Royal LePage Franchise Services Fund

Interim Report to Unitholders Q1 2005

Q1

LETTER TO UNITHOLDERS

Q1 2005 UNITHOLDER REPORT

Financial and Operating Highlights

For the three months ended March 31, 2005		(thousands)		(per unit)
Royalties	$	5,596	$	0.42
Net earnings	$	431	$	0.04
Distributable cash	$	4,077	$	0.31
Distributions	$	3,661	$	0.28

We are pleased to present our results for the first quarter ended March 31, 2005.

Revenue for the first quarter was $5.6 million and distributable cash from operations of $4.1 million or $0.31 per unit, exceeded management's expectations for the first quarter.

The growth in revenue of 15% over the same period in 2004 was driven by a 7.4% increase in the Fund's underlying network of agents and sales representatives, and the continued strength of the Canadian residential resale real estate market. For the twelve-month period ended March 31, 2005, the Fund's underlying network of agents and sales representatives grew by 11.9%. This increase of 750 agents and sales representatives for the quarter ended March 31, 2005, was driven by internal recruiting efforts, and the acquisition of 38 franchise contracts serviced by 558 agents on January 1, 2005. For the twelve months ended March 31, 2005, the Fund network grew by 1,162 agents and sales representatives.

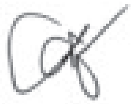
As a result of the addition of 168 agents through internal recruiting during the quarter and franchise contracts representing 135 agents to our growth pipeline, the Fund is well ahead of achieving our annual growth target of 200 to 400 agents. With our growth experienced to date, the previously announced increase and refinancing of our debt to a fixed interest rate position, and $3.8 million in distributable cash reserves, we are well positioned to continue to deliver stable and growing distributions to our unitholders.

Growth Pipeline

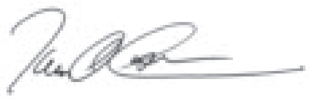
From November 1, 2004, to March 31, 2005, the Fund Manager converted 15 franchises serviced by 135 agents to the Royal LePage brand. It is anticipated that franchise agreements with franchisees who have converted to Royal LePage prior to October 1, 2005, will be offered for purchase by the Fund in accordance with the process set out in the Management Services Agreement.

Outlook

We expect continued strength in the Canadian residential real-estate market in the mid-term due to strong underlying market fundamentals, including low interest rates, strong consumer confidence, the continued relative affordability of residential real estate, an expanding economy and a steadily increasing inventory of residential homes. The pace of market growth may slow in the second half of 2005 as latent demand is satisfied and listing inventories rise. Annual house price appreciation should fall from the double-digit increases seen in 2004 to single-digit levels in the mid-term; moving us from a market skewed in the seller's favour, to more balanced conditions. From an operational perspective, the second quarter of 2005 will see the implementation of a large and important technology revitalization program. Over the coming months, we will introduce exciting new online services that will greatly improve the Fund's agents and sales representatives' ability to market and to service clients. This significantly enhanced business system will reinforce our leadership position in the years ahead and should attract high-performing franchisees and agents to our brands.



Philip Soper
President & Chief Executive Officer



Kevin A. Cash
Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

FINANCIAL HIGHLIGHTS

($ 000's)		**Three Months Ended March 31, 2005**		Three Months Ended March 31, 2004
Royalties	**$**	**5,596**	$	4,855
Less:				
Administration expenses		**123**		86
Interest expense		**481**		361
Management fee		**915**		881
Earnings and distributable cash	**$**	**4,077**	$	3,527
Distributions	**$**	**3,661**	$	3,660
Number of agents and sales representatives		**10,895**		9,733

The table above sets out selected historical information and other data which should be read in conjunction with the attached consolidated financial statements for the three-month period ended March 31, 2005 (the "Quarter"). The consolidated financial statements are prepared in Canadian dollars and are in accordance with Canadian generally accepted accounting principles. External economic and industry factors remain substantially unchanged, unless otherwise stated.

OVERVIEW

This Management Discussion and Analysis ("MD&A") covers the period from January 1, 2005, to March 31, 2005, and has been prepared as at May 2, 2005.

Royal LePage Franchise Services Fund (the "Fund") was established on August 7, 2003, through an initial public offering. The Fund generates cash flow from the franchise royalties and service fees of a national network of real estate franchisees, agents and sales representatives, operating under the Royal LePage and Johnston & Daniel brand names (collectively the "Fund Network").

Management of the Fund is governed by a Management Services Agreement ("MSA"). The services under the MSA are provided by Residential Income Fund Manager Limited, a division of Centract Residential Property Services ("Centract"), the residential real estate services division of Brascan Corporation. The senior management of Centract developed and managed the Fund Network prior to the inception of the Fund. Brascan Corporation, through a wholly-owned subsidiary, holds a 25% subordinated interest in the Fund (see Transactions with Related Parties).

As at March 31, 2005, the Fund Network was comprised of 10,081 agents and 814 sales representatives operating from 566 locations under 265 franchise agreements. The Fund Network has an approximate one-fifth share of the Canadian residential resale real estate market[1] based on transactional dollar volume.

STRUCTURE OF THE FUND

The Fund generates royalties with both fixed and variable fee components. A summary of these fees is as follows:

Royalty Fees

Fixed franchise fees are based on the number of agents in the Fund Network and consist of a monthly flat fee of $100 per agent, a technology fee and web services and other fees.

Variable franchise fees are primarily driven by the total transaction dollar volume of business transacted by our agents. The Fund receives 1% of each agent's gross commission income, subject to a cap of $1,300 per year. In addition, 22 of the Fund's larger locations situated in the Greater Toronto Area ("GTA") pay a premium franchise fee ranging from 1% to 5% of the location's gross revenue.

For the Quarter approximately 76% (76% - 2004) of the Fund's annual royalties are derived from the combined fixed fee of $100 per agent per month and 1% variable fee and 10% (11% - 2004) from premium fees. The remaining royalty stream is generated from technology fees, 4.5% option and web services and other fees. Approximately 64% of the annual royalties are insulated from market fluctuations, as they are not directly driven by transaction volumes. Management believes that the combination of a royalty stream based on the number of agents in the network, increasing agent and broker productivity and an increasing supply of new housing inventory will provide the base for a strong, stable and growing cash flow.

Monthly Distributions

The target annual cash distribution is $1.10 per unit. Public unitholder cash distributions are made monthly. The quarterly target was met during the first quarter of 2005. To reduce unitholder risk, 25% of the Fund's units, which are held by Centract, are subordinated in their rights to distributions until public unitholders receive their target distribution of $0.0917 per unit per month. This subordination is in place until August 7, 2008.

OPERATIONS OVERVIEW

The key drivers of the Fund's business and cash distributions to unitholders are:

1. The number of agents in the Fund;
2. Transaction volumes;
3. The stability of the Fund's royalty stream; and
4. The Fund's growth opportunities.

A summary of our performance against these drivers is as follows:

[1] The market is defined as the dollar value of units sold ("Transactional Dollar Volume") over a twelve month period in a particular geographic area.

