Annual Report 2015

Brookfield
Real Estate Services Inc.

Profile

Brookfield Real Estate Services Inc. (the "Company" or "we") through its relationship with Brookfield Real Estate Services Manager Limited (the "Manager"), is a leading provider of services to residential real estate brokers and agents across Canada. The Company generates cash flow from fixed and variable fees that are received from real estate brokers and agents operating under the Royal LePage, Via Capitale and Johnston & Daniel brands. Approximately 72 per cent of the Company's revenue is based on fees that are fixed in nature; this provides revenue stability and helps insulate cash flows from market fluctuation. Revenue streams are protected through long-term franchise agreements, with royalties predominantly driven by fixed fees based on the number of agents in the Company's network. As at December 31, 2015, the Company network consisted of 16,794 REALTORS®[1]. In addition, on January 1, 2016, the Company acquired contracts representing an additional 459 REALTORS® from the Manager for a year beginning total of 17,253.

The Company network has an approximate one fifth share of the Canadian residential real estate market based on 2015 transactional dollar volume. The Company is listed on the TSX and trades under the symbol "BRE". For further information about the Company, please visit **www.brookfieldresinc.com**.

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

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Business Strategy

The Company's primary objective is to provide superior services to real estate brokers and agents and through them, to consumer-clients, producing an attractive return on investment to shareholders through equity appreciation and growing dividends. We plan to continue to grow our REALTOR® network both organically and through acquisition, and to enhance and evolve the leadership position of our brands.

Royal LePage

Serving Canadians since 1913, Royal LePage is the country's leading provider of services to real estate brokerages, with a network of over 16,000 real estate professionals in more than 600 locations nationwide. Since the mid-1990s, Royal LePage has more than tripled the size of its sales force. It offers its network of brokers and agents strong support with state-of-the-art marketing and lead generation tools, sophisticated business services, timely market data and analysis, as well as professional development and in-person training. Royal LePage is the only national real estate company in Canada to have its own charitable foundation, the Royal LePage Shelter Foundation, dedicated to supporting women's and children's shelters and educational programs aimed at ending domestic violence. It is the largest such foundation in the country.

Johnston & Daniel

Founded in 1950, Johnston & Daniel is a leading residential real estate boutique firm with approximately 250 real estate professionals selling distinctive homes in southern Ontario from offices in central Toronto and the city of Oakville. Johnston & Daniel maintains its market leadership through a combination of rich training and development opportunities, strategic partnerships, in-house marketing services and powerful brand awareness. Johnston & Daniel is affiliated with Leading Real Estate Companies of the World™ and is the premier Canadian representative for its Luxury Portfolio International® segment. Johnston & Daniel is also a premier Canadian representative of Who's Who in Luxury Real Estate, a compendium of the finest residential real estate firms from around the world. These international luxury network affiliations provide Johnston & Daniel agents and their clients with global exposure for their luxury home listings.

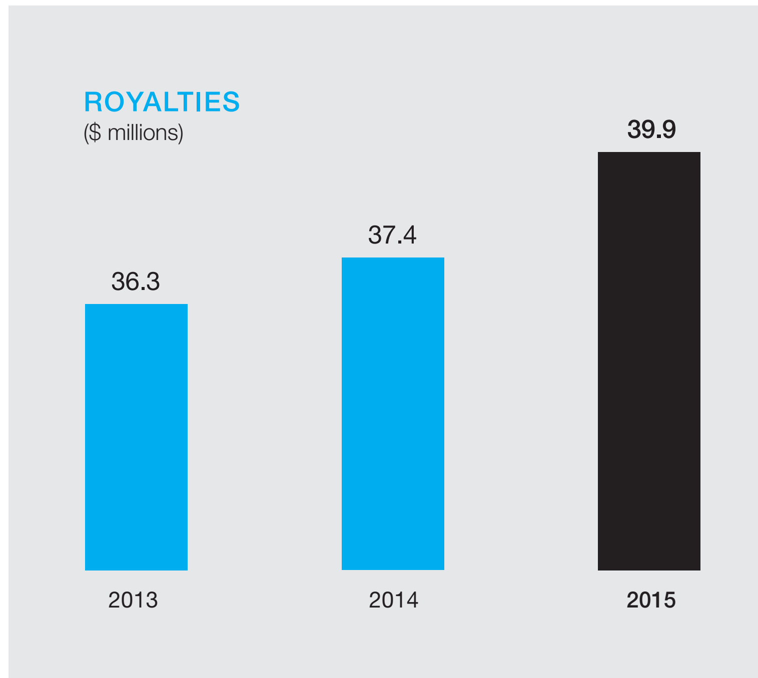
Via Capitale

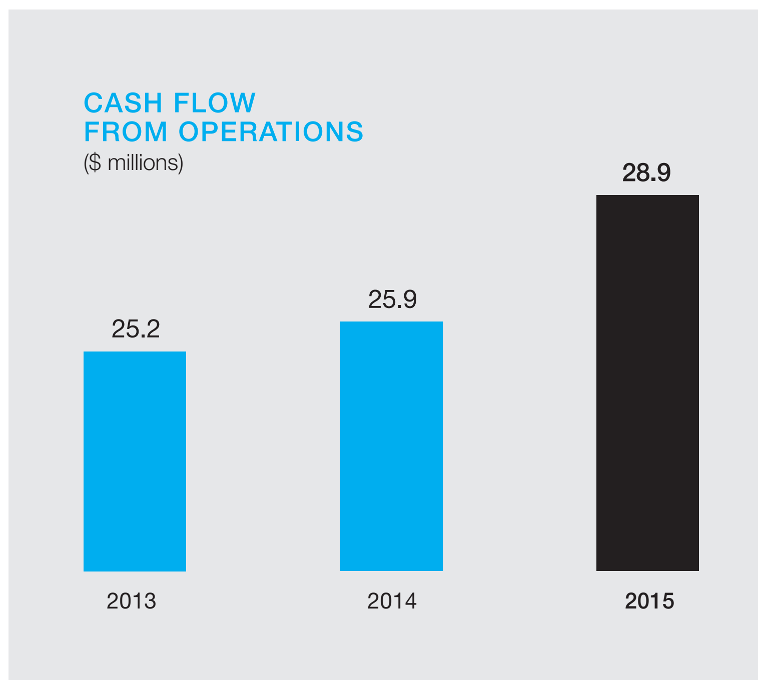
Since 1991, Via Capitale has been a leader in real estate in Quebec. Its mission is to deliver the best possible service by focusing on the human aspect of the transaction, professionalism and innovation. Via Capitale has more than 1,000 brokers and agents in more than 60 locations, located across the province. It has launched numerous innovative, client-centric programs into the Quebec market through specialized web platforms and has been developing real estate protection programs for more than 20 years – making it the pioneer in this field and keeping the company at the forefront of the industry. In 2015, the company introduced the ArtViaCapitale.com site to showcase luxury properties. Today, the Via Capitale name is synonymous with protection and innovation in the province of Quebec.

JOHNSTON & DANIEL

A DIVISION OF ROYAL LEPAGE REAL ESTATE SERVICES LTD., BROKERAGE

Financial Highlights





Letter to Shareholders

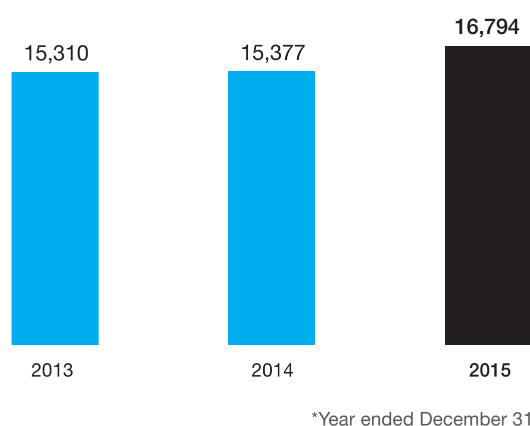
Brookfield Real Estate Services, Inc. continued its strong growth and performance in 2015, and enters 2016 with a healthy pipeline of opportunities to increase agent count and a tremendous amount of positive momentum. Since the inception of the Company in August 2003, the Company network has increased in size by 82 per cent through acquisitions and organic growth. This represents a cumulative annual agent growth rate of 5 per cent. Our strong results are a reflection of this sustained, positive momentum. Perhaps even more important, in a year where some Canadian real estate markets were expanding rapidly and others were enduring the shock of plummeting oil prices, our results reflect the ongoing stability of our Company, and the value of a business model that emphasizes fixed and recurring revenue streams that provide consistency and reliability in up and down markets.

STRONG NETWORK GROWTH

Building on the success of 2014, 2015 saw the Company make great progress as we improved the reach and impact of our brands through this carefully considered cross-Canada expansion. In fact, in 2015 the Company saw its strongest agent growth in eight years, as the Company purchased 52 franchise agreements representing an annual revenue stream of approximately $2.9 million from 1,577 REALTORS® operating under the Royal LePage brand across Canada and the Via Capitale brand in the Province of Quebec. In addition, on January 1, 2016, the Company acquired contracts representing an additional 459 REALTORS® from the Manager.

COMPANY GROWTH

(Number of REALTORS®*)



*Year ended December 31

Focus on British Columbia

Of particular note are some important acquisitions in the all-important British Columbia market – the second largest in Canada, by transactional dollar volume. This is a region where we had historically been underrepresented. Starting in 2012, we have made a series of investments in the region that have paid off handsomely.

Building on our success in 2014 when Royal LePage Sussex converted to the Royal LePage brand with its team of approximately 280 agents, we have now moved into number one position on the Lower Mainland's North Shore: the cities of West Vancouver and North Vancouver. Elsewhere in the province, we acquired the Coast Capital Realty Group, the largest independent brokerage on Vancouver Island. The addition of Coast Capital's 147 highly regarded sales professionals to the Royal LePage network gave Royal LePage the number one position on the Island.

Finally, in the second quarter of 2015 we acquired two of the largest companies in the Greater Vancouver Area formerly with Prudential Real Estate. These included Royal LePage Stirling with its team of 115 agents operating from its Port Moody location and, Prudential United Realty which merged with Royal LePage Westside, doubling the size of its operation to more than 90 agents in the highly-competitive Vancouver market.

In total, the Company has added over 600 REALTORS® through acquisition in the British Columbia market in the past eighteen months.

Additional Notable Acquisitions

Growth for Royal LePage continued with strong momentum across the country, including a series of competitive wins that saw brokerage firms from other national brands and important regional independents join the Company network. Looking to Ontario, March saw the launch of Royal LePage Peaceland, a 73 agent firm focused on serving the Mandarin-speaking community in Richmond Hill. The acquisition is a key step in driving Company growth in important ethnic markets across the country. Also contributing to growth in Ontario, a competitive win in Hamilton saw us open Royal LePage Macro Realty, bringing 75 agents to the high growth region.

In Atlantic Canada, the largest brokerage with a national competitor merged with our Royal LePage Atlantic business, adding 36 agents based in Dartmouth and Enfield, Nova Scotia to the roster. And, in April, the largest independent brokerage in Saskatoon, Saskatchewan joined the network as Royal LePage Hallmark. The addition increases the number of sales professionals in the Royal LePage salesforce in Saskatoon from 50 to 130, and increases Royal LePage's market share to almost 22 per cent in Saskatoon.

Growing Network

As at December 31, 2015, the Company's network was comprised of 16,794 REALTORS®, up from 15,377 as at December 31, 2014. The Company's REALTORS® operate under 305 franchise agreements, provide services from 662 locations nationwide, and have approximately a one fifth share of the Canadian residential real estate market based on 2015 transactional dollar volume. These results continue to confirm the strength of our value proposition to REALTORS®. As demonstrated by our 2015 results, REALTORS®

see value in our brands due to the ongoing investments the Company makes to ensure brokers and agents are among the most informed, supported and successful in the Canadian market.

Recruiting & Retention
The Company invests in recruitment and retention programs to help our brokers and managers efficiently attract and retain the best talent in the real estate business. Over the past two years, our investment in recruiting and retention programs aimed at reducing natural attrition is beginning to pay dividends. Organic attrition was reduced by more than half during 2015.

Contributing to this success, in 2015, two recruiting pilot programs, launched the previous year, were rolled out more broadly to help our brokers grow their teams organically. The first program was delivered in partnership with Buffini & Company's 'Ultimate Recruiting Solution,' an industry-leading training program that was customized for the needs of Royal LePage. Over the last two years, more than 100 brokers and managers have participated in this program hiring over 450 agents, which is higher than the industry average. The second program that was rolled out nationally was delivered in concert with a new digital talent management system that leverages web and social media services to help attract, rate and manage a funnel of prospective new REALTORS®. The system improved recruitment lead generation by 340 per cent, delivering over 6,000 leads to participating brokerages. Its applicant tracking system supports a proven conversion process and includes a candidate assessment tool to accurately inform hiring decisions. To assist with broker prospecting, additional marketing assets were provided to brokers including three agent testimonial videos alongside a drip marketing campaign to support the longer-term nurturing of prospects. Launched in the fall of 2015, the campaigns have reached over 5,000 prospects. Finally, growth is as much about retention as it is recruiting. In 2015, the company launched an agent satisfaction survey pilot to 25 brokerages within the Royal LePage network to assess satisfaction, loyalty and desire to refer. Brokers were able to take away key ideas on how they could improve their operations and drive satisfaction, loyalty and referral rates even higher to support continued growth. The company plans to roll out the agent satisfaction survey program more broadly in 2016.

RECORD FINANCIAL PERFORMANCE

Through a focus on enhancing the value we offer Canadian REALTORS® and by efficiently managing operating costs, both royalties and cash flow from operations reached record levels during the year – metrics that align well with improvements in shareholder value.

For the year ended December 31, 2015, cash flow from operations (CFFO) increased by 12 per cent to $28.9 million ($2.26 per share on a diluted basis, ("Share")) compared to 2014 ($25.9 million or $2.02 per Share in 2014). This is the highest CFFO the Company has achieved since inception.

Royalty revenues for the year increased 7 per cent, or $2.5 million to reach $39.9 million compared to $37.4 million in 2014. Net earnings in 2015 were $1.3 million or $0.14 per Share as compared to $3.9 million, or $0.41 per Share last year. The primary driver of the decrease in net earnings was due to non-cash losses on the determination of the fair value of the Exchangeable Units and the revaluation of the Company's interest rate swap partly offset by lower non-cash charges related to our franchise contracts. However, as previously noted, the Company generated record cash flows during the year, despite the lower net earnings.

Increased royalties and improvement in CFFO were driven primarily by an increase in the number of REALTORS® in the Network and strong Canadian real estate markets, which posted double digit increases in the greater Toronto and Vancouver markets.

The Company has an impressive and lengthy track record when it comes to paying dividends to its shareholders. During 2015, the Company announced two increases in the monthly dividends paid to holders of our restricted voting shares based on our solid financial performance in the past two years. On June 17, 2015, the board of directors (the "Board") approved an increase from $0.10 per share ($1.20 on an annualized basis) to $0.1042 ($1.25 annualized) effective with the dividend paid on July 31, 2015. On December 7, 2015, the Board approved an additional increase to $0.1083 per share ($1.30 annualized), effective with the dividend paid January 29, 2016.

INCREASED BORROWING CAPACITY

In June, the Company announced the expansion of its financing facilities with a Canadian chartered bank. Under the terms of the facilities, the Company's maximum borrowing capacity increases from $68 million to $78 million. This $10 million increase in our financing capacity is an important step towards supporting our ambitious growth plans.

MID-YEAR ACQUISITION

Based on a very strong year in 2014 and continued positive momentum in 2015, the Board approved a mid-year acquisition in addition to the traditional January 1st acquisition for the first time in the Company's history. Effective July 1, 2015 the Company announced that it had approved the acquisition of franchise agreements from the Manager. The franchise agreements represented 12 real estate operations and 719 REALTORS® across Canada for approximately $9.8 million. The Company will continue to consider franchise agreement acquisitions during the course of a calendar year in the future if the pipeline of potential acquisition candidates is significant enough to warrant it. One of the advantages of mid-year acquisition is a smoothing or levelling of the business revenue throughout the year, which more closely reflects the acquisition activity of the Manager.

CANADIAN RESIDENTIAL REAL ESTATE MARKET

The Canadian residential real estate market remained strong throughout 2015, with vigorous sales activity and price growth in the Greater Vancouver Area ("GVA") and Greater Toronto Area ("GTA") offsetting declines in activity among Canada's oil producing regions. According to the Canadian Real Estate Association ("CREA")[2], for the 12 month period ended December 31, 2015, the Canadian residential real estate market, as defined by total transactional dollar volume, increased 14 per cent compared to 2014, to reach $224.2 billion, driven by an increase of 9 per cent in national average selling price and a 5 per cent increase in units sold. The most notable increases were in the GTA and GVA, according to the Toronto Real Estate Board ("TREB")[3] and CREA. In 2015, the housing market in the GTA experienced a year-over-year transactional dollar volume increase of 20 per cent driven by a 10 per cent increase in average selling price, and a 9 per cent increase in the number of units sold. The GVA market experienced larger increases for the year ended December 31, 2015, compared to 2014. For the year, transactional dollar volumes increased by 42 per cent driven by an 11 per cent increase in average selling price, and a 28 per cent increase in number of units sold compared to 2014.

This year the federal government introduced a policy change in the minimum down payment required to secure mortgage insurance. While the change will produce a slight slowing of activity in the country's two most costly cities, we expect the number of transactions impacted by this policy to be minimal across the country.

We expect to see the frenetic pace of markets in Vancouver and Toronto moderate in the second half of 2016 as real estate appreciation has significantly outpaced job and wage growth. While still outpacing the nation as a whole, we believe price appreciation in the country's two largest cities should begin to settle to a more sustainable, single-digit increase trajectory as eroding affordability dampens demand.

Recent press around assignment clauses in Vancouver has once again raised questions about the potential impact of foreign buyers on home prices in these markets. While we believe the impact on the Canadian residential real estate market as a whole to be minimal, we support efforts by the government and other agencies to gather data we hope will provide a definitive measure of the level of foreign real estate investment in Canada.

Through the recent period of depressed oil prices, Canada's energy-centric regions of Alberta, Newfoundland and Labrador were more resilient than most had expected. Consumers reluctant to sell their homes at a discount simply withdrew from the market resulting in a relatively small drop in house prices but a more significant drop in unit sales. We believe that soft markets with continued fall-off in demand will prevail in these more resource-dependent regions throughout the year ahead. It is important to note that the risk to the Company is minimal as total royalties from these regions amount to only 8 per cent of total Company revenue.

As the United States continues its economic recovery, it will create demand for Canadian goods. Growing exports mean more jobs at home and by extension stronger consumer confidence. The provinces that benefit most from American trade – British Columbia, Ontario, Quebec and Manitoba – are expected to lead the nation in economic growth and housing expansion during the year ahead. Combined with continued low interest rates, the country's housing market is in a solid position to weather the impact of low commodity prices.

LEADERSHIP

Through dedicated REALTORS® and strong leadership, the Company's brands are trusted and respected voices at all levels in real estate, whether it's with the media or within the various levels of organized real estate throughout the country. By actively serving on regional boards, councils, provincial associations and CREA, we help to shape and guide the industry, and reinforce our leadership position.

The Company's brands boast the most respected leadership teams in the Canadian and North American real estate industry. Again in 2015, Brookfield Real Estate Services was called out in the widely followed Swanepoel POWER 200 assessment of industry leadership talent. As our Company's President and Chief Executive, I was named the number one most influential person in Canadian residential real estate for the third year running (back to the inception of the report), and #20 in North America.

The Voice of Canadian Real Estate

Our Royal LePage brand is the Voice of Canadian Real Estate, publishing reports and surveys, and sharing insights and opinion to make it the most quoted real estate company in Canada. It is the go-to resource for influential reporters, across all media channels nationally, and has earned the valued position as one of the most rational, insightful and educational voices in the real estate industry.

2015 marked a significant milestone with the enhancement of the renowned quarterly-released Royal LePage House Price Survey, including the introduction of the Royal LePage National House Price Composite which provides one of the most comprehensive views of Canada's residential real estate market. Building on more than 40 years of real estate market research with the Royal LePage House Price Survey, the Composite significantly increases the number of regions reported on, to 53 markets across Canada. Housing values in the Royal LePage National House Price Composite are based on proprietary data extrapolated from Company operations and from sister company, Brookfield RPS, a property valuation and data analytics firm. House prices presented in the report continue

[2] Source: National MLS® Report: The Canadian Real Estate Association News Release as of January 15, 2016, and January 15, 2015.

