

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited) (In thousands of Canadian dollars)	Note	September 30, 2024	December 31, 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 12,135	\$ 5,743
Cash held in trust		37,785	-
Accounts receivable	5	5,097	3,494
Current portion of notes receivable	6	338	287
Current income tax receivable	11	147	85
Prepaid expenses and other current assets		2,719	805
		<b>58,221</b>	10,414
<b>Non-current assets</b>			
Notes receivable	6	261	61
Property and equipment	7	2,449	-
Right-of-use assets	8	20,514	-
Deferred income tax asset	11	9,217	6,232
Intangible assets	9	53,116	48,185
Goodwill	10	19,602	-
		<b>\$ 163,380</b>	\$ 64,892
<b>Liabilities and shareholders' deficit</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 14,752	\$ 1,407
Customer deposits		37,785	-
Lease liabilities	8	2,944	-
Interest payable to Exchangeable Unitholders	14	909	484
Dividends payable to shareholders	16	1,067	1,067
Exchangeable Units	14	87,480	-
Contract transfer obligation	4	-	356
		<b>144,937</b>	3,314
<b>Non-current liabilities</b>			
Debt facilities	12	66,956	67,022
Lease liabilities	8	18,058	-
Deferred income tax liability	11	2,330	-
Deferred payments	3	-	6,235
Contract transfer obligation	4	-	1,616
Exchangeable Units	14	-	43,825
		<b>232,281</b>	122,012
<b>Shareholders' deficit</b>			
Restricted voting shares	16	140,076	140,076
Deficit		(208,977)	(197,196)
		<b>(68,901)</b>	(57,120)
		<b>\$ 163,380</b>	\$ 64,892

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,	Note	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<b>Revenues</b>					
Gross Commission Income		\$ 109,624	\$ -	\$ 201,661	\$ -
Franchise fees		11,522	11,852	34,528	34,786
Other revenue		5,665	945	12,983	2,843
		<b>126,811</b>	<b>12,797</b>	<b>249,172</b>	<b>37,629</b>
<b>Expenses</b>					
Commissions		104,444	-	191,496	-
Cost of other revenue		1,973	266	4,436	837
Compensation		6,642	-	13,640	-
General and administration	5,17	1,884	510	4,869	1,825
Software, hosting and licensing		1,225	-	2,475	-
Premises		778	-	1,622	-
Marketing and communications		746	-	1,466	-
Other operating		288	-	916	-
Management fees	4,17	-	4,997	4,742	14,737
Interest on debt	4,12,17	1,102	746	3,590	2,229
Interest on lease obligation		314	-	634	-
Impairment and write-off of intangible assets	9	53	8	1,775	201
Depreciation and amortization	9	3,298	1,711	8,345	5,186
		<b>122,747</b>	<b>8,238</b>	<b>240,006</b>	<b>25,015</b>
<b>Operating income</b>		<b>4,064</b>	<b>4,559</b>	<b>9,166</b>	<b>12,614</b>
Interest on Exchangeable Units	14	(2,726)	(1,452)	(6,903)	(4,355)
Gain (loss) on fair value of Exchangeable Units	14	(10,810)	6,755	(2,850)	266
Gain on settlement of deferred payments	4,13	-	-	1,224	-
Gain on settlement of contract transfer obligation	4	-	-	99	-
Loss on interest rate swap		-	(420)	-	(950)
Loss on debt facility amendment		-	-	-	(122)
<b>Earnings (loss) before income tax</b>		<b>(9,472)</b>	<b>9,442</b>	<b>736</b>	<b>7,453</b>
Current income tax expense	11	1,246	990	2,315	2,754
Deferred income tax expense (recovery)	11	70	(149)	600	(337)
<b>Income tax expense</b>	11	<b>1,316</b>	<b>841</b>	<b>2,915</b>	<b>2,417</b>
<b>Net and comprehensive earnings (loss)</b>		<b>\$ (10,788)</b>	<b>\$ 8,601</b>	<b>\$ (2,179)</b>	<b>\$ 5,036</b>
Basic earnings (loss) per share	16	\$ (1.14)	\$ 0.91	\$ (0.23)	\$ 0.53
Weighted average number of shares outstanding used in computing basic earnings (loss) per share		<b>9,483,850</b>	<b>9,483,850</b>	<b>9,483,850</b>	<b>9,483,850</b>
Diluted earnings (loss) per share	16	\$ (1.14)	\$ 0.26	\$ (0.23)	\$ 0.53
Weighted average number of shares outstanding used in computing diluted earnings (loss) per share		<b>15,732,394</b>	<b>12,811,517</b>	<b>14,783,642</b>	<b>9,483,850</b>

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, 2023	\$ 140,076	\$ (197,196)	\$ (57,120)
Net loss	-	(2,179)	(2,179)
Dividends paid	-	(9,602)	(9,602)
<b>Balance, September 30, 2024</b>	<b>\$ 140,076</b>	<b>\$ (208,977)</b>	<b>\$ (68,901)</b>

(In thousands of Canadian dollars)	Restricted Voting Shares	Deficit	Shareholders' Deficit
Balance, December 31, 2022	\$ 140,076	\$ (188,390)	\$ (48,314)
Net earnings	-	5,036	5,036
Dividends paid	-	(9,602)	(9,602)
<b>Balance, September 30, 2023</b>	<b>\$ 140,076</b>	<b>\$ (192,956)</b>	<b>\$ (52,880)</b>

