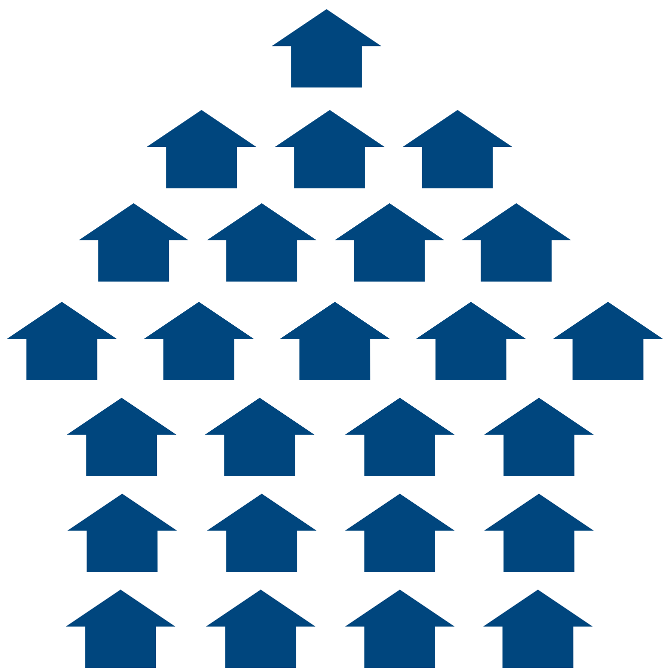
Q1

Interim Report to Unitholders Q1 2008

Opening New Doors



Brookfield Real Estate Services

ABOUT THE BROOKFIELD REAL ESTATE SERVICES FUND

The Fund is a leading provider of services to residential real estate REALTORS®. The Fund generates cash flow from franchise royalties and service fees derived from a national network of real estate brokers and agents in Canada operating under the Royal LePage, La Capitale Real Estate Network and Johnston & Daniel brand names. At March 31, 2008, the Fund Network was comprised of 14,590 REALTORS®. As at December 31, 2007, the Fund Network had an approximate 21% share of the Canadian residential resale real estate market based on transactional dollar volume. The Fund is a TSX listed income trust, which pays monthly distributions and trades under the symbol “BRE.UN”. The Fund’s website address is www.brookfieldres.com

Brookfield Real Estate Services

Q1 2008 INTERIM REPORT TO UNITHOLDERS

LETTER TO UNITHOLDERS

Financial and Operating Highlights

For the three months ended March 31, 2008 and 2007

	Q1 2008		Q1 2007	
	(thousands)	**(per unit)**	(thousands)	(per unit)
Royalties	**$ 8,092**	**$ 0.61**	$ 6,910	$ 0.52
Earnings before non-controlling interest	**$ 1,757**	**$ 0.13**	$ 1,263	$ 0.09
Net earnings	**$ 1,281**	**$ 0.13**	$ 912	$ 0.09
Distributable cash	**$ 5,618**	**$ 0.42**	$ 4,915	$ 0.37
Distributions	**$ 4,155**	**$ 0.31**	$ 3,993	$ 0.30

We are pleased to report results for Brookfield Real Estate Services Fund (the "Fund") for the quarter ended March 31, 2008. Royalty revenue was up 17.1% over first quarter of 2007 to $8.1 million. Distributable cash[1] increased 14.3% to $5.6 million ($0.42 per unit), from $4.9 million ($0.37 per unit) in the first quarter of 2007. Net earnings were $1.3 million ($0.13 per unit), up 44% per unit compared with $0.9 million ($0.09 per unit) in the first quarter of 2007.

The year-over-year increase in royalties resulted from the accelerated growth in the Fund's underlying REALTOR®[2] network which includes the previously announced acquisition of La Capitale Real Estate Network ("La Capitale"), as well as transaction closings from record sales in the fourth quarter of 2007. The growth in distributable cash reflected the growth in royalties, moderated slightly by an increase in interest expense associated with the funding of the La Capitale acquisition.

In the first quarter, we increased our REALTOR® network by 14.1% year over year through the major acquisition of La Capitale franchise contracts, the purchase of additional Royal LePage franchise contracts and organic growth. This growth boosted our fixed franchise fees, other fees and services, while record home sales in the fourth quarter of 2007 drove variable and premium franchise fees in the first quarter. These fees are recorded by the Fund after related sales transactions close, which is typically 45 to 60 days after the home sale. Home sales in the fourth quarter of 2007 were particularly robust in Toronto where buyers were anxious to avoid the city's new land transfer tax by closing sales transactions before February 1, 2008. Premium fees, which are derived from 24 franchise locations servicing the Greater Toronto Area, were particularly strong as a result.

During the first quarter, the overall Canadian residential resale real estate market experienced moderating selling price increases, declining sales and increased new listings. Regional differences continued as some regions benefiting from booming natural resource-based industries, notably Saskatchewan and Manitoba, continued to experience double-digit growth. Heavy snowfalls in Ontario and Quebec contributed to reduced sales.

Fund Growth

During the first quarter of 2008, the Fund grew organically by 146 REALTORS® and through acquisition of franchise contracts serviced by 1,272 REALTORS® resulting in the total of 14,590 REALTORS® as at March 31, 2008. The acquisitions occurred on January 1, 2008 and were comprised of franchise agreements operating under the La Capitale brand in Quebec represented by 1,060 agents and franchise agreements operating under the Royal LePage brand represented by 212 REALTORS®.

[1] Defined as royalties less administrative expenses, interest expense and management fee. Distributable cash does not have a standardized meaning under Canadian generally accepted accounting principles. Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash for distribution to unitholders. Investors are cautioned 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.

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

From November 4, 2007 to May 5, 2008, franchise contracts representing 12 locations serviced by an estimated 41 REALTORS® were added to the network. The Fund Manager, Brookfield Real Estate Services Limited, anticipates presenting these franchise contracts to the Fund's Trustees for purchase by the Fund on January 1, 2009. In addition, consistent with the Fund's historical approach to acquisitions, after evaluation, some of the La Capitale agreements purchased by the Manager were retained by the Manager for further development during 2008 and may be presented to the Fund's Trustees for acquisition in January of 2009.