[3] Source: Toronto Real Estate Board Market Watch as of December 2015 and December 2014.

to be paired with valuable market insights and commentary from Royal LePage real estate advisors located across Canada.

The response to the House Price Survey and National House Price Composite and positive exposure for our leading brand from the media across Canada is the highest we have experienced. This, combined with a variety of mainstay reports including the Recreational Property Report and regional market summaries, have contributed to a wide lead in the industry in terms of media exposure. 2015 saw our media reach grow to over one billion consumer impressions, 123 per cent more than our closest competitor.

Social Media Leadership

Seventy-five per cent of Canadians aged 35 to 44 are on Facebook or Twitter according to a study by Edward Morbius from Business Insider. With a focus on this prime homebuyer-aged demographic, our Royal LePage brand is very active in the social sphere, and continues to be a social media leader, using its extensive social reach to build brand awareness and drive business to its REALTORS®. In 2015[4] it had two times more followers on LinkedIn, four times more followers on Pinterest, and six times more followers on Instagram than its closest competitor. It has also grown its reach on Facebook to 11,000 likes, and on Twitter to 14,000 followers.

Leaders in the Community

The Company is an active contributor in the communities where we conduct business. Our senior executives have taken on leadership positions on the boards of several charities, and our employees participate in many community activities and fund-raising events. Our brands are likewise engaged.

Royal LePage and Johnston & Daniel are leaders when it comes to giving back to the communities where they do business, by partnering with local women's shelters and raising funds and providing tangible goods to benefit women and children affected by domestic violence. Their charitable foundation – the Royal LePage Shelter Foundation – has raised more than $22 million since its inception in 1999. Royal LePage covers the administrative costs of the foundation which ensures that one hundred per cent of all funds donated are directed to local Canadian shelters and national partners.

Royal LePage agents and offices organized more than 150 fundraising events in support of the Shelter Foundation during 2015. Many Royal LePage agents donated a portion of their commissions from each property sale or purchase to the foundation. In recognition of these efforts, Royal LePage was named the "Outstanding Corporate Citizen" by the Canadian Franchise Association.

During 2015, the Royal LePage Shelter Foundation:

- Supported 200 women's shelters across Canada.
- Made a significant donation to the Canadian Women's Foundation, contributing to more than 40 programs focused on violence prevention, teaching youth how to develop healthy relationships and helping women and children rebuild their lives after abuse.
- Offered a unique fundraising challenge trip to Machu Picchu, Peru with 60 Royal LePage agents raising half a million dollars in support of their local women's shelters.
- Organized the 7th annual National Garage Sale for Shelter, the nation's largest, which raised more than $250,000 at 100 community garage sale locations across Canada.

Royal LePage Shelter Foundation has raised more than $22 million making it the largest foundation in Canada dedicated exclusively to supporting women's shelters and ending domestic violence.

In 2015, Via Capitale joined La Grande guignolée des médias, a charity that brings media and others together to gather food and cash donations for those who need it most in Quebec. Via Capitale brokers and agents mobilized as the holiday season approached going into the streets to participate in the great collection day at the beginning of December.

Finally, the Brookfield Real Estate Services Charitable Foundation, formerly the Royal LePage Charitable Foundation, has a long history of matching employee donations to the United Way and other targeted philanthropic initiatives. The United Way is an incorporated non-profit charity focused on improving the long-term health of the community.

OPERATING PLATFORM

Superior financial results require an exceptional operating platform. In 2015, we continued to invest in differentiating technologies, new business services to improve the efficiency and profitability of our agents and brokerages, marketing initiatives that support our valued brands, and the industry's best training and coaching.

A Focus on Brokerage Profitability

A primary focus of the Manager throughout 2015 was to develop programs and services to help brokerages grow profitably. Programs and services that were launched included recruiting-oriented coaching and accountability programs, new online lead generation services to help recruit agents as well as a series of new videos and e-marketing campaigns to support recruiting activities.

In addition to growth services, a benchmarking program to help brokers assess their profitability levels in comparison to their peers and provide a forum for peer-to-peer sharing and solutions

[4] Statistics are for Q3, 2015.

brainstorming continues. A team advancement program was also rolled out. This initiative involves comprehensive business development training designed to arm brokers with the knowledge and skills to recruit and retain high-producing real estate teams. Four sessions were delivered in 2015 in Ontario, British Columbia and Alberta, with close to 130 broker owners/managers attending. One hundred per cent of brokers attending the program responded that they agreed that the program will help them in their business. Additionally, in 2015, a brokerage business review program designed to aid in brokerage profitability was piloted. The program, along with other investments in our operating platform to support brokerage profitability will continue throughout 2016.

Meaningful Technology

As industry leaders, it is our job to detect and seek to understand the waves of technological and societal change sweeping real estate brokerage and the business world as a whole. People, and particularly young people, those digital natives who are the housing industry's first time buyers, have already voted. They want information and the convenience of accessing it mobily, wherever they are. As do our REALTORS®, especially Millennials. With this in mind, we are continually investing in meaningful technology that we believe will help keep us at the forefront of the industry.

Designed to support brokers in every aspect of their real estate transactions, our Via Capitale brand launched a fully mobile-responsive intranet in 2015. Through a customizable homepage, brokers are able to manage listings and referrals and generate advanced statistics on properties that can be shared with clients. A full suite of promotional, marketing and sales tools serve to facilitate the broker's success. In addition, statistical reports on the real estate industry in Quebec are provided. Via Capitale also launched the Via Images Search tool that allows consumers to search for properties using photos. For example kitchen, backyard or lakefront photos can be selected to search properties based on these photos. A consumer contest coincided with the launch to build awareness of this new tool and drive traffic to the site.

Meanwhile, our Royal LePage brand launched a fully redesigned and re-engineered intranet in February, 2015. The site, rlpNetwork, is accessible on any device and, with Google Apps for Work™ accessible from within the site, agents now have a powerful suite of productivity and collaboration tools at their fingertips. Gmail, personal and shared documents, meetings and events, along with best practices communities and video calling can be quickly and easily accessed. In addition, rlpNetwork's new search and navigation improvements provide quick access to branded marketing materials, sales and marketing training, networking with peers and special offers from Royal LePage partners. Adoption of the newly enhanced intranet has been strong, with average usage at almost 10,000 users per month.

Through significant SEO enhancements in 2015, Royal LePage's national website, www.royallepage.ca, saw boosted traffic to an average of more than 3 million visitors per month. Work was undertaken to enhance its map search performance as well, upon which new map-based search features will be rolled out in 2016 and beyond. And, a keyword search to filter for specific home attributes (for example, "hardwood floors") was added to the property search, to make it easier for consumers to narrow their searches. A new user account feature was introduced to increase leads to agents and "mail-to" links on the site were replaced with forms to better track leads. With these enhancements the site delivered an average of more than 9,000 leads to our agents each month. Innovative enhancements will continue throughout 2016 including the launch of Neighbourhood Match, a tool that matches a consumer's lifestyle attributes to specific neighbourhoods.

Industry-leading Training & Coaching

Royal LePage has a well-deserved reputation for attracting and inspiring new agents with the important grounding they need to find future success. The story continues with industry-leading training for new and existing Company REALTORS®. In 2015, a team of learning consultants developed and delivered a host of learning opportunities that saw overall attendance at our training and coaching sessions grow and agent satisfaction rates with our learning tools rise to new levels. One such example is an in-person workshop held in the fall of 2015, "Rank Higher in Online Search." A 30 per cent attendance increase from the year prior was achieved for the in-person workshop which was held in communities across the country. A follow-up webinar attracted more than 2,000 attendees. The workshop achieved an overall 95 per cent satisfaction rate.

The workshops are just one piece in a full complement of learning opportunities that help our REALTORS® and brokerages build business, earn industry designations, improve their marketing efforts and increase their productivity and profitability. In 2015, Chris Leader of Leader's Edge Training and Laurie Moore-Moore of the Institute for Luxury Home Marketing delivered monthly webinars to build agents' sales skills. Topics ranged from business planning to attracting international clientele. Over thousands of views, the webinars have delivered 133,000 hours of viewed content to our network. The momentum continues through 2016 as we partner with North-American training experts Richard Robbins and Brian Buffini to deliver key messages to our salesforce utilizing the webinar platform.

Marketing

The Company's brands are continually investing in creative marketing that cuts through the clutter to create demand for their agents' services, and builds brand awareness and customer preference and loyalty: both at the consumer and REALTOR® levels. This is achieved through a mix of promotional tools, advertising, top-notch, ready-made marketing tools, a strong national media program, print and digital publications and marketing campaigns.

Letter to Shareholders

A key marketing initiative in 2015 for our Royal LePage brand was the #IMHOME contest, which garnered close to 6,000 entries on Royal LePage's national website. During the contest, Canadians from coast to coast posted photos of what "home" means to them. More than 90,000 viewers came to the contest pages, and of those almost one third visited other pages on royallepage.ca, serving to increase traffic and leads to agents. The contest also had significant brand engagement on social media, resulting in significant new Facebook page likes and Twitter followers. The contest video on YouTube garnered more than 12,000 views and boosted YouTube subscribers to Royal LePage's channel.

Building on the 2014 relaunch of Royal LePage's luxury brand Carriage Trade, new Carriage Trade single property websites were introduced in 2015. These custom-designed, full-screen, single property websites allow agents to easily create a site for each of their luxury properties by integrating existing listings data and photos.

The Royal LePage Home Magazine continues with quarterly publications, providing REALTORS® with a powerful marketing tool to enhance their professional reputation, and win new business. National property listings are showcased alongside engaging articles that embrace Canadian style, local culinary tastes, travel and interior design. REALTORS® are able to order personalized copies of the magazine.

In the fall of 2015, Royal LePage announced the launch of its Top Tier program, designed to recognize Royal LePage's most successful REALTORS®: Chairman's Club Award, Diamond Award, and Director's Platinum Award winners. The goal of the program is to support the recruiting and retention of this highly productive REALTOR® segment, by providing them with recognition and exclusive benefits.

Marketing efforts for Via Capitale included a repositioning of the brand that was promoted through a series of TV spots. In addition, a series of videos for recruiting purposes were produced in various offices throughout Quebec. These testimonials highlight what encouraged brokers to join and stay with Via Capitale, and depict the company's human and relational approach to business.

The Company sees the Johnston & Daniel brand as an opportunity to continue to expand its footprint and market share within the Canadian real estate market, specifically within strategic premium markets. To support this growth, in 2015 we undertook a brand enhancement project that allowed us to refine and enhance the brand's positioning and visual identity, and deliver the new tools necessary to effectively communicate and market the brand. The unveiling of the work done within this project took place in February, 2016.

SUMMARY

Leveraging two years of significant cross-Canada expansion and strong financial results, we enter 2016 with significant momentum and a solid growth trajectory. We are confident in our ability to continue to grow our network while providing shareholder value.

We remain steadfastly committed to industry leadership. The primary objective of the company continues to be providing superior services to real estate brokers and agents and through them, to consumer-clients, producing an attractive return on investment to shareholders through equity appreciation and growing dividends.

On behalf of the Board,

PHILIP SOPER
President and Chief Executive Officer

2015 Financials

Management's Discussion and Analysis

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Introduction

This section of Brookfield Real Estate Services Inc.'s annual report includes management's discussion and analysis ("MD&A") of the financial results and financial condition of the Company for the three months ended and the year ended December 31, 2015, and has been prepared as at March 9, 2016. The three months ended December 31, 2015 shall be referred to in this MD&A as the "Quarter" and the year ended December 31, 2015 shall be referred to in this MD&A as the "Year". The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS") and is expressed in Canadian dollars unless otherwise stated.

The definitions of terms capitalized in this MD&A are provided in the Glossary of Terms commencing on page 42.

This MD&A is intended to provide the reader with an assessment of the Company's past performance as well as its financial position, performance objectives and future outlook. The information in this section should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015, prepared in accordance with IFRS. Additional information relating to the Company, including its Annual Information Form, is available on SEDAR at www.sedar.com.

Management's Discussion and Analysis of Results and Financial Condition

Highlights

(in 000's, Canadian dollars) except REALTOR® count	**Three months ended December 31, 2015**	Three months ended December 31, 2014	Three months ended December 31, 2013	**Year ended December 31, 2015**	Year ended December 31, 2014	Year ended December 31, 2013
Royalties	**$ 9,539**	$ 8,584	$ 8,332	**$ 39,859**	$ 37,392	$ 36,268
Administration expenses	**(252)**	(339)	(40)	**(1,286)**	(1,626)	(1,342)
Management fee	**(1,734)**	(1,431)	(1,586)	**(7,229)**	(6,469)	(6,677)
Interest expense	**(619)**	(1,089)	(750)	**(2,428)**	(3,419)	(3,040)
CFFO	**$ 6,934**	$ 5,725	$ 5,956	**$ 28,916**	$ 25,878	$ 25,209
Dividends paid	**$ 2,964**	$ 2,845	$ 2,618	**$ 11,619**	$ 11,305	$ 10,471
Interest on Exchangeable Units paid	**$ 1,373**	$ 1,318	$ 1,168	**$ 5,381**	$ 5,822	$ 5,272
Net earnings (loss)	**$ (3,001)**	$ 2,449	$ 569	**$ 1,324**	$ 3,871	$ 888
Number of REALTORS®				**16,794**	15,377	15,310

(on a diluted share basis, except dividends paid and interest on Exchangeable Units paid)	**Three months ended December 31, 2015**	Three months ended December 31, 2014	Three months ended December 31, 2013	**Year ended December 31, 2015**	Year ended December 31, 2014	Year ended December 31, 2013
CFFO	**$ 0.54**	$ 0.45	$ 0.46	**$ 2.26**	$ 2.02	$ 1.97
Dividends paid	**$ 0.31**	$ 0.30	$ 0.28	**$ 1.23**	$ 1.19	$ 1.10
Interest on Exchangeable Units paid	**$ 0.41**	$ 0.40	$ 0.35	**$ 1.62**	$ 1.75	$ 1.58
Net earnings (loss)	**$ (0.32)**	$ 0.26	$ 0.06	**$ 0.14**	$ 0.41	$ 0.09

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

- Cash flow from operations ("CFFO") for the Year improved to $28.9 million or $2.26 per share on a diluted basis ("Share"), an increase of 12% as compared to $25.9 million or $2.02 per Share in 2014 and 15% as compared to $25.2 million or $1.97 per Share in 2013.
- CFFO of $2.26 per Share for the Year represents the highest annual CFFO per Share generated by the Company ever. The improvement in CFFO for the Year was driven by an increase in royalties as a result of an increase in the number of REALTORS® in the Company Network and lower cash operating expenses due to reduced interest costs and lower bad debt expenses as compared to 2014 and 2013.
- The board of directors (the "Board") of the Company increased dividends declared on Restricted Voting Shares twice in 2015, resulting in a dividend payment of $1.23 per Restricted Voting Share in 2015 as compared to $1.19 in 2014 and $1.10 in 2013. BRESI declared monthly dividends subsequent to the end of the Year which amount to $1.30 per Restricted Voting Share on an annual basis.

Organization

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

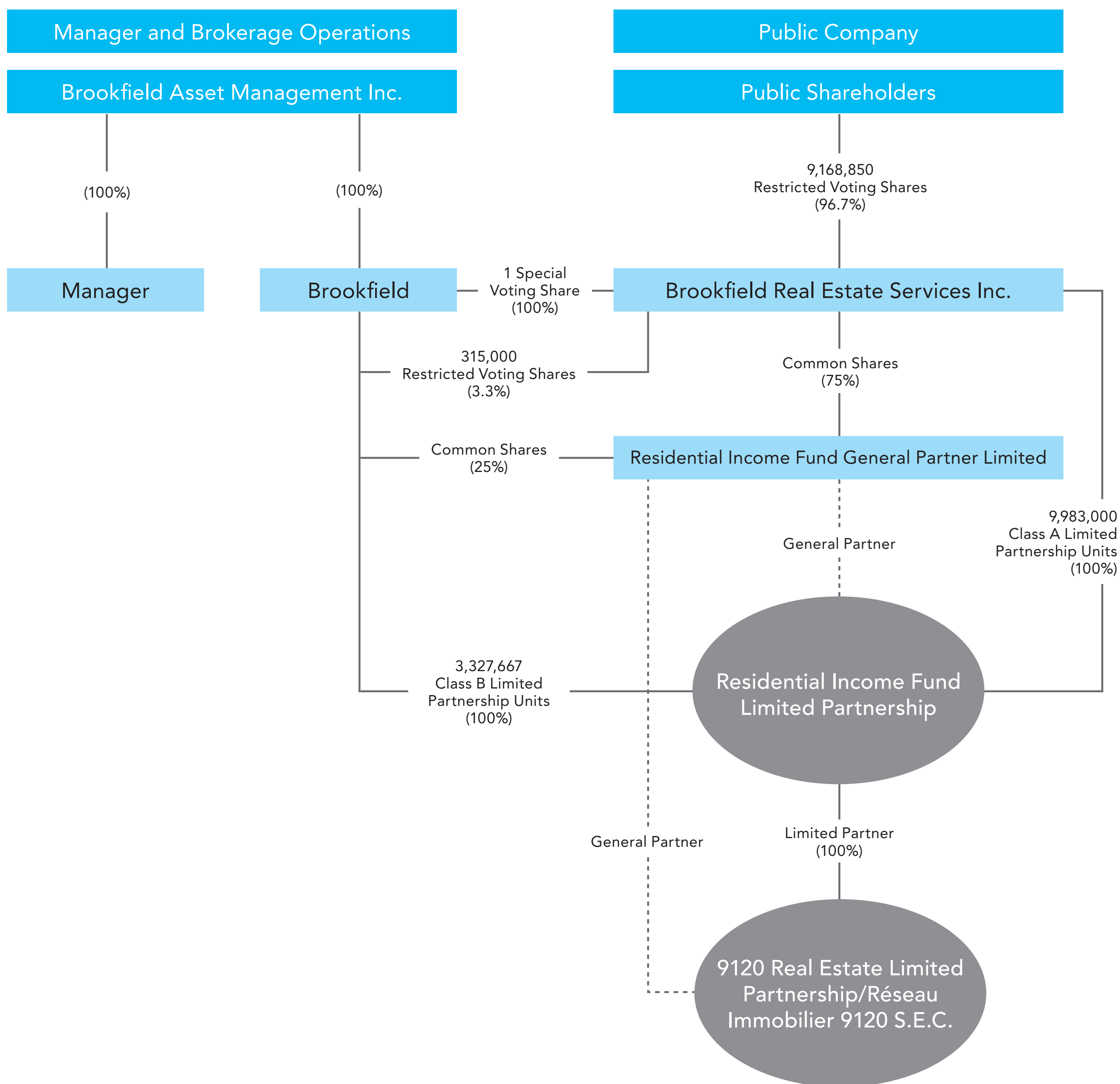
BRESI directly owns a 75% interest in the Partnership which, in turn, owns VCLP. In addition, BRESI directly owns a 75% interest in the General Partner. (Collectively, the Partnership, VCLP and the General Partner represent the Company's "Subsidiaries" and each of them is a "Subsidiary"). The Partnership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

Brookfield owns the remaining 25% interest in the Partnership through its ownership of the Exchangeable Units and the remaining 25% interest in the General Partner through its ownership of 25 common shares in the General Partner. In addition to its ownership of the Exchangeable Units, Brookfield indirectly owns 315,000 Restricted Voting Shares (representing approximately 2.4% of Restricted Voting Shares outstanding on a fully diluted basis) and one special voting share of BRESI. The special voting share entitles Brookfield to a number of votes at any meeting of the restricted voting shareholders equal to the number of Restricted Voting Shares that may be obtained upon the exchange of all the Exchangeable Units held by the holder and/or its affiliates.

