Brookfield
Real Estate Services Inc.

Annual Report 2017

Profile

Brookfield Real Estate Services Inc. (the "Company"), through its relationship with Brookfield Real Estate Services Manager Limited (the "Manager"), is a leading provider of services to residential real estate brokers and REALTORS®[1] across Canada. The Company generates cash flow from fixed and variable fees that are received from real estate brokers and REALTORS® operating under the Royal LePage, Via Capitale and Johnston & Daniel brands. Approximately 73 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 supported by long-term franchise agreements, with royalties predominantly driven by fixed fees based on the number of REALTORS® in the Company's network. As at December 31, 2017, the Company network consisted of 18,135 REALTORS®. In addition, on January 1, 2018 the Company acquired franchise agreements, representing an additional 563 REALTORS®, from the Manager for a total of 18,698 REALTORS® on January 1, 2018.

The Company network has an approximate one fifth share of the Canadian residential real estate market based on 2017 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.

Contents

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 17,000 real estate professionals in more than 650 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 260 real estate professionals selling distinctive homes in southern Ontario. 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 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. This international luxury network affiliation provides Johnston & Daniel agents and their clients with global exposure for their luxury home listings.

Via Capitale

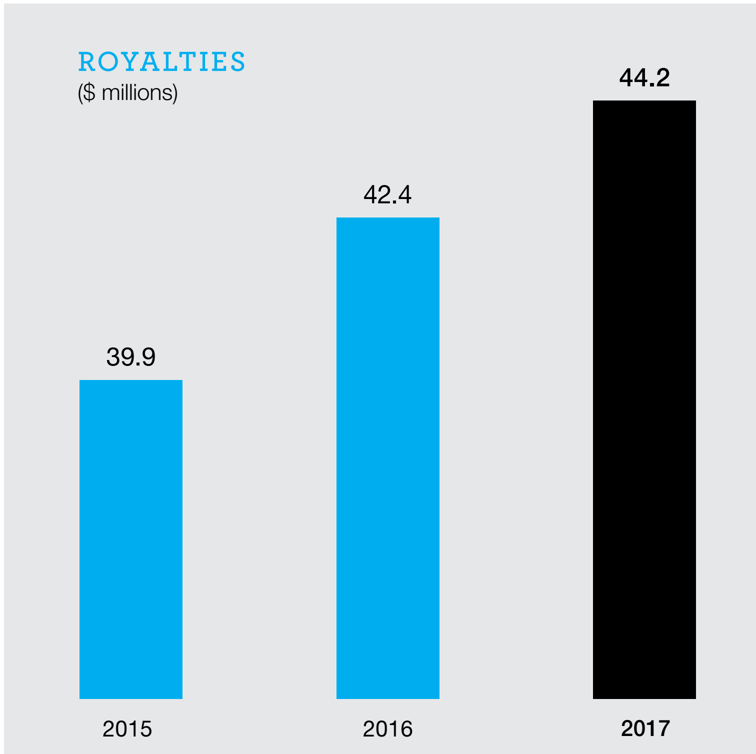
Since 1991, Via Capitale has been a leader in real estate in Quebec. Its mission is to deliver the best possible service by focusing on the human aspect of the transaction, professionalism and innovation. Via Capitale has approximately 900 brokers and agents in 60 locations across the province. It has 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. Today, the Via Capitale name is synonymous with protection and innovation in the province of Quebec.

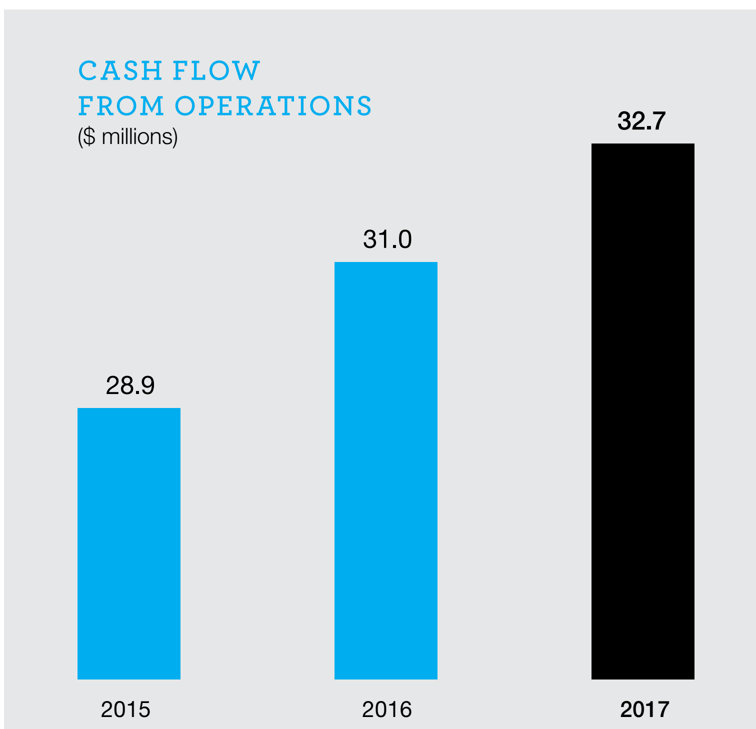
ROYAL LEPAGE

JOHNSTON & DANIEL

viacapitale

Financial Highlights





Letter to Shareholders

I am pleased to report to our shareholders that 2017 was another exceptional year of financial and operational performance. We have demonstrated time and again that we have the ability to thrive despite volatility in some of our largest real estate markets and that the demand for our brands continues to grow in a quickly evolving industry. We know that access to best-in-class technology sets us apart from our competitors and supports the strength of investing in full service brokerage offerings compared to competing business structures. The Company is proud of its history of putting cutting-edge technology into the hands of its franchisees to drive their business and brand awareness forward. 2017 was no exception. As 2018 unfolds, we will continue to push ourselves, evolve our offering and redefine the gold standard of brokerage service providers.

OUR GROWING NETWORK

During the year, the Company grew in every region from coast-to-coast with the exception of the Prairies which showed a promising recovery from the 2015 collapse of oil prices. As at December 31, 2017, the Company's network was comprised of 18,135 REALTORS®, a total of 555 net additional agents added to our network. The increase was largely driven by the Company's purchase of franchise agreements representing 568 REALTORS® on January 1, 2017, partly offset by the net attrition of 13 REALTORS® spread throughout the country. Most notably, our network in British Columbia grew 6% compared to 2016, increasing from 2,311 REALTORS® to 2,446 REALTORS®. British Columbia was our test market for the Company's new recruitment program, Broker Boost, which I will cover in more detail below. The success of these recruitment efforts has encouraged more Company brokerages to dedicate management personnel specifically for recruiting purposes.

2018 Strong Momentum

In January 2018, the Company acquired additional franchise agreements representing 563 REALTORS® and an estimated annual royalty stream of $1.2 million. This acquisition brings the total network to 18,698 REALTORS® across Canada. Since 2003, the company has experienced compound growth of 5% per annum, significantly outpacing the industry.

A New Milestone for Johnston & Daniel

In an exciting first for the brand, Johnston & Daniel Rushbrooke Realty has opened in Muskoka, Ontario, one of the country's most famous luxury markets. Johnston & Daniel offices now serve some of Ontario's most prestigious markets, including Rosedale, Forest Hill and Lawrence Park in Toronto, as well as Oakville. We believe the Company is uniquely positioned to service Canada's luxury brokerage market and we continue to invest in the market segment.

New Canadians and Ethnic Markets

With one of the fastest growing immigrant populations of any developed economy, Canada's continued economic success is highly dependent on successfully attracting the best and brightest from around the world. New arrivals to our country require housing. One of the Company's core missions is to attract a diverse network of sales professionals that reflect the changing demographics of our country.

There is tremendous opportunity inherent in servicing the growing demand for quality real estate services in new-Canadian and ethnic markets. The key to success is having REALTORS® with language and cultural skills that reflect the consumer clients we aim to attract. We are particularly pleased with the progress we have made in building a diverse sales force in Ontario and British Columbia. New franchise operations focused specifically on this market segment in Ontario alone represent 200 net new REALTORS®. A testament to our success is Winnie Liu of Royal LePage Peaceland Realty, a brokerage which focuses on servicing the Chinese community in Markham, Ontario. Ms. Liu was awarded the 2017 Rookie of the Year honour for Ontario.

Recruiting and Retention Programs

With sustained organic recruiting at the heart of the Company's growth strategy, significant investments have been made to attract the most productive agents from across Canada. Most notably, the Royal LePage brand launched Broker Boost, a new nationwide coaching program to support management in their local talent acquisition efforts through structured activities and accountability monitoring. The nationwide roll-out of the recruiting and tracking platform more than doubled the number of agent leads produced for the Company's broker-managers. So successful was the initial launch, that a second pillar was added to the program, Advanced Broker Boost, with rollout occurring throughout 2018.

A new Quebec-focused recruiting and lead generation program was launched in April 2017. Through the use of email drip campaigns, leveraging social media channels and an interactive microsite, the Company was able to attract experienced agents from across the industry. This campaign has proven to be a strong pride piece and an effective agent retention tool.

During 2017, our Via Capitale business launched a 6-week, provincially-regulated training program available to both Company and competitive real estate agents, a move that has had a positive impact on recruiting and retention. Ongoing education is more stringent in Quebec than most jurisdictions in Canada. Training programs that satisfy the province's continuing education licensing requirements resonate well within the industry. To further support recruiting efforts, the brand launched a campaign showcasing company tools and innovation through videos customized for each brokerage.

Letter to Shareholders

To drive sales productivity, Via Capitale launched Via Coach in 2017. This 12-week REALTOR® coaching program focuses on a range of topics including financial management, lead conversion, negotiation and other market practices.

In April 2017, the Johnston & Daniel brand launched its J&D Agent Consulting Council, bringing together REALTORS® with a variety of experience and achievements to provide feedback to management on its products and services. The response has been positive. With geographic expansion, the brand's intra-office referral programs are being well received.

SUPERIOR FINANCIAL PERFORMANCE

2017 was another successful financial year for the Company. Royalties improved by 4% to $44.2 million and cash flow from operations improved by 5.5% to $32.7 million. Driving this success was the increase in the number of REALTORS® in our network as well as significant growth of the Canadian market in the first half of the year. Cash flow from operations, which drives our ability to pay stable and growing dividends, again outperformed our previous years' results, reaching $32.7 million or $2.55 per share – an increase of 5.5% as compared to $31.0 million or $2.42 per share in 2016.

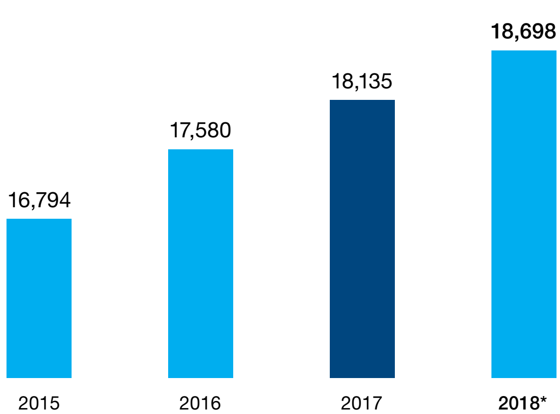
The Dividend

The Company's steadily growing dividend performance stretches back to inception.

On March 7, 2018, the Board of Directors of the Company approved a dividend to shareholders of $0.1125 per restricted voting share payable April 30, 2018 to shareholders of record on March 30, 2018. This represents a target annual dividend of $1.35 per restricted voting share, as compared to dividends of $1.30 in 2016 and $1.23 in 2015.

COMPANY GROWTH

(Number of REALTORS® as at December 31)



*as at January 1, 2018

The Benefits of Long Term Agreements and Fixed Royalty Streams

Our shareholders benefit from accessing the growth of the Canadian real estate services industry without high exposure to market volatility. Approximately 73% of the Company's annual royalties are effectively fixed in nature insulating the Company from market fluctuations. In addition, Company revenue is secured by long-term franchise agreements.

It is important to note that the real estate business in Canada is comprised of a number of very independent regional real estate markets. Our coast-to-coast operations provide geographic diversification and reduces the impact of cyclical downturns in a given province. Overall company growth was sustained through a soft Quebec market in the early part of the decade, resource driven weakness in Alberta in 2015, and regulatory changes in British Columbia in 2016 and Ontario in 2017.

CANADIAN RESIDENTIAL REAL ESTATE MARKET

With the exception of British Columbia, 2016 was a strong year for the country's largest real estate markets, and that momentum was carried into the first half of 2017. The Greater Vancouver market, which experienced a significant housing correction starting in August 2016, began to show improvement in the second quarter of 2017 as sales activity in the region improved 57% compared to the first quarter. Despite double digit, year-over-year growth in the second half of the year, low unit sales and price decreases in the first half of the year resulted in the market closing down 9% compared to 2016.

Offsetting significant growth in the first two quarters somewhat, sales activity in the Greater Toronto Area declined in the second half. Eroding affordability, buyer hesitation in advance of new federal mortgage refinancing rules, and Ontario's introduction of a 16-Point 'Fair Housing Plan' in April 2017 all contributed to the market slowdown. When the dust settled at year-end, overall market volumes closed down 19% year-over-year, despite an increase of 13% in average house prices. As the GTA represents approximately 30% of the national market, the decline in unit sales depressed the overall performance of the Canadian residential market.

Ontario's strong economy, low unemployment rate, low housing supply and population growth should contribute to improving sales activity in 2018.

On January 1, 2018, the Office of the Superintendent of Financial Institutions implemented new regulations for mortgage refinancing that may contribute to slower housing activity in 2018 as potential buyers and sellers take a 'wait and see' approach. Moreover, some potential move-up buyers may delay listing their homes as they may not be able to access sufficient financing for their desired next purchase. Further diminished affordability may contribute to increased demand for entry-level properties.

Low inventory levels may continue to define market characteristics of many large urban centres including Vancouver, Toronto, Ottawa and Montreal in 2018. Further adding to pent up housing demand, British Columbia and Ontario both experienced an increase in interprovincial migration in 2017, putting further pressure on the Vancouver and Toronto markets. Demand from immigration, alongside demand from millennials, the largest generation in Canada who are increasingly approaching home buying age, may continue to outpace supply, putting upward pressure on home prices.

LEADERSHIP

In a momentum industry such as real estate services, where front-line agents can relocate their practices to a competitor, being part of an organization that receives national and international accolades is very appealing. The awards and recognition we receive resonate in our network and are part of our recruiting and retention campaigns.

For the fifth consecutive year, I was recognized as the most influential leader in Canadian real estate according to the Swanepoel Power 200, the definitive ranking of residential real estate leadership across North America. As every executive who has received personal recognition understands, such success is a reflection of the excellence of the overall team. In my case, I am blessed with a Board that offers sage advice and counsel, and a talented, experienced and dedicated team running the business.

In 2017, our Royal LePage brand received the gold Canadian Marketing Award in data analytics marketing for "Your Perfect Life," a consumer-facing neighbourhood matching tool on royallepage.ca. A first in Canada, the "Your Perfect Life" service uses industry-leading demographic data and analytics to help consumers discover homes in communities across the nation that fit their current or desired lifestyles.

The Company's brands are some of the most trusted and respected in the real estate industry. This is not the result of one campaign or one good year. From senior leadership to our growing network of REALTORS®, our brands have a long history of providing helpful, accurate and timely insight into what matters most to Canadian homeowners and prospective homeowners.

Our brands are media's leading source of commentary from the real estate industry – a relationship that we value greatly. In 2017, the Royal LePage brand broke its own record and reached 2.6 billion media impressions resulting in 107% more media impressions than its largest competitor. These results were generated from over 9,000 stories that appeared in national, regional and community outlets, reflecting national and local insight in the communities where our REALTORS® operate. Driving these results is insightful and data-rich commentary, delivered within the brands' quarterly or annual report, a timely release or during a live interview on breaking news.

Royal LePage has a reputation for driving real estate conversations in Canada. In 2017, the brand published its research into Peak Millennials, the powerful consumer demographic expected to drive demand for housing over the next decade. The report was exceptionally well-received generating 103 million media impressions and 397 stories.

During the year, the public relations program was expanded to include the Royal LePage Market Survey Outlook, a new release issued in December 2017 focusing on the price forecast of Canada's largest cities in 2018. In addition, Royal LePage began distributing a suite of social media assets promoting PR campaign releases and delivering additional value-added content for its REALTORS® to share.

We are very proud of our brands' long history of giving back to the communities in which they operate. For the third year in a row, Via Capitale participated in the Grande Guignolée des Médias. REALTORS® throughout Quebec were present in the streets and offered their support to help end poverty. In addition to this annual event, Via Capitale champions the end of food insecurity in Quebec through an ongoing campaign encouraging Quebecers to donate when they move, during the winter holidays and other times of the year.

Recognizing that a home should be a place where families experience safety, happiness and harmony, The Royal LePage Shelter Foundation, established in 1998, helps local shelters provide a safe haven and a new beginning for more 30,000 women and children every year. Royal LePage is the nation's only major real estate company with its own branded charity. The Foundation is the largest foundation in Canada dedicated to eradicating domestic violence in our communities, and supporting the women and children who fall victim to it. The Manager pays all administrative costs for the Foundation so that 100% of the funds raised go to support the cause. Since its inception, more than $27 million has been raised.

OPERATING PLATFORM

Since we pioneered the use of the internet in real estate some twenty years ago, our brokerages and agents have relied on the advanced technologies that drive our business services. We provide them the tools that they need to manage their costs and to differentiate their services in a highly competitive and fast-paced industry.