Monthly Cash Distribution

The Brookfield Real Estate Services Fund today declared a cash distribution of $0.104 per unit for the month of May 2008, payable June 30, 2008, to unitholders of record on May 30, 2008.

Financing the La Capitale Acquisition

On April 4, 2008, the Fund completed a $15 million Term Facility with a single Canadian financial institution to finance obligations arising from the acquisition of the La Capitale brand, trademarks and trademark license. On January 1, 2008, the Fund purchased trademarks, and certain franchise agreements of La Capitale for approximately $17.5 million, of which $14 million representing 80% of the estimated purchase price was payable on January 1, 2008. Interest on the Term Facility is fixed at 4.29% over the term of the facility which matures on February 17, 2010, the same date as the Fund's existing $38 million long-term debt obligations. On January 1, 2008, the Fund paid $1 million in respect of the initial $14 million La Capitale acquisition obligation and upon completion of the $15 million Term Facility the Fund paid the balance of the obligation.

The balance of the purchase price is to be paid in three annual installments in January 2009, 2010 and 2011, based on the audited average annual royalties earned from the acquired La Capitale franchise agreements during the 52-week period ending at the end of the 44th week of each of 2008, 2009 and 2010.

Fund Structure

The Fund generates both fixed and variable fee components. Variable fees are primarily driven by the total transactional-dollar volume from agent sales commissions, while fixed franchise fees are based on the number of agents and sales representatives in the network. Approximately 66% of the Fund's revenue in fiscal 2007 was based on fixed fees from a large number of long-term franchisee contracts, and the percentage would be similar with the addition of La Capitale. Fixed fees provide revenue stability and help insulate the Fund from market fluctuations.

Outlook

During the first quarter of 2008, Canada's real estate market remained on stable footing, experiencing healthy year-over-year average house price gains across the country but reduced unit sales. Lower market activity in the first quarter will affect royalty fees in the second quarter, as variable and premium fees are recorded after transactions close. While more modest price increases were observed when compared to previous quarters, the solid appreciations noted in the first quarter are largely due to the shared effects of resilient local economies, high immigration levels, and relatively low interest rates. The structure of Canada's financial services industry, and the lending products they provide, has buffered Canada from the credit issues that currently exist within the U.S. housing market.

With the notable exception of a handful of small western cities, the country has returned to an environment characterized by balanced markets and moderate house price increases, averaging 7.1% for a standard two-storey home, in the first quarter. These conditions are more sustainable in the long term than the house price increases experienced over the past two years. Moderating markets can also provide growth opportunities for leading brands such as the Funds', as REALTORS® are more apt to seek quality brands to boost their productivity at such times.

In 2008, our growth will reflect the addition of La Capitale as well as continued expansion of the Royal LePage network. We will continue to focus on improving REALTOR® productivity while growing our network organically and through acquisitions.

Based on our existing brands, we target increasing revenue by 10% over 2007, and the Fund's total network by a range of 300 to 500 REALTORS® through organic growth and acquisitions. This target is based on our current market outlook and continuing successful implementation of our growth strategy.

Philip Soper

President and Chief Executive

Kevin Cash

Chief Financial Officer

May 6, 2008

Financial Review

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This section of our interim report includes management's discussion and analysis ("MD&A") of our results and financial condition for the three months ended March 31, 2008 (the "Quarter"). The MD&A is intended to provide you with an assessment of our past performance as well as our financial position, performance objectives and future prospects. The information in this section should be read in conjunction with our audited financial statements for the year ended December 31, 2007, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information relating to the Brookfield Real Estate Services Fund (the "Fund"), including our annual information form, is available on SEDAR at www.sedar.com. All dollar amounts are in Canadian dollars unless otherwise specified.

Statements contained in this MD&A, which are not historical facts, are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. For more detail on these factors see the summary of risks as outlined in the Fund's annual information form which is filed on SEDAR at www.sedar.com.

Management's Discussion and Analysis of Results and Financial Condition

HIGHLIGHTS

Three months ended March 31, ($ 000's) except Agents, Sales Representatives, units and per unit amounts	2008	2007
Royalties	**$ 8,092**	$ 6,910
Less:		
Administration expenses	**190**	174
Interest expense	**811**	592
Management fee	**1,473**	1,229
Earnings and distributable cash	**$ 5,618**	$ 4,915
Amortization of intangible assets	**3,896**	3,652
Income tax recovery	**(35)**	–
Non-controlling interest	**476**	351
Net and comprehensive earnings	**$ 1,281**	$ 912
Basic and diluted earnings per unit (9,983,000 units)	**$ 0.13**	$ 0.09
Distributions	**$ 4,155**	$ 3,993
Cash distributions declared per 9,983,000 units	**$ 0.31**	$ 0.30
Cash distributions declared per 3,327,667 Special Fund units	**$ 0.31**	$ 0.30
Total assets	**$ 130,302**	$ 129,786
Total long-term financial liabilities	**$ 37,660**	$ 37,494
Number of Agents[1] and Sales Representatives[2]	**14,590**	12,782

The table above sets out selected historical information and other data for the Fund which should be read in conjunction with the attached consolidated financial statements for the Quarter. The consolidated financial statements are prepared in Canadian dollars and are in accordance with Canadian generally accepted accounting principles ("GAAP"). There are a number of external and industry factors related to the residential resale real estate brokerage industry and the business of the Fund which may affect an investment in the Fund's units. A summary of these risks is outlined in the Fund's annual information form which is filed on SEDAR at www.sedar.com. These risks are discussed in further detail in this MD&A to the extent they have changed since December 31, 2007.

[1] Agent is defined as an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with a broker.

[2] Sales Representative is defined as an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with an Agent.

Management's Discussion and Analysis of Results and Financial Condition

OVERVIEW

This MD&A covers the period from January 1, 2008 to March 31, 2008 and has been prepared as at May 5, 2008.

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 mainly under the Royal LePage, Johnston & Daniel and La Capitale brand names (collectively the "Fund Network").