Management's Discussion and Analysis of Results and Financial Condition

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

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



Management's Discussion and Analysis of Results and Financial Condition

Business Strategy

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

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

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

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

Structure of Company Royalties

The Company generates revenue from royalties with both fixed and variable components. Approximately 89% (2014 – 89%) of the Company's royalties during the Year were derived from the combined fixed Franchise fee per Agent per month, 1% variable Franchise fee and Premium Franchise Fees. The remaining royalty stream is made up of Franchise fees generated from warranty fees, technology fees and other fees. Approximately 72% of the Company's annual royalties were partly insulated from the fluctuations in the Canadian Market as they were not directly driven by transaction volumes. The Company believes that the combination of a royalty stream based on the number of Agents in the Network, increasing Agent and Broker productivity and an increasing supply of new housing inventory provides the base for strong and stable cash flows. A description of each type of royalty fee follows:

Fixed Franchise Fees are paid based on the number of Agents in the Franchise Network. Fixed Franchise fees from Royal LePage Franchisees consist of a monthly fixed fee of $105 per Agent ($102 in 2014 and 2015, and $100 prior to 2014), while fixed fees from Via Capitale Franchisees consist primarily of a monthly fee of approximately $170 per Agent. On January 1, 2016, the Company increased the Royal LePage fixed fee to $105 per Agent for approximately 85% of the Franchise Network and the balance of the increase will take effect on January 1, 2017.

Variable Franchise Fees are calculated as a percentage of Gross Revenues earned by the Franchisee's Agents. Variable Franchise fees from Royal LePage Franchisees are driven by the transactional dollar volume transacted by the Agents and are derived as 1% of each Agent's Gross Revenues, subject to a cap of $1,325 per year ($1,300 per year prior to December 31, 2015). Certain Agents in the Royal LePage Network work as part of a Team. All Agents who are members of a Team pay fixed Franchise fees. However, for the purposes of the $1,325 variable fee cap, the Gross Revenues of all Team members is aggregated to one cap.

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

The amount of variable Franchise fee paid by an individual Agent can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices. However, variable Franchise fees are subject to a cap of $1,325 ($1,300 prior to 2016). For those Agents who reach the cap, the variable Franchise fee is effectively fixed in nature, in that the variable Franchise fee paid by the Agent will not change based on changes in the Canadian Market. In 2015, over 3,100 Agents and Teams exceeded the $1,300 cap and accounted for approximately 11% of royalties earned from Royal LePage Franchisees. As such, the Company considers 45% of its variable Franchise fees to be fixed in nature.

Premium Franchise Fees are paid by 21 of the Company's larger Royal LePage locations in the greater Toronto area. Each of these Franchisees is obligated to pay Premium Franchise Fees until August 2018 ranging from 1% to 5% of the location's Gross Revenue. Of these locations, 12 are operated by the Manager.

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

Network Royalty Profile

As at December 31, 2015, the Company receives royalties from 16,526 Agents contracted with 347 Broker-Owners operating under 305 Franchise Agreements from 662 locations, providing services under the Royal LePage, Via Capitale and Johnston & Daniel brand names collectively as the Company Network, with an approximate one fifth share of the Canadian Market based on 2015 transactional dollar volume.

The Royal LePage Network: The fees generated from the Royal LePage Network accounted for 93% of the Company's fees for the Year (2014 – 92%). Fees charged to the Royal LePage Network for the Year include:

- a fixed monthly Franchise fee per Agent of $102;
- a variable Franchise fee equal to 1% of Gross Revenue up to a maximum annual variable Franchise fee of $1,300 per Agent or Team;
- a premium monthly Franchise fee per applicable location, as described above; and
- a fixed monthly technology fee per Agent of $20.

Due to the variable Franchise fee capping feature, approximately 70% (2014 – 70%) of the royalties earned from the Royal Lepage Network were fixed in nature.

The Via Capitale Network: The fees generated from the Via Capitale Network, which services the Quebec market, accounted for 7% of the Company's fees for the Year (2014 – 8%). These fees are primarily made up of a fixed monthly fee per Agent of $170 ($2,040 per annum) and other Franchise fees generated from warranties.

Approximately 76% (2014 – 78%) of the royalties earned from the Via Capitale Network were fixed in nature.

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

Year ended December 31, 2015 (in 000's, Canadian dollars)	Royal LePage	Via Capitale	Total
Fixed Franchise Fees	46%	5%	51%
Variable Franchise Fees	23%	–	23%
Premium Franchise Fees	15%	–	15%
Other revenue	9%	2%	11%
Total Brand Percentage	93%	7%	100%

Year ended December 31, 2014 (in 000's, Canadian dollars)	Royal LePage	Via Capitale	Total
Fixed Franchise Fees	45%	6%	51%
Variable Franchise Fees	23%	–	23%
Premium Franchise Fees	15%	–	15%
Other revenue	9%	2%	11%
Total Brand Percentage	92%	8%	100%

Management's Discussion and Analysis of Results and Financial Condition

Overview of 2015 Operating Results

Years ended December 31, (in 000's, Canadian dollars) except per share amounts; Restricted Voting Shares outstanding; Exchangeable Units outstanding; Number of REALTORS® and number of Agents;		2015		2014		2013
Royalties	$	39,859	$	37,392	$	36,268
Less:						
Administration expenses		1,286		1,626		1,342
Management fee		7,229		6,469		6,677
Interest expense		2,428		3,419		3,040
Cash flow from operations	$	28,916	$	25,878	$	25,209
Amortization of intangible assets		(9,892)		(10,828)		(12,683)
Impairment of intangible assets		(1,047)		(2,384)		(1,391)
Interest on Exchangeable Units		(5,434)		(5,856)		(4,672)
Gain (loss) on fair value of Exchangeable Units		(5,524)		1,164		(2,429)
Loss on Interest Rate Swap		(1,454)		(482)		–
Gain (loss) on fair value of purchase obligation		(633)		(955)		210
Current income tax expense		(4,469)		(3,657)		(3,958)
Deferred income tax recovery		861		991		602
Net and comprehensive earnings	$	1,324	$	3,871	$	888
Basic earnings per share	$	0.14	$	0.41	$	0.09
Diluted earnings per share	$	0.14	$	0.41	$	0.09
Cash flow from operations per share on a diluted basis	$	2.26	$	2.02	$	1.97
Dividends paid per share	$	1.23	$	1.19	$	1.10
Interest paid per Exchangeable Unit	$	1.62	$	1.75	$	1.58
Restricted Voting Shares outstanding		9,483,850		9,483,850		9,483,850
Exchangeable Units outstanding		3,327,667		3,327,667		3,327,667
Total assets	$	98,114	$	86,562	$	93,433
Total liabilities	$	123,484	$	101,558	$	100,919
Number of REALTORS®		16,794		15,377		15,310
Number of Agents		16,526		15,143		15,068

VARIATION OF OPERATING RESULTS IN 2015 COMPARED TO 2014

Royalties:

The strong Canadian Market and a significant increase in the number of Agents in the Company Network contributed to a $2.5 million increase in royalty revenues in 2015 compared to 2014. The total value of real estate bought and sold in Canada increased by 14% to $224.2 billion contributing to increased variable Franchise fees and Premium Franchise Fees. The Company's Network of REALTORS® increased by 1,417 REALTORS® in 2015, driven by 1,577 REALTORS® acquired by way of acquisition of Franchise Agreements, partly offset by attrition of 160 REALTORS® in the Year.

Net Earnings:
For the Year, the Company generated net earnings of $1.3 million or $0.14 per Share, compared to $3.9 million or $0.41 per Share in 2014.

The primary drivers for the decrease in net earnings compared to 2014 were:

- A loss on the determination of the fair value on the Exchangeable Units of $5.5 million in 2015, compared to a gain of $1.2 million in 2014;
- An increase in the loss resulting from the revaluation of an Interest Rate Swap of $1.5 million compared to $0.5 million in 2014, refer further discussion under *Annual Operating Results – Loss on Interest Rate Swap*;
- Higher income tax expense resulting from higher taxable income; partly offset by
- Increased royalty revenues as discussed above, net of associated increase in management fees;
- Reduced administration expenses, including bad debt expense;
- Lower interest costs, despite increased borrowing levels, as a result of the Company renegotiating its debt facilities late in 2014 to take advantage of lower rates; refer to further discussion under *Debt Facilities*; and
- Lower expenses associated with amortization and impairment of intangible assets of $2.3 million.

Total Assets:
Total assets increased by $11.6 million over 2014 primarily as a result of the Company's acquisition of Franchise Agreements totaling $20.0 million in 2015 as well as higher cash balances at year end. These increases were partly offset by a $1.0 million reduction in accounts receivable and notes receivable due to better working capital management and amortization and impairment of intangible assets totaling $10.9 million.

Total Liabilities:
Total liabilities increased by $21.9 million in 2015 compared to 2014. The main drivers of the increase are as follows:

- An increase in debt facilities of $11.9 million and current and non-current portion of purchase obligation of $2.7 million to reflect financing to acquire Franchise Agreements during the Year;
- An increase in the Company's Interest Rate Swap liability, as discussed above,
- An increase in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares, refer to further discussion under *Annual Operating Results – Loss on fair value of Exchangeable Units*; and
- An increase in the Company's current income tax liability as a result of higher current income tax expense, as discussed above.

Dividends and Distributions:
Dividends approved by the Board on Restricted Voting Shares increased to $1.23 per share in 2015, compared to $1.20 in 2014. During 2015, the Board approved two increases in the monthly dividends declared on Restricted Voting Shares. On June 17, 2015, the Board approved an increase from $0.10 per share ($1.20 on an annualized basis) to $0.1042 ($1.25 on an annualized basis) effective with the dividend paid on July 31, 2015. On December 7, 2015, the Board approved an additional increase to $0.1083 per share ($1.30 on an annualized basis), effective with the dividend paid January 29, 2016.

Interest on Exchangeable Units was lower in 2015 compared to 2014. Generally, the determination of interest on Exchangeable Units is calculated with reference to the dividends paid on the Restricted Voting Shares. However, the interest on Exchangeable Units in 2014 reflects an additional distribution in respect of undistributed proportionate share of the Partnership's 2013 earnings.

VARIATION OF OPERATING RESULTS IN 2014 COMPARED TO 2013

Royalties:
Total royalty revenues increased by $1.1 million in 2014 compared to 2013. The Canadian Market was strong in 2014 as the total value of real estate bought and sold in Canada increased by 12% to $196.3 billion compared to $175.1 billion in 2013. The Company's Network of REALTORS® increased by 67 REALTORS® in 2014 driven by 493 REALTORS® acquired by way of acquisition of Franchise Agreements, partly offset by attrition of 426 REALTORS®.

Management's Discussion and Analysis of Results and Financial Condition

Net Earnings:
In 2014, the Company generated net earnings of $3.9 million or $0.41 per Share, compared to $0.9 million or $0.09 per Share in 2013.

The primary drivers for the increase in net earnings compared to 2013 were:

- A gain on the determination of the fair value on the Exchangeable Units of $1.2 million in 2014, compared to a loss of $2.4 million in 2013;
- Increased royalty revenues as discussed above;
- Lower net expenses associated with amortization and impairment of intangible assets of $0.9 million;
- Lower income tax expense resulting from lower taxable income; partly offset by
- An increase in the loss on the fair value of the purchase obligation associated with acquisition of Franchise Agreements;
- A loss resulting from the revaluation of the Interest Rate Swap of $0.5 million which was entered into in 2014, and
- Higher interest on Exchangeable Units as a result of a $0.6 million distribution made in 2014 in respect of undistributed proportionate share of the Partnership's 2013 earnings and an increase to monthly distributions on Exchangeable Units approved by the Board in 2014.

Total Assets:
Total assets decreased by $6.9 million over 2013 primarily as the amortization and impairment of intangible assets more than offset the value of the Franchise Agreements purchased during 2014.

Total Liabilities:
Total liabilities increased by $0.6 million over 2013 primarily as a result of a $1.2 million increase in current and non-current portion of the purchase obligation associated with acquisition of Franchise Agreement in 2014, $0.5 million increase in liability associated with the Interest Rate Swap and $0.3 million increase in current income tax liability, partly offset by the impact of a decrease in liability associated with Exchangeable Units of $1.2 million.

Dividends and Distributions:
Dividends approved by the Board on Restricted Voting Shares increased to $1.20 per share in 2014, compared to $1.10 in 2013. During 2013, the Board approved an increase in the monthly dividends declared to shareholders of Restricted Voting Shares effective with the dividend paid February 28, 2014.

Interest on Exchangeable Units was higher in 2014 compared to 2013. The determination of interest on Exchangeable Units is calculated with reference to the dividends paid on the Restricted Voting Shares. In addition, the interest on Exchangeable Units in 2014 reflects a $0.6 million distribution made in respect of undistributed proportionate share of the Partnership's 2013 earnings.

Key Performance Drivers

Key performance drivers of the Company's business include:

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

Stability of the Company's Royalty Stream

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

FIXED-FEE STRUCTURE

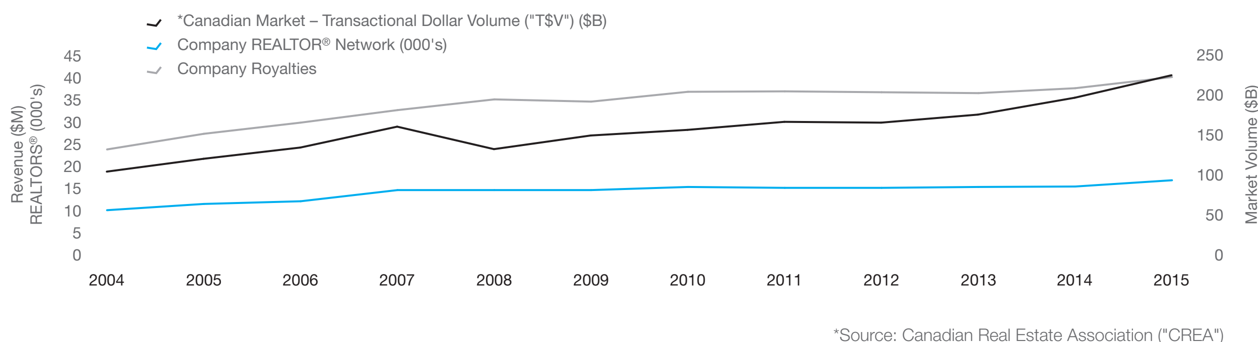
The Company estimates that approximately 72% of its royalties are fixed in nature. In addition to its fixed and other Franchise fees, a substantial portion of the Company's variable Franchise fees are effectively fixed in nature.

Management's Discussion and Analysis of Results and Financial Condition

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

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

ROYALTIES, MARKET AND REALTOR® TRENDS



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

INCREASE IN FEES

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

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

The increase in royalty fees was implemented to 85% of the Royal LePage Network on January 1, 2016 and to the other 15% on January 1, 2017. The Company estimates this fee increase will result in approximately $600,000 of incremental Franchise fees when fully implemented.

GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at December 31, 2015 the Company Network of 16,794 REALTORS® operates through Franchisees, contracted with 347 Broker-Owners, providing services across the country through 662 locations operating under 305 Franchise Agreements. Of the Company's Brokerages, approximately 70% operate with fewer than 50 REALTORS® and represent 19% of the Company Network. The Company's smallest Franchisees have one REALTOR® while the largest has almost 1,900 REALTORS®.

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

As at December 31, 2015	Canadian[1] REALTOR® Population	Company REALTOR® Population
Ontario	56%	61%
British Columbia	18%	11%
Quebec	11%	14%
Alberta	9%	7%
Maritimes	3%	3%
Prairies	3%	4%
Total	100%	100%

[1] Source: CREA

Management's Discussion and Analysis of Results and Financial Condition

FRANCHISE AGREEMENTS

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

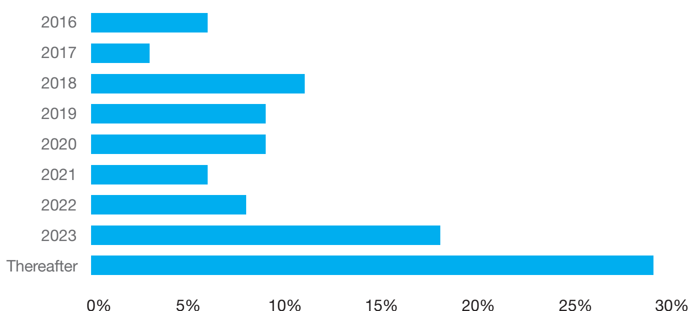
The Royal LePage Franchise Agreements, which are represented by 94% of the Company's REALTORS®, are for 10 to 20 year terms with a standard renewal term of ten years. These long-duration contracts exceed the industry norm of five years and thereby reduce agreement renewal risk. In addition, the Company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

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

The Company's overall agreement renewal profile by year is not biased to any one year. A summary of the Company's agreement renewal profiles as at December 31, 2015 for the Company Network is shown below.

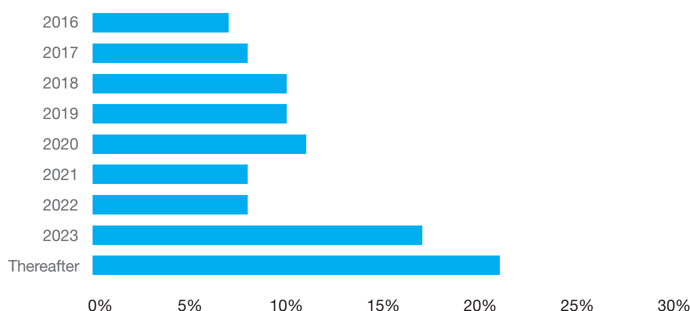
% OF FRANCHISE AGREEMENTS UP FOR RENEWAL

(by Number of Agents)



% OF FRANCHISE AGREEMENTS UP FOR RENEWAL

(by Number of Agreements)



RENEWALS

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

During the Year, 21 Franchise Agreements, representing 1,722 Agents of the Company Network subject to renewal, were renewed and 13 Franchise Agreements, representing 598 Agents of the Network, renewed early.

During the Year, five Franchise Agreements were terminated, of which two were as a result of Franchisees merging operations and one resulted in the attrition of 47 Agents.

Management's Discussion and Analysis of Results and Financial Condition

Number of REALTORS® in the Company Network

For the Year, the Company Network of 16,794 REALTORS® increased by 1,417 REALTORS®, compared to a net increase of 67 REALTORS® in 2014. After taking into account the 1,577 REALTORS® added through the acquisition of Franchise Agreements and addenda on January 1, 2015 and July 1, 2015, the Company experienced net attrition of 160 REALTORS®, or less than 1% of the Company Network.

As at December 31,	2003*	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
Company Network													
Opening REALTOR® Count	9,238	9,454	10,145	11,542	12,149	13,172	14,594	14,631	15,308	15,061	15,086	15,310	**15,377**
Acquisition		–	558	346	390	1,272	316	417	247	217	516	493	**1,577**
Recruiting (Attrition)	216	691	839	261	633	150	(279)	260	(494)	(192)	(292)	(426)	**(160)**
Closing REALTOR® Count	9,454	10,145	11,542	12,149	13,172	14,594	14,631	15,308	15,061	15,086	15,310	15,377	**16,794**
% Change in the Year	–	7%	14%	5%	8%	11%	0%	5%	-2%	0%	1%	0%	**9%**

As at December 31,	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
Canadian REALTOR® Population[1]													
REALTOR® Membership	71,267	76,752	82,852	88,906	94,506	97,168	98,161	101,916	104,407	106,944	109,032	110,821	**114,664**
% Change in the Year	–	8%	8%	7%	6%	3%	1%	4%	2%	2%	2%	2%	**3%**

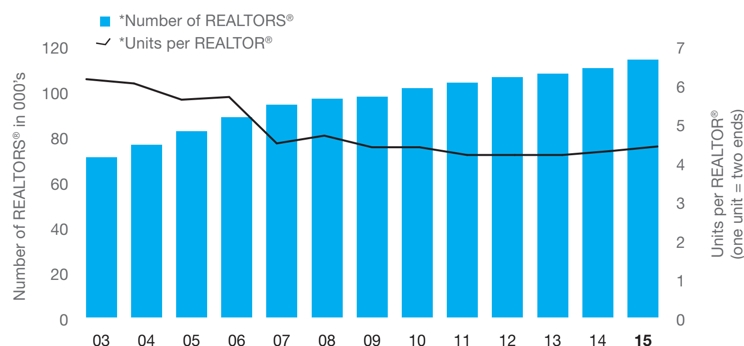
[1] Source: CREA

* Opening Count as at August 2003

The increase in the number of Canadian REALTORS® has in part been driven by the strong Canadian Markets, increases in discount brokerage offerings, which have attracted new entrants to the industry and an apparent increase in market activity serviced by REALTORS® operating as Teams. This increase in REALTORS® and change in mix has resulted in a modest 2% year-over-year increase in the number of homes sold per REALTOR®.