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, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<b>Cash provided by:</b>					
<b>Operating activities</b>					
Net earnings (loss) for the period		\$ (10,788)	\$ 8,601	\$ (2,179)	\$ 5,036
Adjusted for					
Loss (gain) on fair value of Exchangeable Units	14	10,810	(6,755)	2,850	(266)
Interest expense	9	4,142	2,294	11,127	6,845
Interest paid		(3,871)	(2,273)	(9,689)	(6,772)
Interest income		(521)	(111)	(1,148)	(290)
Interest received		521	111	1,148	290
Current income tax expense	11	1,246	990	2,315	2,754
Income taxes paid		(831)	(900)	(2,402)	(2,700)
Deferred income tax (recovery) expense	11	70	(149)	600	(337)
Impairment and write-off of intangible assets	9	53	8	1,775	201
Depreciation and amortization	7,8,9	3,539	1,835	8,964	5,602
Gain on settlement of deferred payments		-	-	(1,224)	-
Gain on settlement of contract transfer obligation		-	-	(99)	-
Loss on interest rate swap	12	-	420	-	950
Loss on debt facility amendment	12	-	-	-	122
Net changes in non-cash working capital		(1,697)	433	3,258	(40)
		2,673	4,503	15,296	11,396
<b>Investing activities</b>					
Additions to property and equipment and intangible assets		(319)	(122)	(1,065)	(757)
Cash acquired on acquisition	3	-	-	4,015	-
Repayment of contract transfer obligation	3	-	(152)	(4)	(449)
		(319)	(274)	2,946	(1,206)
<b>Financing activities</b>					
Financing fees	12	-	-	(77)	(63)
Lease payments	8	(1,098)	-	(2,171)	-
Dividends paid to shareholders	16,18	(3,201)	(3,201)	(9,602)	(9,602)
		(4,299)	(3,201)	(11,850)	(9,665)
<b>Increase (decrease) in cash during the period</b>		<b>(1,945)</b>	<b>1,028</b>	<b>6,392</b>	<b>524</b>
<b>Cash, beginning of the period</b>		<b>14,080</b>	<b>5,915</b>	<b>5,743</b>	<b>6,419</b>
<b>Cash, end of the period</b>		<b>\$ 12,135</b>	<b>\$ 6,943</b>	<b>\$ 12,135</b>	<b>\$ 6,943</b>

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, 2024 and 2023  
(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”. The registered and head office of the Company is located at 39 Wynford Drive, Suite 200, Toronto, Ontario, M3C 3K5. Through its ownership interest in Residential Income Fund L.P. (the “Partnership”), Bridgemarq owns certain real estate brokerage operations (“Brokerages”), franchise agreements (“Franchise Agreements”) and Trademark Rights (“Trademarks”) of residential real estate brands in Canada.

Bridgemarq directly owns a 61.5% interest in the Partnership which, in turn, directly or indirectly owns 100% of the following entities:

9120 Real Estate Network, L.P. (“VCLP”).  
Proprio Direct Inc.  
Bridgemarq Real Estate Services Manager Limited (“BRESML” or the “Manager”)  
10572314 Canada Inc.  
9106-2083 Quebec Inc.  
9106-1496 Quebec Inc.  
9333-0868 Quebec Inc.  
9371-7536 Quebec Inc.  
9120-5583 Quebec Inc.  
Credit Valley Real Estate Inc.  
RLPS GP Inc.  
Royal LePage Real Estate Services Ltd.  
Sequel Realty Ltd.

In addition, Bridgemarq directly owns a 75% interest in the general partner of the Partnership, Residential Income Fund General Partner Limited (“RIFGP”) The Partnership and VCLP 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 38.5% interest in the Partnership through its ownership of exchangeable units of the Partnership (the “Exchangeable Units”), the remaining 25% interest in RIFGP through its ownership of 25 common shares in RIFGP and one special voting share of Bridgemarq. In addition, BBP indirectly owns 315,000 restricted voting shares. 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 would be obtained upon the exchange of all the Exchangeable Units held by the holder.

On March 31, 2024, the Company completed the acquisition of 100% of the outstanding shares of BRESML and Proprio Direct Inc. (“Proprio Direct”) which were previously owned by BBP (the “Acquisition”).

As a result of the Acquisition, effective March 31, 2024, the Company has two operating segments.

The brokerage operations (“Brokerage Operations”) operates full service real estate brokerage locations in British Columbia, Ontario and Quebec. The Brokerage Operations provide services to real estate sales representatives to support them in assisting businesses or residential customers who wish to buy or sell residential or commercial real estate in Canada.

The franchise services operations (the “Franchise Operations”) provides real estate support services to real estate brokerages across Canada.

Certain costs associated with services responsible for oversight of the Brokerage Operations and the Franchise Operations which are not reasonably allocable to those segments are included as unallocated costs. These include, among other expenses and services, certain executive compensation costs, public company expenses and directors’ fees.

Prior to the Acquisition, the Company received certain management, administrative and support services from BRESML which was acquired as part of the Acquisition (see Note 3 – Acquisition of Brokerage Operations and the Manager). The Partnership is party to an amended and restated Management Services Agreement (the “MSA”) with BRESML which governs the relationship between BRESML and the Company. The MSA has an initial term of ten-years expiring on December 31, 2028. As a result of the Acquisition, the MSA is no longer relevant and is eliminated on the consolidation of the operating results of BRESML into the Company as of April 1, 2024.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

## 2. MATERIAL 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 audited annual financial statements of the Company as of and for the year ended December 31, 2023. The Company has adopted additional accounting policies to reflect the operations of the companies acquired as a result of the Acquisition.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 14, 2024 and should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2023.

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

### Cash

Cash, and cash equivalents, comprise cash on hand and cash equivalents. Cash equivalents are short-term (generally with a maturity of three months or less) highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash equivalents are held for meeting short-term cash requirements and not for investment purposes.

### Cash Held in Trust

Cash held in trust represents customer deposits held in trust accounts established pursuant to provincial regulations. The Company recognizes a corresponding customer deposit liability until the funds are released upon settlement of a real estate transaction.

### 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.

### Leases

The Company leases its operating premises and certain office equipment. Right-of-use assets represent the Company's right to use an underlying asset for the term of the lease and lease liabilities represent the Company's obligation to make lease payments under the terms of the lease. At the commencement of a lease arrangement, the Company records a liability for its lease obligation measured at the present value of the future lease payments adjusted for lease incentives and a right-of-use asset equal to the lease liability, adjusted for any prepayments and lease incentives received. The lease obligation is determined with reference to the term of the lease. Some leases include one or more options to renew or terminate the lease. The exercise of a lease renewal or termination option is assessed at the commencement of the lease and is reflected in the lease term if it is reasonably certain that the option will be exercised. The interest on the lease obligation is recorded as interest expense on lease obligation and recognized using the effective interest method over the term of the lease.