Number of agents in the Fund

- During the quarter, the Fund Network grew by 726 agents or 7.8% to 10,081 agents. Of this growth, 558 were through the acquisition of the 38 franchise contracts on January 1, 2005, with an annual estimated franchise fee of $1.2 million, and 168 or 1.7% through franchisee net recruiting efforts.

Transaction volumes

The performance of the Fund is dependent upon the receipt of royalty revenue, which, in turn, is partially dependent upon the level of residential resale real estate transactions. The residential real estate industry is affected by all of the factors affecting the economy in general, including changes in interest rates, unemployment and inflation. During the Quarter, the market remained healthy and was buoyed by strong consumer confidence and housing affordability. A summary of the market and related activity for the Quarter is as follows:

- Canada's housing starts, the market's future inventory, were 218,500 for the twelve months ended March 31, 2005, down slightly from the 219,538 recorded for the same period in 2004 and 6.4% below December 2004 levels of 233,431. The decrease from 2004 levels suggests that activity in the new housing market is slowing from the 17-year high set in 2004.

- The market, as defined by transactional dollar volume, totalled $104.9 billion for the 12 months ended March 31, 2005, an increase of 11.1% compared with the 12 months ended March 31, 2004.

- The year-over-year growth in the Canadian market for the 12 months ended March 31, 2005, was fuelled by a 2.0% increase in residential unit sales to 453,506 units and an 8.9% increase in average selling price to $231,335.

- The GTA market, from which the Fund earns its premium franchise fees, reached a transactional dollar volume of $26.9 billion for the 12 months ended March 31, 2005, an 11% increase over the same period in 2004. This market activity was fuelled by a total of 83,723 homes sold at an average selling price of $320,712, a 3% increase in homes sold and an 8% increase in average price per home, over the same period in 2004.

- The GTA market, for the month of March 2005 as compared to March 2004 was down 6.3% to $2.6 billion as the unit sales fell by 12.9% to 7,904 units, while selling price increased by 7.6% to $330,545. This decrease in unit sales appears to be largely a result of the Easter holidays occurring during March for 2005 as compared to April in 2004.

- Agent productivity for the 12 months ended December 31, 2004, was approximately $2.2 million per agent in transactional dollar volume, which was 10% ahead of the 2003 level of $2.0 million and 69% ahead of the rest of the Canadian agent productivity of $1.3 million per agent.

- Record low mortgage interest rates, strong consumer confidence, combined with overall housing affordability continues to encourage first-time buyers to enter the market and existing homeowners to trade up to larger, more expensive dwellings.

Toward the end of 2004, and during the first quarter of 2005, there was a noted industry-wide increase in the inventory of residential resale real estate properties listed for sale. We anticipate that this increase in listing inventory will add more balance to the demand and supply for residential resale properties, resulting in a reduced pace of price appreciation from the double digits seen in the early part of 2004 to single digit appreciation in the near-to mid-term.

Stability of the Fund's royalty stream

- The Fund's royalties are derived primarily from a diverse national network of 265 independently owned and operated franchises, the majority of which operate with less than 100 agents.
- The geographic distribution of the Fund Network is similar to the distribution of the overall Canadian agent population.
- During the Quarter there were no contracts subject to renewal.
- The Fund has secured 10, 15 and 20-year agreements, while five-year contracts are the industry norm.
- As at March 31, 2005, the Fund had $3.8 million in working capital and other reserves to meet future cash flow requirements. These reserves may be used to: fund future distributions in light of the seasonality of the market; safeguard against increases in interest rates; fund potential acquisitions; and cover the anticipated reduction in the 1% variable franchise fee to year-end, as a number of agents exceed the $1,300 per annum cap towards the end of the year.

Fund growth opportunities

Our growth objective is to add 200 to 400 agents to the Fund Network annually, with approximately one half of this growth from acquisitions and one half from internal growth. Growth through acquisition is achieved through Centract's dedicated network development team operating under the MSA.

Growth in overall royalties is achieved by: increasing the number of agents in the Fund; increasing the productivity of agents; expanding the range of products and services supporting the franchisees and agents; increasing adoption of these products and services; and providing concise programs to the Fund Network, supported by on-going training programs to franchisees and agents that assist in leveraging the Fund's competitive advantages to attract and retain potential recruits. A summary of immediate growth opportunities and results to the date of this report is as follows:

- Internal growth of 168 agents and the acquisition of 38 franchise contracts serviced by 558 agents mentioned earlier, added 726 paying agents to the Fund's network for the quarter ended March 31, 2005.
- From November 1, 2004 to the date of this MD&A, franchises operating from 15 locations serviced by 135 agents were added to the Royal LePage brand. Centract anticipates presenting these franchise contracts to the Fund's Trustees for purchase by the Fund on January 1, 2006.

- Effective July 1, 2005, many sales representatives will begin paying the $100 per month fixed fee. This change impacts selling Realtors only, and typically excludes broker-owners and managers. Management estimates that there will be 400 to 600 new fixed fee paying sales representatives.

- Centract continues to develop, introduce and support new tools, services and programs, which assist franchisees in attracting and retaining agents, increasing agent productivity and driving down administration costs.

OPERATING RESULTS

($ 000's)		**Three Months Ended March 31, 2005**		Three Months Ended March 31, 2004
Royalties	**$**	**5,596**	$	4,855
Less:				
Administration expenses		**123**		86
Interest expense		**481**		361
Management fee		**915**		881
Earnings	**$**	**4,077**	$	3,527
Amortization of intangible assets		**3,471**		3,420
Non-controlling interest		**175**		44
Net earnings	**$**	**431**	$	63
Basic and diluted earnings per unit (9,983,000 units)	**$**	**0.04**	$	–

Earnings of $4.1 million for the Quarter, exceeded management's expectations due primarily to greater than anticipated agent growth and market activity during the Quarter.

Royalties in the Quarter totalled $5.6 million, 15% ahead of the same period in 2004. The growth in royalties is explained in greater detail below.

Administration costs were in line with management's expectations. Interest expense has increased over the same period in 2004 as the Fund moved from a variable interest rate position on its $30.6 million term loan to a $38 million private debt placement at an effective fixed rate of 6.3%. Management fees have been calculated in line with the terms set out in the MSA, as 20% of royalties less administration expenses, interest expenses and working capital and other reserves.

Net earnings for the Quarter of $0.4 million represent earnings less non-cash charges of $3.5 million of amortization related to intangible assets and $0.2 million related to the non-controlling interest's 25% share of the operating results.

The Fund Network as at March 31, 2005, was comprised of 10,081 agents and 814 sales representatives, with 9,783 of the agents operating under the combined flat fee of $100 per month and 1% of gross earnings option (the "$100/1% option") and 298 agents operating under the 4.5% variable fee option (the "4.5% option").

Royalties

($ 000's)	**Three Months Ended March 31, 2005**	Three Months Ended March 31, 2004
Fixed franchise fees	**$ 2,945**	$ 2,522
Variable franchise fees	**1,335**	1,179
Premium franchise fees	**576**	541
Other fees and services	**740**	613
	$ 5,596	$ 4,855

The Fund generates royalties from both fixed and variable fee components as described earlier in "Structure of the Fund".

Total fixed franchise fees, variable franchise fees and premium franchise fees represented 87% of royalties for the Quarter and the same period in 2004.