Management of the Fund is governed by an Amended and Restated Management Services Agreement ("MSA"). The services under the MSA are provided by Brookfield Real Estate Services Limited (the "Manager"), a subsidiary of Brookfield Asset Management Inc. ("BAM"). The senior management team of the Manager developed and managed the Fund Network prior to the inception of the Fund. BAM, through a wholly-owned subsidiary, holds a 25% subordinated interest in the Fund (see Transactions with Related Parties).

As at March 31, 2008, the Fund Network was comprised of 14,590 REALTORS®[3] operating from 646 locations. During 2007, the Fund Network had an approximate 21% share of the Canadian residential resale real estate market (the "Market"[4]) based on transactional dollar volume.

STRUCTURE OF THE FUND

Royalty Fees

The Fund generates royalties with both fixed and variable fee components. During 2007, approximately 66% of the annual royalties were insulated from market fluctuations, as they were not directly driven by transaction volumes. Management believes that the combination of a royalty stream based on the number of REALTORS® in the network, increasing Agent and broker productivity, and an increasing supply of new housing inventory provides the base for a strong, stable and growing cash flow. A summary of these fees is as follows:

Fixed franchise fees are based on the number of Agents and fee paying Sales Representatives, collectively "selling-REALTORS®" in the Fund Network. Fixed franchise fees from Royal LePage franchisees consist of a monthly fixed fee of $100 per selling-REALTOR®, a technology fee and web services and other fees while those from La Capitale franchisees consist primarily of a monthly fee of $170 per selling-REALTOR®.

Variable franchise fees are primarily driven by the volume of business transacted by our Agents. Variable franchise fees from Royal LePage franchisees are driven by the transactional dollar volume transacted by the Agents and are comprised of 1% of each Agent's gross commission income, subject to a cap of $1,300 per year. In addition, 24 of the Fund's larger Royal LePage locations situated in the Greater Toronto Area ("GTA") pay a premium franchise fee ranging from 1% to 5% of the location's gross revenue. Variable franchise fees from La Capitale franchisees are comprised primarily of fees driven from a self-insured program called "APEC" which for all participating Agents provides home buyers a warranty on such items as appliances, plumbing, electrical and heating systems.

Approximately 88% (88% – 2007) of the Fund's royalties are derived from the combined fixed fee per REALTOR® per month, 1% variable fee, premium fees and APEC fees. The remaining royalty stream is generated from technology fees, the 4.5% variable fee option and web services and other fees.

Monthly Distributions

The targeted annual cash distribution for 2008 is $1.25 per unit and is to be paid monthly to public unitholders.

To reduce unitholder risk, 25% of the Fund's units, which are held by BAM are subordinated in their rights to distributions until public unitholders receive their initial target distributions of $0.0917 per unit per month, $1.10 per unit per annum. This subordination is in place until August 7, 2008.

[3] REALTOR® is defined as an individual licensed to trade in Real Estate and includes brokers, Agents and Sales Representatives.

[4] The market is defined as the dollar value of residential resale units sold ("Transactional Dollar Volume") over a 12-month period in a particular geographic area.

Management will seek to manage the 2008 tax allocation for distributions to a maximum of 100% taxable income as compared to 97% taxable income and 3% return of capital for 2007.

Management and the Board of Trustees periodically review the Fund's targeted distribution.

RECENT DEVELOPMENTS

Franchise Agreement Acquisitions

Royal LePage Franchise Agreements
On January 1, 2008, the Fund acquired 16 new Royal LePage franchise agreements serviced by 212 REALTORS®, with an estimated annual royalty stream of $0.4 million. The agreements for these locations were acquired in accordance with the terms of the MSA at an estimated purchase price of $3.6 million, with $2.9 million (80% deposit) due on closing and the balance to be paid in cash or units during the first quarter of 2009, upon meeting certain terms and conditions of the MSA.

La Capitale Franchise Agreements
On January 1, 2008, the Fund acquired franchise agreements and associated trademarks operating under the La Capital Real Estate Network ("La Capitale") brand in the province of Quebec from an affiliate of the Fund Manager for an estimated purchase price of $17.5 million. These agreements are represented by 1,060 Agents operating from 44 locations, generating an estimated annual royalty stream of $2.6 million with an approximate 77% fixed, 23% variable fee mix.

Consistent with the Fund's historical approach to acquisitions, after evaluation, some of the La Capitale agreements were retained by the Manager for further development during 2008 and may be presented for acquisition by the Fund in January of 2009.

The acquisition of the La Capitale franchise agreements and trademarks by the Fund was made in accordance with the terms of the associated Unit and Share Purchase Agreement and the Fund's MSA as negotiated by the Fund's Trustees. Under these arrangements, $14.0 million (80%) of the estimated acquisition price was due on closing. The balance of the purchase price was to be paid in annual installments over the next three years, the management fee attributed to revenue generated from these agreements was increased from 20% to 30% and the accretive factor applied to these agreements on vend-in was increased from 7.5% to 10%.

Debt Financing

As at January 1, 2008, the Fund had incurred $19.3 million in obligations related to the franchise acquisitions, represented by a $2.3 million balance owing on the January 1, 2007 acquisition and the initial 80% installment for the Royal LePage and La Capitale agreements acquired on January 1, 2008 as discussed above. On January 1, 2008 the Fund utilized $6.2 million of existing cash balances as a partial payment of these obligations and incurred interest at a rate of prime plus 1% on the remaining balance.

On April 4, 2008, the Fund completed a $15 million Term Facility with a Canadian financial institution. Interest on the Term Facility is available in the form of floating prime rate payable quarterly, or at Bankers' Acceptance rates plus 1% with terms of up to six months. The Term Facility matures on February 17, 2010, the same date as the Fund's existing $38 million long-term debt obligation. On closing, the Fund drew down $14 million of the Term Facility to fund the obligations arising from the January 1, 2008 acquisitions.

With effect from April 7, 2008 the Fund completed an interest rate swap agreement which fixed the variable portion of the Term Facility's interest at 3.29% for an annual interest rate of 4.29% (before legal and associated costs), over the term of the facility.

Distribution Increase

Effective January 1, 2008, the targeted annual distribution was increased to $1.25 from $1.20 per unit.