CANADIAN REAL ESTATE REALTORS®

(Years ended December 31)



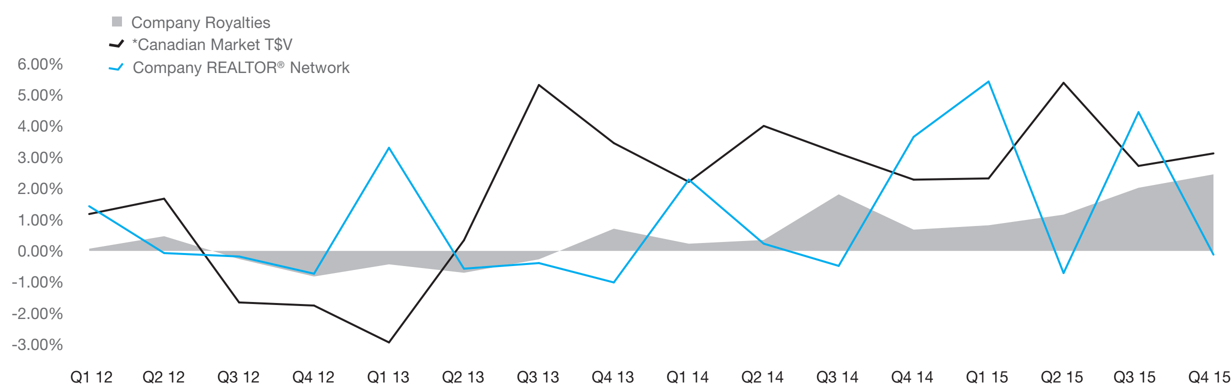
*Source: CREA

Management's Discussion and Analysis of Results and Financial Condition

Transaction Volumes

The chart below shows the quarter-over-quarter percentage change in transactional dollar volume in Canada as compared to the percentage change in the Company's royalty revenues and the percentage change in the number of REALTORS® on a rolling twelve-month basis since the fourth quarter of 2011. The number of REALTORS® in the Company Network increases when the Company purchases Franchise Agreements from the Manager. This tends to occur on January 1 of each year. During 2015, an additional purchase of Franchise Agreements was approved July 1. During those quarters where no Franchise Agreements are purchased, REALTOR® growth tends to be zero or slightly negative, indicating periods of net attrition.

ROLLING TWELVE-MONTH % CHANGE FROM PRIOR QUARTER



*Source: CREA

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

For the Year ended December 31, 2015, the Canadian Market closed up 14%, at $224.2 billion, as compared to 2014, driven by a 9% and 5% increase in price and units sold, respectively. The increase in average selling price of a home was buoyed by robust activity in the greater Toronto and metropolitan Vancouver markets and the low interest rate environment.

During the Quarter, the Canadian Market closed up 16%, at $48.1 billion, as compared to the same period of 2014, driven by a 10% increase in price and 6.0% increase in units sold.

For the Year ended December 31, 2015, the greater Toronto area ("GTA") market closed up 20%, at $63.4 billion, as compared to 2014, driven by a 10% and 9% increase in price and units sold, respectively, for the reasons noted above.

During the Quarter, the GTA market closed up 18%, at $13.2 billion, as compared to the same period of 2014, driven by an 9% and 8% increase in price and units sold, respectively.

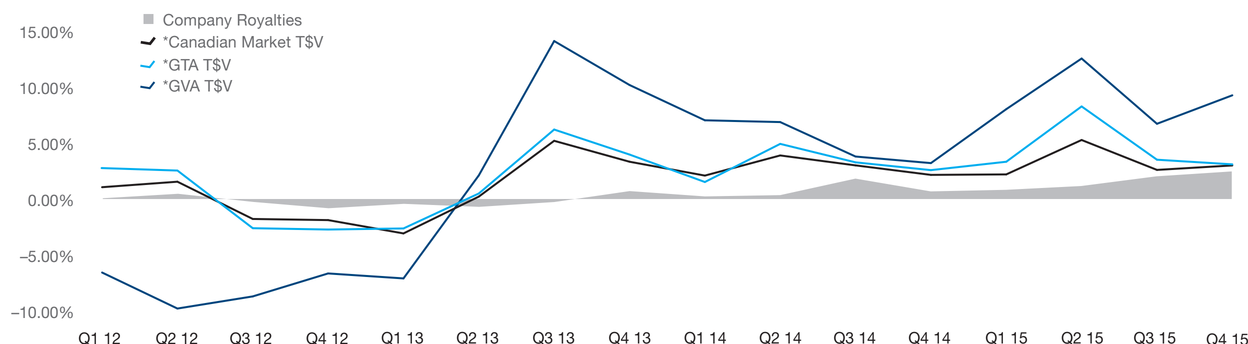
For the Year ended December 31, 2015, the greater Vancouver area ("GVA") market closed up 42%, at $39.0 billion, as compared to 2014, driven by an 11% and 28% increase in price and units sold, respectively, for the reasons noted above.

During the Quarter, the GVA market closed up 52%, at $9.7 billion, as compared to the same period of 2014, driven by a 17% and 30% increase in price and units sold, respectively.

The GTA markets, as presented in the chart below, has had a more pronounced change in market activity when compared to the Canadian Market. This may cause the Premium Franchise Fees received by the Company from this market to differ from the change in the overall Canadian Market.

Management's Discussion and Analysis of Results and Financial Condition

ROLLING TWELVE-MONTH % CHANGE FROM PRIOR QUARTER



*Source: CREA

Company's Growth Opportunities

Growth in the Company's royalties is achieved through;

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

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

PRODUCTS AND SERVICES

In 2015, the Manager, on behalf of the Company, continued to develop new tools, programs and services to support the profitable growth of its Franchisees. Programs and services that were launched in 2015 included recruiting-oriented coaching and accountability programs, new online lead generation services to help recruit agents as well as a series of new videos and e-marketing campaigns to support recruiting activities. In addition to growth services, the Company launched a benchmarking program to help Brokers assess their profitability levels relative to their peers. The success of any Brokerage is dependent upon the satisfaction and success of its Agents which Brokers can measure using the Company's program to help Brokers understand Agent satisfaction to support Agent retention efforts. The Manager continues to develop, launch and support new tools, programs and services to grow the profitability of the Company Network.

GROWTH IN NUMBER OF REALTORS®

The Company strives to increase the number of REALTORS® in the Company Network through the continued momentum of converting competitive offerings to the Company's Brands and development of programs to increase Agent growth.

Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 82% (7,556 REALTORS®), of which 84% has been through acquisitions and 16% through growth. This represents a cumulative annual growth rate of 5% in the Company Network.

Growth through acquisition is achieved by purchasing Franchise Agreements acquired by the Manager.

On January 1, 2015, the Company purchased Franchise Agreements representing 40 real estate operations, serviced by an estimated 858 Agents operating under the Royal LePage and Via Capitale Brands. The estimated purchase price of these agreements was $10.2 million, with an estimated annual royalty stream of $1.5 million.

On July 1, 2015, the Company purchased Franchise Agreements representing 12 real estate operations, serviced by an estimated 719 Agents operating under the Royal LePage Brand. The estimated purchase price of these agreements was $9.8 million, with an estimated annual royalty stream of $1.4 million.

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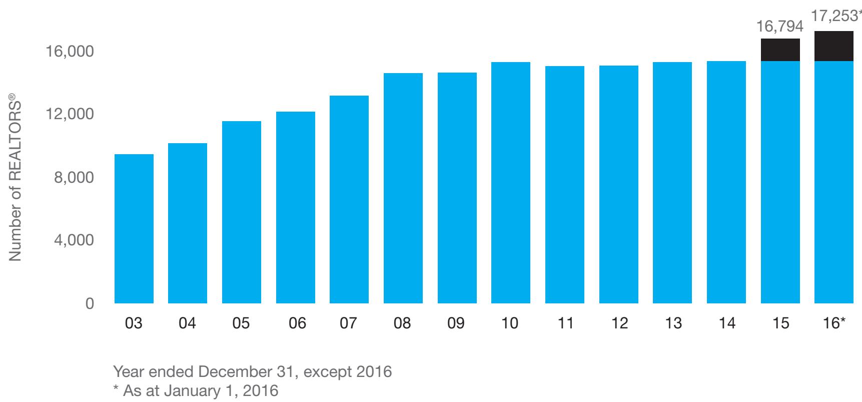
Subsequent to the Year, on January 1, 2016 the Company purchased Franchise Agreements representing 33 real estate operations, serviced by an estimated 459 REALTORS® operating under the Royal LePage and Via Capitale Brands. The estimated purchase price of these agreements is $6.6 million, with an estimated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

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

COMPANY GROWTH



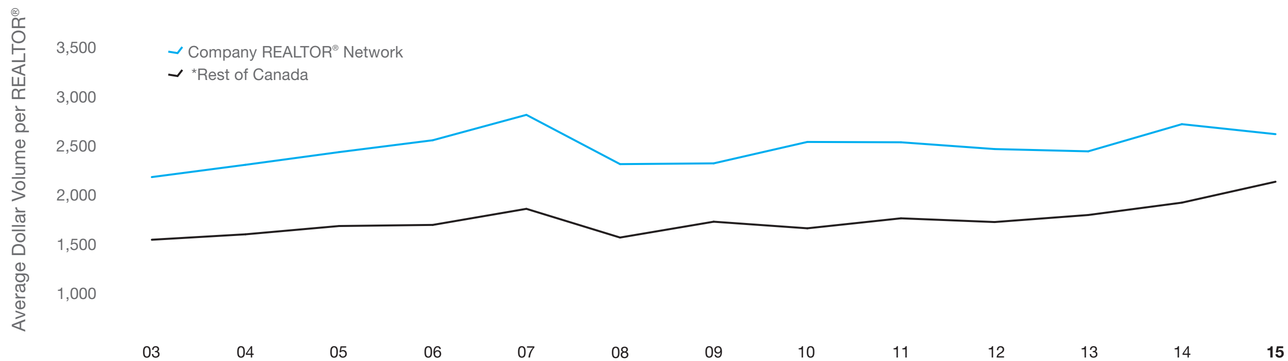
Year ended December 31, except 2016
* As at January 1, 2016

REALTOR® Productivity

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

CANADIAN RESIDENTIAL REAL ESTATE MARKET REALTOR® PRODUCTIVITY

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



*Source: CREA

Management's Discussion and Analysis of Results and Financial Condition

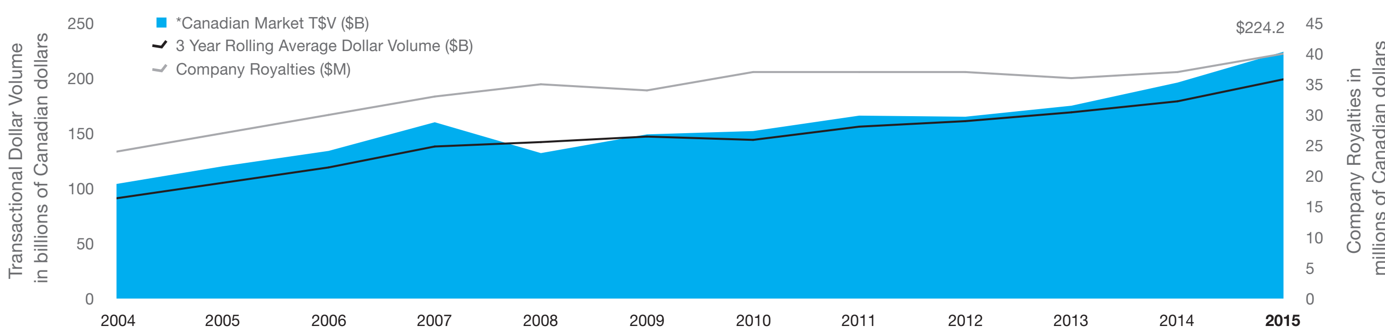
The Canadian Residential Real Estate Market

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

Over the last three years the Canadian Market has been relatively stable with a CAGR of 13% driven by a 5% increase in units and a 8% increase in selling price due in part to a combination of a low interest rate environment and government-mandated mortgage tightening rules. The Canadian Market has demonstrated resilience after a downturn as it tends to return to pre-downturn levels within 24 months. For example after the most recent downturn in 2008 the Canadian Market returned to pre-downturn levels within 16 months after the decrease of 19%.

MARKET DOLLAR VOLUME – CANADIAN RESIDENTIAL REAL ESTATE MARKET

(2004–2015)

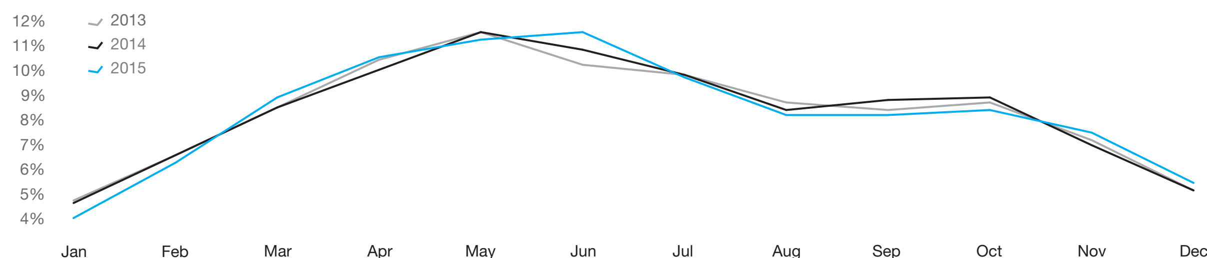


*Source: CREA

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

CANADIAN RESIDENTIAL REAL ESTATE MARKET

(*% Canadian Market T$V by month)



*Source: CREA

Canadian Market Outlook

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

From CMHC[1]: While the prolonged decline in oil prices triggered two consecutive quarters of real GDP contraction in 2015, employment gains and low interest rates have supported housing activity. Looking ahead, there is considerable uncertainty due to the various risks to the outlook.

On an annual basis, housing starts are expected to range from 153,000 units to 203,000 units in 2016 and from 149,000 units to 199,000 units in 2017.

Multiple Listing Service® (MLS®) sales are expected to range from 425,000 units to 534,000 units in 2016 and from 416,000 units to 536,000 units in 2017. The average MLS® price for Canada is expected to be between $420,000 and $466,000 in 2016 and between $424,000 and $475,000 in 2017. Reflecting the risks to the outlook, the average MLS® price growth is expected to range from (-4.0) per cent to 6.5 per cent in 2016, widening to a range of (-4.3) per cent to 7.1 per cent in 2017. The slower rate of price growth projected for 2016 and 2017 compared to what was observed in 2014 (6.7 per cent) and what is expected in 2015 is due in part to the expectation that the composition of MLS® sales will see a reduction in more expensive resale units and an increase in moderately priced resale units. In addition, a projected slowdown in demand from rising mortgage rates is also expected to contribute to a decline in the rate of price growth.

From CREA[2]: In 2016, national sales are forecast to reach 498,600, down 1.1 per cent from 2015 as activity in B.C. and Ontario moderates and housing market conditions soften in Alberta.

Sales declines there will offset activity gains in Quebec and Atlantic provinces, where strengthening economic prospects should translate into a slow and steady improvement in sales amid the continuation of affordable prices due to an elevated supply of listings. The exception is in Newfoundland and Labrador, where economic and demographic challenges are expected to persist in 2016.

The national average price is forecast to edge higher by 1.4 per cent to $448,700 in 2016. Price gains in 2016 are forecast to be strongest in Ontario (+2.9 per cent) due to an ongoing shortage of listings for single family homes coupled with strong demand for them in and around the GTA. British Columbia and Manitoba are forecast to see average price gains of about two per cent in 2016, followed by Nova Scotia and Prince Edward Island in the 1.5 per cent range, and by Quebec and New Brunswick with increases of less than one per cent. By contrast, Alberta, Saskatchewan and Newfoundland and Labrador are forecast to see average home prices decline by 2.5 per cent, 1.2 per cent and one per cent respectively in 2016.

From TREB[3]: Home ownership demand will remain strong in 2016, with TREB MLS® home sales amounting to between 96,500 and 105,000, depending on the direction of borrowing costs and the availability of listings. A relatively strong GTA economy will keep the unemployment rate low and result in moderate income growth. Even if borrowing costs increase alongside stricter lending guidelines, pent-up demand carried over from 2015, especially for lowrise home types, will ensure that many willing buyers remain in the marketplace. We will continue to experience seller's market conditions in 2016, but despite the tight market, price growth will be mitigated to a certain degree by the lending preapproval process and federal lending guidelines. The average selling price will range between $655,000 and $665,000

From the BoC[4]: The target for the overnight lending rate is maintained at 0.5 per cent. Inflation in Canada is evolving broadly as expected. Total CPI inflation remains near the bottom of the Bank's target range as the disinflationary effects of economic slack and low consumer energy prices are only partially offset by the inflationary impact of the lower Canadian dollar on the prices of imported goods. As all of these factors dissipate, the Bank expects inflation will rise to about 2 per cent by early 2017. Measures of core inflation should remain close to 2 per cent. Prices for oil and other commodities have declined further and this represents a setback for the Canadian economy. GDP growth likely stalled in the fourth quarter of 2015, pulled down by temporary softness in the U.S. economy, weaker business investment and several other temporary factors. The Bank now expects the economy's return to above-potential growth to be delayed until the second quarter of 2016. The protracted process of reorientation towards non-resource activity is underway, helped by stronger U.S. demand, the lower Canadian dollar, and accommodative monetary and financial conditions. National employment remains resilient despite job losses in the resource sector and household spending continues to expand.

The Bank projects Canada's economy will grow by about 1 1/2 per cent in 2016 and 2 1/2 per cent in 2017. The complex nature of the ongoing structural adjustment makes the outlook for demand and potential output highly uncertain. The Bank's current base case projection shows the output gap closing later than was anticipated in October, around the end of 2017. However, the Bank has not yet incorporated the positive impact of fiscal measures expected in the next federal budget.

COMPANY MARKET OUTLOOK

In 2016, the Company expects the price of residential real estate in Canada to be influenced by macro-economic factors including interest rates, the Canadian dollar, unemployment, and global commodity prices. Economic consensus indicates that the Bank of Canada is likely going to keep its overnight rate steady through the first half of the year extending the prolonged period of exceptionally low borrowing rates. Though the Federal Government has recently increased the minimum down payment required to purchase higher value homes, the Company expects this change to have a marginal impact on the overall market. Combined with continued low interest rates, the Company believes the country's housing market is in a solid position to weather the impact of low commodity prices and a choppy economy.

[1] Source: CMHC Housing Market Outlook – Fourth Quarter 2015
[2] Source: CREA Updates Resale Housing Forecast, published December 15, 2015
[3] Source: TREB Market Year in Review & Outlook Report, published January, 2016
[4] Source: BOC press release published January 20, 2016

Management's Discussion and Analysis of Results and Financial Condition

Annual Operating Results

Years ended December 31, (in 000's, Canadian dollars) except per share amounts; Number of REALTORS® and number of Agents;	2015	2014
Royalties		
Fixed Franchise fees	$ 20,376	$ 19,279
Variable Franchise fees	9,196	8,560
Premium Franchise fees	5,892	5,576
Other revenue	4,395	3,977
	39,859	37,392
Less:		
Administration	1,286	1,626
Management fee	7,229	6,469
Interest expense	2,428	3,419
	10,943	11,514
Cash flow from operations	28,916	25,878
Amortization of intangible assets	9,892	10,828
Impairment of intangible assets	1,047	2,384
Interest on Exchangeable Units	5,434	5,856
Loss (gain) on fair value of Exchangeable Units	5,524	(1,164)
Loss on Interest Rate Swap	1,454	482
Loss on fair value of purchase obligation	633	955
Earnings before income taxes	4,932	6,537
Current income tax expense	4,469	3,657
Deferred income tax recovery	(861)	(991)
Net and comprehensive earnings	$ 1,324	$ 3,871
Basic earnings per share	$ 0.14	$ 0.41
Diluted earnings per share	$ 0.14	$ 0.41
Number of REALTORS®	16,794	15,377
Number of Agents	16,526	15,143

During the Year, the Company generated net earnings of $1.3 million and CFFO of $28.9 million, as compared to net earnings of $3.9 million and CFFO of $25.9 million in 2014.

Royalties for the Year totaled $39.9 million, compared to $37.4 million for the same period in 2014. Fixed, variable and Premium Franchise Fees together represented 89% of royalties (2014 – 89%). Royalties increased due primarily to the larger Agent base and a strong Canadian Market, particularly in Toronto and Vancouver.