Letter to Shareholders

Technology that Drives Business
REALTORS® are early adopters of business technology. The Company is committed to a perpetual development cycle, researching, developing and implementing new services for our network. Our goal is to put effective and user-friendly tools into the hands of REALTORS®, making our brands the first and last stop for all their evolving needs. We also provide the training and coaching they need to put these new services to work.

In 2017, the number of unique users who visited royallepage.ca grew by 15% to 18.4 million. More importantly, brokerage leads generated from the site grew by 20% year-over-year. To maintain this momentum, in December 2017, a new royallepage.ca was launched. With a modern, clean and bright aesthetic, new hyper-local neighbourhood content for each of the tens of thousands of listings, and improved search engine optimization, the revamped site has been an immediate hit with consumers and agents alike.

Meeting the need for REALTORS® to have everything at their fingertips, we launched Royal LePage Smart Studio nationwide in March. Smart Studio is a one-stop-shop service for all of our agents' marketing and client relationship management (CRM) needs. To improve productivity, the platform automates the process of acquiring clients and listings, marketing the home for sale, and keeping in touch with the client post-transaction.

For broker-managers, new features available on the intranet, rlpNetwork, include dynamic distribution lists, brokerage-level calendaring and an expert referral directory. For Quebec specifically, we invested in technology that facilitates targeted recruitment, with an innovative new interactive microsite.

Our Via Capitale business embraced virtual reality as a tool to market listings in 2017. This new Matterport 3D tour technology is easier and faster for both brokers and clients to use. With the launch of Courtier-vedette, REALTORS® now have a highly effective tool to market themselves online while its existing tool, Maison-vedette+, was enhanced to better market homes on Facebook.

Marketing and Social Media
Coincident with the nation's one hundred and fiftieth birthday celebration, Royal LePage rolled out a new national brand campaign, *Canada's Real Estate Company*, providing brokers and REALTORS® across the country with a full suite of marketing tools designed to drive brand awareness and pride in Canada's oldest and largest real estate firm. Under this theme, the brand launched *Canada's Real Estate Company 'Find Your Happy Place,'* a highly successful Facebook campaign that reached over 39 million Canadians in eight weeks.

In 2017, Via Capitale launched two multi-channel cross-province consumer marketing campaigns. In order to measure the effectiveness of their ongoing marketing campaign efforts, Via Capitale utilizes omnibus polling. A poll conducted in September 2016 and December 2017, showed an 11% improvement in brand recall. The 2017 omnibus poll also showed that 85% of the brand's target market, Quebecers aged 25-54, were aware of Via Capitale.

The Company continues to see returns from our social media marketing investments. Our platforms continue to grow and are today top destinations for Canadian and US consumers as well as brokers and REALTORS® searching for engaging real estate content to read and share within their personal and professional networks. Engagement on Royal LePage's three main consumer-facing platforms – Instagram, Facebook and Twitter – grew by 55%, 9% and 6%, respectively. The business oriented LinkedIn platform has more than 2.5 times the followers of its closest competitor.

SUMMARY

It is an exciting time for our industry and for the Company. We face important generational shifts, advances in technology, and the evolution of the competitive landscape. Against this backdrop, we are very pleased with our progress, and believe our strong financial results and shareholder returns are a testament to continuously doing the right things well.

On behalf of the Board,

PHILIP SOPER
President and Chief Executive Officer

2017 Financials

Management's Discussion and Analysis

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 and the year ended December 31, 2017, and has been prepared as at March 6, 2018. The three months ended December 31, 2017, shall be referred to in this MD&A as the "Quarter" and the year ended December 31, 2017, shall be referred to in this MD&A as the "Year". The comparative period of the three months ended December 31, 2016, shall be referred to in this MD&A as the "Prior Year Quarter" and the comparative annual period for the year ended December 31, 2016, shall be referred to in this MD&A as the "Prior 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, 2017, prepared in accordance with IFRS. Additional information relating to the Company, including its 2017 Annual Information Form, is available on SEDAR at www.sedar.com.

This MD&A makes reference to Cash Flow from Operations, or "CFFO", which does not have any standardized meaning under IFRS. Please see Cash Flow from Operating Activities reconciled to Cash Flow from Operations for a reconciliation of CFFO to cash flow from operating activities in the consolidated statements of cash flows and further information about CFFO.

Management's Discussion and Analysis of Results and Financial Condition

Highlights

(in 000's) except REALTOR® count	**Three months ended December 31, 2017**	Three months ended December 31, 2016	Three months ended December 31, 2015	**Year ended December 31, 2017**	Year ended December 31, 2016	Year ended December 31, 2015
Royalties	**$ 9,466**	$ 9,602	$ 9,539	**$ 44,238**	$ 42,436	$ 39,859
Administration expenses	**(110)**	(308)	(252)	**(816)**	(1,058)	(1,286)
Management fee	**(1,750)**	(1,734)	(1,734)	**(8,178)**	(7,754)	(7,229)
Interest expense	**(609)**	(627)	(619)	**(2,532)**	(2,606)	(2,428)
CFFO	**$ 6,997**	$ 6,933	$ 6,934	**$ 32,712**	$ 31,018	$ 28,916
Dividends paid	**$ 3,201**	$ 3,081	$ 2,964	**$ 12,485**	$ 12,325	$ 11,619
Interest on Exchangeable Units paid	**$ 1,451**	$ 1,428	$ 1,373	**$ 5,742**	$ 5,710	$ 5,381
Net and comprehensive earnings / (loss)	**$ 2,878**	$ 5,327	$ (3,001)	**$ 12,444**	$ 6,397	$ 1,324
Number of REALTORS®				**18,135**	17,580	16,794

	Three months ended December 31, 2017	Three months ended December 31, 2016	Three months ended December 31, 2015	**Year ended December 31, 2017**	Year ended December 31, 2016	Year ended December 31, 2015
CFFO per Share	**$ 0.55**	$ 0.54	$ 0.54	**$ 2.55**	$ 2.42	$ 2.26
Dividends paid per Restricted Voting Share	**$ 0.34**	$ 0.32	$ 0.31	**$ 1.32**	$ 1.30	$ 1.23
Interest paid on Exchangeable Units per Exchangeable Unit	**$ 0.44**	$ 0.43	$ 0.41	**$ 1.73**	$ 1.72	$ 1.62
Net and comprehensive earnings / (loss) per share	**$ 0.30**	$ 0.31	$ (0.32)	**$ 1.31**	$ 0.67	$ 0.14

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, 2017.

- Cash flow from operations ("CFFO") for the Year improved to $32.7 million or $2.55 per share on a diluted basis ("Share"), an increase of 5.5% as compared to $31.0 million or $2.42 per Share in 2016 and an increase of 13.1% as compared to $28.9 million or $2.26 per Share in 2015.
- CFFO of $2.55 per Share for the Year represents the highest annual CFFO per Share ever generated by the Company. 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 lower bad debt and other administration expenses as compared to 2016 and 2015.
- The board of directors of BRESI (the "Board") approved an increase in the dividend payable to holders of Restricted Voting Shares during the year. As a result, the Company paid cash dividends of $1.32 per Restricted Voting Share during the year compared to $1.30 in 2016 and $1.23 in 2015. The most recent monthly dividend declared by the Board of $0.1125 per Restricted Voting Share represents a targeted annualized dividend of $1.35 per Restricted Voting Share.

Organization

BRESI's Restricted Voting Shares are 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. The Partnership and VCLP own and operate the assets from which BRESI derives its revenue.

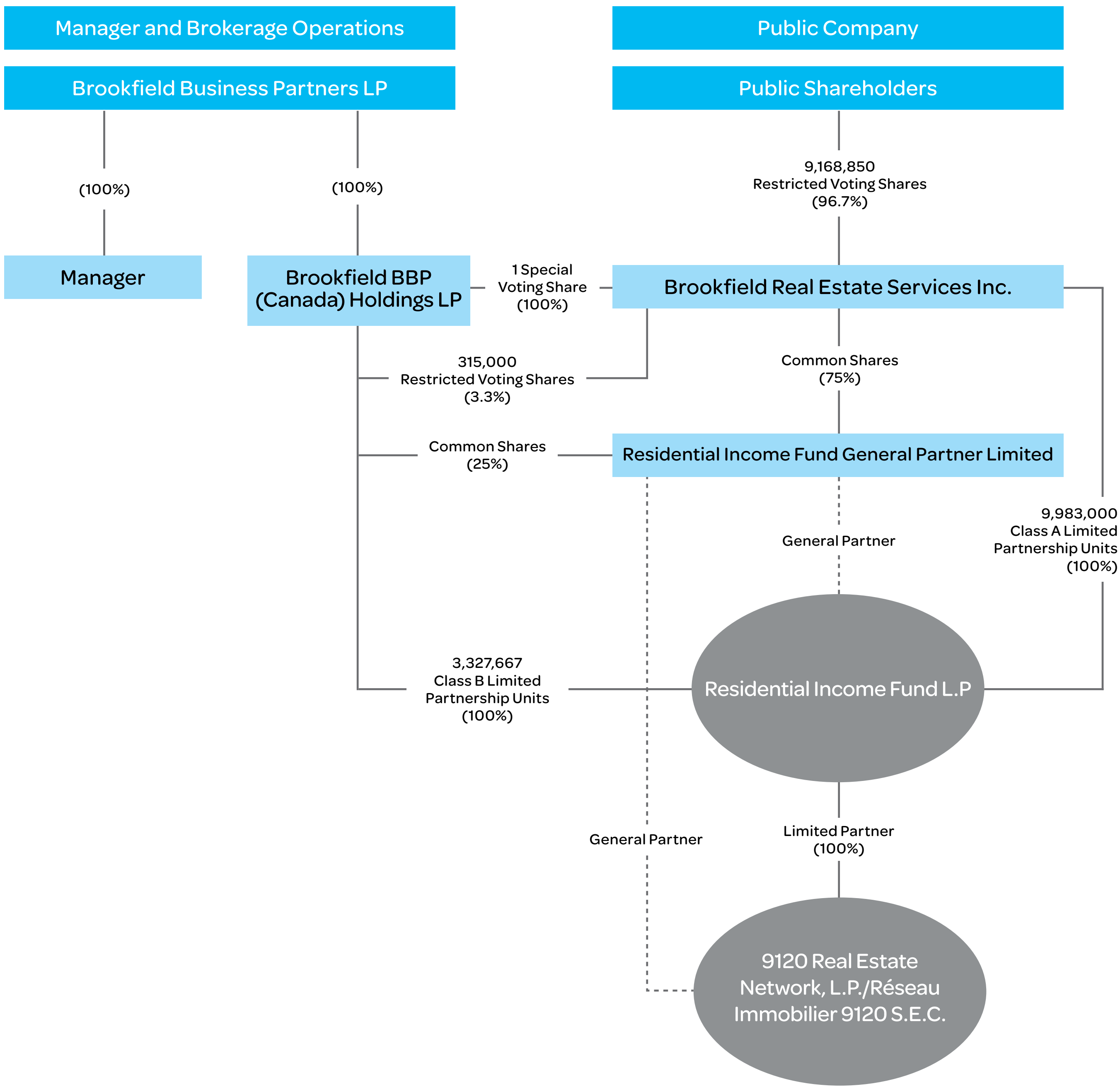
Brookfield BBP (Canada) Holdings L.P ("BBP"), a subsidiary of Brookfield Business Partners L.P, owns the remaining 25% interest in the Partnership through its ownership of exchangeable units of the Partnership (the "Exchangeable Units") and the remaining 25% interest in the General Partner through its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

Management's Discussion and Analysis of Results and Financial Condition

Prior to June 1, 2016, all of BBP's interests in the Company were owned by Brookfield Private Equity Direct Investments L.P., a wholly-owned subsidiary of Brookfield Asset Management Inc.

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 REALTORS® 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 REALTORS® by the Manager.

The number of REALTORS® 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 REALTORS® to the Brands through their value propositions 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 2017 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 REALTORS® through the provision of services and additional fee for service offerings, which increases the productivity of the REALTORS®.

Structure of Company Royalties

ROYALTY FEES

The Company generates revenue from royalties with both fixed and variable components. Approximately 61% of the Company's royalties during the Year and the Prior Year were derived from the combined fixed franchise fee per REALTOR® per month and other revenue, which is comprised of fixed technology fees, warranty fees and other fees. The remaining royalty stream is made up of 1% variable franchise fee and premium franchise fees. Approximately 73% 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 REALTORS® in the Network, increasing REALTOR® productivity and steady growth in the Canadian Market 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 REALTORS® in the Franchise Network. Fixed franchise fees from Royal LePage Franchisees consist of a monthly fixed fee of $105 per REALTOR®, while fixed fees from Via Capitale Franchisees consist primarily of a monthly fee of $170 per REALTOR®.

On January 1, 2016, the Company increased the Royal LePage fixed fee from $102 to $105 per REALTOR® for approximately 85% of the Franchise Network, with the increase taking effect for the balance of the Franchise Network on January 1, 2017.

During the first quarter of 2017, the Company announced an increase in the Royal LePage fixed fee to $108 per REALTOR® with the increase taking effect on January 1, 2018.

Variable franchise fees are calculated as a percentage of Gross Revenues earned by the Franchisee's REALTORS®. Variable franchise fees from Royal LePage Franchisees are driven by the transactional dollar volume transacted by the REALTORS® and are derived as 1% of each REALTOR®'s Gross Revenues, subject to a cap of $1,325 per year. Certain REALTORS® in the Royal LePage Network work as part of a Team. All REALTORS® 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 are aggregated to one cap.

On January 1, 2016, the Company implemented an increase in the cap for the variable franchise fee from $1,300 to $1,325 per year for approximately 85% of the Franchise Network with the increase taking effect for the balance of the Franchise Network on January 1, 2017.

During the first quarter of 2017, the Company announced an increase in the cap for the variable franchise fee to $1,350 per year, with the increase taking effect on January 1, 2018.

The amount of variable franchise fee paid by an individual REALTOR® 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. For those REALTORS® or Teams who reach the cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® will not change based on changes in the Canadian Market. In 2017, approximately 2,900 REALTORS® and 1,100 Teams (representing more than 3,000 REALTORS®) exceeded the $1,325 cap and accounted for approximately 13% of the Gross Revenue earned from Royal LePage Franchisees.

Premium franchise fees are paid by 21 of the Company's larger Royal LePage locations in the Greater Toronto Area (the "GTA"). 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, 11 are operated by the Manager.

Premium franchise fees represented 15% of royalties in the Year and the Prior Year. The Company will no longer receive premium franchise fees after August 2018 when the obligation to pay those fees expires.

Other revenue includes primarily a fixed technology fee of $20 per month for REALTORS® in the Royal LePage Network, and fees for other ancillary services performed for REALTORS® in the Via Capitale and Royal LePage Networks.

Network Royalty Profile

As at December 31, 2017, the Company received royalties from 18,135 REALTORS® contracted with 334 Broker-Owners operating under 293 Franchise Agreements from 658 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 2017 transactional dollar volume.

The Royal LePage Network:
The fees generated from the Royal LePage Network accounted for 96% of the Company's fees for the Year (2016 – 95%).
Fees charged to the Royal LePage Network for the Year include:

- a fixed monthly franchise fee per REALTOR® of $105;
- a variable franchise fee equal to 1% of Gross Revenue up to a maximum annual variable franchise fee of $1,325 per REALTOR® or Team;
- a premium monthly franchise fee per applicable location, as described above; and
- a fixed monthly technology fee per REALTOR® of $20.

The Via Capitale Network:
The fees generated from the Via Capitale Network, which services the Quebec market, accounted for 4% of the Company's fees for the Year (2016 – 5%). These fees are primarily made up of a fixed monthly fee per REALTOR® of $170 ($2,040 per year) and other fees for warranties and other ancillary services.

Overview of 2017 Operating Results

Years ended December 31, (in 000's) except per Share amounts; Restricted Voting Shares outstanding; Exchangeable Units outstanding; Number of REALTORS®	2017	2016	2015
Royalties	**$ 44,238**	$ 42,436	$ 39,859
Less:			
Administration expenses	**816**	1,058	1,286
Management fee	**8,178**	7,754	7,229
Interest expense	**2,532**	2,606	2,428
Cash Flow from Operations	**$ 32,712**	$ 31,018	$ 28,916
Recovery / (Impairment and write-off) of intangible assets, net	**544**	(111)	(1,047)
Amortization of intangible assets	**(8,137)**	(9,583)	(9,892)
Interest on Exchangeable Units	**(5,750)**	(5,710)	(5,434)
Loss on fair value of Exchangeable Units	**(2,496)**	(3,694)	(5,524)
Gain / (loss) on interest rate swap	**1,159**	822	(1,454)
Gain / (loss) on fair value of purchase obligation	**147**	(1,568)	(633)
Current income tax expense	**(5,280)**	(4,893)	(4,469)
Deferred income tax (expense) / recovery	**(455)**	116	861
Net and comprehensive earnings	**$ 12,444**	$ 6,397	$ 1,324
Basic earnings per Restricted Voting Share	**$ 1.31**	$ 0.67	$ 0.14
Diluted earnings per Share	**$ 1.31**	$ 0.67	$ 0.14
Cash Flow from Operations per Share	**$ 2.55**	$ 2.42	$ 2.26
Dividends paid per Restricted Voting Share	**$ 1.32**	$ 1.30	$ 1.23
Interest paid per Exchangeable Unit	**$ 1.73**	$ 1.72	$ 1.62
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
Number of REALTORS®	**18,135**	17,580	16,794

(in 000's) As at	December 31, 2017	December 31, 2016	December 31, 2015
Total assets	**$ 93,523**	$ 92,403	$ 98,114
Total liabilities	**$ 124,901**	$ 123,701	$ 123,484

VARIATION OF OPERATING RESULTS FOR THE YEAR COMPARED TO THE PRIOR YEAR

Royalties:

The strong Canadian Market in the first six months of the Year, combined with a significant increase in the number of REALTORS® in the Company Network, contributed to a $1.8 million increase in royalty revenues in the Year, compared to the Prior Year. The total value of real estate bought and sold in Canada was marginally lower at $262 billion in the Year as compared to the Prior Year. Nationally, the number of homes sold was down 4% while the average selling price of a home increased by 4%. The GTA experienced a strong first half of the Year, contributing to increased variable franchise fees and premium franchise fees, before significant weakness in the last half of the year. The Company's Network of REALTORS® increased by 555 REALTORS® in the Year compared to the Prior Year contributing to an increase in fixed franchise fees and other revenue.