Management's Discussion and Analysis of Results and Financial Condition

OPERATIONS OVERVIEW

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

1. the number of REALTORS® 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:

Number of REALTORS® in the Fund

As at March 31, 2008, the Fund Network was comprised of 344 independently owned and operated franchises operating from 646 locations serviced by 14,590 REALTORS®, with an approximate 21% share of the Canadian Market based on transactional dollar volume.

During the Quarter, the Fund grew by 146 REALTORS® or 1.0% from January 1, 2008. This organic growth is in addition to the 1,272 REALTORS® servicing the 60 franchise agreements acquired by the Fund on January 1, 2008, for a total increase of 1,418 REALTORS®, up 10.8% from December 31, 2007.

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 Canadian Market experienced declining unit sales and moderating selling price increases as compared to the same period in 2007. The Canadian Real Estate Association ("CREA") reported that during the Quarter, new listings reached their highest quarterly level ever, resulting in the most balanced resale market of any quarter in the last nine years. With housing markets becoming more balanced, price gains have moderated. Some regional differences still existed as regions benefiting from booming natural resource-based industries such as oil, potash and uranium continued to experience double-digit growth in average price appreciation. In Alberta, an increase in housing supply has helped to create a more balanced market that has resulted in more moderate single-digit price appreciation, while the provinces of Saskatchewan and Manitoba remain, for the most part, sellers' markets as demand remains strong relative to supply. Despite the continued rise in housing prices, housing remained affordable and undervalued relative to most other countries due in part to rising after-tax incomes, high employment, declining interest rates and a moderate impact of the current credit crunch on Canadian mortgage lending to date. A summary of the market and related activity as reported by Canada Mortgage and Housing Corporation ("CMHC"), CREA and the Toronto Real Estate Board ("TREB"), follows:

- Canada's annual rate of housing starts, the market's future inventory, totalled 231,237 as of March 31, 2008, an increase of 3.1% over the same period in 2007.
- The Canadian Market totalled $157.3 billion for the 12 months ended March 31, 2008, an increase of 13.5% over the same period in 2007, fuelled by a 9.9% increase in average selling price of a home to $311,553 and a 3.2% increase in residential unit sales to 504,884 units. When compared to the 12 months ended December 31, 2007, the Canadian Market declined 1.7%, the first such decline since inception of the Fund.
- The GTA Market, from which the Fund earns its premium franchise fees, reached a transactional dollar volume of $35.2 billion for the 12 months ended March 31, 2008, a 15.9% increase over the same period in 2007. This market activity was fuelled by the sale of 92.5 thousand homes at an average selling price of $380,489, an 8.5% increase and 6.9% increase, respectively, over the same period in 2007. When compared to the 12 months ended December 31, 2007, the GTA real estate resale market declined 2.0%, the first such decline since the inception of the Fund.

- Historically management has looked to 12-month rolling data to evaluate trends in the industry, however, it would be appropriate to note that on a comparative first quarter 2008 vs fourth quarter 2007 basis, the overall Canadian and GTA Markets increased 2.2% and decreased 14.3%, respectively, as compared to the first quarter 2007 vs fourth quarter 2006 which experienced a 3.4% and 1.5% increase, respectively. The comparatively reduced first quarter activity as compared to the fourth quarter is driven by reduced unit sales. The decreased activity is much more pronounced in the GTA Market which may be due in part to the severe snow storms experienced during the Quarter and reduced sales due to the increased sales activity in prior quarters in anticipation of the announced land transfer tax increases.

Stability of the Fund's Royalty Stream

The Fund's network as at March 31, 2008 is comprised of the Royal LePage and the La Capitale networks. The Royal LePage network is characterized as follows:

- Royalties that are derived from a diverse national network of independently owned and operated franchises, the majority of which operate with fewer than 50 Agents.
- A significant portion of the royalties are fixed in nature based on the number of Agents and their productivity, which through the combination of the $100 per agent per month fee and the 1% variable fee generated by Agents earning in excess of the $1,300 per annum cap, contributed 66% of the Fund's revenue for the year ended December 31, 2007. This compares to 67% for the same period in 2006.
- The geographic distribution of the Royal LePage network is similar to the distribution of the overall Canadian REALTOR® population.
- Royalty agreements are 10-, 15- and 20-years in duration, significantly exceeding the industry norm of five-year agreements.
- During the Quarter, six agreements representing 202 REALTORS® were renewed.
- During the Quarter, five agreements representing 22 REALTORS® were terminated.

The La Capitale royalties are characterized as follows:

- The La Capitale network is situated in the province of Quebec.
- La Capitale agreements typically have five-year terms.
- Approximately 77% of the royalties are expected to be fixed in nature.
- The fixed element of the royalties is comprised primarily of a fixed fee of $170 per Agent per month while the variable fee is driven primarily from a self-insured program called "APEC" under which participating Agents provide a warranty on such items as appliances, plumbing, electrical and heating systems.

Fund Growth Opportunities

Our growth objective for 2008 is to add 300 to 500 REALTORS® to the Fund Network through recruitment and acquisitions and increase revenues by 10% over 2007.

Growth through acquisition is achieved through the purchase of franchise agreements acquired by the Manager's dedicated network development team.

Growth in overall royalties is achieved by: increasing the number of REALTORS® 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 sales and marketing programs to the Fund Network. These services are supported by ongoing training programs for franchisees and REALTORS® that assist in leveraging the Fund's competitive advantages to attract and retain potential recruits. A summary of results to the date of this report is as follows:

- Organic growth for the Quarter totalled 146 REALTORS®.
- From November 4, 2007 to the date of this MD&A, franchise agreements representing 12 locations serviced by an estimated 41 Agents were added to the network. The Manager anticipates presenting these franchise agreements to the Fund's Trustees for purchase by the Fund on January 1, 2009. The estimated purchase price of these agreements is $0.7 million.