In addition to the contractual rental payments owing under individual lease agreements used in determining the cost amount of right-of-use assets, the Company may be obligated to pay other ancillary costs associated with the leased assets. These include utilities at leased premises, operating costs and operating escalation, property taxes, cleaning services and maintenance for leased assets. These expenses which are not reflected in the carrying value of right-of-use assets are charged to the consolidated statement of net and comprehensive earnings (loss) as they are incurred.

### Property and Equipment

Property and equipment includes furniture, fixtures, office equipment and leasehold improvements. Property and equipment are recorded at their initial cost, less accumulated depreciation. Depreciation expense on furniture, fixtures and equipment is based on the estimated useful lives of the related assets which range from 3-5 years. Leasehold improvements are amortized over the lower of their estimated useful life or the term of the underlying lease.

### Intangible Assets

Intangible assets, consist of sales representative contracts between brokerages and their sales agents ("Agent Agreements"), Franchise Agreements, Trademarks, brands ("Brands") and franchise agreement expenses and are accounted for using the cost method. Brands are recorded at initial cost less accumulated impairment losses and are not amortized as they are considered to have an indefinite useful life. All other intangible assets are recorded at initial cost less accumulated amortization and accumulated net impairment losses.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023  
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Agent agreements, while short-term in nature, are subject to a very high rate of renewal and are amortized on a straight-line basis over a five-year period. Franchise and other 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 lives of 30 years.

Franchise agreement expenses may be incurred prior to or concurrent with entering into Franchise Agreements and may include direct payments to franchisees or prospective franchisees as well as contract specific legal costs. The Company may also provide 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 consolidated statement of net and comprehensive earnings (loss). The amortization charge for these fee rebates and any franchise agreement expenses represented by cash payments or rebates 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 Agent Agreements, Franchise Agreements and Trademarks. Brands are reviewed annually or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. When reviewing for indicators of impairment or reversal of impairment of Agent Agreements and Franchise Agreements, the Company considers certain factors including, the financial performance of the underlying business, revenues earned, term to maturity of the relevant agreement, historical REALTOR® count, collectability of receivables, estimated future revenues expected to be earned and underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges if the carrying amount of an Agent Agreement or Franchise 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 counterparties of one or more Franchise Agreements combine their operations by way of a merger, acquisition or other combination subsequent to entering into the initial Franchise Agreement, the carrying value of the underlying intangible assets are combined for purposes of evaluating impairment. Under the terms of the MSA, management fees were not directly allocable to individual Franchise Agreements but, rather, were considered on an aggregate basis for purposes of evaluating impairment on the total portfolio of Franchise Agreements. As a result of the Acquisition and direct ownership of the Manager, the operating costs of the Manager are now allocated to individual Franchise Agreements 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 the consolidated statement of net and comprehensive loss 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.

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

## Goodwill

Goodwill represents the excess of consideration paid over the fair value of the net tangible assets and identifiable intangible assets acquired in the Acquisition. Goodwill is not amortized, but is subject to impairment testing annually, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The impairment assessment is performed at the individual brokerage level.

The assessment of goodwill impairment compares the carrying value of each cash generating unit, including the carrying value of the related goodwill to its respective recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. Where the carrying value of the goodwill is in excess of its recoverable amount, an impairment charge for the excess is recorded in the Company's consolidated statements of net and comprehensive earnings (loss).

In determining the fair value less costs of disposal, the fair value of each cash-generating unit is estimated using the income approach, a discounted cash flow method. The fair value less costs of disposal of the Company's cash-generating units is determined utilizing the Company's annual operating plans, and long-term cash flow forecasts (including best estimates of future revenues and operating expenses, including commission expense) and terminal value assumptions as well as market and general economic conditions, trends in the industry. In addition, management uses other assumptions that management believes are reasonable including discount rates, cost of capital, trademark royalty rates, and long-term growth rates.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

## Revenue Recognition Brokerage Operations

As the owner-operator of real estate brokerages, the Brokerage Operations assists home buyers and sellers in acquiring or selling residential and commercial real estate. Gross commission income is recognized at the point in time when a real estate transaction is closed and finalized by the REALTOR® and/or a lease is signed by the vendor or lessor. The commission expense that the Company pays to REALTORS® is recognized concurrently with the associated revenue.

Other revenues earned by the Brokerage Operations include amounts received from brokerages to conduct advertising campaigns and amounts received from REALTORS® for miscellaneous services provided by the brokerages such as rent and deal processing. Other revenue is recognized at the time when the service is provided to the REALTOR®. The direct costs associated with other revenues are recorded as cost of other revenue in the consolidated statements of net and comprehensive earnings (loss).

## Franchise Operations

The Franchise Operations provide 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. 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® and are recognized over time, which is when the control of the services and the right to use the Trademarks are transferred to the customer. Variable franchise fees are payable to the Company based on a percentage of a REALTORS®'s gross revenue, which is the gross commission income earned on a transaction, subject to a cap and 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 addition to the Service Offering, the Franchise Operations provides certain ancillary services to franchisees which can be purchased or utilized at the option of the franchisee independent of the Service Offering. These revenues include fees charged for awards, networking and other events, referral fees charged to external companies, lead management services provided to franchisees and other miscellaneous revenues. These revenues are recognized at the time the Company has completed its obligation under the relevant agreement or arrangement. The direct costs associated with lead management and other revenues are recorded as cost of other revenue in the consolidated statements of net and comprehensive earnings (loss).

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. A worldwide pandemic and other changes in the economy in general impacted the Canadian real estate market, the home buying and selling behaviour of consumers and the seasonality of real estate transactions throughout 2022 and 2023. In 2022 and 2023, the seasonality of Canadian real estate markets were also impacted by changes in the Canadian interest rate environment. There can be no certainty that this historical seasonality pattern will recur in 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 conversion is at the option of the holder 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. The Exchangeable Units are classified as a current liability under IAS 1 notwithstanding the fact they can only be settled through the issuance of restricted voting shares of Bridgemarq and not through the payment of cash.