Fixed franchise fees for the Quarter increased 17% over the same period in 2004, in line with the increase in the underlying number of agents.

Variable franchise fees for the Quarter increased 13% over the same period in 2004 while the same quarter–over-quarter market activity increased 5%. The variable fees for the Quarter outpaced the market for the same period in 2004 due primarily to the 11.9% increase in the Fund's underlying network of agents and sales representatives since March 31, 2004.

Premium fees are a function of the mix of 22 franchise locations servicing the GTA market, which pay premium fees ranging from 1% to 5% of the location's gross revenue. The premium franchise fees for the Quarter increased by 6% over the same period in 2004, while the GTA quarter-over-quarter market for the same period increased by 2%. This increase in premium fees outpaced the overall GTA market due to the greater market growth experienced in the individual market areas serviced by the premium fee paying franchise locations.

Other fees and services represented 13% of Fund royalties for the Quarter and increased 21% over the same period in 2004. These fees, comprised of technology fees, 4.5% option fees, web service and other fees, increased over the same period in 2004 due primarily to the greater than anticipated number of agents and an increase in the pricing of our new web services and training offerings.

Interest expense

Interest expense of $0.5 million for the Quarter, is comprised of interest on the Fund's $30.6 million term loan from January 1st to February 17th, interest on the $38 million private debt placement from February 18th to March 31st, amortization of the financing charges incurred to secure the $38 million private debt placement, and standby charges associated with the Fund's $2 million operating line, which remained undrawn during the Quarter.

The fixed interest rate on the $38 million private debt placement is 5.882% with an effective interest rate of 6.3% once the five year amortization of the $0.8 million in financing costs associated with securing the private debt placement and $2 million operating line are taken into account.

Amortization of intangible assets

Intangible assets relate to the values attributed to the franchise agreements and relationships and trademarks acquired by the Fund since August 7, 2003. Trademarks are being amortized on a straight-line basis over the term of the agreement plus one renewal period, while franchise agreements are being amortized over the term of the agreements. Relationships represent the value attributed to franchise renewals and are being amortized over the renewal period, at the commencement of such period. See 2005 Acquisitions and Deposit on Acquisitions for further discussion regarding Intangible Assets arising on 2005 acquisitions.

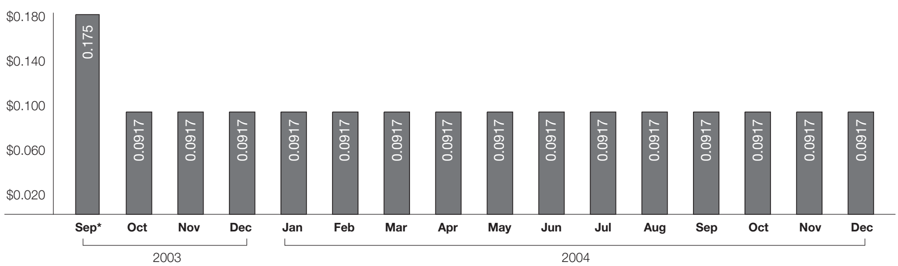
Management fee expense

Management fees of $0.9 million for the Quarter are in line with Management's expectations. Management services are provided under the MSA by Centract for a fee equal to 20% of cash otherwise available for distribution, which is calculated as distributable cash after reasonable reserves for future Fund distributions and obligations. During the Quarter, the Fund generated reserves of $0.4 million ($0.1 million decrease – quarter ended March 31, 2004). In accordance with the MSA these reserve amounts have been deducted from cash otherwise distributable in arriving at the Fund's management fees.

Distributions

Distributions, as summarized in the following table, were in line with annualized targeted distributions of $1.10 per unit. Management and the Board of Trustees will periodically review the distribution target. Our distributions since inception are summarized in the following chart.

Unitholder Distributions ($ per unit) Month Declared



*Based on a 55 day period

DISTRIBUTABLE CASH

Distributions to unitholders are computed as net earnings, adjusted for the non-controlling interest share of net earnings, amortization and other reasonable working capital and other reserves as defined by the Fund's Amended and Restated Declaration of Trust.

Distributable cash does not have a standardized meaning under Canadian generally accepted accounting principles ("GAAP") and accordingly may not be comparable to similar measures used by other issuers. Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash available for distribution to unitholders. Investors are cautioned, however, that distributable cash should not be construed as an alternative to using net earnings as a measure of profitability or the statement of cash flows. Distributable cash per unit has been calculated on a basis with that prescribed by GAAP for calculating earnings per unit and is derived as follows:

Distributable cash ($ 000's)	**Three Months Ended March 31, 2005**	Three Months Ended March 31, 2004
Royalties	**$ 5,596**	$ 4,855
Less:		
Administration expenses	**123**	86
Interest expense	**481**	361
Management fee	**915**	881
Distributable cash	**4,077**	3,527
Add (deduct) change in working capital and other reserves	**(416)**	133
Distributable cash after reserves	**$ 3,661**	$ 3,660

Distributable cash Reconciled to the Financial Statements ($ 000's)	**Three Months Ended March 31, 2005**	Three Months Ended March 31, 2004
Net earnings for the period	**$ 431**	63
Add:		
Non-controlling interest share of net earnings	**175**	44
Amortization of intangible assets	**3,471**	3,420
Distributable cash	**4,077**	3,527
Add (deduct) change in working capital and other reserves	**(416)**	133
Distributable cash after reserves	**$ 3,661**	$ 3,660
Distributions declared during the period		
Unitholders	**$ 2,746**	$ 2,745
Non-controlling interest	**915**	915
	$ 3,661	$ 3,660

Distributable cash before reserves totalled $4.1 million for the Quarter. This was ahead of management's expectations for reasons described earlier and since distributable cash before reserves was greater than the declared distributions for the year, working capital and other reserves of $0.4 were built up during the Quarter, bringing total reserves, to $3.8 million (see Reserves).

RESERVES

Since inception, the Fund has built up $3.8 million in reserves as summarized in the table below. These reserves have been reduced by $0.1 million and $0.4 million for cash used to acquire franchise contracts on January 1, 2004 and January 1, 2005, respectively. At this time it is management's and the Board's intention to retain the reserve within the Fund to meet seasonal fluctuations in the market, working capital requirements, and to fund growth initiatives.