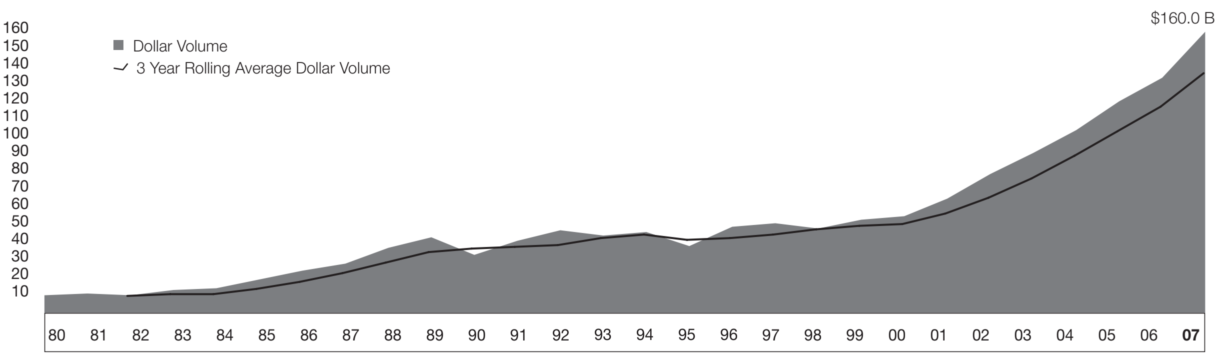
Management's Discussion and Analysis of Results and Financial Condition

- The Manager continues to develop, introduce and support new tools, services and programs, which assist franchisees in attracting and retaining REALTORS®, increasing their productivity and driving down administration costs.

THE CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET

Since 1980, the Canadian Market has grown at a compound annual growth rate ("CAGR") of 10%. The Canadian Market has been very resilient with only two significant downturns occurring in 1990 and 1995, both of which returned to pre-downturn levels within 24 months. During the 1990 downturn, interest rates were relatively high and there was significant speculation in the form of building and multiple home ownership. Since that time, lenders now require builders to pre-sell a significant portion of their developments before advancing funds. Market activity since 1980 is provided in the chart below.

Market Dollar Volume – Canadian Residential Resale Real Estate
(1980 – 2007) (In $ Billions)

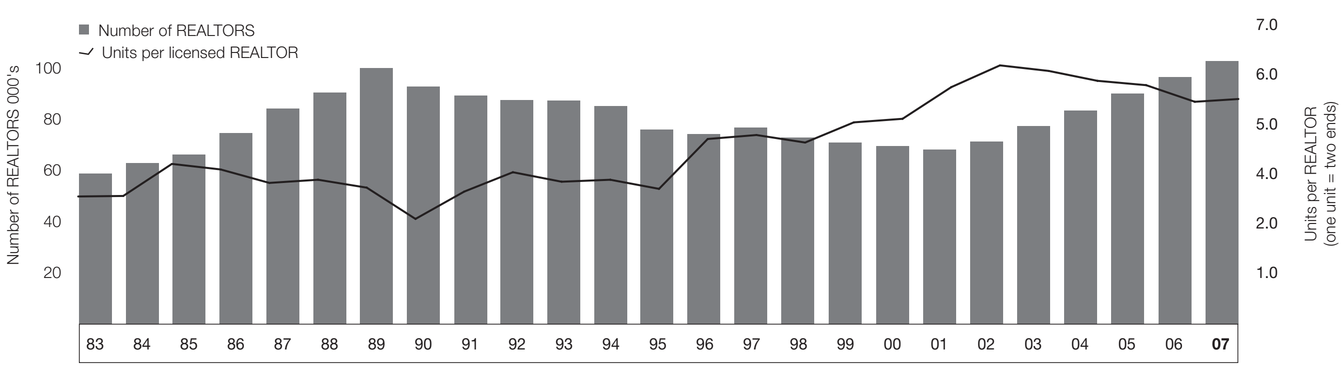


Source: CREA

THE CANADIAN REAL ESTATE REALTOR® POPULATION

The number of REALTORS® in the Fund Network is a key driver of the Fund's results. For the year ended December 31, 2007, on the strength of another robust Market, the Canadian real estate REALTOR® membership grew by 6.3% to 94,506 members with an average of 5.7 units sold per REALTOR®. The number of REALTORS® in the Fund Network grew by 8.4% over the same period. The Canadian REALTOR® population and the average number of units sold per REALTOR® are summarized in the chart below.

Canadian Real Estate REALTORS®
(Year ended December 31)



THE FUND NETWORK

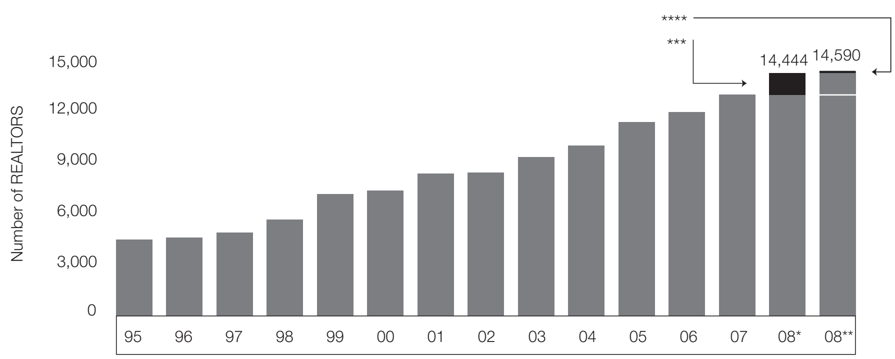
REALTOR® Growth

As at March 31, 2008, the Fund Network was comprised of 344 independently owned and operated franchises operating from 646 locations serviced by 14,590 REALTORS®.

During the Quarter, the Fund Network grew by 146 REALTORS® or 1.0% from January 1, 2008. This organic growth is in addition to the 1,272 REALTORS® who joined the Fund Network with the 60 franchise agreements acquired on January 1, 2008, for a year-to-date increase of 1,418 REALTORS®.

During 2007, the number of REALTORS® in the Fund Network grew by 8.4% or 1,023 REALTORS® to 13,172. Industry wide, by comparison, CREA reported that the number of REALTORS® in Canada grew by 6.3%. This gain in REALTOR® share was obtained through the acquisition of agreements representing 390 Agents on January 1, 2007 and the addition of 633 Agents through organic growth.