## Critical Judgements and Estimates

The preparation of financial statements requires management to select appropriate accounting policies and to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the Company's consolidated financial statements require the determination of cash generating units, the estimation of future cash flows utilized in assessing the fair value and related net impairment or recovery of intangible assets, assessing the recoverability of accounts receivable, measuring deferred income taxes, measuring the fair value of the Exchangeable Units and measuring fair values of assets and liabilities used for disclosure purposes.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with prior periods. Estimates used in the preparation of our financial statements including those associated with evaluations of intangible assets and collectability of accounts receivable may be subject to significant adjustments in future periods. The estimates are impacted by, among other things, movements in interest rates, changes in Canadian housing markets, other changes in the Canadian economy and cash flow forecasts, which are judgements and are uncertain. The interrelated nature of these factors prevents the Company from quantifying the overall impact of these movements on the Company's consolidated financial statements as, the estimates used by the Company may not be indicative of actual results. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

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

## **Forward Looking Information for Accounts Receivable and Notes Receivable**

The measurement of estimated credit losses for accounts receivable and notes receivable and the assessment of increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement and is uncertain. In assessing the valuation of accounts receivable, the Company evaluates each franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether an allowance for doubtful accounts should be recorded or reversed.

## **Impairment of Intangible Assets and Recovery of Impairment**

The Company ensures that the carrying value of intangible assets is not higher than its recoverable amount (i.e. the higher of: a) fair value less costs of disposal; and. b) value-in-use). The Company reviews intangible assets at each reporting period to determine whether indicators of impairment or a reversal of impairment exist on Agent Agreements, Franchise Agreements, franchise agreement expenses and Trademarks while Brands are reviewed annually. Determining whether the value of an intangible asset is impaired or has increased requires considerable judgement. When reviewing indicators for impairment or recovery of previously impaired intangible assets, the Company considers certain factors including, financial performance of the underlying business, revenues earned, term to maturity of relevant contractual arrangements, historical agent count, collectability of receivables, estimated future revenues expected to be earned and underlying market conditions. The estimation of future cash flows and other forward-looking information requires significant judgement and is highly uncertain.

## **Impairment of Goodwill**

The Company annually reviews the carrying value of goodwill to determine if there is any impairment. Determining whether the value of goodwill is impaired requires considerable judgement. The assessment of impairment involves the use of accounting estimates and assumptions, changes in which could result in material differences between the actual financial condition or operating performance of the underlying business compared to the financial condition or operating performance implied using such estimates and assumptions. Furthermore, significant negative industry or economic trends, disruptions to the business, unexpected significant changes or planned changes in use of the assets, a decrease in business results, growth rates that fall below management's assumptions, divestitures, or a significant loss in the number of sales representatives at a given brokerage may have a negative effect on the fair values and key valuation assumptions. The estimation of future cash flows and other forward-looking information requires significant judgement and is highly uncertain.

## **Fair Value of Assets and Liabilities in a Business Combination**

On March 31, 2024, the Company acquired the shares of BRESML and Proprio Direct. The fair value of assets acquired and liabilities assumed in a business combination are estimated based on information available at the date of acquisition and involves considerable judgement in determining the fair values assigned to property and equipment and intangible assets acquired and liabilities assumed as a result of the Acquisition. The determination of these fair values involves analysis including the use of discounted cash flow models, estimated future margins, future growth rates and estimated future customer attrition. There is measurement uncertainty inherent in this analysis, particularly in the fair value measurement of contingent consideration, and actual results could differ from estimates.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## Standards and Interpretations Adopted

In October 2022, the International Accounting Standards Board (IASB) issued Non-current Liabilities with Covenants, which amended IAS 1 Presentation of Financial Statements. These amendments, among other things, clarify that a company can classify a liability as non-current only if it has a right to defer settlement of that liability for a period of at least twelve months after the reporting date. The Company's Exchangeable Units are classified as a liability under IAS 32 and are convertible into Restricted Voting Shares of Bridgemarq at the option of the holder. As the Company does not have the contractual ability to defer the settlement of any conversion of the Exchangeable Units, the Company has classified this liability as current commencing January 1, 2024, notwithstanding the fact that any settlement would be through the issuance of Restricted Voting Shares of Bridgemarq, and not through the payment of cash.

## Standards and Interpretations Not Yet Adopted

On April 4, 2024, the IASB published a new standard IFRS 18 "Presentation and Disclosure in Financial Statements" that will replace IAS 1 "Presentation of Financial Statements. IFRS 18 includes a number of changes including, among other things, prescribed sub-totals and classifications in the financial statements, guidance on whether information should be included in the financial statements or the notes to those financial statements and the introduction of disclosures on management-defined performance measures (MPM). The Company is currently assessing the impact of this standard as the implementation of IFRS 18 is expected to significantly affect the presentation of financial statements. This standard is effective for annual reporting periods beginning on or after January 1, 2027.

## 3. ACQUISITION OF BROKERAGE OPERATIONS AND THE MANAGER

On March 31, 2024, the Company completed the Acquisition and settled certain deferred payments owing to BBP. The Acquisition was completed by way of a purchase of the outstanding shares of BRESML and Proprio Direct from BBP and results in the company diversifying into the real estate brokerage business and simplifying its management structure.

Consideration to acquire these assets (subject to customary post closing adjustments) consisted of 2,856,792 Exchangeable Units, with a value of \$39,909 based on the closing price of Bridgemarq's restricted voting shares on March 28, 2024 and a cash payment of \$131 on June 26, 2024 to reflect the excess of the actual working capital acquired over the working capital estimated balances used at the time of closing the Acquisition. The settlement of the deferred payments to BBP was completed by way of the issuance of 64,085 Exchangeable Units on March 31, 2024 with a value of \$895.

The Company has accounted for the acquisition using the acquisition method in accordance with IFRS 3 *Business Combinations* and the results of the acquired businesses are consolidated with those of the Company from March 31, 2024.