Reserves

($ 000's)	August 7, 2003 to December 31, 2003	Twelve months ended December 31, 2004	Three months ended March 31, 2005	**Total**
Royalties	$ 8,802	$ 23,740	$ 5,596	**$ 38,138**
Less:				
Administration expenses	231	513	123	**867**
Interest expense	620	1,327	481	**2,428**
Management fee	1,550	3,660	915	**6,125**
Distributable cash	6,401	18,240	4,077	**28,718**
Less:				
Distributions to public unitholders	4,533	10,985	2,746	**18,264**
Distibutions to non-controlling interest	1,511	3,662	915	**6,088**
Funding of acquisitions	–	120	414	**534**
	$ 357	$ 3,473	$ 2	**$ 3,832**

Distributable cash
Reconciled to the Financial Statements

($ 000's)	August 7, 2003 to December 31, 2003	Twelve months ended December 31, 2004	Three months ended March 31, 2005	**Total**
Net earnings for the period	$ 1,947	$ 3,331	$ 431	**$ 5,709**
Add:				
Non-controlling interest share of net earnings	702	1,232	175	**2,109**
Amortization of intangible assets	3,752	13,677	3,471	**20,900**
Distributable cash	$ 6,401	$ 18,240	$ 4,077	**$ 28,718**

2005 ACQUISITIONS AND DEPOSIT ON ACQUISITIONS

On January 1, 2005, the Fund's independent trustees approved 38 franchise contracts for acquisition by the Fund at an estimated purchase price of $9.3 million. These contracts generate an estimated annual royalty stream of $1.2 million and are represented by 47 locations serviced by 558 agents. In line with the terms of the MSA, the purchase price was funded with an initial payment of $7.0 million and the balance is expected to be paid during the first quarter of 2006 upon audit of the actual royalties generated under these contracts and the recalculation of the actual purchase price as detailed in the MSA.

As the actual purchase price for these contracts can not be determined until the above conditions are met, the initial $7 million dollar payment has been recorded as Deposit on acquisitions. At each quarter end during 2005 the purchase price obligation will be recalculated based on the actual royalties generated from these contracts and the resultant amount will be relieved from the Deposit on acquisitions and reclassified to Intangible assets. The increase in intangible assets will be amortized in accordance with the Fund's intangible assets policy. Recalculated purchase price obligations in excess of the Deposit on acquisitions will be classified as purchase price obligation and the corresponding amount transferred to Intangible assets and amortization, as previously described, will be recorded.

As at March 31, 2005, the royalties generated to date from these contracts have resulted in a purchase price obligation of $3 million. Accordingly, Deposit on acquisitions for the Quarter has been reduced by $3 million, intangible assets increased by $3 million and $0.1 million in related amortization recorded.

PRIVATE DEBT PLACEMENT AND $2 MILLION OPERATING LINE

With the low interest rate environment and the $7 million deposit on acquisitions described earlier, the Fund sought to increase its debt and take advantage of the low interest rates by moving from a floating interest rate position to a fixed interest rate position. Accordingly, on February 18, 2005, the Fund completed a $38 million private debt placement with a number of Canadian institutional investors for a five-year term with interest fixed at 5.882%, payable quarterly in arrears. The private debt placement proceeds, net of approximately $0.8 million in issue costs, were used to repay the Fund's $30.6 million term loan. The remaining $6.6 million in net proceeds along with $0.4 million drawn from cash reserves were utilized to meet the Fund's January 1, 2005 initial franchise contract purchase obligation of $7 million (see 2005 Acquisitions and Deposit on Acquisitions).

On an annualized basis as compared to twelve months ended December 31, 2004, the private debt placement effectively increases the Fund's interest costs by $1 million, from $1.3 million in 2004 to $2.3 million, with 23% of the increase coming from the increase in debt from $30.6 million to $38 million and the remainder from the increase in the effective interest cost from 4.6% in 2004 to 6.3% under the private debt placement. In what management anticipates will be a rising interest rate environment, the fixing of the interest rate on the Fund's debt will add stability and predictability over the next five years to this significant component in the determination of the Fund's distributable cash.

On February 16, 2005, the Fund replaced its $2 million operating line with a $2 million operating line from a single Canadian financial institution. As of the date of this MD&A these funds remain undrawn.

The $0.8 million in issue costs associated with the $38 million private debt placement and the $2 million operating line will be amortized over the term of the private debt placement. During the Quarter, $17 thousand of these charges were amortized.

LIQUIDITY

The Fund utilized cash flow generated from operating activities for the Quarter of $3.3 million to meet administration and distribution requirements, without drawing on our $2 million operating line.

Working Capital

($ 000's)		**As at March 31, 2005**		As at March 31, 2004
Current assets				
Cash and cash equivalents	**$**	**3,658**	$	4,444
Accounts receivable and other		**2,960**		2,272
	$	**6,618**	$	6,716
Current liabilities				
Accounts payable and accrued liabilities	**$**	**1,858**	$	2,001
Distribution payable to unitholders		**915**		915
		2,773		2,916
Net working capital	**$**	**3,845**	$	3,800

The Fund had a net positive working capital position of $3.8 million as at March 31, 2005 and December 31, 2004, as summarized in the table above.

Accounts receivable increased $0.7 million from December 31, 2004, due primarily to the increase in revenue for the Quarter and a net $0.3 million receivable for GST arising primarily from GST paid in respect of the $7 million deposit described earlier.

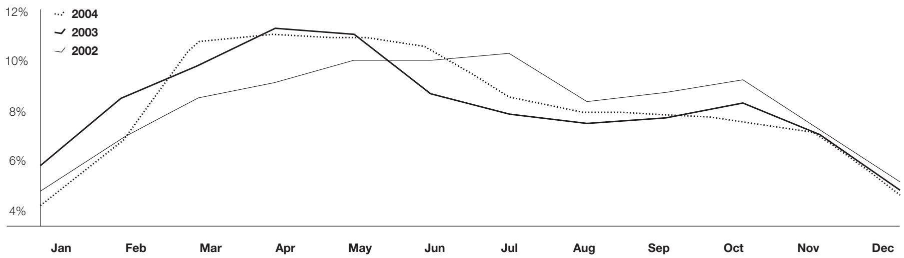
Accounts payable and accrued liabilities declined slightly by $0.1 million from December 31, 2004 and are comprised of a $0.9 million ($0.9 million – 2004) quarterly distribution payable to the non-controlling interest, $0.3 million ($0.3 million – 2004) in management fees payable to Centract and $0.7 million ($0.8 million – 2004) in deferred service revenue and administration expense accruals.

CAPITAL RESOURCES

Existing capital resources upon which the Fund can draw consists of a $2 million operating line, which remains unutilized. Other resources include funds generated from operations in excess of administration costs, debt servicing and distribution requirements, and $3.8 million in working capital and other reserves generated since the inception of the Fund and held for future distributions in anticipation of the seasonality of the residential resale real estate market and to finance the acquisition of franchises. Management will assess financing alternatives such as the issuance of additional Fund units and additional debt when funding requirements, such as potential acquisition opportunities, present themselves.

With $3.8 million in cumulative reserves, an anticipated flow through of strong market unit sales, and the anticipated generation of further reserves through the seasonally stronger second and third quarter of the year we anticipate meeting our near term financing requirements. A summary of the seasonality of the market over the last three years is provided in the chart below.

Canadian Residential Resale Real Estate Market (% Transactional Dollar Volume by Month)



Source: CREA

OFF-BALANCE SHEET ARRANGEMENTS

The Fund has no off-balance sheet arrangements as at the date of this MD&A.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions that the Fund entered into were transacted at contracted rates or at exchange amounts approximating fair market value. These transactions were entered into in the ordinary course of business and were consistent with prior periods.

CRITICAL ACCOUNTING ESTIMATES

Substantially all of the Fund's activities are based on cash transactions with revenue and expenditures based on contracted terms. The only operating activities not based on contractual terms are the Fund's administration costs and allocation of the intangible assets between franchise agreements, relationships, trademarks and their related amortization period. The Fund's administration costs of approximately $0.5 million per annum relate to the Fund's public reporting, regulatory and insurance costs.