Net Earnings:
For the Year, the Company generated net earnings of $12.4 million or $1.31 per Share, compared to net earnings of $6.4 million or $0.67 per Share in the Prior Year.

The primary drivers of the increase in net earnings compared to the Prior Year were:

- A $1.4 million increase in royalty revenues, net of the associated increase in management fees
- A $0.2 million reduction in administration expense mainly as a result of lower bad debt expense
- A $0.5 million reversal of impairment of intangible assets recorded, compared to an impairment loss of $0.1 million in the Prior Year
- A $1.5 million reduction in amortization of intangible assets as a result of a number of Franchise Agreements being fully amortized
- A loss on the determination of the fair value on the Exchangeable Units of $2.5 million in the Year, compared to $3.7 million in the Prior Year
- A $1.2 million gain on the Company's interest rate swap compared to a gain of $0.8 million in the Prior Year
- A gain on the determination of the fair value of the purchase obligation of $0.1 million from the revaluation of the estimated purchase price of Franchise Agreements in the Year, compared to a loss of $1.6 million in the Prior Year; partly offset by
- A $1.0 million increase in income tax expense driven by an increase in taxable income

Total Assets:
Total assets increased by $1.1 million in the Year compared to the Prior Year, primarily as a result of the increase in the carrying value of intangible assets of $0.6 million, (driven by the Company's acquisition of Franchise Agreements totaling $8.2 million on January 1, 2017 and impairment reversals partly offset by amortization of intangible assets), an increase in accounts receivable of $0.5 million and an increase in cash, partly offset by decrease in deferred income tax asset.

Total Liabilities:
Total liabilities increased by $1.2 million in the Year compared to the Prior Year. The main drivers of the increase are as follows:

- A net increase in debt facilities of $2.0 million to reflect borrowings to acquire Franchise Agreements during the Year.
- An increase of $2.5 million in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares (see further discussion under *Annual Operating Results and Cash Flows – Loss on fair value of Exchangeable Units*); partly offset by
- A $2.1 million decrease in the purchase obligation as a result of payments made during the Year, and
- A $1.1 million decrease in the interest rate swap liability

Dividends and distributions:
Dividends approved by the Board on Restricted Voting Shares increased to $1.32 per share in the Year, compared to $1.30 in the Prior Year.

Interest on Exchangeable Units increased marginally, consistent with the increase in dividends on the Restricted Voting Shares.

VARIATION OF OPERATING RESULTS FOR 2016 COMPARED TO 2015

Royalties:
The strong Canadian Market, combined with a significant increase in the number of REALTORS® in the Company Network, contributed to a $2.6 million increase in royalty revenues in 2016, compared to 2015. The total value of real estate bought and sold in Canada increased by 17% to $263 billion, contributing to increased variable franchise fees and premium franchise fees. The Company's Network of REALTORS® increased by 786 REALTORS® in 2016, driven by 459 REALTORS® acquired by way of acquisition of Franchise Agreements, and 327 REALTORS® recruited in the Year.

Net Earnings:
For the Year, the Company generated net earnings of $6.4 million or $0.67 per Share, compared to $1.3 million or $0.14 per Share in 2015.

The primary drivers for the increase in net earnings compared to 2015 were:

- A $2.0 million increase in royalty revenues as discussed above, net of the associated increase in management fees;
- A $1.2 million decrease in amortization and impairment of intangible assets;
- A $1.8 million decrease in the loss on the determination of the fair value on the Exchangeable Units from a loss of $5.5 million in 2015, to a loss of $3.7 million in 2016;
- A gain of $0.8 million in 2016 in the fair value of the interest rate swap as compared to a loss of $1.5 million in 2015. See further discussion under *Annual Operating Results – Gain on interest rate swap*; partly offset by
- A $1.2 million increase in income tax expense driven by an increase in taxable income.

Total Assets:
Total assets decreased by $5.7 million in 2016 compared to 2015, primarily as a result of the decrease in the carrying value of intangible assets of $3.1 million, driven by the amortization of intangible assets partly offset by the Company's acquisition of Franchise Agreements on January 1, 2016, and a $2.5 million decrease in cash as a result of net repayment of debt during the Year and payment of purchase obligations associated with the acquisition of Franchise Agreements in 2016 and 2015.

Total Liabilities:
Total liabilities increased by $0.2 million in 2016 compared to 2015. The main drivers of the decrease are as follows:

- An increase of $3.7 million in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares (see further discussion under *Annual Operating Results – Loss on fair value of Exchangeable Units*); partly offset by
- A decrease in debt facilities of $0.9 million to reflect the net repayments on the acquisition line;
- A $1.2 million reduction in current and non-current portions of purchase obligation as a result of payments made during the Year;
- A decrease of $0.8 million in the Company's Interest Rate Swap liability; and
- Other reductions in Accounts Payable and Accrued Liabilities and the Company's current income tax liability.

Dividends and distributions:
Dividends approved by the Board on Restricted Voting Shares increased to $1.30 per share in 2016, compared to $1.23 in 2015.

Interest on Exchangeable Units increased by $0.3 million compared to 2015. This increase is consistent with the increase in dividends on the Restricted Voting Shares.

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 dollar volumes; and
4. The Company's growth opportunities.

Management's Discussion and Analysis of Results and Financial Condition

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 geographic distribution of the Company Network, and the length and renewal of the Franchise Agreements owned by the Company.

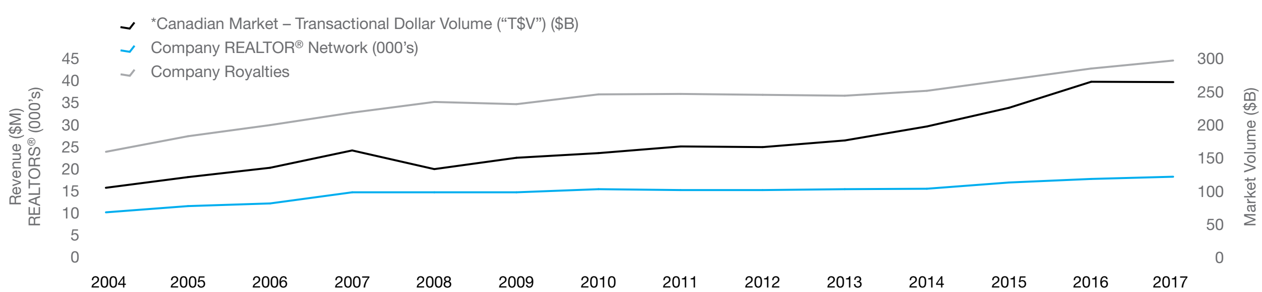
FIXED – FEE STRUCTURE

The Company estimates that approximately 73% of its royalties are fixed in nature. In addition to its fixed franchise fees and other revenue, a substantial portion of the Company's variable franchise fees are effectively fixed in nature.

The amount of variable franchise fee paid by an individual REALTOR® 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 per REALTOR® or Team of REALTORS®. For those REALTORS® or Teams who reach the cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® or Team will not change based on changes in the Canadian Market.

The chart below compares the Company's annual royalties to the Canadian Market and the underlying number of REALTORS® in the Company Network. The quarterly changes in the Company's royalty revenues and the Canadian Market is shown under "Transactional Dollar Volumes".

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.

During 2015, the Company announced that the Royal LePage Network monthly fixed franchise fee of $102 per REALTOR® would increase to $105 per REALTOR® and the maximum variable franchise fee payable based on 1% of each REALTOR®'s or Team's Gross Revenue would 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.

During the first quarter, the Company announced that the Royal LePage Network monthly fixed franchise fee of $105 per REALTOR® would increase to $108 per REALTOR® and the maximum variable franchise fee payable based on 1% of each REALTOR®'s or Team's Gross Revenue would increase from $1,325 annually to $1,350. The Company estimates this fee increase could result in approximately $0.7 million in incremental franchise fee revenue commencing in 2018.

Management's Discussion and Analysis of Results and Financial Condition

GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at December 31, 2017, the Company Network of 18,135 REALTORS® operated through 293 Franchisee Agreements, contracted with 334 Broker-Owners, providing services across the country through 658 locations. Of the Brokerages in the Company Network, approximately 64% operate with fewer than 50 REALTORS® and represent 14% of the REALTORS® in the Company Network. The Company's smallest Franchisees have one REALTOR® while the largest has approximately 1,900 REALTORS®.

The Company Network is geographically dispersed. 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, 2017	Canadian[1] REALTOR® Population	Company REALTOR® Population
Ontario	57%	61%
British Columbia	18%	13%
Quebec	10%	13%
Alberta	9%	6%
Maritimes	3%	3%
Prairies	3%	4%
Total	100%	100%

[1]Source: CREA

FRANCHISE AGREEMENTS

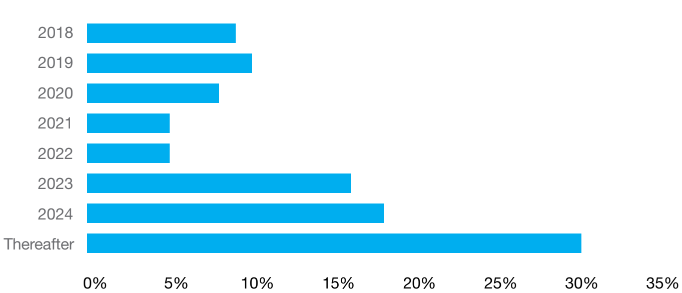
Franchise Agreements are contracts between the Company and Franchisees which govern matters such as use of the Trademarks, rights and obligations of Franchisees and the Company, renewal terms, services to be provided and franchise fees. Over the term of the Franchise Agreement, the Franchisee may undertake 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 represent 95% 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 standard 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.

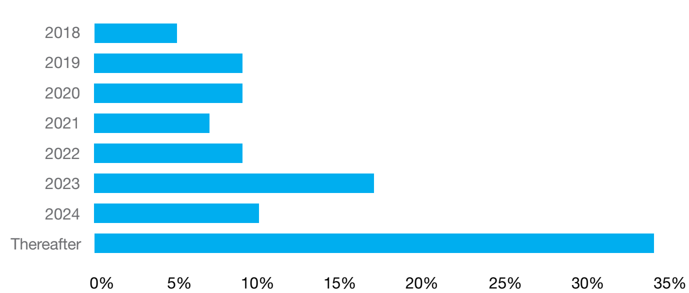
The Via Capitale Franchise Agreements, which represent 5% of the Company's REALTORS®, are typically five years in duration with standard renewal terms extending five years.

A summary of the Company's agreement renewal profiles as at December 31, 2017 for the Company Network is shown below.

% OF FRANCHISE AGREEMENTS UP FOR RENEWAL
(by Number of REALTORS®)



% OF FRANCHISE AGREEMENTS UP FOR RENEWAL
(by Number of Agreements)



RENEWALS

The Company has historically been able to achieve renewal success in more than 95% of Franchise Agreements as they come due, expressed as a percentage of the underlying number of REALTORS® associated with those 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 Quarter, two Franchise Agreements, representing 69 REALTORS® of the Company Network extended their term or renewed and two Franchise Agreement, representing 183 REALTORS® for the Company Network renewed early.

During the Quarter, three Franchise Agreements were terminated as a result of Franchisees merging operations

For the YTD, twenty-five Franchise Agreements, representing 756 REALTORS® of the Company Network extended their term or renewed, and eight Franchise Agreements, representing 364 REALTORS® of the Company Network renewed early.

For the YTD, twelve Franchise Agreements were terminated, of which nine were as a result of Franchisees merging operations and 3 resulted in the loss of 11 REALTORS®.

Number of REALTORS® in the Company Network

For the Year, the Company Network of 18,135 REALTORS® increased by 555 REALTORS®, compared to a net increase of 786 REALTORS® in the Prior Year. After taking into account the 568 REALTORS® added through the acquisition of Franchise Agreements and addendums on January 1, 2017 (January 1, 2016 – 459 REALTORS®), the Company experienced net attrition of 13 REALTORS®, compared to net growth of 327 REALTORS® in the Prior Year.

As at December 31,	2003[1] – 2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Company Network									
Opening REALTOR® Count	9,238	14,631	15,308	15,061	15,086	15,310	15,377	16,794	**17,580**
Acquisition	2,882	417	247	217	516	493	1,577	459	**568**
Net Recruiting Growth (Attrition)	2,511	260	(494)	(192)	(292)	(426)	(160)	327	**(13)**
Closing REALTOR® Count	14,631	15,308	15,061	15,086	15,310	15,377	16,794	17,580	**18,135**
% Change in the period	58%	5%	(2%)	0%	1%	0%	9%	5%	**3%**

Canadian REALTOR® Population	2003[1] - 2009	2010	2011	2012	2013	2014	2015	2016	**2017**
CREA REALTOR® Membership	98,161	101,916	104,407	106,944	109,032	110,821	114,664	121,212	**125,269**
% Change in the period	38%	4%	2%	2%	2%	2%	3%	6%	**3%**

[1] Opening Count as at August 2003

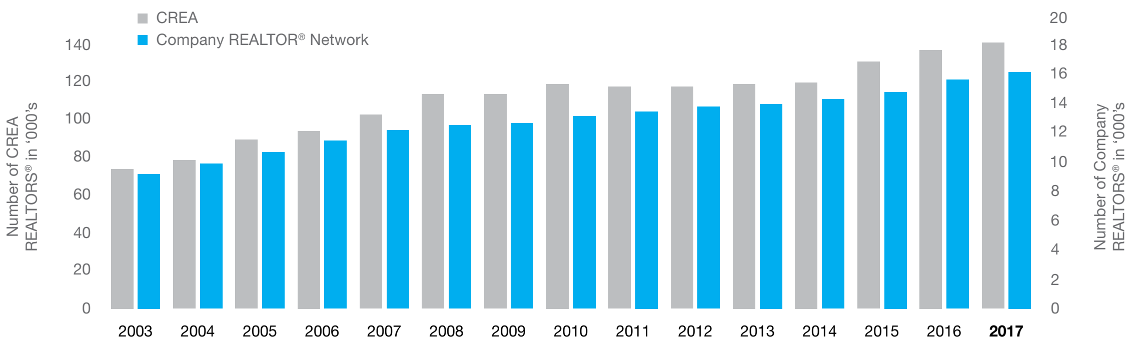
Management's Discussion and Analysis of Results and Financial Condition

The increase in the number of Canadian REALTORS® since 2003 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. Since 2003, the Company's Network has grown at a 5% compound annual growth rate ("CAGR"), outperforming the 4% growth in the industry despite the addition of competitive offerings over the same time period.

The number of REALTORS® in the Company network increases when the Company purchases Franchise Agreements from the Manager. This generally occurs on January 1 of each year, unless additional purchases are approved by the Board of Directors of the Company. During those quarters where no Franchise Agreements are purchased, REALTOR® growth tends to be more modest, and can be negative, indicating periods of net attrition.

CANADIAN REAL ESTATE REALTORS®

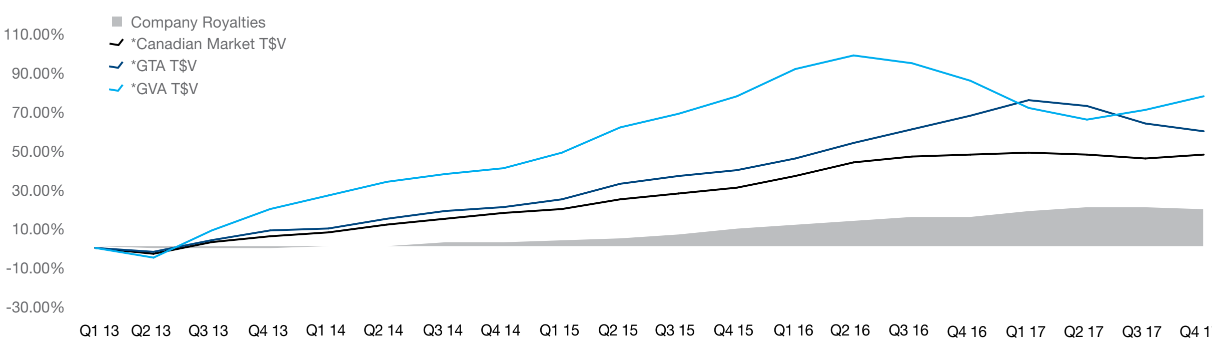
(Years ended December 31)



Transactional Dollar Volumes

The chart below shows the cumulative growth in the Canadian Market and select urban markets as compared to the growth in the Company's royalty revenues since the first quarter of 2013.

ROLLING TWELVE-MONTH % CHANGE FROM PRIOR QUARTER



*Source: CREA

Transactional dollar volume of real estate in Canada grew consistently from the second quarter of 2013 through to the second quarter of 2017 as real estate values and volumes were strong, Canadian Market growth slowed in the second quarter of 2016 (concurrent with a drop in the Greater Vancouver market) and turned negative in the second quarter of 2017 (concurrent with the drop in the GTA market). Royalty revenues have continued to grow since 2013, 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. However, in the Quarter, the Company did show a reduction in variable fees of approximately 6% compared to the Prior Year Quarter.