The identifiable assets and liabilities acquired in the Transaction are as follows:

Fair value of Exchangeable Units issued	\$	39,909
Cash paid for working capital adjustment		131
Less:		
Cash acquired		4,146
Settlement of pre-existing relationships		6,328
Net Consideration	\$	29,566
Cash held in trust	\$	52,367
Accounts receivable		3,091
Other current assets		4,246
Property and equipment		2,599
Other non-current assets		217
Right-of-use assets		19,034
Deferred income taxes, net		1,265
Intangible assets		12,400
Goodwill		19,602
Accounts payable and accrued liabilities		(13,883)
Customer deposits		(52,367)
Lease liabilities		(19,005)
Net assets acquired	\$	29,566

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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The valuation of the net assets acquired as a result of the Acquisition are based on a provisional assessment of their fair values while the Company completes an independent valuation for those net assets. The value of net assets acquired is subject to adjustment based the determination of the final purchase price and completion of the independent valuation later in 2024. Management has preliminarily assessed that none of the goodwill acquired in the Acquisition will be deductible for income tax purposes.

The operating results of BRESML and Proprio Direct are included in the consolidated statement of net and comprehensive loss from April 1, 2024. On a pro forma basis, BRESML and Proprio Direct revenue and net earnings available to common shareholders for the three months ended March 31, 2024 would have amounted to \$56,779 and \$1,030, respectively. This pro forma information incorporates the effect of the Acquisition as if it had been completed on January 1, 2024.

## 4. MANAGEMENT SERVICES AGREEMENT

Under the terms of the MSA, prior to the Acquisition, the Manager provided certain management, administrative and support services to the Company. As a result of the Acquisition, the MSA is no longer relevant and is eliminated on the consolidation of the operating results of BRESML into the Company as of April 1, 2024.

The monthly fee payable to the Manager was 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 months ended March 31, 2024, the Company incurred management fees of \$4,854 of which \$4,742 was charged to the consolidated statements of net and comprehensive earnings (loss) and \$112 was used to reduce the contract transfer obligation owing to the Manager, plus related interest. For the three and nine months ended September 30, 2023, the Company incurred management fees of \$5,177 and \$15,274 respectively, of which, \$4,997 and \$14,737 was charged to the consolidated statements of net and comprehensive earnings (loss) and \$180 and \$537 was used to reduce the contract transfer obligation owing to the Manager, plus related interest. The Company recorded a gain of \$99 when the contract transfer obligation was settled on March 31, 2024 as a result of the Acquisition.

## 5. ACCOUNTS RECEIVABLE

As at September 30, 2024, the Company had accounts receivable of \$5,097 (December 31, 2023 - \$3,494) net of an allowance for doubtful accounts of \$357 (December 31, 2023 - \$115). During three and nine months ended September 30, 2024, administration expense included a bad debt expense of \$39 and \$156, respectively (2023 - \$1 and \$72).

Management reviews accounts receivable to determine whether an allowance for doubtful accounts is required by assessing the collectability of receivables owing from each individual debtor. This assessment takes into consideration certain factors including the aging of outstanding balances, debtor 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, 2024 and December 31, 2023.

As at,	September 30, 2024	December 31, 2023
Current	\$ 3,599	\$ 2,860
30 days past due	722	418
60 days past due	400	188
90+ days past due	733	143
Subtotal	\$ 5,454	\$ 3,609
Allowance for doubtful accounts	(357)	(115)
Accounts receivable	\$ 5,097	\$ 3,494

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 6. NOTES RECEIVABLE

Notes receivable represent formalized payment plans in respect of franchise fees due to the Company which were in arrears as well as financing provided to an affiliate brokerage related to an acquisition completed in a prior year. Amounts under franchise fee payment plans are due prior to December 2026 with those due greater than one year from the financial statement date being classified as non-current. The financing provided to an affiliate brokerage is non-interest bearing and has no fixed term. Monthly repayments are determined based on the profitability of the acquired brokerage.

## 7. PROPERTY AND EQUIPMENT

	Furniture, fixtures and equipment	Leasehold improvements	Total
<b>Cost</b>			
At December 31, 2023	\$ -	\$ -	\$ -
Additions related to business combination (note 3)	576	2,023	2,599
Additions	76	203	279
<b>At September 30, 2024</b>	<b>\$ 652</b>	<b>\$ 2,226</b>	<b>\$ 2,878</b>
<b>Accumulated Depreciation</b>			
At December 31, 2023	\$ -	\$ -	\$ -
Depreciation Expense	(165)	(264)	(429)
<b>At September 30, 2024</b>	<b>\$ (165)</b>	<b>\$ (264)</b>	<b>\$ (429)</b>
<b>Carrying Value</b>			
At December 31, 2023	\$ -	\$ -	\$ -
<b>At September 30, 2024</b>	<b>\$ 487</b>	<b>\$ 1,962</b>	<b>\$ 2,449</b>

## 8. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The table below summarizes the Right of Use Assets as at September 30, 2024.

	Property	Equipment	Total
<b>Cost</b>			
At December 31, 2023	\$ -	\$ -	\$ -
Additions related to business combination (note 3)	18,784	250	19,034
Additions	3,499	35	3,534
Disposals	(12)	-	(12)
<b>At September 30, 2024</b>	<b>\$ 22,271</b>	<b>\$ 285</b>	<b>\$ 22,556</b>
<b>Accumulated amortization</b>			
At December 31, 2023	\$ -	\$ -	\$ -
Amortization Expense	(1,946)	(108)	(2,054)
Disposals	12	-	12
<b>At September 30, 2024</b>	<b>\$ (1,934)</b>	<b>\$ (108)</b>	<b>\$ (2,042)</b>
<b>Carrying value</b>			
At December 31, 2023	\$ -	\$ -	\$ -
<b>At September 30, 2024</b>	<b>\$ 20,337</b>	<b>\$ 177</b>	<b>\$ 20,514</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

The table below summarizes the Lease Liabilities as at September 30, 2024.

As at,	September 30, 2024	December 31, 2023
Balance, beginning of period	\$ -	\$ -
Additions related to business combination (note 3)	19,005	-
Additions	3,534	-
Interest expense	634	-
Payment of lease liabilities	(2,171)	-
<b>Balance, end of period</b>	<b>\$21,002</b>	<b>\$ -</b>

  

	September 30, 2024	December 31, 2023
Current portion of lease liabilities	\$ 2,944	\$ -
Long-term portion of lease liabilities	18,058	-
<b>Total lease liabilities</b>	<b>\$ 21,002</b>	<b>\$ -</b>

## 9. INTANGIBLE ASSETS

Franchise agreement expenses are recorded as additions to intangible assets net of any recovery of previously paid franchise agreement expenses.