The allocation of the Fund's intangible assets between their various classifications is subject to management estimates. The Fund's intangible assets are continuously monitored to ensure that there is no impairment in the carrying value of these assets. A change in the carrying value would affect the net earnings of the Fund but would have no direct cash flow implications.

ACCOUNTING POLICIES

Deferred Charges

During the Quarter the Fund paid $0.8 million in issue costs associated with the $38 million private debt placement and the $2 million operating line. These costs have been deferred and are being amortized on a straight-line basis over the five-year term of the private debt placement. During the Quarter $17 thousand of these charges were amortized. This amortization policy has been adopted to match the period over which the Fund will benefit from the financing.

FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, distributions payable to unitholders and a $38 million private debt placement. We estimate that the fair values of these financial instruments approximate their carrying value.

The Fund is exposed to credit risk with respect to accounts receivable to the extent any franchisees are unable to pay their fees. The Fund's $38 million private debt is fixed at 5.882% for a five year term commencing February 18, 2005 and as such is not subject to interest rate fluctuations.

OUTSTANDING UNITS

The Fund's capital structure remains unchanged from our launch on August 7, 2003, with the Fund authorized to issue an unlimited number of units of the same class with equal rights and privileges. As at March 31, 2005, 9,983,000 units were issued and outstanding.

In addition to these units, the Fund has also issued 3,327,667 Special Fund Units, which entitles the holder to vote in all votes of Fund units as if they had converted their Subordinated LP Units into Fund units. This structure remains unchanged from our launch on August 7, 2003.

TAXATION OF FUND DISTRIBUTIONS

Under the Fund's Amended and Restated Declaration of Trust the maximum tax deductions available to the Fund shall be claimed to the extent it brings its taxable income of the Trust to nil. The estimated deductions available to the Trust are comprised of the costs of the offering and intangible assets. The deductions available to the unitholders for the year ended December 31, 2005 are estimated at $8.3 million, $7.6 million for tax balances available as at December 31, 2004, $ 0.1 million for tax deductions arising from the costs associated with the $38 million private debt placement and $0.6 million for tax deductions arising from the acquisition of the 38 franchise contracts on January 1, 2005.

OUTLOOK

We expect continued strength in the Canadian residential real estate market in the mid-term due to strong underlying market fundamentals supported by low interest rates, strong consumer confidence, the relative affordability of residential real estate, a relatively strong economy and a steadily increasing inventory of residential resale homes. This strength will be mitigated somewhat with rising interest rates and an increase in listing inventory levels. This rise in listing inventory is expected to lessen the pace of price appreciation from double digits seen in the early part of 2004 to single digit for the near to mid-term, with the anticipated overall effect of a strong but more balanced market.

The growth in transaction dollar volume of residential resale real estate represents an opportunity to generate greater distributable cash through increased franchise fees earned from increased agent productivity as well as attracting franchisees and agents to our brands. To this end, we anticipate continuing to enhance our service and support offerings and improve our efficiencies.

During 2004 we embarked on the largest technology revitalization in our history to improve our technology platform for web, Internet, Intranet and online services. The phased launch of these systems began in April 2005 and is expected to be completed by the end of July 2005. This improved technology platform will reinforce our leadership position in the years ahead.

These technology enhancements and strong market fundamentals in combination with favourable debt refinancing and increased royalties from acquisitions, all set the stage for stable and sustainable unitholder distributions.

Effective July 1, 2005, many sales representatives will begin paying the $100 per month fixed fee. This change impacts selling Realtors only, and typically excludes broker-owners and managers. Management estimates that there will be 400 to 600 new fixed fee paying sales representatives.

FORWARD-LOOKING STATEMENTS

Certain statements in Management's Discussion and Analysis of Results and Financial Condition may include statements that are "forward looking statements". These forward-looking statements may reflect the current internal projections, expectations or belief, future growth, performance and business prospects and opportunities of the Fund and are based on information currently available to the Fund. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements as they are subject to a number of risks and uncertainties. Management cannot provide assurance that the actual results of developments will be realized or, even if substantially realized, that they would have the expected consequences to, or effects on, the Fund. These forward looking statements are made as of the date of this report and the Fund assumes no obligation to update or revise them.

ROYAL LEPAGE FRANCHISE SERVICES FUND

INTERIM CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

	March 31, 2005	December 31, 2004
Assets	(Unaudited)	
Current assets		
Cash and cash equivalents	**$ 3,658**	$ 4,444
Accounts receivable	**2,874**	2,176
Prepaid expenses	**86**	96
	6,618	6,716
Deferred charges	**749**	–
Deposit on acquisition (note 3)	**4,038**	–
Intangible assets (note 3)	**136,751**	137,238
	$ 148,156	$ 143,954
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 1,858**	$ 2,001
Distribution payable to unitholders	**915**	915
	2,773	2,916
Long-term debt (note 5)	**38,000**	30,600
Non-controlling interest	**27,000**	27,740
	67,773	61,256
Unitholders' equity	**80,383**	82,698
	$ 148,156	$ 143,954

See accompanying notes to the interim consolidated financial statements

On behalf of the board

Simon Dean
Trustee

Lorraine Bell
Trustee

ROYAL LEPAGE FRANCHISE SERVICES FUND

INTERIM CONSOLIDATED STATEMENT OF EARNINGS

(in thousands of dollars, except unit and per unit amounts, unaudited)

	Three months ended March 31, 2005	Three months ended March 31, 2004
Royalties		
Fixed franchise fees	**$ 2,945**	$ 2,522
Variable franchise fees	**1,335**	1,179
Premium franchise fees	**576**	541
Other fee revenue and services	**740**	613
	5,596	4,855
Expenses		
Administration	**123**	86
Management fee	**915**	881
Interest expense	**481**	361
Amortization of intangible assets	**3,471**	3,420
	4,990	4,748
Earnings before undernoted	**606**	107
Non-controlling interest	**(175)**	(44)
Net earnings	**$ 431**	$ 63
Basic and diluted earnings per unit		
(9,983,000 units) (note 6)	**$ 0.04**	$ –

See accompanying notes to the interim consolidated financial statements

ROYAL LEPAGE FRANCHISE SERVICES FUND

INTERIM CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(in thousands of dollars, unaudited)

	Units	Net Earnings	Distributions	Total
Balance, December 31, 2003	$ 92,938	$ 1,947	$ (4,533)	$ 90,352
Net earnings	–	63	–	63
Unit distributions	–	–	(2,745)	(2,745)
Balance, March 31, 2004	$ 92,938	$ 2,010	$ (7,278)	$ 87,670
Balance, December 31, 2004	$ 92,938	$ 5,278	$ (15,518)	$ 82,698
Net earnings	–	431	–	431
Unit distributions	–	–	(2,746)	(2,746)
Balance, March 31, 2005	**$ 92,938**	**$ 5,709**	**$ (18,264)**	**$ 80,383**

See accompanying notes to the interim consolidated financial statements

ROYAL LEPAGE FRANCHISE SERVICES FUND

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars, unaudited)