Fund Growth



Year ended December 31, except 2008
* As at January 1, 2008
** As at March 31, 2008
*** 1,272 REALTOR growth of 9.7% consisting of 212 from Royal LePage brand and 1,060 from La Capitale brand
**** 146 REALTORS from organic growth

A summary of the Canadian and Fund's growth in REALTORS® during 2007 and 2008 follows:

	Canada*		The Fund Network	
	Number of Licensed Members	% Change	Number of Licensed Members	% Change
Opening	**88,906**		**12,149**	
2007 Q1	1,543	1.7%	633	5.2%
2007 Q2	1,947	2.2%	178	1.5%
2007 Q3	1,313	1.5%	125	1.0%
2007 Q4	797	0.9%	87	0.7%
Opening	**94,506**	**6.3%**	**13,172**	**8.4%**
2008 Q1	N/A		1,418	10.8%
Closing	**94,506**		**14,590**	**10.8%**

* Source – CREA
N/A: Not available at time of MD&A

Management's Discussion and Analysis of Results and Financial Condition

NETWORK DIVERSITY

The Fund Network is comprised of diverse operations with 72% of the Fund's franchisees operating with fewer than 50 REALTORS® as at December 31, 2007. As summarized in the table below, the Fund Network of REALTORS® is geographically diverse, with REALTORS® spread throughout Canada on approximately the same basis as the overall Canadian REALTOR® population with the exception of the province of Quebec as a result of the acquisition of the La Capitale franchise network.

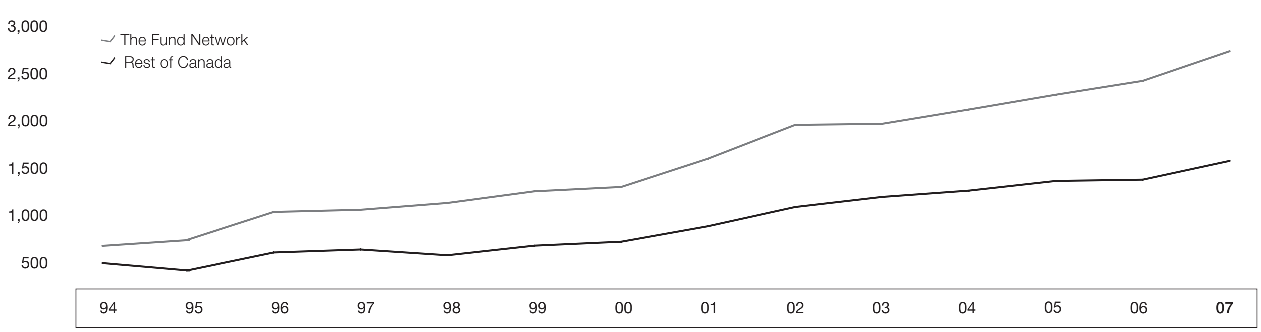
	Canadian[1] REALTOR® Population	Fund[2] Network REALTORS®
Ontario	50%	51%
Prairies	14%	10%
BC	19%	15%
Quebec	14%	20%
Maritimes	3%	4%
Total	100%	100%

[1] As at December 31, 2007, Source: CREA
[2] As at March 31, 2008

REALTOR® PRODUCTIVITY

The average Fund Network REALTOR® generated approximately $2.70 million in transactional dollar volume in 2007, up 13% from $2.38 million in 2006. This productivity was 70% greater than the estimated average of $1.59 million for all other Canadian REALTORS®, up 11% from 2006. Management believes the higher productivity of Fund Network REALTORS® makes the Fund less prone than the industry at large to losing its REALTORS® during a period of reduced transaction dollar volume. A summary of average transaction dollar volume per agent for the year ended December 31, 1994 through 2007 is as follows:

Canadian Residential Real Estate Resale Market
(Average Transaction Dollar Volume Per REALTOR®, $ thousands)



Source: CREA and Fund Management

OPERATING RESULTS

Three months ended March 31, ($ 000's) except Agents, unit and per unit amounts	2008	2007
Royalties		
Fixed franchise fees	**$ 4,336**	$ 3,621
Variable franchise fees	**1,921**	1,720
Premium franchise fees	**893**	737
Other fee revenue and services	**942**	832
	8,092	6,910
Less:		
Administration expenses	**190**	174
Interest expense	**811**	592
Management fee	**1,473**	1,229
Earnings before undernoted	**5,618**	4,915
Amortization of intangible assets	**3,896**	3,652
Income tax recovery	**(35)**	–
Net and comprehensive earnings before non-controlling interest	**1,757**	1,263
Non-controlling interest	**476**	351
Net and comprehensive earnings	**$ 1,281**	$ 912
Basic and diluted earnings per unit (9,983,000 units)	**$ 0.13**	$ 0.09
Number of Agents	**13,551**	11,868
Number of fixed fee paying Sales Representatives	**728**	643

As summarized in the table above, during the Quarter, the Fund generated net and comprehensive earnings before non-controlling interests of $1.8 million, up $0.5 million over the same period in 2007. The year-over-year results included a $1.2 million (17.1%) increase in royalties attributed to continued growth of the Fund's underlying Agent network and the Canadian Market which was partially offset by increased amortization, debt service costs and management fees. A more detailed discussion of these factors is provided below.

The Fund Network as at March 31, 2008, was comprised of 13,551 Agents and 1,039 Sales Representatives (728 Sales Representatives operating under the $100 per month fixed fee plan and 311 Sales Representatives who are primarily brokers and managers who do not pay fees), with 13,333 of the Agents operating under the combined flat fee of $100 per month and 1% of gross earnings option (the "$100/1% option") or the $170 per month flat fee, and 218 Agents operating under the 4.5% variable fee option (the "4.5% option").

Royalties for the Quarter totalled $8.1 million, up 17.1% from the same period in 2007.

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

Fixed, variable and premium franchise fees together represented 88% of royalties for the Quarter, consistent with the 88% experienced during the same period in 2007.

Fixed franchise fees for the Quarter increased 19.7% over the same period in 2007 and exceeded the overall increase in the underlying Agents as a result of the introduction of La Capitale REALTORS® operating under a $170 per month fee plan.