Management's Discussion and Analysis of Results and Financial Condition

For the Year, the Canadian Market was marginally lower than 2016 at $263 billion as a result of a 4% increase in price and a 4% decrease in units sold. The increase in average selling price of a home was buoyed by low interest rates and robust activity in the GTA and the metropolitan Vancouver market in the first six months of the year.

During the Quarter, the Canadian Market closed up 8%, at $54 billion, as compared to the Prior Year Quarter. The increase in transaction dollar volume was driven by a 4% increase in price and a 4% increase in units sold.

For the Year, the GTA market closed down 8%, at $76 billion, as compared to 2016, driven by a 13% increase in price and a 19% decrease in units sold.

During the Quarter, the GTA market closed down 19%, at $15 billion, as compared to the Prior Year Quarter. The decrease in transaction dollar volume was driven by a 20% decrease in units sold partly offset by a 2% increase in price. Earlier in 2017, the government of Ontario introduced certain measures designed to cool housing markets which have served to reduce housing activity, particularly in the GTA and surrounding area.

For the Year, the Greater Vancouver market closed down 9%, at $38 billion, as compared to 2016, driven by a 1% increase in price and 10% decrease in units sold due in part to the impact of government policies designed to moderate the significant increase in selling prices in the market in 2015 and 2016.

During the Quarter, the Greater Vancouver market closed up 47%, at $8 billion, as compared to the Prior Year Quarter, driven by a 16% increase in price and a 27% increase in units sold.

Company's Growth Opportunities

Growth in the Company's royalties is achieved through:

- Increasing the number of REALTORS® in the Company Network through recruitment growth;
- Acquiring Franchise Agreements from the Manager;
- Increasing the productivity of REALTORS®;
- Expanding the range of products and services supporting Franchisees and their REALTORS®; and
- Increasing the adoption of the Company's products and services.

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

Management’s Discussion and Analysis of Results and Financial Condition

GROWTH IN NUMBER OF REALTORS®

The Company strives to increase the number of REALTORS® in the Company Network through the continued momentum of converting competing brokerages and REALTORS® to the Company’s Brands and developing programs to increase REALTOR® growth. This is generally achieved through acquisition of Franchise Agreements from the Manager.

Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 96% (8,897 REALTORS®), of which 83% has been through acquisitions and 17% through net recruitment growth. This represents a CAGR of 5% in the Company Network.

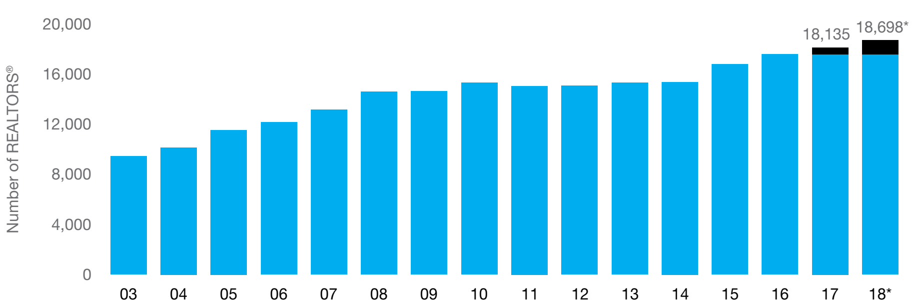
On January 1, 2017, the Company acquired 55 Franchise Agreements comprised of 568 REALTORS® operating under the Royal LePage and Via Capitale Brands. The estimated purchase price of these agreements was $8.2 million, with an estimated annual royalty stream of $1.2 million.

On January 1, 2016, the Company acquired 33 Franchise Agreements comprised of 459 REALTORS® operating under the Royal LePage and Via Capitale Brands. The estimated purchase price of these agreements was $6.6 million, with an estimated annual royalty stream of $1.0 million.

On January 1, 2018, the Company acquired 38 Franchise Agreements comprised of 563 REALTORS® operating under the Royal LePage and Via Capitale Brands. The estimated purchase price of these agreements was $8.8 million, with an estimated annual royalty stream of $1.2 million.

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

COMPANY GROWTH



Year ended December 31, except 2018
*As at January 1, 2018

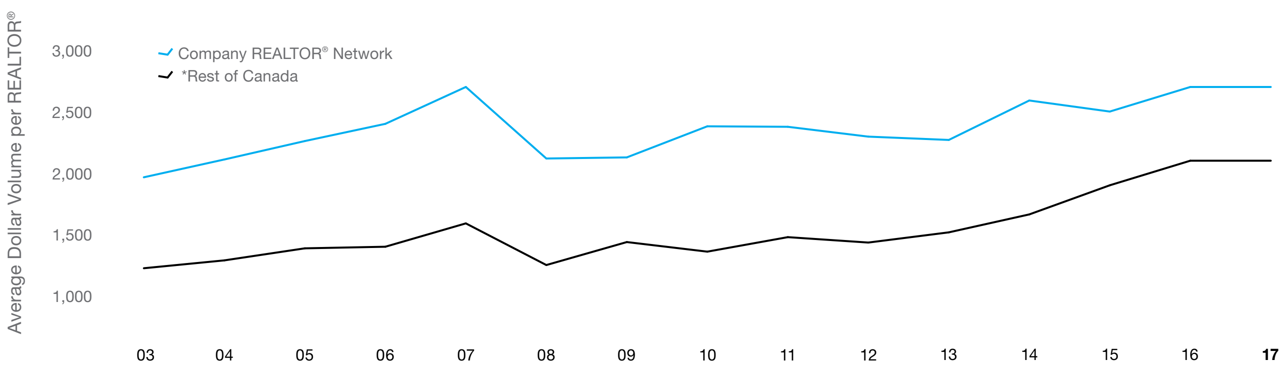
Management's Discussion and Analysis of Results and Financial Condition

REALTOR® Productivity

The average Company Network REALTOR® generated approximately $2.7 million in transactional dollar volume for the twelve months ended December 31, 2017, compared to an estimated $2.1 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 2017, 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

PRODUCTS AND SERVICES

During 2017, the Manager made significant investments in new products and services to assist Franchisees in managing their business and increase productivity while providing innovative tools to attract and retain the best talent in the real estate industry.

In the fourth quarter, the Royal LePage brand launched a new Company website. In addition to enhanced aesthetics, the new site offers an improved mobile web experience and improved search engine optimization ("SEO"). The new website also provides a feature called Local Logic, which allows an individual to search for a home based on specific neighbourhood attributes. It is available for listings in over 180 cities and has been shown to increase consumer engagement. Earlier this year the Company launched Smart Studio, a new marketing and customer relationship management ("CRM") tool for use by REALTORS® and brokers. The platform uses automation to improve REALTOR® productivity and provides everything needed to market REALTORS® and their listings. Broker Boost, a new nationwide coaching program, was launched in the second quarter. This year, consumer marketing activities included two consumer marketing campaigns in addition to an enhanced public relations program.

In the fourth quarter, the Via Capitale brand launched a virtual reality tool to provide Matterport 3D tour technology as well as improve ease of purchases. Earlier this year, Courtier-vedette, a highly effective tool for REALTORS® to better market themselves, was launched. Another product, Maison-vedette+, was enhanced to better market homes on Facebook. Via Capitale launched innovative TV and web campaigns as well as a series of accredited courses designed to assist REALTORS® in meeting their continuing education licensing requirements. Additionally, a 12 week coaching program was launched to assist REALTORS® in enhancing productivity and increasing sales.

Management's Discussion and Analysis of Results and Financial Condition

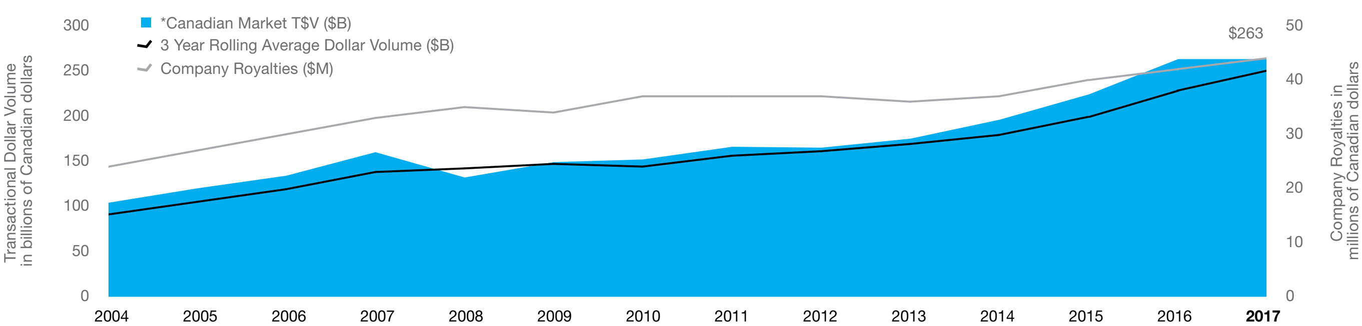
The Canadian Residential Real Estate Market

Since 2004, the Canadian Market has grown at a CAGR of 7% compared to our royalty revenues, which have grown at a rate of 5%. Our fee structure is biased towards fees that are fixed in nature, limiting our participation in significant increases or decreases in the Canadian Market.

Over the last three years, the Canadian Market has grown at a CAGR of 10% driven by a 2% increase in units sold and an 8% increase in selling price. In 2016 the Canadian Market experienced a CAGR of 16% driven by 10% increase in units sold and 6% increase in selling price. This momentum continued throughout first six months of 2017, with record sales recorded in Q1 2017, before the Canadian Market saw a decline in last six months of the Year. The slowdown in the market was partly the result of various government-mandated regulations including tightened mortgage rules, higher interest rates, and new taxes which targeted certain foreign buyers of residential real estate in Ontario and BC.

MARKET DOLLAR VOLUME – CANADIAN RESIDENTIAL REAL ESTATE MARKET

(2004–2017)

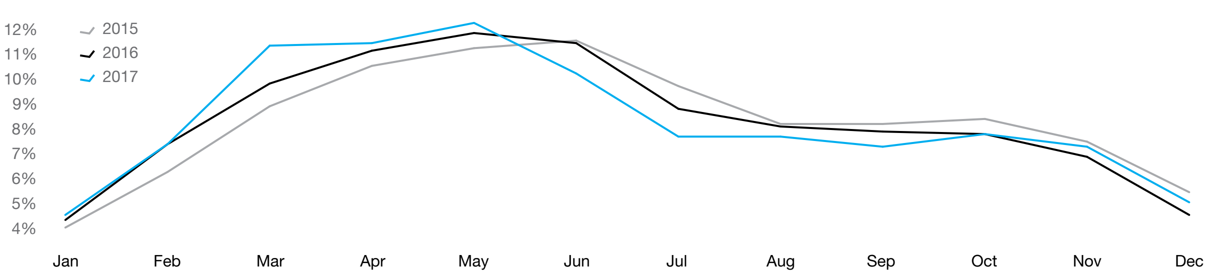


*Source: CREA

The Company's royalty revenues are affected by the seasonality of the Canadian Market, which typically sees stronger transactional 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 and the acquisition of Franchise Agreements at the beginning of the Year. In the latter part of the year, variable franchise fees can be negatively impacted by the Royal LePage REALTORS® and Teams who have capped with respect to variable franchise fees.

CANADIAN RESIDENTIAL REAL ESTATE MARKET

(*% Canadian Market T$V by month)



*Source: CREA

Management's Discussion and Analysis of Results and Financial Condition

Canadian Market Outlook

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

From CREA[1]: In 2018, national sales are forecast to number 486,600 units, a decline of 5.3% or 27,000 fewer transactions versus 2017. This is a downward revision of about 8,500 sales from CREA's previous forecast.

The overwhelming majority of the forecast decline in sales next year reflects an expected decline in Ontario sales, with activity anticipated to remain well below the record-levels logged in early 2017. Indeed, new mortgage rules are expected to lower 2018 sales in all provinces except Quebec and Newfoundland and Labrador.

Based on research by Altus Group, the forecast annual decline of more than 27,000 sales from 2017 to 2018 translates into a decrease of $1.1 billion in economic activity and nearly 12,000 fewer jobs.

The national average price is forecast to edge down by 1.4% to $503,100 in 2018, in large part due to a record number of higher-priced home sales in and around Toronto in early 2017 that is not expected to be repeated in 2018.

New mortgage rules and further interest rate increases are expected to further hold sales in check in Greater Vancouver and Greater Toronto. As a result, the average price is forecast to hold steady in British Columbia in 2018, while declining by 2.2% in Ontario.

In an extension of current trends, average prices in 2018 are forecast to rise in Quebec, New Brunswick and Nova Scotia. However, price gains in 2018 will be restrained in all markets by tougher mortgage qualification criteria for low-ratio mortgages that will weigh on higher-end home sales activity.

Also in line with 2017 trends, average prices in Alberta, Saskatchewan and Newfoundland and Labrador are forecast to either hold steady or edge back slightly in 2018.

From CMHC[2]: The growth in population and near-record growth in immigration will continue to have a positive effect on housing starts over the forecast horizon. Employment growth should stay positive and provide support to new housing market activity, but this effect should even out by the end of 2019. We project starts to decline in 2018 and 2019 compared to 2017 as there will be less stimulative economic conditions and gradually increasing mortgage rates.

As a result, residential construction is projected to level off by the end of 2019, but still represents an upward revision compared to our previous forecast. Housing starts are to range from 192,200 to 203,000 units in 2018 and from 192,300 to 203,800 units in 2019.

MLS® sales were at a record high in 2016 and are projected to lose momentum in 2017, before settling in 2018 and 2019 at levels that are more in line with the projected economic conditions. While there is evidence of overheating in the resale markets of many major CMAs, this has subsided in recent months as the supply of resale homes (listings) has increased relative to the demand (sales). The strong boost in international migration has provided support to sales in 2017, but this factor is expected to dissipate by 2019. Moreover, the projected gradual rise in mortgage rates by the end of the forecast horizon could restrain sales for existing homes. Therefore, MLS® sales are expected to be between 493,900 units and 511,400 units in 2017, between 485,600 units and 504,400 units in 2018, and between 484,700 and 509,900 in 2019.

From TREB[3]: Record sales in Q1 2017 were followed by a decline in Q2 and Q3 after the Ontario Fair Housing Plan ("FHP") announcement and the associated psychological impacts. The pace of sales picked up in Q4, as the impact of the FHP started to wane and some buyers arguably brought forward their home purchase in response to the new Office of the Superintendent of Financial Institutions ("OSFI") stress test guidelines effective January 1, 2018.

Home prices and home price growth also differed throughout 2017. Year-over-year average price growth of over 30 per cent was reported in the first quarter. This was arguably one of the triggers that prompted the announcement of the FHP. Following the onset of the FHP, sales declining and listings increasing, market conditions started to balance out, with the annual rate of price growth moderating in the second half of the year.

[1] Source: CREA Updates National Resale Market Housing Forecast, published December 14, 2017
[2] Source: CMHC Housing Market Outlook, Canada Edition, Fall 2017
[3] Source: TREB Market Year in Review & Outlook Report, published January 30, 2018

Looking forward, the forecast range for TREB MLS® sales in 2018 is between 85,000 and 95,000. The midpoint of this range suggests an annual sales count slightly lower than the 2017 total. It is anticipated that year-over-year declines will be more pronounced in the first four months of 2018, as comparisons are made to the record pace of sales at the beginning of 2017. Conversely, sales are expected to be up on a year-over-year basis as we move through the late spring and summer months.

The forecast range for the average selling price in 2018 is between $800,000 and $850,000. The midpoint of that range suggests a slight increase in the average selling price this year. Similar to sales, year-over-year declines in the average selling price will likely be reported in some months during the first half of the year, as comparisons are made to the high price levels reported at the beginning of 2017. During the second half of 2018, annual rates of price growth will be in the mid-single digits, with enough competition between buyers to see rates of growth above the rate of inflation.

From the BoC[4]: The global economy continues to strengthen, with growth expected to average 3 1/2 per cent over the projection horizon. Growth in advanced economies is projected to be stronger than in the Bank's October Monetary Policy Report ("MPR"). In particular, there are signs of increasing momentum in the US economy, which will be boosted further by recent tax changes. Global commodity prices are higher, although the benefits to Canada are being diluted by wider spreads between benchmark world and Canadian oil prices.

In Canada, real GDP growth is expected to slow to 2.2 per cent in 2018 and 1.6 per cent in 2019, following an estimated 3.0 per cent in 2017. Growth is expected to remain above potential through the first quarter of 2018 and then slow to a rate close to potential for the rest of the projection horizon.

Consumption and residential investment have been stronger than anticipated, reflecting strong employment growth. Business investment has been increasing at a solid pace, and investment intentions remain positive. Exports have been weaker than expected although, apart from cross-border shifts in automotive production, there have been positive signs in most other categories.

Looking forward, consumption and residential investment are expected to contribute less to growth, given higher interest rates and new mortgage guidelines, while business investment and exports are expected to contribute more. The Bank's outlook takes into account a small benefit to Canada's economy from stronger US demand arising from recent tax changes. However, as uncertainty about the future of NAFTA is weighing increasingly on the outlook, the Bank has incorporated into its projection additional negative judgement on business investment and trade.

In this context, inflation is close to 2 per cent and core measures of inflation have edged up, consistent with diminishing slack in the economy. The Bank expects CPI inflation to fluctuate in the months ahead as various temporary factors (including gasoline and electricity prices) unwind. Looking through these temporary factors, inflation is expected to remain close to 2 per cent over the projection horizon.