	Three months ended March 31, 2005	Three months ended March 31, 2004
Cash provided by (used for):		
Operating activities		
Net earnings for the period	**$ 431**	$ 63
Items not affecting cash		
Non-controlling interest	**175**	44
Amortization of deferred charges	**17**	–
Amortization of intangible assets	**3,471**	3,420
	4,094	3,527
Changes in non-cash operating working capital	**(831)**	15
	3,263	3,542
Investing activities		
Deposit on acquisition (note 3)	**(7,048)**	–
Purchase of intangible assets	**26**	(116)
	(7,022)	(116)
Financing activities		
Distributions paid to unitholders	**(2,746)**	(2,745)
Distributions paid to non-controlling interest	**(915)**	(915)
Proceeds from long-term debt	**38,000**	–
Repayment of term loan	**(30,600)**	–
Deferred charges	**(766)**	–
	2,973	(3,660)
Decrease in cash and cash equivalents during the period	**(786)**	(234)
Cash and cash equivalents, beginning of period	**4,444**	1,439
Cash and cash equivalents, end of period	**$ 3,658**	$ 1,205
Supplementary Cash Flow Information		
Interest paid	**$ 255**	$ 226

See accompanying notes to the interim consolidated financial statements.

ROYAL LEPAGE FRANCHISE SERVICES FUND

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005
(in thousands of dollars, unaudited)

1. ORGANIZATION

Royal LePage Franchise Services Fund (the "Fund") is a limited purpose trust established under the laws of the Province of Ontario and pursuant to an Amended and Restated Declaration of Trust. On August 7, 2003, the Fund raised $99,830 (before issue costs) by issuing units on the Toronto Stock Exchange. These proceeds together with the proceeds of a term loan were utilized to acquire franchise agreements, relationships and trademark rights.

These consolidated financial statements include the accounts of Royal LePage Franchise Services Fund, its wholly-owned subsidiary RL RES Holding Trust ("RLHT"), and its 75% owned subsidiaries, Residential Income Fund General Partner Limited ("RIFGP") and Residential Income Fund L.P. (the "Partnership"). RIFGP is the managing general partner of the Partnership. Trilon Bancorp Inc. (the "non-controlling interest") owns the remaining 25% interest in the Partnership and RIFGP. The Fund receives certain management, administrative and support services from Residential Income Fund Manager Limited ("RIFML"), a party related to the non-controlling interest via common control.

2. SUMMARY OF ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements except as described below. They do not include all the information and disclosure required by GAAP for annual financial statements, and should be read in conjunction with the December 31, 2004 annual consolidated financial statements.

Deferred Charges

Deferred charges consist of financing costs which are amortized on a straight-line basis over the term of the debt to which they relate.

3. INTANGIBLE ASSETS

On January 1, 2005, the Partnership acquired 38 franchise agreements from RIFML with an estimated purchase price of $9,256 calculated in accordance with the Management Services Agreement ("MSA"). On February 18, 2005, $7,048 was paid in cash on deposit against this purchase price obligation in accordance with the MSA. The final purchase price is based on the actual audited royalties derived from these franchises for the twelve month period ending October 31, 2005. Accordingly, the final purchase price is not determinable until that time.

Until the final purchase price is determined, each quarter the purchase price obligation is recalculated based on the actual royalties received. Correspondingly, the deposit on acquisition is

ROYAL LEPAGE FRANCHISE SERVICES FUND

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005
(in thousands of dollars, unaudited)

3. INTANGIBLE ASSETS (cont'd)

reduced by the calculated amount and transferred to intangible assets. These assets are then amortized in accordance with the Fund's policy and calculated on a prospective basis.

The recalculated purchase price obligation in excess of the deposit on acquisition will be recorded as a purchase obligation and the corresponding amount added to the intangible assets and amortized as described above.

As at March 31, 2005, $3,010 was transferred from "deposit on acquisition" and recorded as "intangible assets".

	March 31, 2005		
	Cost	**Accumulated Amortization**	**Net Book Value**
Franchise agreements	**$ 117,930**	**$ 20,595**	**$ 97,335**
Relationships and trademarks	**39,721**	**305**	**39,416**
	$ 157,651	**$ 20,900**	**$ 136,751**

	December 31, 2004		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	$ 115,492	$ 17,168	$ 98,324
Relationships and trademarks	39,175	261	38,914
	$ 154,667	$ 17,429	$ 137,238

4. OPERATING CREDIT FACILITY

On February 16, 2005, the Partnership obtained a credit facility (the "revolver") of up to $2,000 from a Canadian financial institution. This revolver may be used to provide working capital to the Partnership from time to time. The revolver is subject to annual renewal with outstanding principal under the revolver subject to interest at the lender's prime rate plus 1% to 1.5% or the banker acceptance rate plus 2% to 2.5%, based on the ratio of total debt to Adjusted EBITDA of the Partnership as defined in the credit agreement. The Fund's $2,000 operating credit facility which existed prior to February 16, 2005, was terminated and replaced with the new revolver. As at March 31, 2005, the operating credit facility had not been drawn upon.

5. LONG-TERM DEBT

On February 18, 2005, the Partnership completed the issuance of a $38,000 private debt placement (the "private placement") provided by Canadian institutional investors. The private

ROYAL LePAGE FRANCHISE SERVICES FUND

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005
(in thousands of dollars, unaudited)

5. LONG-TERM DEBT (cont'd)

placement is for a five-year term with interest fixed at 5.882%, and only interest payable quarterly in arrears. The proceeds of the private placement, net of $766 in issue costs, were utilized by the Partnership to payout and retire its $30,600 term loan and to fund the Partnership's January 1, 2005 franchise agreement acquisition obligations.

6. EARNINGS PER UNIT

The Special Fund Units were not included in the diluted per unit calculations as the effect would have been anti-dilutive.

7. RELATED PARTY TRANSACTIONS

Unless disclosed elsewhere, the Fund had the following transactions with parties related to the non-controlling interest during the three months ended March 31, 2005 and March 31, 2004. These transactions have been recorded at the exchange amount agreed to between the parties.

	Three months ended March 31, 2005	Three months ended March 31, 2004
a) Royalties		
Fixed, variable and other franchise fees	**$ 442**	$ 416
Premium franchise fees	**$ 490**	$ 444
b) Expenses		
Management fees	**$ 915**	$ 881
Insurance and other	**$ 22**	$ 22
c) Distributions		
Distributions paid to non-controlling interest	**$ 915**	$ 915

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

	March 31, 2005	December 31, 2004
d) Accounts receivable		
Franchise fees receivable and other	**$ 438**	$ 293
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	**$ 915**	$ 915
Management fees	**$ 325**	$ 814
Due to non-controlling interest	**$ –**	$ 30