Fixed Franchise fees for the Year increased by 6% as compared to the same period of 2014, due to the increase in the Agent base resulting from the acquisition of Franchise Agreements and addenda representing 1,577 Agents during the Year, partly offset by attrition.

Variable Franchise fees for the Year increased by 7%, which relates to the increase in transaction dollar value of the Canadian Market driven by robust Toronto and Vancouver markets.

Premium Franchise fees are derived from the 21 Franchise locations servicing the GTA market, which pay Premium Franchise Fees ranging from 1% to 5% of the location's Gross Revenue. Premium Franchise Fees for the Year have increased by 6%, which follows the increase in the underlying GTA market activity.

Other revenues include home warranty fees, technology fees and other fees, which accounted for approximately 11% of total royalties for the Year. Other fees increased 11% in the Year as compared to 2014 due to higher warranty fees earned and technology fees earned from Franchise Agreements and addenda acquired in 2015.

Administration expenses of $1.3 million for the Year were lower than 2014 primarily due to lower bad debt expense.

Management fee expense of $7.2 million for the Year, calculated in accordance with the MSA, was up by $0.8 million compared to 2014, due primarily to the increase in royalties.

Interest expense decreased by $1.0 million as compared to 2014, despite an increase in total borrowings, due primarily to the refinancing of the Company's debt arrangements in the fourth quarter of 2014. The effective interest rate on the Company's debt facilities for the Year was 3.7%, compared to 6.1% during 2014. The Company's debt facilities are more fully described under *Debt Facilities*.

Amortization of Intangible Assets for the Year totaled $9.9 million, a decrease of 8.6% from 2014. Certain Franchise Agreements have been fully amortized while a number of others had been previously written down due to impairment.

Impairment of Intangible Assets for the Year totaled $1.0 million. Lower impairment charges were reflective of the fact that there were fewer underperforming Franchise Agreements in 2015 as compared to 2014.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. Total distributions amounted to$1.62 per Exchangeable Unit compared to $1.75 per Exchangeable Unit in 2014. The distributions to Exchangeable Unitholders were higher in 2014 due to an additional distribution in respect of undistributed proportionate share of the Partnership's 2013 earnings approved by the Board.

Loss on fair value of Exchangeable Units represents the change in fair value during the Year of the Exchangeable Units. The Exchangeable Units are valued based on a $13.00 price for the Company's Restricted Voting Shares at the beginning of the year compared to $14.66 at December 31, 2015 resulting in a loss of $5.5 million as a result of the higher obligation associated with the conversion features of the Exchangeable Units. In 2014, the price of the Company's Restricted Voting Shares decreased from $13.35 at the start of the year resulting in a gain of $1.2 million.

Loss on Interest Rate Swap of $1.5 million is a non-cash item which represents the change in fair value of the Interest Rate Swap entered into on October 27, 2014 by the Company. The Interest Rate Swap fixes the annual interest rate on the Company's Term Facility at 3.64%.

Income Tax Expense The effective income tax rate paid by the Company for the Year was 73.2% (2014 – 40.8%). The Company's effective income tax rate in the statement of earnings and comprehensive earnings is significantly different than the Company's enacted income tax rate of 26.5% (2014 – 26.5%). The difference in the effective income tax rate is driven by a number of items that are included in the determination of net earnings but excluded from the determination of taxable income. Items deducted from net earnings that are not deductible in determining taxable income include, among other things, interest on Exchangeable Units and fair valuation adjustments on Exchangeable Units.

Fourth Quarter Operating Results

Three months ended December 31, (in 000's, Canadian dollars) except per share amounts; Number of REALTORS® and number of Agents;	2015	2014
Royalties		
Fixed franchise fees	$ 5,311	$ 4,814
Variable franchise fees	1,606	1,457
Premium franchise fees	1,431	1,364
Other revenues	1,191	949
	9,539	8,584
Less:		
Administration	252	339
Management fee	1,734	1,431
Interest expense	619	1,089
Cash flow from operations	6,934	5,725
Interest on Exchangeable Units	1,408	1,318
Loss (gain) on fair value of Exchangeable Units	4,027	(2,928)
Loss (gain) on Interest Rate Swap	(84)	482
Loss on fair value of purchase obligation	454	260
Amortization of intangible assets	2,502	2,510
Impairment of intangible assets	697	1,096
Earnings (loss) before income taxes	(2,070)	2,987
Current income tax expense	1,136	836
Deferred income tax recovery	(205)	(298)
Net and comprehensive earnings (loss)	$ (3,001)	$ 2,449
Basic earnings (loss) per share	$ (0.32)	$ 0.26
Diluted earnings (loss) per share	$ (0.32)	$ 0.26
Cash flow from operations per share on a diluted basis	$ 0.54	$ 0.45
Number of REALTORS®	16,794	15,377
Number of Agents	16,526	15,143

For the Quarter, the Company generated a net loss of $3.0 million and CFFO of $6.9 million, compared to net earnings of $2.5 million and CFFO of $5.7 million for the same period in 2014.

Royalties for the Quarter totaled $9.5 million, compared to $8.6 million for the same period in 2014. Fixed, variable and Premium Franchise Fees together represented 88% of royalties (2014 – 89%). Royalties increased due primarily to the larger Agent base.

Fixed Franchise fees for the Quarter increased by 10% as compared to the same period of 2014, due to the increase in the Agent base resulting from the acquisition of Franchise Agreements representing 1,577 Agents during the year, net of attrition of 160 Agents.

Variable Franchise fees for the Quarter increased by 10%, which follows the increase in Agent count and the increase in transaction dollar value of the Canadian Market driven by robust Toronto and Vancouver markets.

Premium Franchise fees are derived from 21 Franchise locations servicing the GTA market, which pay Premium Franchise Fees ranging from 1% to 5% of the location's Gross Revenue. Premium Franchise Fees for the Quarter have increased by 5%, which follows the increase in the underlying market activity.

Other revenues include home warranty fees, technology fees and other fees, which accounted for approximately 12% of total royalties for the Quarter. Other fees increased 26% in the Quarter over the same period due to late penalty fees charged on Franchisee fees in arrears and higher technology fees earned from Franchise Agreements acquired in 2015.

Administration expenses of $0.3 million for the Quarter were down $0.1 million compared to 2014, primarily as a result of lower bad debt expenses.

Management fee expense of $1.7 million for the Quarter, calculated in accordance with the MSA, was up by $0.3 million compared to the same period in 2014, due to the increases in royalties discussed above.

Interest expense decreased by $0.5 million in the Quarter over the same period in 2014, despite an increase in total borrowings, due to the refinancing of the Company's debt arrangements in the fourth quarter of 2014. The effective interest rate on the Company's debt facilities for the Quarter was 3.5%, compared to 4.5% during the fourth quarter of 2014. The Company's debt facilities are more fully described under *Debt Facilities*.

Amortization of Intangible Assets Intangible assets relate to the Franchise Agreements and Trademarks acquired by the Company. Franchise Agreements and Trademarks are amortized on a straight-line basis over their expected useful life. Amortization during the Quarter totaled $2.5 million, consistent with the fourth quarter of 2014.

Impairment of Intangible Assets for the Quarter totaled $0.7 million. Lower impairment charges compared to the fourth quarter of 2014 were reflective of the fact that there were fewer underperforming Franchise Agreements in 2015 as compared to 2014.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. Total distributions amounted to $0.41 per Exchangeable Unit in the Quarter compared to $0.40 in the fourth quarter of 2014. This increase is consistent with the increase in dividends paid to holders of Restricted Voting Shares.

Loss on fair value of Exchangeable Units represents the change in fair value during the Quarter of the Exchangeable Units. As the price of the Company's Restricted Voting Shares increased from $13.45 at the beginning of the Quarter to $14.66 at December 31, 2015 the Company recorded a loss of $4.0 million as a result of the higher obligation associated with the conversion features of the Exchangeable Units. In the fourth quarter of 2014, the Exchangeable Units were valued based on a price of the Company's Restricted Voting Shares of $13.00 compared to $13.88 at the start of the quarter, resulting in a gain of $2.9 million.

Gain on Interest Rate Swap of $0.1 million is a non-cash item which represents the change in fair value of the five year Interest Rate Swap entered into on October 27, 2014 by the Company. The Interest Rate Swap fixes the annual interest rate on the Company's Term Facility at 3.64%.

Income Tax Expense The effective income tax rate of the Company for the Quarter was -45.0% (2014 – 18.0%). The Company's effective income tax rate is the statement of earnings and comprehensive earnings is materially different than the Company's enacted income tax rate of 26.5% (2014 – 26.5%). The difference in the effective income tax rate is driven by a number of items that are included in the determination of net earnings but excluded from the determination of taxable income. Items deducted from net earnings that are not deductible in determining taxable income include, among other things, interest on Exchangeable Units and fair valuation adjustments on Exchangeable Units.

Summary of Quarterly Results and Cash Flow from Operations

Three months ended,	**2015**				2014			
(in 000's, Canadian dollars) except per share amounts; number of REALTORS® and number of Agents;	**Dec. 31**	Sept. 30	June. 30	March 31	Dec. 31	Sept. 30	June 30	March 31
Royalties								
Fixed Franchise fees	**$ 5,311**	$ 5,109	$ 5,025	$ 4,931	$ 4,814	$ 4,813	$ 4,913	$ 4,739
Variable Franchise fees	**1,606**	3,115	2,716	1,759	1,457	2,793	2,582	1,728
Premium Franchise fees	**1,431**	2,270	1,362	829	1,364	2,153	1,268	791
Other revenues	**1,191**	1,071	1,198	935	949	1,036	1,102	890
	9,539	11,565	10,301	8,454	8,584	10,795	9,865	8,148
Less:								
Administration	**252**	348	334	352	339	602	431	254
Management fee	**1,734**	2,115	1,876	1,504	1,431	1,883	1,730	1,425
Interest expense	**619**	640	589	580	1,089	777	782	771
Cash flow from operations	**6,934**	8,462	7,502	6,018	5,725	7,533	6,922	5,698
Interest on Exchangeable Units	**1,408**	1,372	1,336	1,318	1,318	1,318	1,950	1,270
Loss (gain) on fair value of Exchangeable Units	**4,027**	(5,258)	2,928	3,827	(2,928)	(399)	(2,629)	4,792
Loss (gain) on Interest Rate Swap	**(84)**	257	(280)	1,561	482	–	–	–
Loss (gain) on fair value of purchase obligation	**454**	481	(319)	17	260	218	(420)	897
Amortization of intangible assets	**2,502**	2,524	2,401	2,465	2,510	2,633	2,743	2,942
Impairment of intangible assets	**697**	135	169	46	1,096	538	681	69
Earnings (loss) before income taxes	**(2,070)**	8,951	1,267	(3,216)	2,987	3,225	4,597	(4,272)
Current income tax expense	**1,136**	1,309	1,130	894	836	1,198	794	829
Deferred income tax expense (recovery)	**(205)**	(169)	97	(584)	(298)	(190)	(210)	(293)
Net and comprehensive earnings (loss)	**$ (3,001)**	$ 7,811	$ 40	$ (3,526)	$ 2,449	$ 2,217	$ 4,013	$ (4,808)
Basic earnings (loss) per share	**$ (0.32)**	$ 0.82	$ –	$ (0.37)	$ 0.26	$ 0.23	$ 0.42	$ (0.51)
Diluted earnings (loss) per share	**$ (0.32)**	$ 0.31	$ –	$ (0.37)	$ 0.26	$ 0.23	$ 0.26	$ (0.51)
Cash flow from operations per share on a diluted basis	**$ 0.54**	$ 0.66	$ 0.59	$ 0.47	$ 0.45	$ 0.59	$ 0.54	$ 0.44
Number of REALTORS®	**16,794**	16,826	16,105	16,206	15,377	15,593	15,697	15,685
Number of Agents	**16,526**	16,554	15,850	15,963	15,143	15,362	15,462	15,437

On a rolling 12 months basis, at December 31, 2015, the Company generated CFFO of $2.26 per Share, as compared to $2.02 CFFO generated during the same period of 2014. A summary of the Company's CFFO generated over the last eight quarters on a rolling 12 months basis is presented in the table below.

Management's Discussion and Analysis of Results and Financial Condition

ROLLING TWELVE-MONTH CASH FLOW FROM OPERATIONS

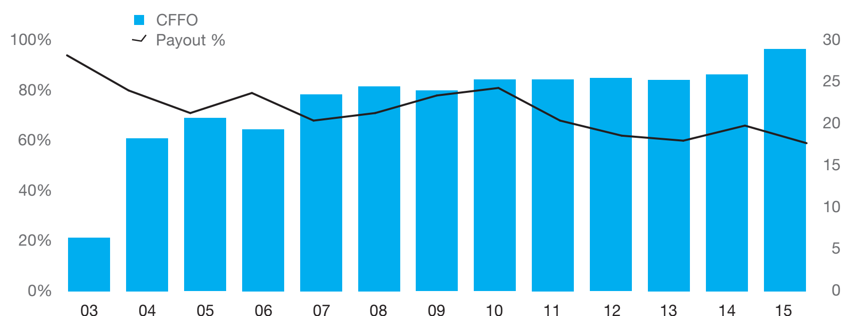
Twelve months ended	2015				2014			
(in 000's, Canadian dollars) except per share amounts	**Dec. 31**	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Royalties	**$ 39,859**	$ 38,904	$ 38,134	$ 37,698	$ 37,392	$ 37,140	$ 36,478	$ 36,352
Less:								
Administration	**1,286**	1,373	1,627	1,724	1,626	1,327	1,118	1,325
Management fee	**7,229**	6,926	6,694	6,548	6,469	6,624	6,609	6,620
Interest expense	**2,428**	2,898	3,035	3,228	3,419	3,080	3,067	3,092
	28,916	27,707	26,778	26,198	25,878	26,109	25,684	25,315
Cash flow from operations per share on a diluted basis	**$ 2.26**	$ 2.16	$ 2.09	$ 2.04	$ 2.02	$ 2.04	$ 2.00	$ 1.98

The Company's operations have generated significant cash flows with $292.4 million of CFFO generated since inception, of which $205.6 million has been distributed to shareholders of Restricted Voting Shares and Exchangeable Unitholders. Of the remaining $86.8 million retained by the Company, $70.6 million has been invested in Franchise Agreements, $4.1 million was used to purchase units of the Company in 2008 and 2009 and the balance was used to pay income taxes and fund net working capital requirements.

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

CASH FLOW FROM OPERATIONS

(Years ended December 31, in $ millions)



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

CASH FLOW FROM OPERATIONS RECONCILED TO CASH FLOW FROM OPERATING ACTIVITIES

Years ended December 31, (in 000's, Canadian dollars)	2015	2014
Cash flow from operating activities	$ 20,433	$ 16,957
Add (deduct):		
Interest on Exchangeable Units	5,434	5,856
Income taxes paid	4,137	3,201
Changes in non-cash working capital items	(1,045)	127
Interest expense	(7,862)	(9,275)
Interest expense on purchase obligation	159	147
Interest paid	7,660	8,865
CFFO	$ 28,916	$ 25,878

CFFO represents operating income before deducting amortization and impairment of intangible assets.

CFFO does not have a standardized meaning under IFRS and, accordingly, may not be comparable to similar measures used by other issuers. Management believes that CFFO is a useful supplemental measure of performance as it provides investors with an indication of the amount of pre-tax cash generated from operations and available to shareholders of Restricted Voting Shares and Exchangeable Unitholders, and to meet cash tax payments. Investors are cautioned, however, that CFFO should not be construed as an alternative to using net earnings (as a measure of profitability) or cash provided by operating activities (as a measure for cash flows) to evaluate the Company's financial performance.

The Company has paid out, in the past, and could pay out, in any given period, cash in excess of net income to shareholders as a significant portion of the Company's operating expenses is made up of non-cash amortization of intangible assets and other non-cash charges to net earnings. Management does not view the payment of cash in excess of net income as an economic return of capital as these intangible assets and other non-cash charges are not expected to require a further cash outlay in the future. The value of intangible assets is dependent upon the Company's ability to retain and renew the underlying Franchise Agreements and to ensure the ongoing integrity of the Trademarks. The Company has not paid out all of the CFFO to shareholders as the cash generated in excess of these amounts has been used to fund the acquisition of Franchise Agreements, pay distributions to the Exchangeable Unitholders, fund the purchase of shares under normal course issuer bids and pay liabilities as they come due. It is management's expectation, at the discretion of the Board, that for the foreseeable future, cash distributions to shareholders in the form of dividends will continue, and the remaining cash flow will be used to fund acquisitions and pay distributions to the Exchangeable Unitholders.

Debt Facilities

On June 18, 2015 the Company signed an amending agreement with a Canadian Chartered Bank to increase the Company's debt facilities to provide an incremental $10.0 million in available financing. As at December 31, 2015 the Company's $78.0 million financing comprised of the following three arrangements, maturing February 17, 2020.

- A $53.0 million term facility (the "Term Facility"). The Term Facility bears a variable interest rate of Banker's Acceptances (BAs) +1.70% or Prime + 0.5%, which the Company has swapped to a fixed rate of 3.64%. The swap contract matures on October 28, 2019.
- A $20.0 acquisition facility (the "Acquisition Facility") to support acquisitions pursued by the Company, bearing a variable interest rate of BAs +1.70% or Prime + 0.5%. A standby fee of 0.15% applies on undrawn amounts under this facility.
- A $5.0 million revolving operating facility (the "Operating Facility") to meet the Company's day-to-day operating requirements, bearing a variable interest rate of BAs +1.70% or Prime + 0.5%.

The covenants of this financing prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.5 to 1. Consolidated EBITDA is defined as operating income before deducting amortization and impairment of intangible assets. Senior Indebtedness is defined as borrowings on the Company's debt facilities. Senior Interest Expense is defined as interest on Senior Indebtedness. As at December 31, 2015 the Company is compliant with these covenants.

Liquidity

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

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

In 2015, the Company funded the purchase of Franchise Agreements primarily through $16.9 million in borrowings under its available debt facilities. Offsetting this, the Company generated sufficient CFFO during the year (after payment of dividends, distributions and its operating obligations) to repay $5.0 million of those borrowings. The Company anticipates using its debt facilities to fund the purchase of Franchise Agreements in the future with repayments of any borrowings to be funded through CFFO.

WORKING CAPITAL

Changes in the Company's net working capital are primarily driven by cash flow generated from operations, the recording of obligations arising from the purchase of Franchise Agreements and the settlement of these obligations and payment of dividends and interest.

Overall non-cash working capital decreased by $2.1 million from $0.2 million as at December 31, 2014 to negative non-cash working capital of $1.9 million as at December 31, 2015. The decrease in non-cash working capital resulted from:

- A $1.0 million decrease in accounts receivable and current portion of notes receivable as a result of improved collection effort as compared to 2014;
- A $0.7 million increase in the current portion of purchase obligation, resulting from an increase in amounts owing for Franchisee Agreements for which the Company has not yet fully paid;
- A $0.1 million increase in current income tax liability; and
- A $0.2 million increase in accounts payables due to timing of payments for operating expenses.

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

As at (in 000's, Canadian dollars)	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31 2014	Sept. 30 2014	June 30 2014	Change in quarter	Change in year
Current assets									
Accounts receivable and current portion of notes receivable	**$ 4,043**	$ 5,011	$ 5,903	$ 5,345	$ 5,034	$ 5,371	$ 7,358	$ (968)	$ (991)
Income tax receivable	**–**	–	–	–	–	–	332	–	–
Prepaid expenses	**202**	126	164	179	119	142	62	76	83
	$ 4,245	$ 5,137	$ 6,067	$ 5,524	$ 5,153	$ 5,513	$ 7,752	$ (892)	$ (908)
Current liabilities									
Accounts payable and accrued liabilities	**$ 1,181**	$ 1,240	$ 1,213	$ 1,231	$ 1,100	$ 1,120	$ 1,752	$ (59)	$ 81
Debt facilities	**–**	–	–	–	–	52,925	52,877	–	–
Current portion of Purchase obligation	**2,824**	2,371	1,887	4,404	2,150	1,882	4,180	453	674
Current income tax liability	**640**	474	86	894	308	375	–	166	332
Interest payable to Exchangeable Unitholders	**476**	441	441	423	423	423	423	35	53
Dividends payable to shareholders	**1,027**	988	988	948	948	948	948	39	79
	6,148	5,514	4,615	7,900	4,929	57,673	60,180	634	1,219
Net working capital	**$ (1,903)**	$ (377)	$ 1,452	$ (2,376)	$ 224	$ (52,160)	$ (52,428)	$ (1,526)	$ (2,127)

Capital Resources

A summary of capital resources available to the Company as at December 31, 2015 and December 31, 2014 is presented below.