For the three months ended September 30, 2024, the Company identified four Franchise Agreements with a carrying amount in excess of their recoverable amount (2023 - one) resulting in a net impairment charge of \$53 (2023 - \$8).

For the nine months ended September 30, 2024, the Company identified 24 Franchise Agreements with a carrying amount in excess of their recoverable amount (2023 - five) resulting in an impairment charge of \$1,775 (2023 - \$201).

A summary of intangible assets as at September 30, 2024 and December 31, 2023 is provided in the charts below.

	Franchise Agreements & Ancillary Agreements	Trademarks	Agent Contracts	Brands	Total
<b>Cost</b>					
At December 31, 2023	\$ 244,607	\$ 5,427	\$ -	\$ -	\$ 250,034
Additions from business combination (note 3)	-	-	9,900	2,500	12,400
Additions	786	-	-	-	786
Impairment and write-off	(4,489)	-	-	-	(4,489)
<b>At September 30, 2024</b>	<b>\$ 240,904</b>	<b>\$ 5,427</b>	<b>\$ 9,900</b>	<b>\$ 2,500</b>	<b>\$ 258,731</b>
<b>Accumulated amortization</b>					
At December 31, 2023	\$ (198,094)	\$ (3,755)	\$ -	\$ -	\$ (201,849)
Amortization expense	(5,355)	(142)	(983)	-	(6,480)
Impairment and write-off	2,714	-	-	-	2,714
<b>At September 30, 2024</b>	<b>\$ (200,735)</b>	<b>\$ (3,897)</b>	<b>\$ (983)</b>	<b>\$ -</b>	<b>\$ (205,615)</b>
<b>Carrying value</b>					
At December 31, 2023	\$ 46,513	\$ 1,672	\$ -	\$ -	\$ 48,185
<b>At September 30, 2024</b>	<b>\$ 40,169</b>	<b>\$ 1,530</b>	<b>\$ 8,917</b>	<b>\$ 2,500</b>	<b>\$ 53,116</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

## 10. GOODWILL

As part of the Acquisition, the Company recorded goodwill of \$19,602 on March 31, 2024 (see Note 3 – Acquisition of Brokerage Operations).

## 11. 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, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Earnings (loss) before income tax recovery for the period:	\$ (9,472)	\$ 9,442	\$ 736	\$ 7,453
Expected income tax expense (recovery) at statutory rate of 26.5% (2022 – 26.5%)	(2,510)	2,502	195	1,975
Increase (decrease) in income tax expense due to the following:				
Non-deductible amortization	276	114	623	356
Non-deductible loss (non-taxable gain) on fair value of Exchangeable Units	2,865	(1,790)	755	(71)
Non-deductible interest on Exchangeable Units	722	385	1,829	1,154
Income allocated to Exchangeable Unitholders	(421)	(350)	(1,134)	(963)
Adjustments for prior years and other	384	(20)	647	(34)
<b>Total income tax expense</b>	<b>\$ 1,316</b>	<b>\$ 841</b>	<b>\$ 2,915</b>	<b>\$ 2,417</b>

The major components of income tax expense include the following:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Current income tax expense	\$ 1,246	\$ 990	\$ 2,315	\$ 2,754
Deferred income tax expense (recovery)	70	(149)	600	(337)
<b>Total income tax expense</b>	<b>\$ 1,316</b>	<b>\$ 841</b>	<b>\$ 2,915</b>	<b>\$ 2,417</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023  
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The significant components of the Company's deferred tax assets are as follows:

	Opening Balance	Business Acquisition	Net Earnings	Total
<b>Deferred tax assets:</b>				
Intangible assets	\$ 5,820	\$ (2,247)	\$ 736	\$ 4,309
Lease liability	-	5,076	502	5,578
Tax loss carry forward	-	3,747	(979)	2,768
Other, net	412	148	(491)	69
<b>Deferred income tax liabilities:</b>				
Right-of-use assets	\$ -	\$ (5,050)	\$ (399)	\$ (5,449)
Property and equipment	-	(409)	21	(388)
<b>Deferred tax asset</b>	<b>\$ 6,232</b>	<b>\$ 1,265</b>	<b>\$ (610)</b>	<b>\$ 6,887</b>

Classification in the Consolidated Financial Statements	September 30, 2024	December 31, 2023
Deferred income tax assets (liabilities):	\$ 9,217	\$ 6,232
Deferred income tax recovery (expense)	(2,330)	-
<b>Deferred tax asset</b>	<b>\$ 6,887</b>	<b>\$ 6,232</b>

## 12. DEBT FACILITIES

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

As at,	September 30, 2024	December 31, 2023
Term facility	\$ 55,000	\$ 55,000
Acquisition facility	12,000	12,000
	\$ 67,000	\$ 67,000
Debt facility amendment adjustments and financing fees	(44)	22
<b>Debt facilities</b>	<b>\$ 66,956</b>	<b>\$ 67,022</b>

The Company has \$95,000 (December 31, 2023 - \$90,000) in financing available under a borrowing agreement with a Canadian Chartered Bank which matures on December 31, 2026 ("Maturity"). Effective March 31, 2024, the Company agreed to certain amendments to the debt facilities in consideration of the Acquisition, including an increase in the Operating Facility from \$5,000 to \$10,000.

The debt facilities under this agreement are comprised of the following;

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

A \$30,000 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 \$10,000 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, 2024.

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) +2.00% or Prime + 0.8%, (2023 - BAs + 1.70% or Prime + 0.5%) at the option of the Company.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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The Company's ability to borrow under these arrangements is subject to the Company maintaining 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 operating income before deducting interest on debt, interest on lease obligation, impairment and write-off of intangible assets and depreciation and amortization. Senior Indebtedness is defined as borrowings on the Company's debt facilities. At September 30, 2024 and December 31, 2023, the Company complied with all covenants under the debt facilities.