COMPANY MARKET OUTLOOK

The Greater Vancouver market, which experienced a significant housing correction starting in August 2016, began to show improvement in the second quarter as sales activity in the region improved 57% compared to the first quarter. Despite double digit year-over-year growth in the second half of the year, low unit sales and price decreases in the first half of the Year resulted in the market closing down 9% compared to 2016.

Growing affordability constraints, waning consumer confidence and buyer hesitation in advance of new mortgage refinancing rules resulted in a decline in sales activity in the GTA market in the second half of the Year offsetting significant growth in the first two quarters. The market closed down 19% year-over-year despite an increase of 13% in average house price. As the GTA represents approximately 30% of the national market, the decline in unit sales depressed the overall performance of the Canadian Market. Ontario's strong economy, low unemployment rate, low housing supply and population growth may contribute to increased sales activity in 2018.

On January 1, 2018 the Office of the Superintendent of Financial Institutions (OSFI) implemented new regulations for mortgage refinancing that have the potential to slow housing activity as potential buyers and sellers take a 'wait and see' approach. Moreover, some potential move-up buyers may delay listing their homes as they may not be able to access sufficient financing for their desired next purchase. Further diminished affordability may contribute to increased demand for entry-level properties.

[4] Source: BoC press release published January 17, 2018

Low inventory levels may continue to define market characteristics of many large urban centres including the GTA, Greater Vancouver, Ottawa and Montreal in 2018. Further adding to pent up housing demand, British Columbia and Ontario both experienced an increase in interprovincial migration in 2017, putting further pressure on Greater Vancouver and the GTA markets. Demand from immigration, alongside demand from millennials, the largest generation in Canada who are increasingly approaching of homebuying age, may continue to outpace supply putting upward pressure on home prices.

The Calgary market has been supported by stabilizing oil prices and improving employment rates. While it could take several years for the economy to improve to pre-downturn levels, Alberta is poised to grow faster in 2018 than many other provincial economies. In turn, this may further improve consumer confidence. While the energy sector will continue to be the most important factor influencing the housing market, the region has seen growth in non-energy sectors helping to mitigate risk through a more diversified economy.

Momentum in the Montreal market is expected to continue and is supported by its healthy economy, job growth and high consumer confidence. According to the Conference Board's Consumer Confidence Index for Quebec, the proportion of Quebecers who feel that it is a good time to make a major purchase, such as a property, increased in November to 45.6 per cent, an unprecedented rate in more than 10 years.

Annual Operating Results and Cash Flows

Years ended December 31, (in 000's) except per Share amounts; Number of REALTORS®;	2017	2016
Royalties		
Fixed franchise fees	$ 22,862	$ 21,751
Variable franchise fees	10,688	10,229
Premium franchise fees	6,569	6,363
Other revenue	4,119	4,093
	44,238	42,436
Less:		
Administration	816	1,058
Management fee	8,178	7,754
Interest expense	2,532	2,606
	11,526	11,418
Cash Flow From Operations	32,712	31,018
Recovery / (Impairment and write-off) of intangible assets, net	544	(111)
Amortization of intangible assets	(8,137)	(9,583)
Interest on Exchangeable Units	(5,750)	(5,710)
Loss on fair value of Exchangeable Units	(2,496)	(3,694)
Gain on interest rate swap	1,159	822
Gain / (loss) on fair value of purchase obligation	147	(1,568)
Earnings before income taxes	18,179	11,174
Current income tax expense	5,280	4,893
Deferred income tax expense (recovery)	455	(116)
Net and comprehensive earnings	$ 12,444	$ 6,397
Basic earnings per Share	$ 1.31	$ 0.67
Diluted earnings per Share	$ 1.31	$ 0.67
Number of REALTORS®	18,135	17,580

Cash Flow Information (in 000's)	2017	2016
Cash provided by (used for):		
Operating activities	$ 21,060	$ 20,148
Investing activities	(10,119)	(9,366)
Financing activities	(10,585)	(13,325)

During the Year, the Company generated net earnings of $12.4 million and CFFO of $32.7 million, as compared to net earnings of $6.4 million and CFFO of $31.0 million in the Prior Year.

Royalties for the Year totaled $44.2 million, compared to $42.4 million for the Prior Year. Fixed franchise fees and other revenue together represented 61% of royalties. Royalties increased due primarily to the larger REALTOR® base and continued strong Canadian Market in the first six months of the year.

Fixed franchise fees for the Year increased by 5% as compared to the Prior Year, due to the increase in the REALTOR® base driven primarily by the acquisition of Franchise Agreements January 1, 2017 representing 568 REALTORS®.

Variable franchise fees for the Year increased by 5%, which relates to the increase in the REALTOR® base and an increase in transaction dollar volume of the Canadian Market driven by the strong GTA market in the first six months of the year.

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 Year have increased by 3% compared to the Prior Year consistent with the increase in the segments of the underlying GTA market serviced by these locations in the first six months of the year.

Other revenue includes fixed technology fees, home warranty fees and other fees.

Administration expenses of $0.8 million for the Year were slightly lower than for the Prior Year primarily due to lower bad debt expense.

Management fee expense of $8.2 million for the Year, calculated in accordance with the MSA, increased 5% as compared to the Prior Year, due to the increase in CFFO.

Interest expense was lower compared to the Prior Year due to a lower purchase obligation as a large portion of the purchase obligation was repaid during the Year.

Recovery / (Impairment and write-off) of intangible assets, net represents a recovery of $0.5 million for the Year compared to an expense of $0.1 million during the Prior Year. During the third quarter of 2017, the Company identified five Franchise Agreements, which were subject to impairment charges in previous periods. The conditions causing such impairment had become more favourable such that $0.9 million of the impairment charges recorded in prior periods were reversed. This recovery is partly offset by impairment charges applied to underperforming Franchise Agreements in the Year.

Amortization of intangible assets for the Year totaled $8.1 million, a decrease of 15% compared to the Prior Year as a result of certain Franchise Agreements being fully amortized.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. For the Year, total distributions amounted to $1.73 per Exchangeable Unit (Prior Year – $1.72). Distributions to Exchangeable Unitholders are determined with reference to dividends paid on Restricted Voting Shares.

Loss on fair value of Exchangeable Units represents the change in the fair value of the Exchangeable Units. The Exchangeable Units are valued based on the value of BRESI's Restricted Voting Shares. At December 31, 2017, BRESI's Restricted Voting Shares were valued at $16.52 per share compared to $15.77 at December 31, 2016, resulting in a loss of $2.5 million in the Year. This loss represents an increase in obligation associated with the conversion features of the Exchangeable Units. For the Prior Year, the price of BRESI's Restricted Voting Shares increased from $14.66 at December 31, 2015 to $15.77 at December 31, 2016, resulting in a loss of $3.7 million.

Gain on interest rate swap of $1.2 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%.

Gain / (loss) on fair value of purchase obligation represents a change in the liability to the Manager related to Franchise Agreements purchased on January 1, 2017. The decrease in the liability in 2017 is as a result of certain of those Franchise Agreements generating lower cash flows than those estimated on the date the Franchise Agreements were acquired. In 2016, an increase was recorded in the liability as a result of purchased Franchise Agreements generating higher cash flows than those estimated on the date they were acquired.

Income Tax Expense The effective income tax rate paid by the Company for the Year was 31.6% (Prior Year – 42.7%). The Company's effective income tax rate in the consolidated statement of net and comprehensive earnings is significantly different than the Company's enacted income tax rate of 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 included in determining net earnings that are not included in determining taxable income include, among other things, non-deductible amortization of intangible assets, interest on Exchangeable Units and fair valuation adjustments on Exchangeable Units.

Cash provided by operating activities increased by $0.9 million as a result of higher royalties (net of related management fees) partly offset by higher income taxes.

Cash used in investing activities reflects higher amounts paid related to the acquisition of intangible assets in the Year as compared to 2016.

Cash used in financing activities reflects net borrowings on the Company's debt facilities of $1.9 million in 2017 as compared to net repayments of $1.0 million in the Prior Year. Dividends paid to holders of Restricted Voting Shares were $0.2 million higher in 2017 relative to 2016.

Fourth Quarter Operating Results and Cash Flows

For three months ended, (in 000's) except per Share amounts; Number of REALTORS®;	**2017 Dec. 31**	2016 Dec. 31
Royalties		
Fixed franchise fees	**$ 5,713**	$ 5,470
Variable franchise fees	**1,393**	1,484
Premium franchise fees	**1,342**	1,639
Other revenue	**1,018**	1,009
	9,466	9,602
Less:		
Administration	**110**	308
Management fee	**1,750**	1,734
Interest expense	**609**	627
Cash Flow from Operations	**6,997**	6,933
Impairment and write-off of intangible assets, net	**(61)**	–
Amortization of intangible assets	**(1,959)**	(2,155)
Interest on Exchangeable units	**(1,451)**	(1,428)
Gain on fair value of Exchangeable Units	**266**	2,762
Gain on interest rate swap	**142**	621
Gain / (loss) on fair value of purchase obligation	**113**	(167)
Earnings before income taxes	**4,047**	6,566
Current income tax expense	**1,100**	1,063
Deferred income tax expense	**69**	176
Net and comprehensive earnings	**$ 2,878**	$ 5,327
Basic earnings per Share	**$ 0.30**	$ 0.56
Diluted earnings per Share	**$ 0.30**	$ 0.31
Cash Flow from Operations per share on a diluted basis	**$ 0.55**	$ 0.54
Number of REALTORS®	**18,135**	17,580

Cash Flow Information (in 000's)		
Cash provided by (used for):		
Operating activities	**$ 4,415**	$ 4,728
Investing activities	**60**	(1,348)
Financing activities	**(3,661)**	(5,081)

During the Quarter, the Company generated net earnings of $2.9 million and CFFO of $7.0 million, compared to net earnings of $5.3 million and CFFO of $6.9 million for the Prior Year Quarter.

Royalties for the Quarter totaled $9.5 million, compared to $9.6 million for the Prior Year Quarter. Fixed franchise fees and other revenue together represented 71% of royalties (2016 – 67%). Royalties were lower primarily due to lower variable and premium franchise fees as a result of market weakness in the GTA and the surrounding areas as compared to the Prior Year Quarter.

Fixed franchise fees for the Quarter increased by 4% as compared to the Prior Year Quarter, due to the increase in the REALTOR® base driven primarily by the acquisition of Franchise Agreements on January 1, 2017 representing 568 REALTORS®.

Variable franchise fees for the Quarter decreased by 6% compared to the Prior Year Quarter, as a result of decline in sales activity in the GTA and the surrounding areas.

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 decreased 18% compared to the Prior Year Quarter, consistent with the decrease of 19% in the GTA Market.

Other revenue includes fixed technology fees, home warranty fees and other fees.

Administration expenses for the Quarter were lower than for the Prior Year Quarter due to reduction in bad debt expense.

Management fee expense of $1.8 million for the Quarter, calculated in accordance with the MSA remained consistent with the Prior Year Quarter.

Interest expense was lower compared to the Prior Year Quarter due to a lower purchase obligation in the Quarter.

Impairment of Intangible Assets for the Quarter was $0.1 million resulting from two underperforming Franchise Agreements in comparison to nil in the Prior Year Quarter.

Amortization of intangible assets for the Quarter totaled $2.0 million, a decrease of 9% compared to the Prior Year Quarter as a result of certain Franchise Agreements being fully amortized.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. For the Quarter, total distributions amounted to $0.44 per Exchangeable Unit (Prior Year Quarter – $0.43). Distributions to Exchangeable Unitholders are determined with reference to dividends paid on BRESI's Restricted Voting Shares.

Gain on fair value of Exchangeable Units represents the change in the fair value of the Exchangeable Units. The Exchangeable Units are valued based on the value of BRESI's Restricted Voting Shares. At December 31, 2017, BRESI's Restricted Voting Shares were valued at $16.52 per share compared to $16.60 at September 30, 2017, resulting in a gain of $0.3 million in the Quarter. This gain represents a decrease in obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Quarter, the price of BRESI's Restricted Voting Shares decreased from $16.60 at September 30, 2016 to $15.77 at December 31, 2016, resulting in a gain of $2.8 million.

Gain on interest rate swap of $0.1 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%.

Gain on fair value of purchase obligation of $0.1 million represents a decrease in the liability to the Manager related to Franchise Agreements purchased on January 1, 2017. The decrease in the liability is as a result of certain of those Franchise Agreements generating lower cash flows than those estimated on the date the Franchise Agreements were acquired. In 2016, an increase was recorded in the liability as a result of purchased Franchise Agreements generating higher cash flows than those estimated on the date they were acquired.

Income Tax Expense The effective income tax rate paid by the Company for the Quarter was 28.9% (Prior Year Quarter – 18.8%). The Company's effective income tax rate in the consolidated statement of net and comprehensive earnings is significantly different than the Company's enacted income tax rate of 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 included in determining net earnings that are not included in determining taxable income include, among other things, non-deductible amortization of intangible assets, interest on Exchangeable Units and fair valuation adjustments on Exchangeable Units.

Cash provided by operating activities decreased to $4.4 million compared to $4.7 million in the Prior Year Quarter due primarily to lower Royalties and higher income taxes paid.

Cash provided by investing activities improved by $1.4 million compared to the Prior Year Quarter due to the payment of $1.4 million in 2016 on the purchase obligation associated with the acquisition of 2016 Franchise Agreements.

Cash used in financing activities decreased by $1.4 million compared to the Prior Year Quarter due to lower debt repayments and higher dividend payments to holders of Restricted Voting Shares.

Summary of Quarterly Results and Cash Flow from Operations

For three months ended,	**2017**				2016			
(in 000's) except per Share amounts; Number of REALTORS®;	**Dec. 31**	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
Royalties								
Fixed franchise fees	**$ 5,713**	$ 5,740	$ 5,739	$ 5,670	$ 5,470	$ 5,456	$ 5,440	$ 5,385
Variable franchise fees	**1,393**	3,213	3,504	2,578	1,484	3,670	2,912	2,163
Premium franchise fees	**1,342**	2,268	1,800	1,159	1,639	2,417	1,463	843
Other revenue	**1,018**	1,014	1,085	1,002	1,009	1,024	1,054	1,006
	9,466	12,235	12,128	10,409	9,602	12,567	10,869	9,397
Less:								
Administration	**110**	163	6	537	308	252	203	295
Management fee	**1,750**	2,288	2,296	1,844	1,734	2,331	2,003	1,687
Interest expense	**609**	626	643	654	627	662	653	665
Cash Flow from Operations	**6,997**	9,158	9,183	7,374	6,933	9,322	8,010	6,750
Recovery / (impairment and write-off) of intangible assets, net	**(61)**	709	(52)	(52)	–	(77)	(34)	–
Amortization of intangible assets	**(1,959)**	(1,989)	(2,059)	(2,130)	(2,155)	(2,318)	(2,505)	(2,605)
Interest on Exchangeable units	**(1,451)**	(1,444)	(1,427)	(1,428)	(1,428)	(1,428)	(1,427)	(1,428)
Gain / (loss) on fair value of Exchangeable Units	**266**	(333)	(1,064)	(1,365)	2,762	(5,391)	(1,531)	466
Gain / (loss) on interest rate swap	**142**	547	420	50	621	177	136	(112)
Gain / (loss) on fair value of purchase obligation	**113**	213	(104)	(74)	(167)	311	(248)	(1,464)
Earnings before income taxes	**4,047**	6,861	4,897	2,375	6,566	596	2,401	1,607
Current income tax expense	**1,100**	1,516	1,498	1,166	1,063	1,524	1,270	1,036
Deferred income tax expense / (recovery)	**69**	388	69	(70)	176	110	(31)	(371)
Net and comprehensive earnings / (loss)	**$ 2,878**	$ 4,957	$ 3,330	$ 1,279	$ 5,327	$ (1,038)	$ 1,162	$ 942
Basic earnings / (loss) per Share	**$ 0.30**	$ 0.52	$ 0.35	$ 0.13	$ 0.56	$ (0.11)	$ 0.12	$ 0.10
Diluted earnings / (loss) per Share	**$ 0.30**	$ 0.52	$ 0.35	$ 0.13	$ 0.31	$ (0.11)	$ 0.12	$ 0.10
Cash Flow from Operations per share on a diluted basis	**$ 0.55**	$ 0.71	$ 0.72	$ 0.58	$ 0.54	$ 0.73	$ 0.63	$ 0.53
Number of REALTORS®	**18,135**	18,117	18,116	18,077	17,580	17,538	17,405	17,320

For the twelve months ended December 31, 2017, the Company generated CFFO of $2.55 per Share, as compared to $2.42 per Share generated during the Prior Year. A summary of the Company's CFFO generated over the last eight quarters on a rolling twelve months' basis is presented in the table below.

ROLLING TWELVE-MONTH CASH FLOW FROM OPERATIONS

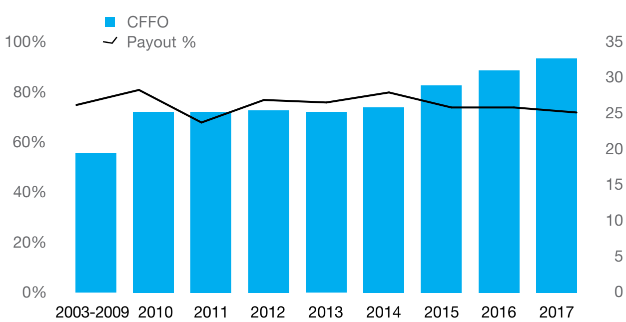
For twelve months ended,	2017				2016			
(in 000's) except per Share amounts	**Dec. 31**	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Royalties	**$ 44,238**	$ 44,374	$ 44,706	$ 43,447	$ 42,436	$ 42,372	$ 41,370	$ 40,802
Less:								
Administration	**816**	1,014	1,103	1,300	1,058	1,002	1,098	1,229
Management fee	**8,178**	8,162	8,205	7,912	7,754	7,755	7,539	7,412
Interest expense	**2,532**	2,550	2,586	2,596	2,606	2,599	2,577	2,513
	32,712	32,648	32,812	31,639	31,018	31,016	30,156	29,648
Cash Flow from Operations per Share	**$ 2.55**	$ 2.55	$ 2.56	$ 2.47	$ 2.42	$ 2.42	$ 2.35	$ 2.31

The Company's operations have generated significant cash flows with $356.1 million of CFFO generated since inception, of which $267.9 million has been distributed to shareholders and Exchangeable Unitholders or used to pay current income taxes. The remaining $88.2 million was retained by the Company plus funds generated from working capital and net borrowings has been used to acquire Franchise Agreements, and to repurchase Restricted Voting Shares in 2008 and 2009.