SUPPLEMENTAL INFORMATION
NET EARNINGS AND DISTRIBUTABLE CASH BY PERIOD

($ 000's except per unit amounts)	55 days ended Sept. 30 2003	Three months ended Dec. 31 2003	Three months ended March 31 2004	Three months ended June 30 2004	Three months ended Sept 30 2004	Three months ended Dec. 31 2004	**Three months ended Mar. 31 2005**
Royalties	$ 3,600	$ 5,202	$ 4,855	$ 6,397	$ 6,952	$ 5,536	**$ 5,596**
Less:							
Administration expenses	70	161	86	93	119	215	**123**
Management fees	595	955	881	950	911	918	**915**
Interest expense	244	376	361	296	293	377	**481**
Amortization of intangible assets	1,402	2,350	3,420	3,418	3,419	3,420	**3,471**
Earnings before undernoted	1,289	1,360	107	1,640	2,210	606	**606**
Non-controlling interest	(322)	(380)	(44)	(427)	(572)	(189)	**(175)**
Net earnings for the period	967	980	63	1,213	1,638	417	**431**
Add:							
Amortization of intangible assets	1,402	2,350	3,420	3,418	3,419	3,420	**3,471**
Non-controlling interest	322	380	44	427	572	189	**175**
Distributable cash	2,691	3,710	3,527	5,058	5,629	4,026	**4,077**
Add (less) change in:							
Working capital and other reserves	(309)	108	260	(1,398)	(1,964)	(364)	**(416)**
Reserves for acquisition	–	(156)	(127)	–	–	–	–
Distributable cash after reserves	$ 2,382	$ 3,662	$ 3,660	$ 3,660	$ 3,665	$ 3,662	**$ 3,661**
Distributable cash available to:							
Public unit holders	$ 1,786	$ 2,747	$ 2,745	$ 2,748	$ 2,746	$ 2,746	**$ 2,746**
Non-controlling interest	596	915	915	916	915	916	**915**
	$ 2,382	$ 3,662	$ 3,660	$ 3,664	$ 3,661	$ 3,662	**$ 3,661**
Distributions to public unitholders	$ 1,786	$ 2,747	$ 2,745	$ 2,748	$ 2,746	$ 2,746	**$ 2,746**
Per unit (9,983,000 units):							
Basic and diluted earnings	$ 0.10	$ 0.10	$ 0.00	$ 0.13	$ 0.16	$ 0.04	**$ 0.04**
Basic and diluted distributable cash	$ 0.18	$ 0.28	$ 0.26	$ 0.38	$ 0.42	$ 0.30	**$ 0.31**
Basic and diluted distributions	$ 0.18	$ 0.28	$ 0.28	$ 0.28	$ 0.28	$ 0.28	**$ 0.28**

SUPPLEMENTAL INFORMATION
SELECTED FINANCIAL AND OPERATING INFORMATION[2]

	Three months ended June 30 2003	Three months ended Sept. 30 2003	Three months ended Dec. 31 2003	Three months ended March 31 2004	Three months ended June 30 2004	Three months ended Sept 30 2004	Three months ended Dec. 31 2004	**Three months ended Mar. 31 2005**
	(pro forma)	(pro forma)	(reported)	(reported)	(reported)	(reported)	(reported)	(reported)
Revenue ($ thousands, unaudited)								
Fixed franchise fees	$ 2,418	$ 2,479	$ 2,465	$ 2,522	$ 2,718	$ 2,691	$ 2,718	**$ 2,945**
Variable franchise fees	1,709	1,901	1,169	1,179	2,008	2,041	1,149	**1,335**
Premium franchise fees	917	1,287	930	541	932	1,489	1,009	**576**
Other fees and services	515	588	638	613	739	731	660	**740**
	$ 5,559	$ 6,255	$ 5,202	$ 4,855	$ 6,397	$ 6,952	$ 5,536	**$ 5,596**
% Revenue by region								
British Columbia	13	12	13	15	14	12	13	**15**
Prairies	11	11	11	12	11	11	11	**11**
Ontario	60	63	62	58	60	64	62	**57**
Quebec	11	9	9	11	11	9	9	**13**
Maritimes	5	5	5	4	4	4	5	**4**
	100	100	100	100	100	100	100	**100**

Additions for the period:	Three months ended June 30 2003	Three months ended Sept. 30 2003	Three months ended Dec. 31 2003	Three months ended March 31 2004	Three months ended June 30 2004	Three months ended Sept 30 2004	Three months ended Dec. 31 2004	**Three months ended Mar. 31 2005**
Number of agents & sales representatives	292	142	108	279	189	210	13	**750**
Number of agents	292	142	101	225	163	175	38	**726**
Number of locations	3	(1)	(12)	6	9	–	(6)	**48**
Number of franchisees	1	–	(1)	4	(2)	–	(1)	**38**
At end of period								
Number of agents & sales representatives	9,204	9,346	9,454	9,733	9,922	10,132	10,145	**10,895**
Number of agents	8,511	8,653	8,754	8,979	9,142	9,317	9,355	**10,081**
Number of locations	522	521	509	515	524	524	518	**566**
Number of franchisees	227	227	226	230	228	228	227	**265**

[2] The pro forma information sets forth unaudited information and has been prepared on a quarterly basis as if the Fund was in operation since January 1, 2003. The pro forma results have been adjusted to the number of agents, sales representatives, locations and fees that would have been recognized had the corporately-owned locations of Royal LePage Residential Brokerage Services been franchised on January 1, 2003.

SUPPLEMENTAL INFORMATION
FUND UNIT PERFORMANCE

	55 days ended Sept. 30 2003	Three months ended Dec. 31 2003	Three months ended March 31 2004	Three months ended June 30 2004	Three months ended Sept 30 2004	Three months ended Dec. 31 2004	**Three months ended Mar. 31 2005**
Trading price range of units (TSX: "RSF.UN")							
High	$ 10.64	$ 10.92	$ 12.10	$ 11.90	$ 12.25	$ 12.15	**$ 14.90**
Low	$ 9.90	$ 10.03	$ 10.80	$ 9.85	$ 10.60	$ 11.40	**$ 11.50**
Close	$ 10.26	$ 10.85	$ 11.70	$ 11.00	$ 11.95	$ 11.55	**$ 13.40**
Average daily volume	105,176	18,112	28,016	10,905	5,369	22,531	**25,689**
Number of units outstanding at period end	9,983,000	9,983,000	9,983,000	9,983,000	9,983,000	9,983,000	**9,983,000**
Net enterprise value at period end (thousands)							
Market capitalization[3]	$ 136,567	$ 144,421	$ 155,735	$ 146,417	$ 159,062	$ 153,738	**$ 178,363**
Debt	30,600	30,600	30,600	30,600	30,600	30,600	**38,000**
Less:							
Cash on hand	1,895	1,439	1,205	2,055	3,647	4,444	**3,658**
	$ 165,272	$ 173,582	$ 185,130	$ 174,962	$ 186,015	$ 179,894	**$ 212,705**

[3] Comprised of the number of units outstanding at period end and 3,327,667 subordinated units, multiplied by the closing unit price.