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Variable franchise fees for the Quarter grew by 11.7% over the same period in 2007 while the market activity decreased 7.7%. Variable fees are recorded by the Fund after the related sales transaction closes which is typically 45 to 60-days after the home sale. Market activity is recorded at the time of the home sale, accordingly there is an inherent lag between the reported market activity and the recording of the related variable fee revenue by the Fund. The market activity for the quarter ended December 31, 2007 was 16.8% higher than the quarter ended December 31, 2006 and accordingly, some of these sales closings occurred in the Quarter. Some of the decreased market activity experienced during the Quarter is expected to result in comparatively lower variable fees in the second quarter.

Premium franchise fees are derived from the 24 franchise locations servicing the GTA market that pay premium fees ranging from 1% to 5% of the location's gross revenue. Premium franchise fees for the Quarter increased 21.2% over the same period in 2007, while the GTA market activity for the same period experienced a 9.6% decrease. The percentage increase in year-over-year premium fees is not entirely comparable to the overall GTA market decrease, as the change in the market activity experienced by the individual market areas serviced by the premium-fee-paying franchise locations differs from the overall GTA market activity. In addition, the city of Toronto's introduction of a new land transfer tax that took effect on sales closing after January 31, 2008 created a non-typical spike in sales activity during the last three months of 2007 and many of these sales closed during the Quarter. As mentioned above, the decreased market activity during the Quarter is expected to result in lower premium fees in the second quarter due to the timing associated with the reported home sale market activity and the recording of actual variable premium fees by the Fund as previously described.

Other fees and services, which accounted for approximately 12% (12% – 2007) of Fund royalties for the Quarter increased 13.2% over the same period in 2007, due primarily to the APEC fee paid by participating La Capitale REALTORS®, growth in the number of REALTORS® in the Royal LePage network and an increase in the 4.5% variable fee, resulting from the continued strength of the market. These fees are comprised of the APEC fee, technology fees, 4.5% option, web service and other fees and revenue.

Administration expenses of $0.2 million for the Quarter were in line with management's expectations.

Interest expense is comprised of interest on the Fund's $38 million private debt placement, amortization of the financing charges incurred to secure the placement and carrying charges on the initial franchise contract purchase obligations. The Fund's interest expense totalled $0.8 million for the Quarter up $0.2 million over the same period in 2007 due to interest incurred on the initial franchise contract purchase obligation (see Debt Financing). The $2 million operating line has remained undrawn since the inception of the Fund.

Management fee expense

Management fees of $1.5 million for the Quarter were up 19.9% over the same period of 2007 and were in line with growth in the Fund's royalties. In accordance with the MSA, management fees are calculated as 30% of net royalty fees earned (defined as Distributable Cash in the MSA) from the La Capitale franchise agreements and the 20% of the balance of royalties less administrative and interest costs.

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 amortized on a straight-line basis over the term of the agreement plus one renewal period, while franchise agreements are amortized over the term of the agreements. Relationships represent the value attributed to franchise renewals and are amortized over the renewal period, at the commencement of that period. See Acquisitions and Deposit on Acquisitions for further discussion regarding intangible assets arising on acquisitions.

Income tax recovery

In accordance with new tax legislation, during the Quarter, the Fund has recorded a non-cash future tax asset of $35 thousand arising from temporary tax differences expected to reverse after January 1, 2011 at the tax rate of 29.5%, applicable to the Fund in 2011 and 28% applicable thereafter (see Impact on Taxation of Income Trusts).

Non-controlling interest ("NCI") of $0.5 million represents the NCI's 25% in the Fund's underlying operations.

DISTRIBUTABLE CASH

Distributable cash to unitholders represents net and comprehensive earnings, adjusted for the non-controlling interest's share of net and comprehensive earnings, amortization and 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 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. (See the following chart for a reconciliation of distributable cash to the comparable GAAP measure in the Fund's financial statements.)

Distributable cash and its utilization since Fund inception ($ 000's)	Total	Three months ended March 31, 2008	Year ended Dec. 31, 2007	Year end Dec. 31, 2006	Year ended Dec. 31, 2005	Year ended Dec. 31, 2004	August 7, 2003 to Dec. 31, 2003
Royalties	**$ 129,980**	$ 8,092	$ 32,491	$ 29,659	$ 27,196	$ 23,740	$ 8,802
Less:							
Administration expenses	**2,899**	190	725	645	595	513	231
Interest expense	**9,867**	811	2,419	2,401	2,289	1,327	620
Management fee	**23,497**	1,473	5,869	7,285	3,660	3,660	1,550
Distributable cash	**93,717**	5,618	23,478	19,328	20,652	18,240	6,401
Less:							
Distributions to public unitholders	**53,075**	3,115	11,980	11,477	10,985	10,985	4,533
Distributions to non-controlling interest	**17,694**	1,040	3,993	3,826	3,662	3,662	1,511
Total distributions	**70,769**	4,155	15,973	15,303	14,647	14,647	6,044
Distributable cash less total distributions	**22,948**	1,463	7,505	4,025	6,005	3,593	357
Less funding of acquisitions	**21,002**	6,264	6,333	7,871	414	120	–
Net change in the period	**$ 1,946**	$ (4,801)	$ 1,172	$ (3,846)	$ 5,591	$ 3,473	$ 357
Cumulative change		$ 1,946	$ 6,747	$ 5,575	$ 9,421	$ 3,830	$ 357
Distribution percentage payout[1]	**76%**	74%	68%	79%	71%	80%	94%

[1] This represents the Total distributions paid as a percentage of Distributable cash.

Distributable cash Reconciled to cash flows from operating activities ($ 000's)	Total	Three months ended March 31, 2008	Year ended Dec. 31, 2007	Year ended Dec. 31, 2006	Year ended Dec. 31, 2005	Year ended Dec. 31, 2004	August 7, 2003 to Dec. 31, 2003
Cash flows from operating activities	**$ 92,173**	$ 5,268	$ 22,871	$ 20,199	$ 20,607	$ 17,772	$ 5,456
Add (deduct):							
Changes in non-cash working capital items	**2,055**	393	769	(703)	183	468	945
Non-cash interest expense	**(205)**	(43)	(162)	–	–	–	–
Amortization of deferred charges	**(306)**	–	–	(168)	(138)	–	–
Distributable cash	**$ 93,717**	$ 5,618	$ 23,478	$ 19,328	$ 20,652	$ 18,240	$ 6,401

For the Quarter, the Fund generated distributable cash of $5.6 million, up $0.7 million (14.3%) over the same period in 2007. This increase in distributable cash was primarily due to increased royalties generated from growth in Fund revenues as a result of the acquisition of franchise agreements on January 1, 2008 and organic Agent growth.