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) and for income taxes.

CASH FLOW FROM OPERATIONS

(Years ended December 31, in $ millions)



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

CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO CASH FLOW FROM OPERATIONS

($ 000's)	Three months ended December 31, 2017	Three months ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Cash flow from operating activities	$ 4,415	$ 4,728	$ 21,060	$ 20,148
Add (deduct):				
Interest on Exchangeable Units	1,451	1,428	5,750	5,710
Income taxes paid	1,225	1,122	5,315	5,098
Changes in non-cash working capital items	(107)	(335)	608	111
Interest expense	(2,044)	(2,008)	(8,165)	(8,106)
Interest paid	2,057	1,998	8,144	8,057
CFFO	$ 6,997	$ 6,933	$ 32,712	$ 31,018

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

CFFO does not have a standardized meaning under IFRS and, accordingly, may not be comparable to similar measures used by other companies. 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 holders of Restricted Voting Shares and Exchangeable Unitholders, and to meet cash tax obligations. Investors are cautioned, however, that CFFO should not be interpreted 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 earnings 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 earnings 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

As at December 31, 2017 the Company's $78.0 million financing is comprised of the following three arrangements, maturing February 17, 2020.

- A $53.0 million term facility (the "Term Facility"). The Term Facility bears interest at a variable 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 million acquisition facility (the "Acquisition Facility") to support acquisitions pursued by the Company, bearing interest at a variable rate of BAs +1.70% or Prime + 0.5%. A standby fee of 0.15% applies on undrawn amounts under this facility; and
- A $5.0 million revolving operating facility (the "Operating Facility") to meet the Company's day-to-day operating requirements, bearing interest at a variable rate of BAs +1.70% or Prime + 0.5%.

Borrowings under each of these arrangements are secured by a first ranking security interest in substantially all assets of the Company.

The covenants of this financing prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 5:1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.5:1 as defined under the loan agreement. Consolidated EBITDA is defined as operating income before deducting amortization and net impairment or recovery 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, 2017 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 CFFO 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 REALTORS® 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 2017, the Company funded the purchase of Franchise Agreements primarily through $7.4 million in borrowings under its available debt facilities. The Company generated sufficient CFFO during the Year (after payment of dividends, distributions and its operating obligations) to repay $5.5 million of those borrowings and to pay $3.6 million to settle the purchase obligation outstanding for certain Franchise Agreements acquired in 2015 and 2016. 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 using CFFO.

WORKING CAPITAL

Changes in the Company's net working capital are primarily driven by Cash Flow 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, working capital increased by $3.1 million from $0.8 million as at December 31, 2016, to $3.9 million as at December 31, 2017. The increase in working capital resulted primarily from:

- A $0.4 million increase in cash.
- A $0.5 million increase in accounts receivable as a result of a lower allowance for doubtful accounts and specific Franchisees who late-paid their 2017 fees early in 2018.
- A $2.1 million decrease in the purchase obligation as a result of payments made during the Year.

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

($ 000's) As at	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016	Change in Quarter	Change in Year
Current assets										
Cash	**$ 3,458**	$ 2,644	$ 2,622	$ 3,305	$ 3,102	$ 4,799	$ 3,810	$ 4,607	$ 814	$ 356
Accounts receivable and current portion of notes receivable	**4,492**	4,779	5,172	4,849	3,967	4,692	4,773	4,521	(287)	525
Prepaid expenses	**153**	156	147	141	147	142	167	172	(3)	6
	$ 8,103	$ 7,579	$ 7,941	$ 8,295	$ 7,216	$ 9,633	$ 8,750	$ 9,300	$ 524	$ 887
Current liabilities										
Accounts payable and accrued liabilities	**$ 803**	$ 867	$ 1,131	$ 827	$ 893	$ 1,247	$ 1,112	$ 1,203	$ (64)	$ (90)
Purchase obligation	**1,497**	1,611	1,825	4,279	3,559	4,787	5,098	7,571	(114)	(2,062)
Current income tax liability	**400**	525	234	40	435	494	72	67	(125)	(35)
Interest payable to Exchangeable Unitholders	**484**	484	476	476	476	476	476	476	–	8
Dividends payable to Restricted Voting shareholders	**1,067**	1,067	1,027	1,027	1,027	1,027	1,027	1,027	–	40
	4,251	4,554	4,693	6,649	6,390	8,031	7,785	10,344	(303)	(2,139)
Net working capital (deficit)	**$ 3,852**	$ 3,025	$ 3,248	$ 1,646	$ 826	$ 1,602	$ 965	$ (1,044)	$ 827	$ 3,026

Cash and Capital Resources

A summary of cash and capital resources available to the Company as at December 31, 2017 and December 31, 2016 is presented below:

(in 000's) As at December 31,	2017	2016
Cash	**$ 3,458**	$ 3,102
Term Facility	**–**	–
Acquisition Facility	**7,200**	9,100
Operating Facility	**5,000**	5,000
Net borrowing capacity	**$ 12,200**	$ 14,100
Available resources	**$ 15,658**	$ 17,202

As at December 31, 2017, $12.8 million of the Acquisition Facility has been drawn by the Company, leaving $12.2 million available under the debt facilities. This represents a decrease of $1.9 million in net borrowing capacity as a result of the Company borrowing $7.4 million on the Acquisition Facility on January 1, 2017 to fund the acquisition of certain Franchise Agreements from the Manager and repaying $5.5 million during the Year.

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, to acquire Franchise Agreements and to repay amounts owing under the debt facilities.

Commitments

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

As at December 31,	2018	2019	2020	2021	Beyond 2021	Total
Accounts payable and accrued liabilities	$ 803	$ –	$ –	$ –	$ –	$ 803
Purchase obligation	1,497	–	–	–	–	1,497
Interest payable to Exchangeable Unitholders	484	–	–	–	–	484
Dividends payable to shareholders	1,067	–	–	–	–	1,067
Interest on long-term debt	2,264	2,264	377	–	–	4,905
Debt facilities	–	–	65,800	–	–	65,800
Exchangeable Units	–	–	–	–	54,973	54,973
Total	$ 6,115	$ 2,264	$ 66,177	$ –	$ 54,973	$ 129,529

On January 1, 2017, the Company acquired 51 Franchise Agreements under the Royal LePage brand and four Franchise Agreements under the Via Capitale brand representing a total of 568 agents from the Manager for an estimated purchase price of $8.2 million. A payment of $6.6 million (approximating 80% of the estimated purchase price) plus applicable taxes was paid on January 6, 2017. The remainder is to be paid in 2018.

During the first quarter of 2017, the Company finalized the purchase price with respect to all acquisitions of Franchise Agreements prior to 2017. During the Year, the Company paid $3.6 million to the Manager related to those acquisitions.

Off-Balance Sheet Arrangements

The Company has no off–balance sheet arrangements.

Transactions with Related Parties

As at the date of this MD&A, BBP controlled approximately 28.4% of the Company through its ownership of the Exchangeable Units of the Partnership and 315,000 Restricted Voting Shares. The Exchangeable Units were issued by the Company at its inception to affiliates of BBP as consideration for certain assets purchased from those affiliates. 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 23 corporately owned Royal LePage residential Brokerage locations. These locations are serviced by 1,927 REALTORS® with 1,316 REALTORS® operating out of 14 locations in the GTA market and 611 REALTORS® operating from 9 locations in the Greater Vancouver market. All of the Franchise Agreements associated with the corporately owned Brokerages have been purchased by the Company.

All of the corporately owned operations operate under Franchise Agreements with standard fixed and variable franchise fees. The GTA based locations are up for renewal in 2023, while the Greater Vancouver operations are up for renewal between 2023-2024. Included in the GTA based Franchise Agreement is an obligation to pay premium franchise fees ranging from 1% to 5% of Gross Revenue for 11 of the 14 locations until August 2018. Including amounts received from the corporately owned Brokerage, premium franchise fees represented 15% of royalties in the Year (Prior Year – 15%). The Company will no longer receive premium franchise fees after August 2018 when the obligation to pay those fees expires.

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. 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% of the distributable cash flow of the Company. The Manager can earn an additional fee for net organic recruitment growth, which closely aligns the Manager and the Company's goals with growing the underlying network of REALTORS®. The MSA also provides the manager with the ability to sell other branded Canadian franchisees that it may acquire to the Company based on a pre-determined formula. The MSA was effective January 1, 2014, with an initial five-year term expiring on December 31, 2018. On expiry, the MSA will automatically renew for an additional five-year term unless the Company or the Manager provide notice of their intention to terminate the MSA at least six months prior to expiry. Should the MSA not be renewed, the Company would be required to enter into an alternate arrangement for the provision of the services currently performed by the Manager.

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, among other things, the average annual royalties earned over a specified one-year period, 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, subject to approval by the Board and meeting certain criteria detailed in the MSA, purchase Royal LePage and Via Capitale Franchise Agreements entered into 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 issuance of Exchangeable Units or Restricted Voting Shares, 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, 2017, the Company acquired 51 Franchise Agreements under the Royal LePage Brand and four Franchise Agreements under the Via Capitale Brand, representing a total of 568 REALTORS®, from the Manager for an estimated purchase price of $8.2 million. A payment of $6.6 million (approximating 80% of the estimated purchase price) plus applicable taxes was paid on January 6, 2017. The remainder is to be paid in 2018.

On January 1, 2016, the Company acquired 27 Franchise Agreements under the Royal LePage Brand and 6 Franchise Agreements under the Via Capitale Brand, representing a total of 459 REALTORS®, from the Manager for an estimated purchase price of $6.6 million. A payment of $5.3 million, approximating 80% of the estimated purchase price, plus applicable taxes was paid on January 8, 2016. The remainder of the purchase price related to the Franchise Agreements acquired under the Royal LePage Brand was paid on December 28, 2016, while the remaining obligation for the Franchise Agreements acquired under the Via Capitale Brand was paid on June 28, 2017.

On January 1, 2018, the Company acquired 34 Franchise Agreements under the Royal LePage Brand and 4 Franchise Agreements under the Via Capitale Brand, representing a total of 563 REALTORS®, from the Manager for an estimated purchase price of $8.8 million. A payment of $7.1 million, approximating 80% of the estimated purchase price, plus applicable taxes was paid on January 3, 2018. The remainder is to be paid after the final purchase price is determined on October 31, 2018.

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 bad debt expense (which is included in the Company's administration costs), and the amortization of intangible assets.

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

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, 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 net impairment or recovery of intangible assets determining the useful life of intangible assets, assessing the recoverability of accounts receivable, measuring deferred income taxes, measuring the fair value of purchase obligations and Exchangeable Units and measuring 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, and cash flow forecasts, which are judgements and are uncertain. The interrelated nature of these factors prevents management 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 asset 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 impact 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 has 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 purchase obligation 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 changes in the estimated royalty expected to be earned under the Franchise Agreement and the actual royalty earned during the determination period. The Company records any change in the fair value of this financial liability in the consolidated statement of net and comprehensive earnings.

Impairment of Intangible Assets and recovery of impairment

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 individual Franchise Agreements and Trademarks. When reviewing indicators of impairment for Franchise Agreements, the Company considers certain factors including, royalties earned, term to maturity, historical REALTOR® count, collectability of receivables 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 if the recovery of the carrying amount is no longer reasonably assured. 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 and is recorded as a recovery of impairment.

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 holders of Restricted Voting Shares, 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 and notes 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 rates on these facilities are based on Prime or Banker's Acceptance interest rates. As at December 31, 2017, the Company has drawn $12.8 million on the Acquisition Facility, and nil on the Operating Facility.

Disclosure Controls and Internal Controls over Financial Reporting

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, 2017. 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 was 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, 2017. The design of ICFR is undertaken in accordance with the 2013 COSO framework.

Outstanding Restricted Voting Shares

BRESI 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, 2017 BRESI 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 BRESI, and holders of BRESI's Restricted Voting Shares are entitled to dividends declared and distributed by BRESI.

The Special Voting Share is owned by BBP 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" within the meaning of applicable securities legislation. Words such as "anticipates", "attract", "are", "began", "believes", "can", "continue(s)", "continued", "could", "decreasing", "enhancing", "estimated", "estimates", "expected", expects", "forecast(s)", "foreseeable", "further", "future", "generally", "grow", "growing", "growth", "helping", "hesitation", "improve", "improving", "increase", "intentions", "objective(s)", "ongoing", "outlook", "may", momentum", "poised", "potential", "project, "projected", "projection", "provide(s)", "provided", "proving", "remain", "retain", "seeks", "settling", "stabilizing", "strives", "supported", "tends", "typically", "uncertainty", "waning", "will", 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, but are not limited to: a change in general economic conditions (including interest rates, consumer confidence, commodity prices, real estate legislation and regulations 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 holders of Restricted Voting Shares and interest to Exchangeable Unitholders, ability to acquire, renew and/or extend Franchise Agreements, the ability to increase fees, 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, conversion of Exchangeable Units into Restricted Voting Shares, 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. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to management. Material factors or assumptions that were applied in drawing conclusions or making estimates set out in the forward-looking statements include, but are not limited to: anticipated economic conditions, anticipated impact of government policies, anticipated financial performance, anticipated market conditions, business prospects, the successful execution of the Company's business strategies, regulatory developments and the ability to obtain financing on acceptable terms. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A and 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 – Dividends Declared History

(per Restricted Voting Share*)	2010	2011	2012	2013	2014	2015	2016	**2017**
January	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	$ 0.1083	**$ 0.1083**
February	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	$ 0.1083	**$ 0.1083**
March	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	$ 0.1083	**$ 0.1083**
April	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	$ 0.1083	**$ 0.1083**
May	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	$ 0.1083	**$ 0.1083**
June	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	$ 0.1083	**$ 0.1083**
July	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	$ 0.1083	**$ 0.1083**
August	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	$ 0.1083	**$ 0.1125**
September	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	$ 0.1083	**$ 0.1125**
October	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	$ 0.1083	**$ 0.1125**
November	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	$ 0.1083	**$ 0.1125**
December	$ 0.3170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1083	$ 0.1083	**$ 0.1125**
	$ 1.6036	$ 1.1040	$ 1.1040	$ 1.1040	$ 1.2000	$ 1.2335	$ 1.2996	**$ 1.3206**

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

Supplemental Information – Share Performance

(in Canadian dollars) except shares outstanding and average daily volume For three months ended,	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	June 30, 2017	Sept. 30, 2017	**Dec. 31, 2017**
Trading price range of units (TSX: "BRE")								
Close	$ 14.52	$ 14.98	$ 16.60	$ 15.77	$ 16.18	$ 16.50	$ 16.60	**$ 16.52**
High	$ 15.00	$ 15.70	$ 16.98	$ 16.72	$ 16.60	$ 16.68	$ 17.60	**$ 16.95**
Low	$ 13.21	$ 14.30	$ 14.92	$ 14.90	$ 15.68	$ 15.10	$ 15.65	**$ 15.79**
Average daily volume	5,319	7,030	9,733	7,623	10,954	11,867	11,144	**14,044**
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 ($000's)	$ 186,023	$ 191,917	$ 212,671	$ 202,076	$ 207,290	$ 211,390	$ 212,671	**$ 211,646**

Supplemental Information – Canadian Residential Real Estate Market

For three months ended	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	June 30, 2017	Sept. 30, 2017	**Dec. 31, 2017**
Canada								
Transaction dollar volume[1]	$ 56,860	$ 90,569	$ 65,643	$ 49,891	$ 60,948	$ 88,349	$ 59,298	**$ 53,860**
Average selling price	$ 498,261	$ 506,921	$ 470,259	$ 480,891	$ 522,528	$ 531,057	$ 478,947	**$ 500,451**
Number of units sold	114,117	178,664	139,590	103,747	116,641	166,364	123,809	**107,623**
Number of REALTORS® at period end	115,835	117,839	119,514	121,212	122,158	123,395	125,269	**125,269**
Housing starts	35,602	49,222	49,573	46,250	40,811	50,669	55,486	**55,318**
Greater Toronto Area								
Transaction dollar volume[1]	$ 15,277	$ 28,032	$ 21,403	$ 17,990	$ 22,088	$ 25,600	$ 13,701	**$ 14,622**
Average selling price	$ 675,406	$ 746,505	$ 725,771	$ 747,559	$ 873,774	$ 866,793	$ 747,096	**$ 759,900**
Number of units sold	22,619	37,551	29,490	24,065	25,279	29,534	18,339	**19,242**
Housing starts	9,412	10,069	9,614	9,932	10,395	8,381	11,384	**8,578**
Greater Vancouver Area								
Transaction dollar volume[1]	$ 13,280	$ 15,150	$ 7,446	$ 5,708	$ 7,416	$ 12,899	$ 9,064	**$ 8,381**
Average selling price	$1,094,897	$1,058,700	$ 912,612	$ 908,628	$ 969,893	$1,075,331	$1,008,187	**$1,051,173**
Number of units sold	12,129	14,310	8,159	6,282	7,646	11,995	8,990	**7,973**
Housing starts	7,081	7,759	7,358	5,716	5,269	6,931	5,825	**8,179**
Greater Montreal Area								
Transaction dollar volume[1]	$ 3,523	$ 4,413	$ 2,918	$ 2,224	$ 3,887	$ 5,013	$ 3,320	**$ 3,946**
Average selling price	$ 332,327	$ 346,743	$ 360,648	$ 360,778	$ 347,306	$ 366,784	$ 376,941	**$ 366,014**
Number of units sold	10,601	12,727	8,091	6,091	11,191	13,668	8,808	**10,781**
Housing starts	2,791	4,719	5,748	4,576	4,703	5,102	5,981	**8,970**