CONDENSED BALANCE SHEET

($ 000's unaudited)	As at Sept. 30 2003	As at Dec. 31 2003	As at March 31 2004	As at June 30 2004	As at Sept 30 2004	As at Dec. 31 2004	**As at Mar. 31 2005**
Cash and cash equivalents	$ 1,895	$ 1,439	$ 1,205	$ 2,055	$ 3,647	$ 4,444	**$ 3,658**
Accounts receivable	2,063	1,970	2,214	2,899	2,382	2,176	**2,874**
Prepaid expenses	179	241	104	66	41	96	**86**
Deferred charges	–	–	–	–	–	–	**749**
Deposit on acquisition	–	–	–	–	–	–	**4,038**
Intangible assets	153,015	150,765	147,491	144,077	140,658	137,238	**136,751**
	$ 157,152	$ 154,415	$ 151,014	$ 149,097	$ 146,728	$ 143,954	**$ 148,156**
Accounts payable and accrued liabilities	$ 1,078	$ 2,378	$ 2,530	$ 2,637	$ 1,719	$ 2,001	**$ 1,858**
Offering costs	964	–	–	–	–	–	–
Distributions payable to unitholders	1,786	915	915	915	915	915	**915**
Long-term debt	30,600	30,600	30,600	30,600	30,600	30,600	**38,000**
Non-controlling interest	30,680	30,170	29,299	28,810	28,467	27,740	**27,000**
Unitholders' equity	92,044	90,352	87,670	86,135	85,027	82,698	**80,383**
	$ 157,152	$ 154,415	$ 151,014	$ 149,097	$ 146,728	$ 143,954	**$ 148,156**

SUPPLEMENTAL INFORMATION
CONDENSED CASHFLOW BY PERIOD

($ 000's unaudited)	55 days ended Sept. 30 2003	Three months ended Dec. 31 2003	Three months ended March 31 2004	Three months ended June 30 2004	Three months ended Sept 30 2004	Three months ended Dec. 31 2004	**Three months ended Mar. 31 2005**
Cash provided by (used for):							
Operating activities							
Net earnings for the period	$ 967	$ 980	$ 63	$ 1,213	$ 1,638	$ 417	**$ 431**
Items not affecting cash							
Non-controlling interest	322	380	44	427	572	189	**175**
Amortization of deferred charges	–	–	–	–	–	–	**17**
Amortization of intangible assets	1,402	2,350	3,420	3,418	3,419	3,420	**3,471**
Changes in non-cash working capital	(1,760)	815	15	(540)	(376)	433	**(831)**
	931	4,525	3,542	4,518	5,253	4,459	**3,263**
Investing activities							
Deposit on acquisition	–	–	–	–	–	–	**(7,048)**
Purchase of intangible assets	(121,140)	(100)	(116)	(4)	–	–	**26**
	(121,140)	(100)	(116)	(4)	–	–	**(7,022)**
Financing activities							
Initial public offering of units	99,830	–	–	–	–	–	**–**
Issue costs paid	(8,326)	(667)	–	–	–	–	**–**
Proceeds from long term debt	30,600	–	–	–	–	–	**38,000**
Distributions paid to unitholders	–	(3,618)	(2,745)	(2,748)	(2,746)	(2,746)	**(2,746)**
Distributions paid to non-controlling interest	–	(596)	(915)	(916)	(915)	(916)	**(915)**
Repayment of long term debt	–	–	–	–	–	–	**(30,600)**
Deferred charges	–	–	–	–	–	–	**(766)**
	122,104	(4,881)	(3,660)	(3,664)	(3,661)	(3,662)	**2,973**
Increase (decrease) in cash and cash equivalents during the period	1,895	(456)	(234)	850	1,592	797	**(786)**
Cash and cash equivalents, beginning of period	–	1,895	1,439	1,205	2,055	3,647	**4,444**
Cash and cash equivalents, end of period	$ 1,895	$ 1,439	$ 1,205	$ 2,055	$ 3,647	$ 4,444	**$ 3,658**

SUPPLEMENTAL INFORMATION CANADIAN REAL ESTATE MARKET

	Three months ended June 30 2003	Three months ended Sept. 30 2003	Three months ended Dec. 31 2003	Three months ended March 31 2004	Three months ended June 30 2004	Three months ended Sept 30 2004	Three months ended Dec. 31 2004	**Three months ended Mar. 31 2005**
Canada								
Transaction dollar volume ($ millions)	$ 26,012	$ 24,677	$ 20,209	$ 23,698	$ 33,187	$ 25,873	$ 21,335	**$ 24,814**
Average selling price	$ 205,148	$ 209,535	$ 215,967	$ 220,179	$ 229,403	$ 223,646	$ 233,007	**$ 238,834**
Number of units sold	126,798	117,772	93,573	107,631	144,665	115,689	91,566	**103,898**
Number of agents at period end	69,330	70,098	71,267	72,887	74,430	75,611	76,752	**NA**
Housing starts	59,150	62,771	58,235	39,382	67,378	65,754	60,917	**37,084**
Greater Toronto Area								
Transaction dollar volume ($ millions)	$ 6,905	$ 6,220	$ 5,162	$ 5,927	$ 8,872	$ 6,457	$ 5,507	**$ 6,017**
Average selling price	$ 295,510	$ 290,871	$ 298,919	$ 305,653	$ 321,034	$ 312,545	$ 320,165	**$ 330,120**
Number of units sold	23,365	21,384	17,268	19,392	27,636	20,660	17,199	**18,228**
Housing starts	11,300	12,323	12,109	6,831	12,651	12,380	10,253	**6,918**

NA: Not available at date of MD&A.

SUPPLEMENTAL INFORMATION CANADIAN REAL ESTATE MARKET

	Twelve months ended June 30 2003	Twelve months ended Sept. 30 2003	Twelve months ended Dec. 31 2003	Twelve months ended March 31 2004	Twelve months ended June 30 2004	Twelve months ended Sept 30 2004	Twelve months ended Dec. 31 2004	**Twelve months ended Mar. 31 2005**
Canada								
Transaction dollar volume ($ millions)	$ 80,462	$ 86,424	$ 90,007	$ 94,596	$ 101,771	$ 103,035	$ 103,666	**$ 104,912**
Average selling price	$ 197,204	$ 202,819	$ 207,347	$ 212,207	$ 219,503	$ 223,020	$ 227,261	**$ 231,335**
Number of units sold	408,017	426,113	434,088	445,774	463,641	461,999	456,108	**453,506**
Housing starts	207,154	214,195	218,426	219,538	227,766	230,749	233,431	**231,133**
Seasonally adjusted housing starts	210,400	234,600	217,600	216,200	239,300	231,000	234,400	**218,500**
Greater Toronto Area								
Transaction dollar volume ($ millions)	$ 20,939	$ 22,493	$ 23,282	$ 24,214	$ 26,181	$ 26,418	$ 26,763	**$ 26,851**
Average selling price	$ 285,696	$ 289,540	$ 293,327	$ 297,431	$ 305,568	$ 310,964	$ 315,278	**$ 320,712**
Number of units sold	73,291	77,684	79,371	81,409	85,680	84,956	84,887	**83,723**
Housing starts	44,237	44,578	45,475	42,563	43,914	43,971	42,115	**42,202**

Communications to unitholders

We regularly provide unitholders with information about the Fund through our annual report, quarterly interim reports and periodic press releases. All up-to-date information is available online at www.rsfund.ca. On the site you will find summary information about the company, public reports, press releases, statutory filings, units and distribution information.

Contact us

We welcome inquiries from unitholders, analysts, media representatives and other interested parties.

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