As at December 31, (in 000's, Canadian dollars)	2015	2014
Cash and cash equivalents	**$ 5,645**	$ 3,052
Term Facility	**–**	–
Acquisition Facility	**8,100**	10,000
Operating Facility	**5,000**	5,000
Net borrowing capacity	**$ 13,100**	$ 15,000
Capital resources	**$ 18,745**	$ 18,052

As at December 31, 2015, $11.9 million of the Acquisition Facility has been drawn by the Company, leaving $13.1 million available under the debt facilities. On January 1, 2016, the Company borrowed $6.0 million on the Acquisition Facility to fund the acquisition of certain Franchise Agreements from the Manager.

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

Commitments

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

	2016	2017	2018	2019	Beyond 2019	Total
Accounts payable and accrued liabilities	$ 1,181	$ –	$ –	$ –	$ –	$ 1,181
Purchase obligation	2,824	1,954	–	–	–	4,778
Interest payable to Exchangeable Unitholders	476	–	–	–	–	476
Dividends payable to shareholders	1,027	–	–	–	–	1,027
Interest on Debt facilities	2,427	2,427	2,427	2,427	288	9,996
Interest rate swap liability	–	–	–	1,936	–	1,936
Term facility	–	–	–	–	53,000	53,000
Acquisition facility	–	–	–	–	11,900	11,900
Exchangeable Units	–	–	–	–	48,784	48,784
Total	$ 7,935	$ 4,381	$ 2,427	$ 4,363	$ 113,972	$ 133,078

As at December 31, 2015, the Board had approved the acquisition of 33 Franchise Agreements for $6.6 million from the Manager. A payment of $5.3 million, approximating 80% of the estimated purchase price plus HST was paid on January 8, 2016 through a draw on the Company's Acquisition Facility. The remaining obligation is to be paid in 2017 when the final purchase price is determined in accordance with the terms of the MSA.

Off-Balance Sheet Arrangements

The Company has no off–balance sheet arrangements.

Transactions with Related Parties

As at the date of this MD&A, the Company's interests are ultimately controlled approximately 71.6% by the public and 28.4% by Brookfield, primarily through its ownership of the Exchangeable Units of the Partnership and Restricted Voting Shares. Brookfield primarily derived its ownership interest in the Company through the sale of its interest in certain assets to the Company at its inception. These assets included the Trademarks and Franchise Agreements related to the business of its Royal LePage residential real estate brokerage Franchise operations.

The Manager operates 24 corporately owned Royal LePage residential Brokerage locations. These locations are serviced by 1,898 REALTORS® with 1,286 REALTORS® operating out of 14 locations situated in the GTA market and 612 REALTORS® operating from 10 locations situated in the Vancouver mainland market. All of these Franchise Agreements associated with the Brokerages have been purchased by the Company.

All of these corporately owned operations operate under Franchise Agreements with the standard fixed and variable Franchise fees. The GTA based locations are up for renewal in 2023, while the Vancouver mainland based operations are up for renewal between 2023 – 2024. Included in the GTA based Franchise Agreement is an additional Premium Franchise Fee ranging from 1% to 5% for 11 of the 14 location's gross commission income to August 2018.

The management of the Company is provided by the Manager under the terms of the MSA. The Manager is a company controlled by the Exchangeable Unitholders. The MSA was effective January 1, 2014, with an initial five-year term and a provision for the automatic renewal of successive five-year terms. Under the MSA, the Manager provides certain management, administrative and support services to the Company and its subsidiaries and in return is paid a monthly fee equal to 20 percent of the distributable cash flow of the Company. The Manager can earn an additional fee for organic growth, which closely aligns the Manager and the Company's goals with growing the underlying network of Agents. The MSA also provides the Manager with the ability to sell other branded Canadian Franchises that it may acquire to the Company, based on a pre-determined formula.

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

On January 1 of each year, (or such other time as the Board may deem appropriate), the Company may, upon approval by the Board and criteria detailed in the MSA, purchase Royal LePage and Via Capitale Franchises acquired by the Manager prior to October 31 of the previous year. The acquisition amount is determined in accordance with a formula detailed in the MSA. The acquisition costs may be satisfied by way of cash or shares of the Company, at the option of the Company.

The related party transactions entered into by the Company were transacted at contracted rates or at exchange amounts approximating fair market value. A summary of these amounts can be found in Note 13 of the consolidated financial statements.

On January 1, 2014, the Company acquired 46 Franchise Agreements for $6.3 million comprising 493 REALTORS® generating approximately $1.2 million in annual royalties. A payment of $5.7 million, approximating 80% of the estimated purchase price and applicable taxes was paid in installments on January 7, March 27 and July 30, 2014 respectively using cash on hand. The remaining obligation for the 45 Franchise Agreements acquired under the Royal LePage Brand was paid in 2015, while the remaining obligation on the one Franchise Agreement acquired under the Via Capitale Brand is to be paid in 2016, when the final purchase price is determined in accordance with the MSA.

On January 1, 2015, the Company acquired 40 Franchise Agreements for $10.2 million comprising 848 REALTORS® generating approximately $1.5 million in annual royalties. A payment of $9.2 million, approximating 80% of the estimated purchase price and applicable taxes was paid on January 2nd, 2015 using cash on hand and a drawdown of $8.0 million on the Company's then $10.0 million Acquisition Facility. The remaining obligation is payable as at December 31, 2015, based on the final price determined in accordance with the MSA.

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

On January 1, 2016 the Company acquired 33 Franchise Agreements for $6.6 million comprising 459 REALTORS® generating approximately $1.0 million in annual royalties. A payment of $6.0 million, approximating 80% of the estimated purchase price and applicable taxes was paid on January 8, 2016 through a draw on the Company's Acquisition Facility. The remaining obligation is to be paid in 2016 when the final purchase price is determined in accordance with the MSA.

Critical Accounting Estimates and Assumptions

Substantially all of the Company's activities are based on cash transactions, with revenue and expenditures based on contracted terms. The operating activities not based on contractual terms include the Company's administration costs, and the amortization period of intangible assets. The Company's administration costs of approximately $1.3 million per annum relate to the Company's public reporting, regulatory and insurance costs.

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

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 future cash flows utilized in assessing the fair value and related impairment of intangible assets, determining the useful life of intangible assets, assessing the recoverability of accounts receivable, measurement of deferred taxes, measurement of the fair values of purchase obligation (receivable) and Exchangeable Units and fair values used for disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been prepared in a manner consistent with prior periods, and management is not aware of any trends, commitments, events or uncertainties that will materially affect the methodology or assumptions utilized in these consolidated financial statements. The estimates are impacted by, among other things, movements in interest rates, which are highly uncertain. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all assets and liability account balances.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

Accounting for Franchise Agreements

The critical judgement made in accounting for the acquisition of Franchise Agreements is determining whether the acquisition is considered the acquisition of assets or a business. In applying the guidance in IFRS 3, Business Combinations ("IFRS 3"), the Company must evaluate whether the acquisition includes both inputs and processes and, as well, whether the integration of acquired inputs and processes into current processes of the Company would meet the definition of a business. The Company evaluated the criteria included in IFRS 3 and determined that the acquisition of Franchise Agreements is an acquisition of assets as no "processes" are acquired in respect of the Franchise Agreements. In addition, the Company must apply judgment with respect to the accounting for the earn-out provisions as set out in the MSA, in connection with the purchase of Franchise Agreements. The Company has determined that the purchase obligation is an embedded derivative instrument in a non-financial host contract, whereby the value changes in response to an underlying contract, which is the actual earned Franchise revenue. The Company records any change in the fair value of this financial liability in the consolidated statement of earnings and comprehensive earnings.

Impairment of intangible assets

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

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, purchase obligation, current income tax liability, interest payable to Exchangeable Unitholders, dividends payable to shareholders, debt facilities, Interest Rate Swap liability and Exchangeable Unit liability.

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

On October 27, 2014 the Company entered into an Interest Rate Swap arrangement to fix the interest rate on the Company's $53.0 million Term Facility at 3.64% to October 28, 2019. The Company's Term Facility matures on February 17, 2020.

The Company is exposed to the risk of interest rate fluctuations on its $20.0 million Acquisition Facility and $ 5.0 million Operating Facility as the interest rate on these facilities are based on prime and Banker Acceptance rates. As at December 31, 2015 the Company has drawn $11.9 million on the Acquisition Facility, and the $5.0 million operating facility has remained undrawn.

Disclosure Controls and Internal Controls over Financial Reporting

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

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

The evaluation of the effectiveness of DC&P, as defined in National Instrument 52-109 *Certification of Disclosures in Issuers' Annual and Interim Filings*, was performed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. They conclude that these DC&P were adequate and effective as at December 31, 2015. The Company's management can therefore provide reasonable assurance that it receives material information relating to the Company in a timely manner so that it can provide investors with complete and reliable information.

INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management has designed ICFR to provide reasonable assurance that the Company's financial reporting is reliable and that the Company's consolidated financial statements were prepared in accordance with IFRS. The design and effectiveness of ICFR were evaluated as defined in National Instrument 52-109 under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. Based on the evaluations, they conclude that ICFR is adequate and effective to provide such assurance as at December 31, 2015. The design of ICFR is undertaken in accordance with the 1992 COSO framework.

Outstanding Restricted Voting Shares

The Company is authorized to issue an unlimited number of Restricted Voting Shares, an unlimited number of preferred shares and one Special Voting Share. As of December 31, the Company has issued 9,483,850 Restricted Voting Shares, no preferred shares and one Special Voting Share.

Each Restricted Voting Share represents a proportionate voting right in the Company, and holders of the Company's Restricted Voting Shares are entitled to dividends declared and distributed by the Company.

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

Risk Factors

Risks related to the residential real estate brokerage industry and the business of the Company are outlined in the Company's Annual Information Form, which is available at www.sedar.com and on the Company's website at www.brookfieldresinc.com under Investor Centre/Other Disclosure Reports. Additional discussion regarding these risks as appropriate is provided in this MD&A.

Forward-Looking Statements

This MD&A contains forward-looking information and other "forward-looking statements". Words such as "subsequent to", "believe(s)", "will", "seeks", "ongoing", "continue", "outlook", "strive", "momentum", "expects", "likely", "further", "forecast", "remain", "foreseeable", "determine", "grow", "increase" and other expressions that are predictions of or could indicate future events and trends and that do not relate to historical matters, identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those indicated in the forward looking statements include: a change in general economic conditions (including interest rates, consumer confidence, commodity prices and other general economic factors or indicators), the level of residential real estate transactions, the availability of attractive investment opportunities, the average rate of commissions charged, competition from other real estate brokers or from discount and/or Internet-based real estate alternatives, the closing of existing real estate brokerage offices, other developments in the residential real estate brokerage industry or the Company that reduce the number of REALTORS® in the Company's Network or royalty revenue from the Company's Network, availability to generate sufficient cash flows in the future to pay dividends to shareholders of Restricted Voting Shares and interest to Exchangeable Unitholders, ability to renew and/or extend Franchise Agreements, the ability to maintain brand equity through the use of Trademarks, the methods used by shareholders or analysts to evaluate the value of the Company and its publicly traded securities, the availability of equity and debt financing, a change in tax law or regulations, and other risks detailed in the Company's annual information form, which is filed with securities commissions and posted on SEDAR at www.sedar.com. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Supplemental Information – Distributions/Dividend History

(in Canadian dollars, per Restricted Voting Share*)

Month	2008	2009	2010	2011	2012	2013	2014	**2015**
January	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	**$ 0.1000**
February	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	**$ 0.1000**
March	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	**$ 0.1000**
April	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	**$ 0.1000**
May	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	**$ 0.1000**
June	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	**$ 0.1042**
July	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	**$ 0.1042**
August	$ 0.1170	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	**$ 0.1042**
September	$ 0.1170	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	**$ 0.1042**
October	$ 0.1170	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	**$ 0.1042**
November	$ 0.1170	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	**$ 0.1042**
December	$ 0.1170	$ 0.1570	$ 0.3170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	**$ 0.1083**
	$ 1.3126	$ 1.4436	$ 1.6036	$ 1.1040	$ 1.1040	$ 1.1040	$ 1.2000	**$ 1.2335**

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

Supplemental Information – Share Performance

Three months ended (in Canadian dollars) except shares outstanding and average daily volume	Mar. 31 2014	June 30 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	**Dec. 31, 2015**
Trading price range of units (TSX: "BRE")								
Close	$ 14.79	$ 14.00	$ 13.88	$ 13.00	$ 14.15	$ 15.03	$ 13.45	**$ 14.66**
High	$ 14.99	$ 14.95	$ 14.26	$ 14.08	$ 14.68	$ 15.25	$ 15.25	**$ 15.05**
Low	$ 13.25	$ 13.95	$ 13.65	$ 12.90	$ 14.02	$ 13.82	$ 13.25	**$ 13.26**
Average daily volume	5,964	7,735	13,254	14,139	20,818	13,070	5,318	**4,304**
Number of Restricted Voting Shares outstanding at period end	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	**9,483,850**
Market capitalization	$ 189,482	$ 179,361	$ 177,824	$ 166,550	$ 181,283	$ 192,557	$ 172,315	**$ 187,817**

Supplemental Information – Canadian Residential Real Estate Market

Three months ended	Mar. 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	**Dec. 31, 2015**
Canada								
Transaction dollar volume[1]	$ 38,682	$ 63,396	$ 52,913	$ 41,356	$ 43,233	$ 74,203	$ 58,667	**$ 48,130**
Average selling price	$ 399,921	$ 413,394	$ 403,306	$ 414,040	$ 428,178	$ 451,672	$ 433,877	**$ 454,644**
Number of units sold	96,725	153,355	131,199	99,883	100,970	164,285	135,216	**105,863**
Number of REALTORS® at period end	108,706	109,378	109,965	110,821	111,424	112,498	113,499	**114,664**
Housing starts	32,042	48,784	47,653	43,436	33,599	48,355	52,738	**46,906**
Greater Toronto Area								
Transaction dollar volume[1]	$ 9,854	$ 17,884	$ 13,836	$ 11,267	$ 11,674	$ 22,457	$ 15,983	**$ 13,239**
Average selling price	$ 549,061	$ 577,555	$ 556,803	$ 577,292	$ 594,586	$ 641,610	$ 612,892	**$ 626,431**
Number of units sold	17,947	30,965	24,849	19,517	19,633	35,001	26,078	**21,134**
Housing starts	7,090	8,558	6,621	11,278	8,236	10,987	12,500	**10,564**
Greater Vancouver Area								
Transaction dollar volume[1]	$ 5,804	$ 7,939	$ 7,249	$ 6,388	$ 8,029	$ 11,678	$ 9,524	**$ 9,720**
Average selling price	$ 820,860	$ 804,082	$ 814,883	$ 813,498	$ 873,803	$ 909,250	$ 874,403	**$ 950,890**
Number of units sold	7,071	9,873	8,896	7,853	9,188	12,843	10,892	**10,222**
Housing starts	4,373	4,737	5,531	4,571	4,283	5,655	5,298	**5,627**
Greater Montreal Area								
Transaction dollar volume[1]	$ 3,044	$ 3,719	$ 2,433	$ 2,631	$ 3,168	$ 4,275	$ 2,662	**$ 2,720**
Average selling price	$ 315,452	$ 326,248	$ 331,914	$ 347,432	$ 326,177	$ 338,199	$ 345,849	**$ 344,828**
Number of units sold	9,649	11,399	7,329	7,573	9,711	12,639	7,697	**7,888**
Housing starts	3,385	5,388	4,255	5,644	2,148	4,526	6,588	**5,482**

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

Twelve months ended	Mar. 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	**Dec. 31, 2015**
Canada								
Transaction dollar volume[1]	$ 179,003	$ 186,170	$ 191,979	$ 196,347	$ 200,898	$ 211,705	$ 217,459	**$ 224,233**
Average selling price	$ 388,773	$ 397,879	$ 403,420	$ 408,068	$ 413,875	$ 426,535	$ 434,609	**$ 442,856**
Number of units sold	460,431	467,905	475,880	481,162	485,407	496,337	500,354	**506,334**
Housing starts	168,699	173,457	174,211	171,915	173,472	173,043	178,128	**181,598**
Greater Toronto Area								
Transaction dollar volume[1]	$ 47,381	$ 49,766	$ 51,453	$ 52,841	$ 54,661	$ 59,234	$ 61,381	**$ 63,353**
Average selling price	$ 532,407	$ 547,451	$ 557,877	$ 566,489	$ 575,597	$ 598,323	$ 612,408	**$ 622,047**
Number of units sold	88,994	90,905	92,230	93,278	94,964	99,000	100,229	**101,846**
Housing starts	33,942	33,917	32,305	33,547	34,693	37,122	43,001	**42,287**
Greater Vancouver Area								
Transaction dollar volume[1]	23,841	25,504	26,500	27,381	29,605	33,344	35,618	**$ 38,951**
Average selling price	$ 781,999	$ 794,774	$ 805,031	$ 812,650	$ 826,719	$ 859,814	$ 873,514	**$ 902,793**
Number of units sold	30,487	32,089	32,918	33,693	35,810	38,780	40,776	**$ 43,145**
Housing starts	19,089	19,134	19,395	19,212	19,122	20,040	19,807	**20,863**
Greater Montreal Area								
Transaction dollar volume[1]	$ 11,745	$ 11,574	$ 11,620	$ 11,826	$ 11,950	$ 12,506	$ 12,735	**$ 12,825**
Average selling price	$ 322,345	$ 323,868	$ 325,323	$ 328,968	$ 331,837	$ 335,705	$ 338,519	**$ 338,078**
Number of units sold	36,437	35,738	35,719	35,950	36,012	37,252	37,620	**$ 37,935**
Housing starts	16,320	17,388	17,591	18,672	17,435	16,573	18,906	**18,744**

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

Supplemental Information – Cash Flow from Operations

CASH FLOW FROM OPERATIONS AND ITS UTILIZATION SINCE COMPANY INCEPTION

(in 000's, Canadian dollars)	Total	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011	IFRS Year ended Dec. 31, 2010	Canadian GAAP Aug. 7, 2003 to Dec. 31, 2009
Royalties	$ 414,518	$ 39,859	$ 37,392	$ 36,268	$ 36,519	$ 36,720	$ 36,630	$ 191,130
Less:								
Administration	13,445	1,286	1,626	1,342	1,361	1,667	1,771	4,392
Interest expense	38,023	7,229	3,419	3,040	2,961	3,042	2,900	15,432
Management fee	70,650	2,428	6,469	6,677	6,772	6,747	6,713	34,844
Cash flow from operations	292,400	28,916	25,878	25,209	25,425	25,264	25,246	136,462
Less:								
Dividends to shareholders	148,554	11,619	11,305	10,471	10,471	12,605	15,212	76,871
Interest to Exchangeable Unitholders	57,070	5,434	5,856	4,672	5,272	4,672	5,337	25,827
Total equity distributions	205,624	17,053	17,161	15,143	15,743	17,277	20,549	102,698
Cash flow from operations less total dividends	86,776	11,863	8,717	10,066	9,682	7,987	4,697	33,764
Less: Funding of acquisitions	70,588	18,150	5,998	5,854	2,965	6,062	6,415	25,144
Less: Purchase of units under NCIB	4,096	–	–	–	–	–	–	4,096
Net change in the Period	$ 12,092	$ (6,287)	$ 2,719	$ 4,212	$ 6,717	$ 1,925	$ (1,718)	$ 4,524
Taxes and working capital	(6,447)	8,880	(3,300)	(5,682)	(7,207)	(2,004)	548	2,318
Change in period	$ 5,645	$ 2,593	$ (581)	$ (1,470)	$ (490)	$ (79)	$ (1,170)	$ 6,842
Cash balance, beginning of Period	–	$ 3,052	$ 3,633	$ 5,103	$ 5,593	$ 5,672	$ 6,842	–
Cash balance, end of Period	$ 5,645	$ 5,645	$ 3,052	$ 3,633	$ 5,103	$ 5,593	$ 5,672	$ 6,842
Equity distributions pay out ratio[1]	70%	59%	66%	60%	62%	68%	81%	75%

[1] This represents the total equity distributions as a percentage of cash flow from operations.