The Company had 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 December 31, 2023. For the three and nine months ended September 30, 2023, the Company recognized fair value losses of \$420 and \$950, respectively on the interest rate swap.

## 13. DEFERRED PAYMENTS

The Company owed certain management fees to the Manager and interest on Exchangeable Units to BBP totaling \$6,616 that were deferred in a prior year. The management fees owing to the Manager were effectively settled as a result of the Acquisition. The interest on Exchangeable Units owing to BBP were settled as a result of the issuance of 64,085 Exchangeable Units to BBP on March 31, 2024. These deferred payments were non-interest bearing. On initial recognition, the Company recorded these deferred payments at their fair value using an income approach to determine fair value. For the three months ended March 31, 2024, the Company recorded interest expense of \$62 (2023 - \$59) reflecting accretion of the carrying value of the deferred payments using the effective interest rate method. The Company recorded a gain of \$1,224 related to the fair value and settlement of the deferred payments as a result of the Acquisition.

## 14. EXCHANGEABLE UNITS

On March 31, 2024, the Company issued 2,920,877 Exchangeable Units to BBP pursuant to the Acquisition and the settlement of certain deferred payments owing to BBP (see Note 3 - Acquisition of Brokerage Operations and the Manager and Note 13 - Deferred Payments).

The Exchangeable Units are exchangeable on a one-for-one basis for restricted voting shares of Bridgemarq at the option of the holder. If a takeover bid is made for 25% or more of the outstanding restricted voting shares of Bridgemarq and a contemporaneous identical offer is not made for the Exchangeable Units, the holder can exchange the Exchangeable Units at a ratio of 1.1 restricted voting shares per Exchangeable Unit subject to adjustment in certain cases. Under no circumstance can the holder exchange the Exchangeable Units for any asset other than restricted voting shares.

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, 2024, the Company used the closing market price of Bridgemarq's shares of \$14.00 (December 31, 2023 - \$13.17). During the three and nine months ended September 30, 2024, the Company recorded a loss of \$10,810 and \$2,850, respectively related to the fair value of the Exchangeable Units (2023 - a gain of \$6,755 and \$266).

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, 2024, the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of \$2,726 and \$6,903, respectively (2023 - \$1,452 and \$4,355).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023  
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## 15. 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 nine months ended September 30, 2024 or the year ended December 31, 2023.

No preferred shares were issued or outstanding as at September 30, 2024 or December 31, 2023.

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, 2024	December 31, 2023
Restricted voting shares	9,483,850	9,483,850
Special voting share	1	1

## 16. 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, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<b>Net earnings (loss) available to restricted voting shareholders - basic</b>	<b>\$ (10,788)</b>	\$ 8,601	<b>\$ (2,179)</b>	\$ 5,036
Interest on Exchangeable Units	2,726	1,452	6,903	4,355
Loss (gain) on fair value of Exchangeable Units	10,810	(6,755)	2,850	(266)
<b>Net earnings available to restricted voting shareholders - diluted</b>	<b>\$ 2,748</b>	\$ 3,298	<b>\$ 7,574</b>	\$ 9,125
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	6,248,544	3,327,667	6,248,544	3,327,667
Weighted average number of shares outstanding used in computing diluted earnings per share	15,732,394	9,483,850	14,783,642	9,483,850
<b>Basic earnings (loss) per share</b>	<b>\$ (1.14)</b>	\$ 0.91	<b>\$ (0.23)</b>	\$ 0.53
<b>Diluted earnings (loss) per share</b>	<b>\$ (1.14)</b>	\$ 0.26	<b>\$ (0.23)</b>	\$ 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
<b>Dividends per restricted voting share</b>	<b>\$ 0.34</b>	\$ 0.34	<b>\$ 1.01</b>	\$ 1.01

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 17. 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 companies acquired in the Acquisition or the Exchangeable Unitholders during the three and nine months ended September 30, 2024 and September 30, 2023. These transactions have been recorded at the exchange amount as agreed between the parties.

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
a) Revenues				
Fixed franchise fees	\$ -	\$ 730	\$ 742	\$ 2,169
Variable franchise fees	\$ -	\$ 221	\$ 267	\$ 733
Other revenue, net	\$ -	\$ 39	\$ 80	\$ 111
b) Expenses				
Cost of other revenue	\$ 24	\$ 24	\$ 49	\$ 181
Management fees	\$ -	\$ 4,996	\$ 4,742	\$ 14,736
Insurance premiums and other	\$ 8	\$ 9	\$ 25	\$ 24
Interest on contract transfer obligation	\$ -	\$ 28	\$ 24	\$ 88
c) Interest				
Interest to Exchangeable Unitholders	\$ 2,726	\$ 1,452	\$ 6,903	\$ 4,355

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

As at,	September 30, 2024	December 31, 2023
d) Interest payable to Exchangeable Unitholders	\$ 909	\$ 484

Prior to March 31, 2024, the Company had no employees. As such, there was no compensation expense recorded in the results of the Company for the period ended March 31, 2024. In the three months and six months ended September 30, 2024, compensation expense paid to key management personnel totaled \$548 and \$1,083, respectively.

Certain members of the Company's board of directors are compensated for their services. During the three months and nine months ended September 30, 2024, the Company incurred \$126 and \$333, respectively in directors' fees (2023 - \$77 and \$473). Directors' fees are included in administration expense.

## 18. FINANCIAL INSTRUMENTS

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

### A) Credit Risk

Credit risk arises from the possibility debtors 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.

All real estate transactions at the Brokerage Operations require the purchaser to pay a deposit which reduces the likelihood that a buyer will not complete the transaction. Credit risk also arises from the possibility that sales representatives may not pay amounts owing to the Brokerage Operations. Credit risk is mitigated by the fact that the Brokerage Operations has the ability to deduct any amounts owing from sales agents from the commission income they earn on their transactions with customers.

The Company 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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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, 2024, the Company has recorded an allowance for doubtful accounts related to accounts receivable and notes receivable of \$357 (December 31, 2023 – \$115).

