \$1,452 and \$4,355 (three and nine months September 30, 2020 - \$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. No additional restricted voting shares were issued during the three months ended September 30, 2021 or the year ended December 31, 2020.

No preferred shares were issued or outstanding as at September 30, 2021 or December 31, 2020.

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.

The following table summarizes the outstanding shares of Bridgemarq:

As at September 30,	2021	2020
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:

(In thousands of Canadian dollars, except share and per share amounts)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net earnings (loss) available to restricted voting shareholders - basic	\$ 3,865	\$ (2,207)	\$ 2,244	\$ 8,744
Interest on Exchangeable Units	1,452	1,452	4,355	4,355
Loss (gain) on fair value of Exchangeable Units	(1,730)	3,527	6,157	(6,356)
Net earnings available to restricted voting shareholders - diluted	\$ 3,587	\$ 2,772	\$ 12,756	\$ 6,743
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	12,811,517	9,483,850	12,811,517	12,811,517
Basic earnings (loss) per share	\$ 0.41	\$ (0.23)	\$ 0.24	\$ 0.92
Diluted earnings (loss) per share	\$ 0.28	\$ (0.23)	\$ 0.24	\$ 0.53
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, 2021 and September 30, 2020. These transactions have been recorded at the exchange amount as agreed between the parties.

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
a) Revenues				
Fixed franchise fees	\$ 669	\$ 8	\$ 2,003	\$ 719
Variable franchise fees	\$ 234	\$ 626	\$ 948	\$ 1,833
Other revenue, net	\$ 28	\$ 27	\$ 123	\$ 77
b) Expenses				
Management fees	\$ 4,986	\$ 4,411	\$ 15,527	\$ 12,690
Insurance premiums and other	\$ 9	\$ 7	\$ 21	\$ 16
Interest on contract transfer obligation	\$ 41	\$ 51	\$ 130	\$ 176
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, 2021	December 31, 2020
d) Accounts receivable		
Franchise fees receivable and other	\$ 316	\$ 140
e) Management fees and Interest on contract transfer obligation	\$ 905	\$ 839
f) Contract transfer obligation	\$ 3,288	\$ 3,698
g) Interest payable to Exchangeable Unitholders	\$ 484	\$ 484
h) Deferred payments	\$ 5,702	\$ 5,535

Certain members of the Company's board of directors are compensated for their services. During the three and nine months ended September 30, 2021, the Company incurred \$62 and \$193 in directors' fees (three and nine months ended September 30, 2020 - \$67 and \$201). Directors' fees 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 a provision should be recorded. The estimation and application of monitoring future events or market conditions requires significant judgment and is uncertain.

As at September 30, 2021, the Company has recorded an allowance for doubtful accounts related to accounts receivable and notes receivable of \$128 (December 31, 2020 - \$395).

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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 \$16,000 has been drawn, and a \$5,000 undrawn Operating Facility (see Note 8).

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

As at September 30,	2021	2022	2023	2024	2025	Beyond 2025	Total
Accounts payable and accrued liabilities	\$ 1,377	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,377
Current contract transfer obligation	566	-	-	-	-	-	\$ 566
Interest payable to Exchangeable Unitholders	484	-	-	-	-	-	\$ 484
Dividends payable to shareholders	1,067	-	-	-	-	-	\$ 1,067
Interest on long-term debt	2,098	2,797	2,797	-	-	-	\$ 7,692
Interest on contract transfer obligation	40	143	114	90	72	97	\$ 556
Long term contract transfer obligation	-	290	602	356	375	1,099	\$ 2,722
Interest rate swap liability	-	-	1,505	-	-	-	\$ 1,505
Debt facilities	-	-	71,000	-	-	-	\$ 71,000
Deferred payments	-	-	-	-	6,616	-	\$ 6,616
Exchangeable Units	-	-	-	-	-	55,406	\$ 55,406
Total	\$ 5,632	\$ 3,230	\$ 76,018	\$ 446	\$ 7,063	\$ 56,602	\$ 148,991

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 \$160.

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 of \$5,702 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 \$71,000 approximate their carrying value of \$70,909 and the fair value of the Company's outstanding contract transfer obligation approximates the carrying value of \$3,288 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, 2021 and December 31, 2020, classified using the fair value hierarchy.

As at September 30, 2021	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Exchangeable Units	55,406	-	-	55,406
Interest rate swap liability	-	1,505	-	1,505
Total	\$ 55,406	\$ 1,505	\$ -	\$ 56,911

As at December 31, 2020	Level 1	Level 2	Level 3	Total
Financial liability:				
Exchangeable Units	49,249	-	-	49,249
Interest rate swap liability	-	2,704	-	2,704
Total	\$ 49,249	\$ 2,704	\$ -	\$ 51,953

See Note 10 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.

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 8. As at September 30, 2021 and December 31, 2020. The Company is compliant with all financial covenants. There were no changes in the Company's approach to capital management during the year.

16. Segmented Information

The Company has only one business segment which is providing information and services to REALTORS® and real estate brokerages 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, 2021, 95% (three and nine months ended September 30, 2020 - 93% and 92%) are generated from services provided under the Royal LePage and Johnston and Daniel brands and 5% (three and nine months ended September 30, 2020 - 7% and 8%) are generated from services provided under the Via Capitale brand.