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

For twelve months ended	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	June 30, 2017	Sept. 30, 2017	**Dec. 31, 2017**
Canada								
Transaction dollar volume[1]	$ 237,860	$ 254,227	$ 261,202	$ 262,963	$ 267,051	$ 264,831	$ 258,486	**$ 262,455**
Average selling price	$ 457,880	$ 476,205	$ 485,295	$ 490,495	$ 495,786	$ 503,155	$ 506,278	**$ 510,179**
Number of units sold	519,481	533,860	538,234	536,118	538,642	526,342	510,561	**514,437**
Housing starts	183,601	184,468	181,303	180,647	185,856	187,303	193,216	**202,284**
Greater Toronto Area								
Transaction dollar volume[1]	$ 66,956	$ 72,531	$ 77,950	$ 82,702	$ 89,513	$ 87,081	$ 79,379	**$ 76,011**
Average selling price	$ 638,698	$ 675,448	$ 703,558	$ 727,210	$ 769,112	$ 803,567	$ 816,514	**$ 822,681**
Number of units sold	104,832	107,382	110,794	113,725	116,385	108,368	97,217	**92,394**
Housing starts	43,463	42,545	39,659	39,027	40,010	38,322	40,092	**38,738**
Greater Vancouver Area								
Transaction dollar volume[1]	$ 44,203	$ 47,675	$ 45,597	$ 41,584	$ 35,720	$ 33,468	$ 35,086	**$ 37,759**
Average selling price	$ 959,142	$1,002,566	$1,017,336	$1,017,221	$ 981,394	$ 981,996	$1,004,955	**$1,031,546**
Number of units sold	46,086	47,553	44,820	40,880	36,397	34,082	34,913	**36,604**
Housing starts	23,661	25,765	27,825	27,914	26,102	25,274	23,741	**26,204**
Greater Montreal Area								
Transaction dollar volume[1]	$ 13,189	$ 13,356	$ 13,634	$ 13,078	$ 13,442	$ 14,042	$ 14,444	**$ 16,166**
Average selling price	$ 339,494	$ 342,400	$ 345,628	$ 348,654	$ 352,801	$ 359,671	$ 363,298	**$ 364,510**
Number of units sold	38,849	39,007	39,447	37,510	38,100	39,041	39,758	**44,448**
Housing starts	19,387	19,580	18,740	17,834	19,746	20,129	20,362	**24,756**

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

Supplemental Information – Cash Flow from Operations

CASH FLOW FROM OPERATIONS AND ITS UTILIZATION SINCE COMPANY INCEPTION

($ 000's)	Total	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015	Jan. 1, 2010 to Dec. 31, 2014	Canadian GAAP Aug. 7, 2003 to Dec. 31, 2009
Royalties	$ 501,192	$ 44,238	$ 42,436	$ 39,859	$ 183,529	$ 191,130
Less:						
Administration	15,319	816	1,058	1,286	7,767	4,392
Management fee	91,383	8,178	7,754	7,229	33,378	34,844
Interest Expense	38,360	2,532	2,606	2,428	15,362	15,432
Cash Flow from Operations	356,130	32,712	31,018	28,916	127,022	136,462
Less:						
Dividends to shareholders	173,364	12,485	12,325	11,619	60,064	76,871
Interest to Exchangeable Unitholders	68,530	5,750	5,710	5,434	25,809	25,827
Current Income tax expense	26,043	5,280	4,893	4,469	11,401	–
Total distributions and current income taxes	267,937	23,515	22,928	21,522	97,274	102,698
Cash Flow from Operations less total distributions and current income taxes	88,192	9,197	8,090	7,394	29,748	33,764
Less: Funding of acquisitions	90,154	10,137	9,429	18,150	27,294	25,144
Less: Purchase of units under NCIB	4,096	–	–	–	–	4,096
Cash Flow from Operations less funding of acquisitions	$ (6,058)	$ (940)	$ (1,339)	$ (10,756)	$ 2,454	$ 4,524
Working capital and net borrowings	9,516	1,296	(1,204)	13,349	(6,244)	2,318
Change in Year	$ 3,458	$ 356	$ (2,543)	$ 2,593	$ (3,790)	$ 6,842
Cash balance, beginning of Year	$ –	$ 3,102	$ 5,645	$ 3,052	$ 6,842	$ –
Cash balance, end of Year	$ 3,458	$ 3,458	$ 3,102	$ 5,645	$ 3,052	$ 6,842
Distributions payment rate [1]	75%	72%	74%	74%	77%	75%

[1] This represents the total distributions paid and current income taxes accrued as a percentage of Cash Flow from Operations.

CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO CASH FLOW FROM OPERATIONS

($ 000's)	Total	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015	Jan. 1, 2010 to Dec. 31, 2014	Canadian GAAP Aug. 7, 2003 to Dec. 31, 2009
Cash Flow from Operating activities	$ 267,876	$ 21,060	$ 20,148	$ 20,433	$ 69,446	$ 136,789
Add (deduct):						
Changes in non-cash working capital items	2,002	608	111	(1,045)	1,560	768
Interest on Exchangeable Units	42,703	5,750	5,710	5,434	25,809	–
Income taxes paid	29,826	5,315	5,098	4,137	15,276	–
Interest on Trust units	15,212	–	–	–	15,212	–
Change in accrued interest expense	(1,489)	(21)	(49)	(43)	(281)	(1,095)
Cash Flow From Operations	$ 356,130	$ 32,712	$ 31,018	$ 28,916	$ 127,022	$ 136,462

Supplemental Information – Selected Operating Information

As at	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	June 30, 2017	Sept. 30, 2017	**Dec. 31, 2017**
Number of REALTORS®	17,320	17,405	17,538	17,580	18,077	18,116	18,117	**18,135**
Number of locations	670	670	668	667	675	669	662	**658**
Number of franchise agreements	308	303	302	297	302	297	294	**293**

Supplemental Information – Acquisitions

Year acquired by the Company ($ millions) except number of REALTORS®	2017	2016	2015	2014	2013	2012	2011	2010
Estimate purchase price								
Royal LePage	$ 7.7	$ 6.0	$ 19.3	$ 6.1	$ 6.0	$ 1.9	$ 2.5	$ 4.2
Via Capitale	0.5	0.6	0.7	0.2	0.7	1.0	1.0	1.0
	$ 8.2	$ 6.6	$ 20.0	$ 6.3	$ 6.7	$ 2.9	$ 3.5	$ 5.2
Actual purchase price								
Royal LePage	$ 7.6	$ 6.2	$ 21.3	$ 7.1	$ 5.8	$ 1.9	$ 2.5	$ 4.2
Via Capitale	0.5	0.6	0.6	0.1	0.9	0.8	0.8	1.1
	$ 8.1	$ 6.8	$ 21.9	$ 7.2	$ 6.7	$ 2.7	$ 3.3	$ 5.3
Acquired REALTORS®								
Royal LePage	542	419	1,530	484	462	145	188	343
Via Capitale	26	40	47	9	54	72	59	74
	568	459	1,577	493	516	217	247	417

Management's Discussion and Analysis of Results and Financial Condition

GLOSSARY OF TERMS

"BBP" means Brookfield BBP (Canada) Holdings LP, a limited partnership governed by the laws of Ontario and a subsidiary of Brookfield Business Partners LP, together with its affiliates but excluding the Manager and the subsidiaries of the Manager.

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

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

"Broker" means a REALTOR® who is licensed with the relevant regulatory body to manage a Brokerage.

"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 & Daniel or Via Capitale brands and are licensed with the relevant regulatory body to manage a Brokerage.

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

"Cash Flow from Operations" or **"CFFO"** means operating income (adjusted to reflect interest expense paid) before deducting amortization and net impairment or recovery 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 Restricted Voting Shares. 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 useful. 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 at the inception of the Company to an affiliate of BBP in partial consideration for the Partnership's acquisition of the assets of the Partnership from that affiliate. 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.

"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 and addendums thereto pursuant to which Brokerage offices offer residential brokerage services to their REALTORS®, including use of 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 BRESI.

"Gross Revenue" means, in respect of a Franchisee, the gross commission income (net of payments to cooperating Brokerages) earned in respect of the closings of residential resale real estate transactions through REALTORS® associated with such Franchisee.

"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 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 changes 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 January 1, 2014 between the Company and the Manager, together with any amendments thereto, 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 and an indirectly, wholly-owned subsidiary of BBP, together with its subsidiaries. The Manager provides management and administrative services to the Company, including management of the assets of the Company.

"Network" means the collection of Brokerages which operate under one of the Brands controlled by the Company.

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

"REALTOR®" and **"REALTORS®"** are the exclusive designation for a member/members of The Canadian Real Estate Association and are defined as an individual/group of individuals licensed to trade in real estate.

"Restricted Voting Share(s)" 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 & Daniel Brands.

"Special Voting Share" means the share of BRESI issued to the holder of the Exchangeable Units to represent voting rights in BRESI proportionate to the number of votes the Exchangeable Unitholders would obtain if they converted their Exchangeable Units to Restricted Voting Shares.

"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 a group of REALTORS® who work together and market themselves as part of a team rather than as individual REALTORS®.

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

"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 BRESI.

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 Independent Auditor's Report 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 6, 2018

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., which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016, and the consolidated statements of net 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 as issued by the International Accounting Standards Board, 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, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
March 6, 2018

Consolidated Balance Sheets

As at December 31, (In thousands of Canadian dollars)	Note	2017	2016
Assets			
Current assets			
Cash		$ 3,458	$ 3,102
Accounts receivable	4	4,389	3,900
Current portion of notes receivable	5	103	67
Prepaid expenses		153	147
		8,103	7,216
Non-current assets			
Notes receivable	5	72	57
Interest rate swap asset	9	45	–
Deferred income tax asset	8	6,435	6,891
Intangible assets	6,7	78,868	78,239
		$ 93,523	$ 92,403
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities		$ 803	$ 893
Purchase obligation	6,13	1,497	3,559
Current income tax liability	8	400	435
Interest payable to Exchangeable Unitholders	10,13	484	476
Dividends payable to shareholders	12	1,067	1,027
		4,251	6,390
Non-current liabilities			
Debt facilities	9	65,677	63,720
Interest rate swap liability	9	–	1,114
Exchangeable Units	10	54,973	52,477
		124,901	123,701
Shareholders' deficit			
Restricted voting shares	11	140,076	140,076
Deficit		(171,454)	(171,374)
		(31,378)	(31,298)
		$ 93,523	$ 92,403

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board

Simon Dean
Director

Lorraine Bell
Director

Consolidated Statements of Net and Comprehensive Earnings

Years ended December 31, (In thousands of Canadian dollars, except share and per share amounts)	Note	2017	2016
Royalties			
Fixed franchise fees		**$ 22,862**	$ 21,751
Variable franchise fees		**10,688**	10,229
Premium franchise fees		**6,569**	6,363
Other revenue		**4,119**	4,093
		44,238	42,436
Expenses			
Administration	**13**	**816**	1,058
Management fee	**3,13**	**8,178**	7,754
Interest expense	**9**	**2,532**	2,606
Impairment and write-off / (recovery) of intangible assets, net	**7**	**(544)**	111
Amortization of intangible assets	**7**	**8,137**	9,583
		19,119	21,112
Operating income		**25,119**	21,324
Interest on Exchangeable Units	**10,13**	**(5,750)**	(5,710)
Loss on fair value of Exchangeable Units	**10**	**(2,496)**	(3,694)
Gain on interest rate swap	**9**	**1,159**	822
Gain / (loss) on fair value of purchase obligation	**6**	**147**	(1,568)
Earnings before income tax		**18,179**	11,174
Current income tax expense		**5,280**	4,893
Deferred income tax expense / (recovery)		**455**	(116)
Income tax expense	**8**	**5,735**	4,777
Net and comprehensive earnings		**$ 12,444**	$ 6,397
Basic earnings per share	**12**	**$ 1.31**	$ 0.67
Weighted average number of shares outstanding used in computing basic earnings per share		**9,483,850**	9,483,850
Diluted earnings per share	**12**	**$ 1.31**	$ 0.67
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, 2016	$ 140,076	$ (171,374)	$ (31,298)
Net earnings	–	12,444	12,444
Dividends declared	–	(12,524)	(12,524)
Balance, December 31, 2017	**$ 140,076**	**$ (171,454)**	**$ (31,378)**

(In thousands of Canadian dollars)	Common Equity	Deficit	Total Deficit
Balance, December 31, 2015	$ 140,076	$ (165,446)	$ (25,370)
Net earnings	–	6,397	6,397
Dividends declared	–	(12,325)	(12,325)
Balance, December 31, 2016	$ 140,076	$ (171,374)	$ (31,298)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, (In thousands of Canadian dollars)	Note	2017	2016
Cash provided by (used for):			
Operating activities			
Net earnings for the year		$ 12,444	$ 6,397
Adjusted for			
Loss on fair value of Exchangeable Units	10	2,496	3,694
Loss / (gain) on fair value of purchase obligation	6	(147)	1,568
Gain on interest rate swap	9	(1,159)	(822)
Interest expense	13	8,165	8,106
Interest paid		(8,144)	(8,057)
Current income tax expense	8	5,280	4,893
Income taxes paid		(5,315)	(5,098)
Deferred income tax expense / (recovery)	8	455	(116)
Impairment and write-off / (recovery) of intangible assets, net	7	(544)	111
Amortization of intangible assets	7	8,137	9,583
Changes in non-cash working capital		(608)	(111)
		21,060	20,148
Investing activity			
Purchase of intangible assets	6	(10,137)	(9,429)
Interest expense on purchase obligation	6,13	117	210
Interest paid on purchase obligation	6	(99)	(147)
		(10,119)	(9,366)
Financing activity			
Borrowings under debt facilities	9	7,400	6,000
Repayment under debt facilities	9	(5,500)	(7,000)
Dividends paid to shareholders	12	(12,485)	(12,325)
		(10,585)	(13,325)
Increase / (decrease) in cash during the year		356	(2,543)
Cash, beginning of the year		3,102	5,645
Cash, end of the year		$ 3,458	$ 3,102

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Years ended December 31, 2017 and 2016
(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 BBP (Canada) Holdings L.P ("BBP"), a subsidiary of Brookfield Business Partners L.P, owns the remaining 25% interest in the Partnership through its ownership of exchangeable units of the Partnership (the "Exchangeable Units") and the remaining 25% interest in RIFGP through its ownership of 25 common shares in RIFGP. In addition to its ownership of the Exchangeable Units, BBP indirectly owns 315,000 restricted voting shares and one special voting share of BRESI. The special voting share entitles BBP to a number of votes at any meeting of the restricted voting shareholders equal to the number of restricted voting shares that may be obtained upon the exchange of all the Exchangeable Units held by the holder and/or its affiliates.

Prior to June 1, 2016 all of BBP's interests in BRESI were owned by Brookfield Private Equity Direct Investments Holdings L.P, a wholly-owned subsidiary of Brookfield Asset Management Inc.

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 BBP (see Note 13). The Company is party to a 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 by the Company. The MSA has a term of five-years expiring on December 31, 2018. On expiry, the MSA automatically renews for an additional five-year term unless the Company or the Manager provides notice of their intention to terminate no later than six months prior to expiry. Should the MSA not be renewed, the Company would be required to enter into an alternate arrangement for the provision of services currently performed by the Manager. The Company derives 100% of its revenue from royalties it receives under the Franchise Agreements.

2. Significant Accounting Policies

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and have been authorized for issuance by the Board of Directors of the Company on March 6, 2018.

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

The Company's significant accounting policies are as follows:

ACCOUNTS RECEIVABLE

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

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 expected 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 net and comprehensive earnings in the period they arise.

The Company reviews intangible assets each reporting period to determine whether indicators of impairment or a reversal of impairment exists on individual Franchise Agreements and Trademarks. When reviewing indicators for impairment or recovery of Franchise Agreements, the Company considers certain factors including, the financial performance of the business, royalties earned, term to maturity, historical REALTOR® count, collectability of receivables 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). Where the counter-parties of one or more Franchise Agreements combine their operations by way of a merger, acquisition or other combination subsequent to the acquisition of the underlying Franchise Agreement, the carrying value of the underlying intangible assets are combined for purposes of evaluating impairment.

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

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

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 will 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.

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REVENUE RECOGNITION

Franchise fees are generally based on a fixed dollar amount per REALTOR® ("fixed franchise fee") plus a percentage of a REALTORS®'s gross revenue ("variable franchise fees") to a specified maximum. A REALTOR®'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 when 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 REALTOR® 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 a REALTOR®'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.