CASH FLOW FROM OPERATIONS RECONCILED TO CASH FLOW FROM OPERATING ACTIVITIES

(in 000's, Canadian dollars)	Total	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011	IFRS Year ended Dec. 31, 2010	Canadian GAAP Aug. 7, 2003 to Dec. 31, 2009
Cash flow from operating activities	$ 226,668	$ 20,433	$ 16,957	$ 14,855	$ 12,946	$ 18,588	$ 6,100	$ 136,789
Add (deduct):								
Changes in non-cash working capital items	1,283	(1,045)	127	1,216	(49)	1,490	(1,224)	768
Interest on Exchangeable Units	31,243	5,434	5,856	4,672	5,272	4,672	5,337	–
Income taxes paid	19,413	4,137	3,201	4,046	8,029	–	–	–
Interest on Trust units	15,212	–	–	–	–	–	15,212	–
Non-cash interest expense	(1,419)	(43)	(263)	420	(773)	514	(179)	(1,095)
Cash flow from operations	$ 292,400	$ 28,916	$ 25,878	$ 25,209	$ 25,425	$ 25,264	$ 25,246	$ 136,462

Supplemental Information – Selected Financial and Operating Information

As at	Mar. 31 2014	June 30 2014	Sept. 30 2014	Dec. 31, 2014	Mar. 31 2015	June 30, 2015	Sept. 30, 2015	**Dec. 31, 2015**
Number of REALTORS®	15,685	15,697	15,593	15,377	16,206	16,105	16,826	**16,794**
Number of Agents	15,437	15,462	15,362	15,143	15,963	15,850	16,554	**16,526**
Number of locations	646	636	634	637	668	660	670	**662**
Number of Franchise Agreements	313	308	306	302	312	301	322	**305**

Supplemental Information – Acquisitions

Year acquired by the Company (in millions, Canadian dollars) except number of REALTORS®	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Estimate purchase price						
Royal LePage	$ 19.3	$ 6.1	$ 6.0	$ 1.9	$ 2.5	$ 4.2
Via Capitale	0.7	0.2	0.7	1.0	1.0	1.0
	$ 20.0	$ 6.3	$ 6.7	$ 2.9	$ 3.5	$ 5.2
Actual purchase price						
Royal LePage	(a), (b)	$ 7.1	$ 5.8	$ 1.9	$ 2.5	$ 4.2
Via Capitale	(a), (b)	(a), (c)	(b),(c)	(b),(c)	0.8	1.1
	(a)	$ 7.1	$ 5.8	$ 1.9	$ 3.3	$ 5.3
Acquired REALTORS®						
Royal LePage	1,530	484	462	145	188	343
Via Capitale	47	9	54	72	59	74
	1,577	493	516	217	247	417

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

Management's Discussion and Analysis of Results and Financial Condition

Glossary of Terms

"Agent" means an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with a Broker.

"Agent(s) Gross Revenues" or **"Gross Revenue"** means, in respect of a Franchisee, the gross commission income (net of outside Broker payments) paid in respect of the closings of residential resale real estate transactions through Agents associated with such Franchisee.

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

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

"Broker" means an individual licensed with the relevant regulatory body to manage a real estate brokerage company.

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

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

"Brookfield" means Brookfield Private Equity Direct Investments Holdings LP, a limited partnership governed by the laws of Manitoba and a subsidiary of Brookfield Asset Management Inc., together with its affiliates but excluding the Manager and the subsidiaries of the Manager.

"Cash Flow from Operations" or **"CFFO"** means operating income before deducting amortization and impairment of intangible assets. CFFO is used by the Company to measure the amount of cash generated from operations, which is available to the Company's shareholders on a diluted basis, where such dilution represents the total number of shares of the Company that would be outstanding if Exchangeable Unitholders converted Class B LP units into shares of the Company. The Company uses CFFO to assess its operating results and the value of its business and believes that many of its shareholders and analysts also find this measure of value to them. CFFO does not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

"Company" means BRESI, together with its subsidiaries.

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

"Exchangeable Units" means the 3,327,667 Class B LP Units the Partnership issued to TBI (a predecessor of Brookfield Holdings) in partial consideration for the Partnership's acquisition of the Partnership Assets from TBI. The Class B LP Units, except as otherwise noted, have economic and voting rights equivalent in all material respects to the Class A LP Units. The Class B LP Units are indirectly exchangeable, on a one-for-one basis, subject to adjustment, for Restricted Voting Shares of the Company.

"Franchise" means a residential real estate Brokerage Franchise operated pursuant to a Franchise Agreement with the Manager's comprehensive systems consisting of proprietary technological, marketing, promotional, communication and support systems.

"Franchise Agreements" means the Franchise Agreements pursuant to which brokerage offices offer residential brokerage services using the Trademarks.

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

"Franchise Network" means the Royal LePage Network and the Via Capitale Network.

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

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

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

"Management Services Agreement" or **"MSA"** means the third amended and restated management services agreement, made effective June 28, 2013 between the Company and the Manager, pursuant to which, among other things, the Manager provides management and administrative services to the Company, including management of the assets of the Company.

"Manager" means Brookfield Real Estate Services Manager Limited, a corporation incorporated under the laws of the Province of Ontario, together with its subsidiaries. The Manager provides management and administrative services to the Company.

"Network" means the collection of Brokerages which operate under one of the Brands owned by BRESI.

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

"Premium Franchise Fees" means Franchise fees that are collected on certain Franchise locations to reflect the premier locations (principally the Greater Toronto Area) in which such Franchises operate. The premium fee is payable is in addition to the basic fixed fee and the basic variable fee as an uncapped amount ranging from 1% to 5% (based on location, with an average of 3%) of the Agents' Gross Revenue.

"REALTOR®" is the exclusive designation for a member of The Canadian Real Estate Association and is defined as an individual licensed to trade in real estate and includes Brokers and Agents.

"Restricted Voting Shares" means the restricted voting shares in the capital of BRESI.

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

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

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

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

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

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

"TSX" means the Toronto Stock Exchange.

"Unitholders" means the holders of Units and a "Unitholder" means any one of them.

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

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

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

Management's Responsibility for the Financial Statements

The consolidated financial statements and management's discussion and analysis contained in this annual report are the responsibility of the management of the Company. To fulfill this responsibility, the Company maintains a system of internal controls to ensure that its reporting practices and accounting and administrative procedures are appropriate and provide assurance that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect estimates based on management's best judgment in the circumstances. The financial information presented throughout this annual report is consistent with the information contained in the consolidated financial statements.

Deloitte LLP, the independent auditors appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report as Independent Registered Public Accounting Firm is set out on the following page.

The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors. The auditors have direct and full access to the Audit Committee and meet with the committee both with and without management present. The Board of Directors, directly and through its Audit Committee, oversees management's responsibilities and is responsible for reviewing and approving the consolidated financial statements.

TORONTO, CANADA, March 24, 2016

Philip Soper
President and Chief Executive Officer

Glen McMillan
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Brookfield Real Estate Services Inc.

We have audited the accompanying consolidated financial statements of Brookfield Real Estate Services Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014, and the consolidated statements of earnings and comprehensive earnings, consolidated statements of changes in shareholders' deficit and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Brookfield Real Estate Services Inc. as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
Licensed Public Accountants

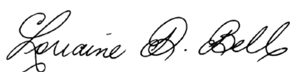
March 24, 2016

Consolidated Balance Sheets

As at December 31, (in thousands of Canadian dollars)	Note	2015	2014
Assets			
Current assets			
Cash		$ 5,645	$ 3,052
Accounts receivable	4	3,911	4,758
Current portion of notes receivable	5	132	276
Prepaid expenses		202	119
		9,890	8,205
Non-current assets			
Notes receivable	5	157	230
Deferred income tax asset		6,776	5,915
Intangible assets	6, 7	81,291	72,212
		$ 98,114	$ 86,562
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,181	$ 1,100
Current portion of purchase obligation	6	2,824	2,150
Current income tax liability	8	640	308
Interest payable to Exchangeable Unitholders	10 ,13	476	423
Dividends payable to shareholders		1,027	948
		6,148	4,929
Non-current liabilities			
Debt facilities	9	64,662	52,760
Purchase obligation	6	1,954	127
Interest rate swap liability	9	1,936	482
Exchangeable Units	10,13	48,784	43,260
		123,484	101,558
Shareholders' deficit			
Restricted voting shares	11	140,076	140,076
Deficit		(165,446)	(155,072)
		(25,370)	(14,996)
		$ 98,114	$ 86,562

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board



Simon Dean
Director

Lorraine Bell
Director

Consolidated Statements of Earnings and Comprehensive Earnings

Years ended December 31, (in thousands of Canadian dollars, except share and per share amounts)	Note	2015	2014
Royalties			
Fixed Franchise fees		$ 20,376	$ 19,279
Variable Franchise fees		9,196	8,560
Premium Franchise fees		5,892	5,576
Other revenue		4,395	3,977
		39,859	37,392
Expenses			
Administration		1,286	1,626
Management fee	3	7,229	6,469
Interest expense		2,428	3,419
Impairment and write-off of intangible assets	7	1,047	2,384
Amortization of intangible assets	7	9,892	10,828
		21,882	24,726
Operating income		17,977	12,666
Interest on Exchangeable Units	10	(5,434)	(5,856)
(Loss) gain on fair value of Exchangeable Units	10	(5,524)	1,164
Loss on interest rate swap	9	(1,454)	(482)
Loss on fair value of purchase obligation	6	(633)	(955)
Earnings before income tax		4,932	6,537
Current income tax expense		4,469	3,657
Deferred income tax recovery		(861)	(991)
Income tax expense	8	3,608	2,666
Net and comprehensive earnings		$ 1,324	$ 3,871
Basic earnings per share	12	$ 0.14	$ 0.41
Weighted average number of shares outstanding used in computing basic earnings per share		9,483,850	9,483,850
Diluted earnings per share	12	$ 0.14	$ 0.41
Weighted average number of shares outstanding used in computing diluted earnings per share		12,811,517	12,811,517

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Deficit

(in thousands of Canadian dollars)	Common Equity	Deficit	Total Deficit
Balance, December 31, 2014	$ 140,076	$ (155,072)	$ (14,996)
Net earnings	–	1,324	1,324
Dividends declared	–	(11,698)	(11,698)
Balance, December 31, 2015	**$ 140,076**	**$ (165,446)**	**$ (25,370)**

(in thousands of Canadian dollars)	Common Equity	Deficit	Total Deficit
Balance, December 31, 2013	$ 140,076	$ (147,562)	$ (7,486)
Net earnings	–	3,871	3,871
Dividends declared	–	(11,381)	(11,381)
Balance, December 31, 2014	**$ 140,076**	**$ (155,072)**	**$ (14,996)**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, (in thousands of Canadian dollars)	Note	2015	2014
Cash provided by (used for):			
Operating activities			
Net earnings for the year		$ 1,324	$ 3,871
Adjusted for			
Loss (gain) on fair value of Exchangeable Units	10	5,524	(1,164)
Loss on fair value of purchase obligation	6	633	955
Loss on interest rate swap	9	1,454	482
Interest expense		7,703	9,128
Interest paid		(7,660)	(8,865)
Current income tax expense	8	4,469	3,657
Income taxes paid		(4,137)	(3,201)
Deferred income tax recovery	8	(861)	(991)
Impairment and write-off of intangible assets	7	1,047	2,384
Amortization of intangible assets	7	9,892	10,828
Changes in non-cash working capital		1,045	(127)
		20,433	16,957
Investing activity			
Purchase of intangible assets	6	(18,150)	(5,998)
Interest expense on purchase obligation	13	159	147
Interest paid on purchase obligation		(130)	(134)
		(18,121)	(5,985)
Financing activity			
Borrowings under debt facilities	9	16,900	52,752
Repayment under debt facilities	9	(5,000)	(53,000)
Dividends paid to shareholders		(11,619)	(11,305)
		281	(11,553)
Increase (decrease) in cash during the year		2,593	(581)
Cash, beginning of the year		3,052	3,633
Cash, end of the year		$ 5,645	$ 3,052

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Years ended December 31, 2015 and 2014
(Expressed in thousands of Canadian dollars, unless stated otherwise)

1. Organization

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

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

Brookfield Private Equity Direct Investments Holdings LP ("Brookfield"), a wholly-owned subsidiary of Brookfield Asset Management Inc. ("BAM"), owns the remaining 25% interest in the Partnership through its ownership of Exchangeable Units in 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, Brookfield indirectly owns 315,000 restricted voting shares and one special voting share of BRESI. The special voting share entitles Brookfield to a number of votes at any meeting of the restricted voting shareholders equal to the number of restricted voting shares that may be obtained upon the exchange of all the Exchangeable Units held by the holder and/or its affiliates.

The Company receives certain management, administrative and support services from Brookfield Real Estate Services Manager Ltd. ("BRESML", and together with its subsidiaries, the "Manager"), an indirect wholly owned subsidiary of Brookfield. Effective January 1, 2014, the Company entered into an amended and restated Management Services Agreement ("MSA") with the Manager. The MSA governs the relationship between the Manager and the Company including the management services provided by the Manager and the acquisition of Franchise Agreements and addenda to Franchise Agreements (collectively "Franchise Agreements") by the Company. The Company derives 100% of its revenue from royalties it receives under the Franchise Agreements.

2. Significant Accounting Policies

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on March 9, 2016.

BASIS OF PRESENTATION

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

BASIS OF CONSOLIDATION

The financial results of the Subsidiaries are consolidated with the results of BRESI from the date that control is acquired through to the date that control ceases. Control of an investee is deemed to exist when BRESI has the power to direct relevant activities of the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

The Company's significant accounting policies are as follows:

CASH

Cash is used to fund dividends to shareholders, the purchase of Franchise Agreements and other operating requirements.

ACCOUNTS RECEIVABLE

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

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

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

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

Fair value is determined as the value at which a Franchise Agreement could be purchased and sold in an arm's length transaction under the terms of the MSA. The fair value estimate is a level 3 on the fair value hierarchy.

Value-in-use is calculated as the net present value of the future cash flows for each Franchise Agreement using a discount rate which reflects the Company's assessment of the risks specific to the Franchise Agreement. In calculating the value-in-use, management considers forecasted cash flow over the life of the Franchise Agreement plus one renewal term. Forecasted cash flow are determined after considering factors including royalties earned, term to maturity, historical agent count and current agent recruiting initiatives, agent productivity, collectability of receivables from the brokerage, brokerage management effectiveness, brokerage growth outlook and underlying market conditions.

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

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

INCOME TAXES

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases and the carrying amounts of assets and liabilities, except to the extent that there was a temporary difference present on the initial recognition of an asset or liability outside of a business combination. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized to reduce taxes owing in future periods. The carrying

amount of deferred income tax assets is reviewed periodically and reduced to the extent it is no longer probable that the income tax asset will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Current and deferred income tax relating to items recognized directly in equity are also recognized directly in equity.

REVENUE RECOGNITION

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

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

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

EXCHANGEABLE UNITS

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

EARNINGS PER SHARE

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

FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

Financial Statement Item	Classification	Measurement
Cash	Loans and receivables	Amortized Cost
Accounts receivable	Loans and receivables	Amortized Cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized Cost
Purchase obligation	FVTPL	Fair Value
Interest payable to Exchangeable Unitholders	Other financial liabilities	Amortized Cost
Long-term debt	Other financial liabilities	Amortized Cost
Interest rate swap liability	FVTPL	Fair Value
Exchangeable Units	FVTPL	Fair Value
Dividends payable to restricted voting shareholders	Other financial liabilities	Amortized Cost

The Company does not have any held-to-maturity investments or available-for sale financial assets.

The Company's financial liabilities classified as fair value through profit or loss ("FVTPL") are not financial liabilities that are held for trading.

There were no changes made in the year in the classification of financial instruments.

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – inputs that are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique that are not based on observable market data in determining fair values of the instruments.

Transaction costs for other financial liabilities are applied against these liabilities and amortized using the effective interest method, the resulting amortization being recorded as interest expense. Gains and losses on financial instruments classified as FVTPL are included in net earnings in the period in which they arise.

PURCHASE OBLIGATION

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

CRITICAL JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities 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 future cash flows utilized in assessing the impairment of intangible assets, determining the useful life of intangible assets, assessing the recoverability of accounts receivable and notes receivable, measurement of deferred income taxes, and the measurement of the fair values of financial instruments. 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 that in the prior periods, and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in these consolidated financial statements. The estimates are impacted by, among other things, movements in interest rates, which are highly uncertain. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all assets and liability account balances.

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

ACCOUNTING FOR FRANCHISE AGREEMENTS

The critical judgment made in accounting for the acquisition of Franchise Agreements is determining whether the acquisition is considered the acquisition of assets or a business. In applying the guidance in IFRS 3, Business Combinations ("IFRS 3"), the Company must evaluate whether the acquisition includes both inputs and processes and, as well, whether the integration of acquired inputs and processes into current processes of the Company would meet the definition of a business. The Company evaluated the criteria included in IFRS 3 and determined that the acquisition of Franchise Agreements is an acquisition of assets as no "processes" are acquired in respect of the Franchise Agreements. In addition, the Company must apply judgment with respect to the accounting for the earn-out provisions as set out in the MSA, in connection with the purchase of Franchise Agreements. The Company has determined that a portion of the purchase obligation is an embedded derivative instrument in a non-financial host contract, whereby the value changes in response to an underlying contract, which is the actual earned franchise revenues. The Company has elected to designate the entire purchase obligation as a financial liability at fair value through profit or loss.

IMPAIRMENT CHARGES FOR INTANGIBLE ASSETS

Under IAS 36, Impairment of Assets, the Company needs to ensure that the intangible assets are not carried at more than their recoverable amount. The Company regularly reviews intangible assets to determine whether indicators of impairment exist on individual Franchise Agreements and Trademarks. Determining whether the value a Franchise Agreement is impaired requires considerable judgment. When reviewing indicators for impairment of Franchise Agreements, the Company considers certain factors including, royalties earned, term to maturity, historical agent count, collectability of receivables from the brokerage and underlying market conditions.

ADOPTION OF ACCOUNTING STANDARDS

OPERATING SEGMENTS

IFRS 8, *Operating Segments* ("IFRS 8"), was amended by IASB in December 2013 as part of the Annual Improvements to IFRSs 2010 – 2012 cycle. The amendment requires the disclosure of factors used to identify the Company's reportable segments, including the basis of organization, the judgements made in applying aggregation criteria as specified by the standard, the types of products and services from which each reportable segment derives its revenues and the reconciliation of certain elements of financial statements of the reportable segments to those of the Company. The amendment is effective for all annual periods beginning on or after July 1 2014. The adoption of IFRS 8 amendments did not have a material effect on the Company's consolidated financial statements. Note 16 – Segmented Information provides additional disclosure as per the amendment adoption.

FUTURE CHANGES IN ACCOUNTING STANDARDS

REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. Management is in the process of assessing the impact of adopting IFRS 15, if any.

FINANCIAL INSTRUMENTS

IFRS 9, *Financial Instruments* ("IFRS 9"), establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statement for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This standard supersedes IAS 39 Financial Instruments: Recognition and Measurement. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. Management is in the process of assessing the impact of IFRS 9 on its consolidated financial statements.

3. Management Services Agreement

The MSA has an initial five-year term expiring on December 31, 2018 and a provision for the automatic renewal of successive five year terms.

The MSA, among other things, prescribes the conditions under which the Company purchases Franchise Agreements from the Manager and the formula for calculating the purchase price. The purchase price for existing brands is based on the average annual royalties earned over a twelve month period, with 80% of the purchase price payable upon acquisition and the remaining balance to be paid at a later date, subject to adjustment, if any, to the actual royalties earned over a twelve month period. Further, an incentive fee is to be paid to the Manager for net agent growth, with the fee being calculated on similar terms. The MSA also provides the Manager with the ability to sell other Canadian branded franchises to the Company based on a predetermined formula and payment structure.

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

For the twelve months ended December 31, 2015, the Company incurred management fees of $7,229 (2014 – $6,469) for these services.