## 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 \$30,000 Acquisition Facility, of which \$12,000 has been drawn, and a \$10,000 undrawn Operating Facility which mature on December 31, 2026.

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

As at September 30,	2024	2025	2026	2027	2028	Beyond 2028	Total
Accounts payable and accrued liabilities	\$ 14,752	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,752
Customer deposits	37,785	-	-	-	-	-	\$ 37,785
Leases	693	2,934	2,607	2,194	2,078	10,496	\$ 21,002
Interest payable to Exchangeable Unitholders	909	-	-	-	-	-	\$ 909
Dividends payable to shareholders	1,067	-	-	-	-	-	\$ 1,067
Interest on long-term debt	1,095	4,381	4,381	-	-	-	\$ 9,857
Exchangeable Units	-	-	-	-	-	87,480	\$ 87,480
Debt facilities	-	-	67,000	-	-	-	\$ 67,000
<b>Total</b>	<b>\$ 56,301</b>	<b>\$ 7,315</b>	<b>\$ 73,988</b>	<b>\$ 2,194</b>	<b>\$ 2,078</b>	<b>\$ 97,976</b>	<b>\$ 239,852</b>

## 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.

The Acquisition Facility bears interest at a variable rate of BAs + 2.00% or Prime + 0.8%. Management has elected to pay interest at variable interest rates on its outstanding debt facilities 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 on the debt facilities of approximately \$670.

## D) Market Risk

The Company operates real estate brokerage offices in a number of markets across the country. The Brokerages Operations generates its revenue from its offices in the greater Toronto area, the Greater Vancouver area and throughout the province of Quebec. Real estate markets are cyclical and unpredictable which may contribute to volatility in the Company's cash flows. This market volatility is somewhat mitigated by the lower volatility associated with franchise fee revenues earned by the Franchise Operations and the geographic diversification of the Brokerage Operations.

## E) Fair Value

The fair value of certain of the Company's financial instruments, including cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, interest payable to Exchangeable Unitholders and dividends payable to holders of restricted voting shares, are estimated by management to approximate their carrying values due to their short-term nature. The fair value of the Company's outstanding borrowings of \$67,000 approximate their carrying value of \$66,956 as a result of its floating rate terms.

## F) Fair Value Hierarchy

The Exchangeable Units are valued using level 1 valuation techniques. See Note 14 for disclosures related to fair values. There were no transfers between fair value hierarchy levels during the period.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 19. 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 and investment opportunities as they arise.

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.

As at September 30, 2024 and December 31, 2023, the Company was compliant with all financial covenants. There were no changes in the Company's approach to capital management during the period.

## 20. SEGMENTED INFORMATION

As a result of the Acquisition, the Company reports its operations in two business segments. These segments are determined based on the nature of their operations, the products and services they provide and the nature of the customers they service.

Within the Brokerage Operations, there are a number of brokerage locations that operate in different geographical regions under different real estate brands. These brokerage locations have been grouped to form the Brokerage Operations due to the nature of their operations and the commonality in how they generate revenues. All of the brokerage locations in the Brokerage Operations operate in Canada.

The Franchise Operations provide 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.

The Company excludes certain corporate oversight expenses in the determination of each operating segment's performance. Unallocated costs include costs related to those activities and operations which are common to the other operating segments of the Company and include the elimination of transactions between the segments.

Management evaluates the operating results of each segment based upon revenue and EBITDA. EBITDA is defined as operating income before deducting interest on debt, interest on lease obligations, impairment and write-off of intangible assets, and depreciation and amortization. The Company's determination and presentation of EBITDA may not be comparable to similar measures used by other companies.

For the three-month period ended March 31, 2024, 100% of the operating results are attributable to the Franchise Operations. The operating results of the Brokerage Operations are included in the consolidated statement of net and comprehensive loss from April 1, 2024.

For the nine-month period ended September 30, 2024, 87% of the operating results (based on EBITDA) are attributable to the Franchise Operations and 19% of the operating results are attributable to the Brokerage Operations.

The Brokerage Operations earned no revenue in the three or nine months ended September 30, 2023.

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For the three and nine months ended September 30, 2024 and 2023  
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The table below reconciles operating income as presented in the statement of net and comprehensive earnings (loss) to EBITDA used by management to evaluate the business segments of the Company:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<b>Operating income</b>	<b>\$ 4,064</b>	\$ 4,559	<b>\$ 9,166</b>	\$ 12,614
Add: Interest on debt	1,102	746	3,590	2,229
Interest on lease obligation	314	-	634	-
Impairment and write-off and of intangible assets	53	8	1,775	201
Depreciation and amortization	3,298	1,711	8,345	5,186
<b>EBITDA</b>	<b>\$ 8,831</b>	\$ 7,024	<b>\$ 23,510</b>	\$ 20,230

The tables below provide selected segment disclosure for certain financial statement balances.

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Segment EBITDA				
Brokerage Operations	\$ 2,467	\$ -	\$ 4,476	\$ -
Franchise Operations	7,145	7,024	20,559	20,230
Unallocated EBITDA	(781)	-	(1,525)	-
<b>Total EBITDA</b>	<b>\$ 8,831</b>	\$ 7,024	<b>\$ 23,510</b>	\$ 20,230

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Segment Revenue				
Brokerage Operations	\$ 113,365	\$ -	\$ 209,574	\$ -
Franchise Operations	14,433	12,797	41,688	37,629
Eliminations	(987)	-	(2,090)	-
<b>Total Revenue</b>	<b>\$ 126,811</b>	\$ 12,797	<b>\$ 249,172</b>	\$ 37,629

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Segment Depreciation and amortization				
Brokerage Operations	\$ 1,604	\$ -	\$ 3,227	\$ -
Franchise Operations	1,694	1,711	5,118	5,186
<b>Total depreciation and amortization</b>	<b>\$ 3,298</b>	\$ 1,711	<b>\$ 8,345</b>	\$ 5,186

As at,	September 30, 2024	December 31, 2023
Segment Assets		
Brokerage Operations	\$ 87,762	\$ -
Franchise Operations	75,618	64,892
<b>Total assets</b>	<b>\$ 163,380</b>	\$ 64,892