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

EXCHANGEABLE UNITS

Exchangeable Units represent the future distribution obligation of the Company in respect of Class B LP units of the Partnership, and are convertible, on a one-for-one basis, subject to adjustment, into restricted voting shares of 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

Earnings per share is based on the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated to reflect the dilutive effect, if any, of the Exchangeable Unitholders exercising their right to exchange Class B LP units of the Partnership into restricted voting shares of 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
Notes Receivable	Loans and receivables	Amortized Cost
Interest rate swap asset	FVTPL	Fair Value
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 shareholders	Other financial liabilities	Amortized Cost

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

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 net 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 and recovery 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 the Company 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 asset 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 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 OF INTANGIBLE ASSETS AND RECOVERY OF IMPAIRMENT

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 or a reversal of impairment exists on individual Franchise Agreements and Trademarks. Determining whether the value of a Franchise Agreement is impaired or has increased requires considerable judgment. When reviewing indicators for impairment or recovery of previously impaired Franchise Agreements, the Company considers certain factors including, financial performance of the business, royalties earned, term to maturity, historical agent count, collectability of receivables and underlying market conditions.

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 will supersede IAS 18 – Revenue, IAS 11 – Construction Contracts and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to substantially all contracts with customers, except for, among others, 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 will adopt the modified retrospective approach with the aggregate impact being reflected in the opening balance of equity at the date of initial application, January 1, 2018. Management has completed its assessment of the impact of adopting IFRS 15 and determined no material financial statement adjustments are required upon adoption of the standard.

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 will supersede 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 will adopt the modified retrospective approach with the aggregate impact being reflected in the opening balance of equity at the date of initial application, January 1, 2018. Management has completed its assessment of the impact of adopting IFRS 9 and determined no material financial statement adjustments are required upon adoption of the standard.

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

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, unless the Company or the Manager provides notice of their intention to terminate no later than six months prior to expiry.

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, for the actual royalties earned over a twelve-month period. Further, an incentive fee is to be paid to the Manager for net REALTOR® 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, 2017, the Company incurred management fees of $8,178 (2016 – $7,754) 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, 2017, the Company had accounts receivable of $4,389 (2016 – $3,900) net of an allowance for doubtful accounts of $698 (2016 – $765). During the year ended December 31, 2017, administration expenses included $20 of net bad debt recovery (2016 – bad debt expense of $198).

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, 2017 and 2016.

As at December 31,	**2017**	2016
Current	**$ 3,193**	$ 3,206
30 Days	**623**	441
60 Days	**267**	251
90+ Days	**1,004**	767
Subtotal	**5,087**	4,665
Allowance for Doubtful Accounts	**(698)**	(765)
Accounts Receivable	**$ 4,389**	$ 3,900

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 $176 (2016 – $163) 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, 2017 the Company had a cumulative amount of $727 of royalty income that was not recognized as collectability was not reasonably assured at the time the revenue was earned (2016 – $551).

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5. Notes Receivable

The Company has certain franchisees with which it has entered into a signed formalized payment plan in respect of franchise fees due to the Company which were in arrears. Amounts under these payment plans which are due greater than one year from the financial statement date have been classified as non-current. The terms stipulated in the payment plan require the franchisees to repay the total outstanding balance in monthly payments plus interest based on a spread above the prime interest rate ("Prime"). As at December 31, 2017, the Company had notes receivable of $175 (2016 – $124), of which $103 was due within 12 months (2016 – $67) and $72 was considered non-current (2016 – $57).

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

As at December 31,	2017	2016
Current portion	$ 103	$ 67
Receivable in 13-24 months	72	45
Receivable in 25-36 months	–	12
Notes Receivable	$ 175	$ 124

6. Asset Acquisitions

On January 1, 2017, (an "Acquisition Date") the Company acquired 51 Franchise Agreements under the Royal LePage brand and four Franchise Agreements under the Via Capitale brand from the Manager for an estimated purchase price of $8,222. A payment of $6,576 (approximating 80% of the estimated purchase price) plus applicable taxes was paid on January 6, 2017. The remainder is to be paid in 2018.

On January 1, 2016, (an "Acquisition Date") the Company acquired 27 Franchise Agreements under the Royal LePage brand and six Franchise Agreements under the Via Capitale brand from the Manager for an estimated purchase price of $6,642. A payment of $5,314 (approximating 80% of the estimated purchase price) plus applicable taxes, was paid on January 8, 2016. The remainder of the purchase price related to the 27 Franchise Agreements acquired under the Royal LePage brand was paid on December 28, 2016, while the remainder owing for the six Franchise Agreements acquired under the Via Capitale brand was paid on May 31, 2017.

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, 2017, the Company recorded a gain of $147 on the fair value of the purchase obligation (2016 – loss of $1,568).

For the twelve months ended December 31, 2017, the Company incurred $117 of interest expense related to the outstanding purchase obligations (2016 – $210).

The purchase obligation by brand consists of the following:

Years ended December 31,	Royal LePage	Via Capitale	2017	2016
Purchase obligation at beginning of year	$ 3,474	$ 85	$ 3,559	$ 4,778
Current year's purchases	7,746	476	8,222	6,642
Adjustment to purchase obligation in the current year	(165)	18	(147)	1,568
Payments made during year	(9,671)	(466)	(10,137)	(9,429)
Purchase obligation at end of year	$ 1,384	$ 113	$ 1,497	$ 3,559

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

7. Intangible Assets

During the year ended December 31, 2017, there were four Franchise Agreements identified with a carrying amount in excess of their recoverable amount. The Company recognized impairment charges for the twelve months ended December 31, 2017 of $259 (2016 – nil).

During the year ended December 31, 2017, there were five Franchise Agreements, previously identified as being impaired, where the conditions causing such impairment have become more favourable such that a portion of the impairment charges recorded in prior periods can be reversed. For the twelve months ended December 31, 2017 the Company recognized a reversal of previously recorded impairment charges of $854 to increase the carrying value of the intangible asset to its revised recoverable amount (2016 – nil).

During the year ended December 31, 2017, the Company identified two Franchise Agreements that were subject to early termination or non-renewal. The Company recognized a write off for the twelve months ended December 31, 2017, of $51 (2016 – $111 related to one Franchise Agreement).

For the twelve months ended December 31, 2017, the Company recorded an expense of $8,137 (2016 – $9,583) related to the amortization of intangible assets.

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

	Franchise Agreements	Trademarks	Total
Cost			
At December 31, 2016	$ 220,409	$ 5,427	$ 225,836
Purchases	8,222	–	8,222
Impairment	(259)	–	(259)
Impairment recovery	854	–	854
Amounts written-off	(137)	–	(137)
At December 31, 2017	**$ 229,089**	**$ 5,427**	**$ 234,516**
Accumulated amortization			
At December 31, 2016	$ (145,131)	$ (2,466)	$ (147,597)
Amortization expense	(7,953)	(184)	(8,137)
Amounts written-off	86	–	86
At December 31, 2017	**$ (152,998)**	**$ (2,650)**	**$ (155,648)**
Carrying value			
At December 31, 2016	$ 75,278	$ 2,961	$ 78,239
At December 31, 2017	**$ 76,091**	**$ 2,777**	**$ 78,868**

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8. Income Taxes

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

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

Years ended December 31,	2017	2016
Earnings before income tax for the year:	$ 18,179	$ 11,174
Expected income tax expense at statutory rate of 26.5% (2016 – 26.5%)	4,817	2,961
Increase (decrease) in income tax expense due to the following:		
Non-deductible amortization	650	971
Non-deductible loss on fair value of Exchangeable Units	661	979
Non-deductible interest on Exchangeable Units	1,524	1,513
Non-deductible impairment and write-off / (recovery) of intangible assets, net	(36)	7
Non-deductible adjustments to purchase obligation	–	104
Income allocated to Exchangeable Unitholders	(1,857)	(1,735)
Recognition of deferred tax assets and other	(24)	(23)
Total income tax expense	$ 5,735	$ 4,777

The major components of income tax expense include the following:

Years ended December 31,	2017	2016
Current income tax expense	$ 5,280	$ 4,893
Deferred income tax recovery	455	(116)
Total income tax expense	$ 5,735	$ 4,777

Deferred income tax assets arise substantially from temporary differences between the income tax values of intangible assets and the interest rate swap liability as compared to their respective carrying values.

9. Debt Facilities

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

As at	December 31, 2017	December 31, 2016
Term facility	$ 53,000	$ 53,000
Acquisition facility	12,800	10,900
	$ 65,800	$ 63,900
Financing fees	(123)	(180)
Debt facilities	$ 65,677	$ 63,720

The Company has $78,000 in financing available under a borrowing agreement with a Canadian Chartered Bank. The debt facilities under this agreement are comprised of the following, which mature February 17, 2020 ("Maturity"):

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 $7,400 in January 2017 to finance the purchase of Franchise Agreements on January 1, 2017. During the year, the Company made repayments on the facility totaling $5,500. As of December 31, 2017 $7,200 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, 2017.

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

The Company's ability to borrow under these arrangements is subject to certain covenants. Under these covenants, the Company must maintain a ratio of Consolidated EBITDA to Interest Expense on Senior Indebtedness at a minimum of 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, 2017 and December 31, 2016, 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 net and comprehensive earnings. The fair value is determined using a discounted cash flow model using observable yield curves and applicable credit spreads at a credit adjusted rate. At December 31, 2017 the Company determined that the fair value of the interest rate swap represents an asset of $45 (2016 – liability of $1,114). For the twelve months ended December 31, 2017, the Company recognized a fair value gain of $1,159 (2016 – $822).

10. Exchangeable Units

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

The Company measures the Exchangeable Units at their fair value using the closing price of BRESI's restricted voting shares listed on the TSX. At December 31, 2017, the Company used the closing market price of BRESI's shares of $16.52 (2016 - $15.77). During the twelve months ended December 31, 2017, the Company recorded a loss of $2,496 related to the fair value of the Exchangeable Units (2016 – $3,694).

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, 2017 the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of $5,750 (2016 – $5,710).

11. Share Capital

BRESI 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 BRESI, and holders of the restricted voting shares are entitled to dividends declared and distributed by BRESI.

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 BRESI.

No additional restricted voting shares were issued during the twelve months ended December 31, 2017 or the twelve months ended December 31, 2016.

No preferred shares were issued or outstanding as at December 31, 2017 or December 31, 2016.

The following table summarizes the outstanding shares of BRESI:

As at	**December 31, 2017**	December 31, 2016
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)	**2017**	2016
Net earnings available to restricted voting shareholders – basic	**$ 12,444**	$ 6,397
Interest on Exchangeable Units	**5,750**	5,710
Loss on fair value of Exchangeable Units	**2,496**	3,694
Net income available to restricted voting shareholders – diluted	**$ 20,690**	$ 15,801
Weighted average number of shares outstanding used in computing basic earnings 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 earnings per share	**12,811,517**	12,811,517
Basic earnings per share	**$ 1.31**	$ 0.67
Diluted earnings per share	**$ 1.31**	$ 0.67
Dividends declared	**$ 12,524**	$ 12,325
Restricted voting shares	**9,483,850**	9,483,850
Dividends per restricted voting share	**$ 1.32**	$ 1.30

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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 2017 and 2016. These transactions have been recorded at the exchange amount as agreed between the parties.

Year ended December 31,		**2017**		2016
a) Royalties				
Fixed, variable and other franchise fees	**$**	**3,860**	$	3,849
Premium franchise fees	**$**	**5,500**	$	5,380
b) Expenses				
Management fees	**$**	**8,178**	$	7,754
Insurance premiums and other	**$**	**13**	$	77
Interest on purchase obligations	**$**	**117**	$	210
c) Interest				
Interest to Exchangeable Unitholders	**$**	**5,750**	$	5,710

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

As at December 31,		**2017**		2016
d) Accounts receivable				
Franchise fees receivable and other	**$**	**701**	$	804
e) Accounts payable and accrued liabilities				
Management fees	**$**	**644**	$	628
Interest on purchase obligations	**$**	**18**	$	63
f) Interest payable to Exchangeable Unitholders	**$**	**484**	$	476
g) Purchase obligation	**$**	**1,497**	$	3,559

The members of the Company's board of directors are compensated for their services. During the twelve months ended December 31, 2017, the Company incurred $251 (2016 – $253) 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, 2017, the Company has an allowance for doubtful accounts of $698 (2016 – $765). In addition, as at December 31, 2017, the Company had a cumulative amount of $727 royalty income that was not recognized as collectability was not reasonably assured at the time the revenue was earned (2016 – $551).

B) LIQUIDITY RISK

The Company is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs, including paying dividends to shareholders of restricted voting shares and interest to Exchangeable Unitholders. The Company manages liquidity risk by maintaining conservative debt levels compared with those required by the covenants associated with the debt facilities.
Also, the Company has a $20,000 Acquisition Facility (of which $12,800 is drawn) and a $5,000 unutilized Operating Facility (see Note 9-Debt Facilities).

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

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

As at December 31,	2018	2019	2020	2021	Beyond 2021	Total
Accounts payable and accrued liabilities	$ 803	$ –	$ –	$ –	$ –	$ 803
Purchase obligation	1,497	–	–	–	–	1,497
Interest payable to Exchangeable Unitholders	484	–	–	–	–	484
Dividends payable to shareholders	1,067	–	–	–	–	1,067
Interest on long-term debt	2,264	2,264	377	–	–	4,905
Debt facilities	–	–	65,800	–	–	65,800
Exchangeable Units	–	–	–	–	54,973	54,973
Total	$ 6,115	$ 2,264	$ 66,177	$ –	$ 54,973	$ 129,529

C) INTEREST RATE RISK

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

As described in Note 9, the Company has entered into a five-year interest rate swap to fix the interest on the Company's $53,000 Term Facility at 3.64% until October 28, 2019.

The Company has drawn $12,800 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 pay interest at variable interest rates on the Acquisition Facility and monitors this position on an ongoing basis. An increase of 1% in the Company's effective interest rate on its variable rate Acquisition Facility would result in an increase in its annual interest expense of approximately $128.

D) FAIR VALUE

The fair value of certain of the Company's financial instruments, including cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, interest payable to Exchangeable Unitholders and dividends payable to holders of restricted voting shares, are estimated by management to approximate their carrying values due to their short-term nature. The fair value of the Company's outstanding borrowings of $65,800 approximate their carrying value of $65,677 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, 2017 and December 31, 2016, classified using the fair value hierarchy:

As at December 31, 2017	Level 1	Level 2	Level 3	Total
Financial asset or liability:				
Purchase obligation	$ –	$ –	$ 1,497	$ 1,497
Interest rate swap asset	–	(45)	–	(45)
Exchangeable Units	54,973	–	–	54,973
Total	**$ 54,973**	**$ (45)**	**$ 1,497**	**$ 56,425**

As at December 31, 2016	Level 1	Level 2	Level 3	Total
Financial asset or liability:				
Purchase obligation	$ –	$ –	$ 3,559	$ 3,559
Interest rate swap liability	–	1,114	–	1,114
Exchangeable Units	52,477	–	–	52,477
Total	$ 52,477	$ 1,114	$ 3,559	$ 57,150

See Note 6 for disclosures related to Level 3 fair values, Note 9 for disclosures 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' deficit.

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

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

The covenants of the debt facilities prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense on Senior Indebtedness at a minimum of 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 as at December 31, 2017 and 2016. The Company is compliant with all financial covenants. There were no changes in the Company's approach to capital management during the period.

16. Segmented Information

The Company has only one business segment which is providing information and services to REALTORS® and real estate brokers in Canada through a portfolio of highly regarded real estate services brands. The economic characteristics are consistent across the Company's brands as they each provide services, similar in nature, in the Canadian residential real estate market. Of the Company's royalty revenues 96% (2016 – 95%) are generated from the network of franchisees operating under the Royal LePage and Johnston and Daniel brands and 4% (2016 – 5%) are generated from the network of franchisees operating under the Via Capitale brand.

17. Subsequent Events

On January 1, 2018, (an "Acquisition Date") the Company acquired 38 Franchise Agreements under the Royal LePage and Via Capitale brands from the Manager for an estimated purchase price of $8,830. A payment of $7,064 (approximating 80% of the estimated purchase price) plus applicable taxes was paid on January 3, 2018. The remainder is to be paid after the final purchase price is determined on October 31, 2018 (a "Determination Date").

The acquisition was financed partly through a draw of $7,200 on the Company's Debt Facilities.

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

Glen McMillan
Chief Financial Officer

Luc Poupart
President, Via Capitale

Carolyn Cheng
Chief Operating Officer, Royal LePage

George Heos
Senior Vice President, Network Development, Royal LePage

Mark Houghton
Senior Vice President, Information Technology

Yvonne Ratigan
Vice President, Broker Service, Royal LePage

Kevin Somers
Chief Operating Officer, Corporate Brokerages, Royal LePage

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

Helping our Community

A home should be a place where families experience safety, happiness and harmony. Sadly, for thousands of Canadian women and children living with domestic violence, this is not the case. The Royal LePage Shelter Foundation helps local shelters provide a 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**.

royal lepage
shelter foundation

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 shelters and domestic violence prevention programs;
- Many Royal LePage offices across Canada partner with a local shelter to provide much-needed financial support and essential goods and services. Funds raised by Royal LePage offices remain in their local communities;
- Royal LePage (the Manager) pays all the administrative costs of the charity so that 100 per cent 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 that teaches high school students how to have healthy relationships and prevent dating violence;
- The Royal LePage Shelter Foundation is a national philanthropic partner of Canadian Women's Foundation and Women's Shelters Canada; and,
- Since the Royal LePage Shelter Foundation's inception in 1998, more than $27 million has been raised.

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 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 Tuesday, May 8, 2018 at 10:00AM EST, at Vantage Venues, Inverness Room, 27th Floor, 150 King Street West, Toronto, Ontario, M5H1J9.

DIRECT INQUIRIES TO:

Sarah Louise Gardiner
Director of Investor Relations
Brookfield Real Estate Services Inc.
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Brookfield
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