4. Accounts Receivable

Accounts receivable represent royalties due from the Company's franchise network pursuant to Franchise Agreements and are valued initially at fair value, then subsequently measured at amortized cost less any provision for doubtful accounts. As at December 31, 2015, the Company had accounts receivable of $3,911 (December 31, 2014 – $4,758) net of an allowance for doubtful account of $738 (December 31, 2014 – $810). During the year ended December 31, 2015, administration expenses included $304 of net bad debt expense (2014 – $684).

Management conducts an analysis to determine the allowance for doubtful accounts by assessing the collectability of receivables under each individual Franchise Agreement. This assessment takes into consideration certain factors including the aging of outstanding fees, franchisee operating performance, historical payment patterns, current collection efforts and the Company's security interests, if any.

The table below summarizes the aging of accounts receivable as at December 31, 2015 and 2014.

As at December 31,	**2015**	2014
Current	**$ 3,047**	$ 3,074
30 Days	**412**	476
60 Days	**183**	250
90+ Days	**1,007**	1,768
Subtotal	**4,649**	5,568
Allowance for Doubtful Accounts	**(738)**	(810)
Accounts Receivable	**$ 3,911**	$ 4,758

The Company recognizes royalty revenues in income to the extent that collection is reasonably assured at the time the royalty revenue is earned. During the year, the Company identified $304 (2014 – $410) of royalty revenues that were not recognized as income as collection was not reasonably assured at the time the revenue was earned. As at December 31, the Company had a cumulative amount of $714 of royalty income that was not recognized as collectability was not reasonably assured at the time the revenue was earned (2014 – $410).

5. Notes Receivable

The Company has certain franchisees with which it has entered into a signed formalized payment plan in respect of franchise fees due to the Company which were in arrears. Any amounts under these payment plans which are due greater than one year from the financial statement date have been classified as non-current. The terms stipulated in the payment plan require the franchisees to repay the total outstanding balance in monthly payments plus interest based on a spread above prime interest rate ("Prime"). As at December 31, 2015, the Company had notes receivable of $289, of which $132 was due within 12 months and $157 was considered non-current (December 31, 2014 – $276 current and $230 non-current).

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

As at December 31,	**2015**	2014
Receivable in 2015	**$ –**	$ 276
Receivable in 2016	**132**	130
Receivable in 2017	**85**	42
Receivable in 2018	**60**	46
Receivable in 2019	**12**	12
Notes Receivable	**$ 289**	$ 506

6. Asset Acquisitions

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

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

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

For the twelve months ended December 31, 2015, the Company recorded a loss of $633 on the fair value of purchase obligation (2014 – $955).

For the twelve months ended December 31, 2015, the Company incurred $159 interest expense related to outstanding purchase obligations (2014 – $147).

On January 1, 2014, the Company acquired 45 Franchise Agreements under the Royal LePage brand from the Manager at an estimated purchase price of $6,059. A payment of $4,847, equal to 80% of the estimated purchase price plus applicable taxes, was paid in January 2014 and the remainder, net of purchase price adjustments, was paid in June 2015.

On January 1, 2014, VCLP acquired one Franchise Agreement under the Via Capitale brand from the Manager at an estimated purchase price of $193. A payment of $155, equal to 80% of the estimated purchase price plus applicable taxes, was paid in January, 2014 and the remainder, net of purchase price adjustments, is to be paid when the final purchase price is determined on October 31, 2016.

The purchase obligation by brand consists of the following:

Years ended December 31,	Royal LePage	Via Capitale	2015	2014
Purchase obligation at beginning of year	$ 2,202	$ 75	$ 2,277	$ 1,068
Current year's purchases	19,299	719	20,018	6,252
Adjustment to purchase obligation in the current year	558	75	633	955
Payments made during year	(17,575)	(575)	(18,150)	(5,998)
Purchase obligation at end of period	$ 4,484	$ 294	$ 4,778	$ 2,277
Current portion of purchase obligation	$ 2,532	$ 292	$ 2,824	$ 2,150
Long-term portion of purchase obligation	1,952	2	1,954	127
Purchase obligation at end of period	$ 4,484	$ 294	$ 4,778	$ 2,277

7. Intangible Assets

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

	Franchise Agreements	Trademarks	Total
Cost			
At December 31, 2014	$ 197,582	$ 5,427	$ 203,009
Purchases	20,018	–	20,018
Impairment	(541)	–	(541)
Amounts written-off	(2,965)	–	(2,965)
At December 31, 2015	**$ 214,094**	**$ 5,427**	**$ 219,521**
Accumulated amortization			
At December 31, 2014	$ (128,691)	$ (2,106)	$ (130,797)
Amortization expense	(9,716)	(176)	(9,892)
Amounts written-off	2,459	–	2,459
At December 31, 2015	**$ (135,948)**	**$ (2,282)**	**$ (138,230)**
Carrying value			
At December 31, 2014	$ 68,891	$ 3,321	$ 72,212
At December 31, 2015	**$ 78,146**	**$ 3,145**	**$ 81,291**

For the twelve months ended December 31, 2015, the Company recognized net impairment charges and write offs of $1,047 (2014 – $2,384). Of the net impairment charges and write offs, $541 (2014 – $838) relate to nine (2014 – ten) franchisees that had impaired Franchise Agreements and $506 (2014 – $1,546) relate to seven (2014 – nine) franchisees whose contracts were written off as a result of early termination, expiry and non-renewal.

The Company determined the recoverable amount of each Franchise Agreement based on a value-in-use calculation, using a pre-tax discount rate which reflects the current market assessment of the risk specific to the Franchise Agreements, averaging 11% (2014 – 11%).

For the twelve months ended December 31, 2015, the Company recorded $9,892 (2014 – $10,828) intangible asset amortization expense.

8. Income Taxes

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

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

Years ended December 31,	2015	2014
Earnings before income tax for the year:	$ 4,932	$ 6,537
Expected income tax expense at statutory rate of 26.5% (2014 – 26.5%)	1,307	1,732
Increase (decrease) in income tax expense due to the following:		
Non-deductible amortization	1,065	1,254
Non-deductible loss (gain) on fair value of Exchangeable Units	1,464	(309)
Non-deductible interest on Exchangeable Units	1,440	1,552
Non-deductible impairment and write-off on intangible assets	40	158
Non-deductible adjustments to purchase obligation	42	63
Income allocated to Exchangeable Unitholders	(1,583)	(1,523)
Recognition of deferred tax assets and other	(167)	(261)
Total income tax expense	$ 3,608	$ 2,666

The major components of income tax expense include the following:

Year ended December 31,	2015	2014
Current income tax expense	$ 4,469	$ 3,657
Deferred income tax recovery	(861)	(991)
Total income tax expense	$ 3,608	$ 2,666

Deferred income tax assets arise from temporary differences as a result of differences between the income tax values of intangible assets as compared to their carrying values.

9. Debt Facilities

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

As at	December 31, 2015	December 31, 2014
Term facility	$ 53,000	$ 53,000
Acquisition facility	11,900	–
	$ 64,900	$ 53,000
Financing fees	(238)	(240)
Debt facilities	$ 64,662	$ 52,760

In June, 2015 the Company signed an amending agreement with a Canadian Chartered Bank to increase the Company's debt facilities to provide an incremental $10,000 in available financing. As at December 31, 2015 the Company's $78,000 financing is comprised of the following three arrangements, maturing February 17, 2020:

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

A $20,000 revolving acquisition facility (the "Acquisition Facility") 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. The Company made a draw on the facility of $8,000 in January and $8,900 in July to finance the purchase of Franchise Agreements on January 1, 2015 and July 1, 2015, respectively. In September 2015 and October 2015, the Company made repayments on the facility of $3,000 and $2,000, respectively. As of December 31, 2015 $8,100 is available to the Company to support acquisitions.

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 December 31, 2015.

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

The Company's ability to borrow under these arrangements is subject to certain covenants. Under these covenants, the Company must maintain a ratio of Consolidated EBITDA to Interest Expense on Senior Indebtedness at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.5 to 1. Consolidated EBITDA is defined as operating income before impairment and amortization of intangible assets. Senior Indebtedness is defined as borrowings on the Company's debt facilities. At December 31, 2015 and December 31, 2014, the Company complied with all covenants under the debt facilities.

In October, 2014 the Company entered into a five year interest rate swap agreement to swap the variable interest obligation on the Term Facility to a fixed rate obligation of 3.64%. The interest rate swap is a financial instrument and is disclosed at its fair value with any change in that fair value record as a gain or loss in the Company's consolidated statements of earnings and comprehensive earnings. The fair value is determined using a discounted cash flow model using observable yield curves and applicable credit spread at a credit adjusted rate. At December 31, 2015 the Company determined that the fair value of the interest rate swap represents a liability of $1,936 (December 31, 2014 – $482). For the twelve months ended December 31, 2015, the Company recognized a fair value loss of $1,454 (2014 – $482).

10. Exchangeable Units

Brookfield owns 3,327,667 Exchangeable Units of the Partnership. The Exchangeable Unitholders are entitled to indirectly exchange, on a one-for-one basis, subject to adjustment, the Exchangeable Units for restricted voting shares of the Company.

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 December 31, 2015, the Company used the closing market price of the Company's shares of $14.66 (2014 – $13.00). During the twelve months ended December 31, 2015, the Company recorded a loss of $5,524 related to the fair value of the Exchangeable Units (2014 – a gain of $1,164).

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 twelve months ended December 31, 2015 the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of $5,434 (2014 – $5,856).

Notes to the Consolidated Financial Statements

Years ended December 31, 2015 and 2014
(Expressed in thousands of Canadian dollars, unless stated otherwise)

11. Share Capital

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

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

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

No additional restricted voting shares were issued during 2015 or 2014.

No preferred shares were issued or outstanding as at December 31, 2015 or December 31, 2014.

The following table summarizes the outstanding shares of the Company:

As at December 31,	**2015**	2014
Restricted voting shares	**9,483,850**	9,483,850
Special voting share	**1**	1

12. Earnings Per Share

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

Years ended December 31, (In thousands of Canadian dollars, except share and per share amounts)	**2015**	2014
Net earnings available to restricted voting shareholders – basic	**$ 1,324**	$ 3,871
Interest on Exchangeable Units	**5,434**	5,856
Loss (gain) on fair value of Exchangeable Units	**5,524**	(1,164)
Net income available to restricted voting shareholders – diluted	**$ 12,282**	$ 8,563
Weighted average number of shares outstanding used in computing basic loss per share	**9,483,850**	9,483,850
Total outstanding Exchangeable Units	**3,327,667**	3,327,667
Weighted average number of shares outstanding used in computing diluted loss per share	**12,811,517**	12,811,517
Basic earnings per share	**$ 0.14**	$ 0.41
Diluted earnings per share	**$ 0.14**	$ 0.41
Dividends declared	**$ 11,698**	$ 11,381
Restricted voting shares	**9,483,850**	9,483,850
Dividends per restricted voting share	**$ 1.23**	$ 1.20

13. Related Party Transactions

In addition to transactions disclosed elsewhere in the consolidated financial statements, the Company had the following transactions with parties related to the Manager or the Exchangeable Unitholders during 2015 and 2014. These transactions have been recorded at the exchange amount as agreed between the parties.

Years ended December 31,		2015		2014
a) Royalties				
Fixed, variable and other franchise fees	**$**	**3,472**	$	3,150
Premium franchise fees	**$**	**5,024**	$	4,781
b) Expenses				
Management fees	**$**	**7,229**	$	6,469
Insurance premiums and other	**$**	**97**	$	88
Interest on purchase obligations	**$**	**159**	$	147
c) Interest				
Interest to Exchangeable Unitholders	**$**	**5,434**	$	5,856

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

As at December 31,		2015		2014
d) Accounts receivable				
Franchise fees receivable and other	**$**	**782**	$	696
e) Accounts payable and accrued liabilities				
Management fees	**$**	**646**	$	582
Interest on purchase obligations	**$**	**49**	$	20
Administrative shared service liability and other	**$**	**–**	$	202
f) Interest payable to Exchangeable Unitholders	**$**	**476**	$	423
g) Purchase obligation	**$**	**4,778**	$	2,277

The members of the Company's Board of Directors are compensated for their services. During the twelve months ended December 31, 2015, the Company incurred $211 (twelve months ended December 31, 2014 – $204) in directors' fees. These directors' fees are included in administration expense.

14. Financial Instruments

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

A) CREDIT RISK

Credit risk arises from the possibility that the franchisees may not pay amounts owing to the Company. The Company's credit risk is limited to the recorded amount of accounts receivable and notes receivable. The Manager reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis. As at December 31, 2015, the Company has an allowance for doubtful accounts of $738 (December 31, 2014 – $810). In addition, as at December 31, the Company had a cumulative amount of $714 royalty income that was not recognized as collectability was not reasonably assured at the time the revenue was earned (2014 – $410).

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 and interest to Exchangeable Unitholders. The Company manages liquidity risk by maintaining conservative debt covenant ratios compared with those required by the covenants associated with the debt facilities. Also, the Company has a $20,000 Acquisition Facility (of which $11,900 is drawn) and a $5,000 unutilized Operating Facility (see Note 9 – Debt Facilities).

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

	2016	2017	2018	2019	Beyond 2019	Total
Accounts payable and accrued liabilities	$ 1,181	$ –	$ –	$ –	$ –	$ 1,181
Purchase obligation	2,824	1,954	–	–	–	4,778
Interest payable to Exchangeable Unitholders	476	–	–	–	–	476
Dividends payable to shareholders	1,027	–	–	–	–	1,027
Interest on Debt facilities	2,427	2,427	2,427	2,427	288	9,996
Interest rate swap liability	–	–	–	1,936	–	1,936
Term facility	–	–	–	–	53,000	53,000
Acquisition facility	–	–	–	–	11,900	11,900
Exchangeable Units	–	–	–	–	48,784	48,784
Total	$ 7,935	$ 4,381	$ 2,427	$ 4,363	$ 113,972	$ 133,078

C) INTEREST RATE RISK

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

As described in Note 9, in 2014 the Company entered into a five year interest rate swap to fix the interest on the Company's $53,000 Term Facility at 3.64% to the October 28, 2019 maturity date of the swap. The Term Facility matures on February 17, 2020.

The Company has drawn $11,900 on its $20,000 Acquisition Facility. The Acquisition Facility bears variable interest at a rate of BAs + 1.70% or Prime + 0.5%. Management has elected to continue with the variable rate position on the Acquisition Facility and monitors this position on an ongoing basis. An increase of 1% in the Company's effective interest rate on its variable rate Acquisition Facility would result in an increase in its annual interest expense of approximately $119.

D) FAIR VALUE

The fair value of the Company's financial instruments, comprising cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, interest payable to Exchangeable Unitholders and dividends payable to shareholders, 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 $64,900 approximate their carrying value of $64,662 as a result of their floating rate terms.

E) FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheets as at December 31, 2015 and December 31, 2014, classified using the fair value hierarchy:

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

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Financial asset or liability:				
Purchase obligation	$ –	$ –	$ 2,277	$ 2,277
Interest rate swap liability	–	482	–	482
Exchangeable Units	43,260	–	–	43,260
Total	$ 43,260	$ 482	$ 2,277	$ 46,019

See Note 6 for a reconciliation of the Level 3 fair values, Note 9 for disclosure related to Level 2 fair values and Note 10 for disclosures related to the Level 1 fair values. There were no transfers between fair value hierarchy levels during the period. The Level 3 fair values are calculated in accordance with the terms prescribed by the MSA as discussed in Note 2 under *Intangible Assets and Purchase Obligation*. The fair value of the purchase obligation is sensitive to the changes in the estimated cash flows to be earned during the Determination Period. All other inputs are observable and do not change after the Acquisition Date. A change in the estimated cash flows during the Determination Period causes a change in the fair value of the purchase obligation, determined in accordance with the formula for calculating the purchase price prescribed by the MSA.

15. Management of Capital

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

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

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

The covenants of the debt facilities prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense on Senior Indebtedness at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.50 to 1.

Senior Indebtedness is defined as borrowings under the Company's debt facilities, as disclosed in Note 9. The Company is compliant with all financial covenants. There were no changes in the Company's approach to capital management during the period.

16. Segmented Information

The Company has only one business segment which is providing information and services to real estate agents and brokers in Canada through a portfolio of highly regarded real estate services brands. The economic characteristics are consistent across the Company's brands as they each provide services, similar in nature, in the Canadian residential real estate market. Of the Company's royalty revenues 93% (2014 – 92%) are generated from the network of franchisees operating under the Royal LePage and Johnston and Daniel brands and 7% (2014 – 8%) are generated from the network of franchisees operating under the Via Capitale brand.

17. Subsequent Events

On January 1, 2016, the Company acquired 27 Franchise Agreements under Royal LePage brand and six agreements under the Via Capitale brand from the Manager for an estimated purchase price of $6,600. A payment of $6,000, financed primarily by way of a draw on the Acquisition Facility, approximating 80% of the estimated purchase price and applicable taxes, was paid on January 8, 2016. The remainder is to be paid after the final purchase price is determined on October 31, 2016.

Board of Directors

The Company is governed by a Board of Directors with five members, four of whom are independent of the Company and its Manager.

The Board oversees the business and affairs of the Company. The independent Directors also monitor the performance of the Manager, Brookfield Real Estate Services Manager Limited, a subsidiary of Brookfield Asset Management Inc., on behalf of the Company to ensure compliance with the terms of the Management Services Agreement.

The Directors have adopted formal terms of reference regarding their responsibilities and all matters of governance. They have agreed to formal distribution and disclosure policies, which are reviewed on an ongoing basis. The Company has two committees: the Audit Committee and Governance Committee.

Spencer Enright, CPA, CA
Director and Chairman of the Board of Directors

Lorraine Bell, CPA, CA
Director and Chair of Audit Committee[1, 2]

Simon Dean
Director[1, 2]

Hon. J. Trevor Eyton, O.C., Q.C.
Director[2]

Gail Kilgour, ICD.D
Director and Chair of Governance Committee[1, 2]

[1] Member of the Audit Committee
[2] Member of the Governance Committee

Management Team

THE COMPANY

Philip Soper
President and Chief Executive Officer

Glen McMillan
Chief Financial Officer

THE COMPANY MANAGER

Spencer Enright
President and Chief Executive Officer

Philip Soper
President and Chief Executive Officer, Royal LePage

David Martin
President, Via Capitale

Glen McMillan
Chief Financial Officer

Carolyn Cheng
Senior Vice President, Strategic Business Services, Royal LePage

Sandra Webb
Senior Vice President, Marketing & Communications, Royal LePage

George Heos
Senior Vice President, Network Development, Royal LePage

Yvonne Ratigan
Vice President, Broker Service, Royal LePage

Gino Romanese
Senior Vice President, Brokerage Services, Royal LePage

Helping our Community

A home should be a place of safety, security and comfort. Sadly, for thousands of Canadian women and children, this is not the case. The Royal LePage Shelter Foundation helps local shelters provide safe haven and new beginnings for more than 30,000 women and children every year. More information about the Royal LePage Shelter Foundation can be found at: **www.royallepage.ca/shelter**.

ABOUT THE FOUNDATION:

- Royal LePage is the only major Canadian real estate company with its own charity;
- The foundation is the largest public foundation in Canada dedicated exclusively to supporting women's and children's shelters and violence prevention and education;
- Many Royal LePage offices across Canada partner with a local shelter providing much-needed financial support and essential goods and services. Funds raised by the local Royal LePage offices remain in their local communities;
- Royal LePage (The Manager) pays all the administrative costs of the charity so that 100% of funds raised go directly towards the cause;
- The Royal LePage Shelter Foundation provided the financial support used to create and launch the Fourth R, a curriculum based education program teaching grade 8 and 9 students about healthy relationships and dating violence.

Shareholder Information

We regularly provide shareholders with information about the Company through our annual report, quarterly reports, and news releases. Information is available online at **www.brookfieldresinc.com**. On the site you will find summary information about the Company including annual and quarterly reports, press releases, webcasts, slide presentations, and dividend information.

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AUDITORS
Deloitte & Touche LLP

CORPORATE COUNSEL
Goodmans LLP

TSX SYMBOL: BRE
Shares are eligible investments for DPSPs, RRSPs, RRIFs and RESPs.

ANNUAL GENERAL MEETING
The Annual General Meeting will be held on Wednesday, May 4, 2016 at 10:00AM EST, at the Westin Prince Toronto, Princess Room, 900 York Mills Road, Toronto, Ontario, M3B 3H2.

DIRECT INQUIRIES TO:
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Brookfield
Real Estate Services Inc.

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