From inception of the Fund, to December 31, 2005, the Fund had accumulated and retained undistributed cash of $9.4 million, which in the event of the release of this cash would result in a 20% management fee payable to the Manager of $1.9 million. During 2006, the Fund released the $9.4 million cash, a portion of which was used to fund the 2005 and 2006 franchise agreements purchase obligations. In addition, the Board of Trustees removed the requirement to retain distributable cash for purposes of the management fee calculation due to the Fund's demonstrated track record of generating distributable cash in excess of its targeted annual distributions. As a result of these two events, the $1.9 million management fee described above was earned and paid during the first quarter of 2006. The management fee continues to be recorded on a "total" basis (see Summary of Quarterly Results for discussion of "total" basis). The Board reserves the right to retain cash for working capital requirements.

As at March 31, 2008, the Fund had approximately $1.9 million in distributable cash not yet utilized, as presented in the table above. This undistributed cash represents distributable cash generated by the Fund less distributions to public unitholders, the non-controlling interest and $21.0 million in cash utilized to meet the Fund's franchise agreement purchase obligations.

A summary of the main elements of the Fund's performance that assist in the assessment of the sustainability of the Fund's cash distributions is presented in the table below:

Three months ended March 31, ($ 000's)	2008	2007
Cash flows from operating activities	**$ 5,268**	$ 3,804
Net income for the period	**1,281**	912
Actual cash distributions paid	**3,115**	2,953
Excess of cash flows from operating activities over cash distributions paid	**2,153**	851
Excess (shortfall) of net income over cash distributions paid	**$ (1,834)**	$ (2,041)

The Fund's cash distributions to unitholders are fully funded by cash flow generated from operations. The Fund has consistently distributed cash in excess of net income to unitholders as a significant portion of the Fund's operating expenses are comprised of the non-cash amortization of intangible assets consisting of franchise agreements, relationships and trademarks. The distribution of this excess is not viewed by management as an economic return of capital as these intangible assets are not expected to require a further cash outlay in the future, rather, the value of these assets to the Fund lie in part with management's ability to retain and renew the underlying franchise agreements and ensure the ongoing integrity of the trademarks. The Fund has not distributed all of the cash flow generated from operations to unitholders as cash distributions, as the cash generated in excess of these amounts as summarized in the table above (see Distributable cash and its utilization since Fund inception), has been utilized to fund the acquisition of franchise agreements and pay distributions to the non-controlling interest. It is management's expectation, at the discretion of the Board of Trustees, that in the short to near term cash distributions to unitholders will continue and the remaining cash flow will be utilized to fund acquisitions and pay distributions to the non-controlling interest.

ACQUISITIONS AND DEPOSIT ON ACQUISITIONS

Under terms of the MSA, the Fund is permitted to acquire franchise agreements approved by independent trustees of the Fund from the Manager on January 1 of each year. The purchase price is determined in line with the terms of the MSA. The actual purchase price for these agreements is not determined until after October 31 of each year when an audit of the actual royalties generated under these agreements is completed and the purchase price is recalculated as detailed in the MSA. As a result, the initial payment representing up to 80% of the estimated purchase price is recorded as a deposit on acquisition. At each quarter end, the purchase price obligation is recalculated based on the actual royalties generated from these agreements and the resultant amount is removed from the deposit on acquisition and reclassified to intangible assets. The increase in intangible assets is amortized in accordance with the Fund's intangible assets policy. Recalculated purchase price obligations in excess of the deposit on acquisitions are classified as purchase obligations and the corresponding amount transferred to intangible assets and amortization, as previously described, is recorded.

During 2007, the January 1, 2007 franchise agreement acquisition obligation was audited and determined to be $8.0 million, $0.8 million greater than the estimated obligation due to a combination of a greater number of Agents and higher that planned revenues. A summary of the franchise agreements acquired by the Fund since inception is summarized as follows:

Date acquired by the Fund, January 1, ($ millions unless stated otherwise)	2008	2007	2006	2005
Purchase price				
Estimated	21.14	7.18	6.22	9.26
Actual	(a)	8.04	5.55	9.94
Payments				
Initial	16.91	5.74	4.98	7.05
Final (b) (c)	(a)	2.30	0.57	2.89
Estimated				
Annual royalty stream	2.99	0.82	0.74	1.15
Number of REALTORS®	1,272	390	346	558
Number of locations	60	22	21	47
Number of contracts	60	22	16	38
Actual				
Annual royalty stream (b)	(a)	0.92	0.66	1.24
Number of REALTORS®	(a)	534	345	666
Number of locations	60	22	21	46
Number of contracts	60	22	16	37

(a) To be determined at the end of the year in accordance with the appropriate purchase agreement

(b) Audited

(c) Purchase price obligation as at December 31

During the three months ended March 31, 2008, $3.9 million was paid and recorded as a deposit on acquisition in respect of the Royal LePage and La Capitale acquisitions of which $1.0 million and $1.1 million respectively was transferred from deposit on acquisition to intangible assets.

During the three months ended March 31, 2008, the intangible asset cost base increased by $8.5 million with $7.5 million and $1.0 million resulting from the acquisition of the La Capitale and Royal LePage assets respectively. The increase attributed to the Royal LePage assets was derived from the transfer from deposit on acquisition, while the increase attributed to the La Capitale assets was comprised of $5.4 million resulting from the quarterly purchase obligation recalculation, $1.1 million from the future income tax liabilities and $1.0 million from the transfer from deposit on acquisition.

The increase attributable to future income tax liabilities arises as the assets of La Capitale were acquired on a tax deferred basis through a partnership with the underlying tax value attributed to the partnership units. As a result, the individual agreements and trademarks of the partnership at the time of acquisition by the Fund do not have a tax basis. The temporary difference between the carrying value of these agreements and trademarks and zero tax basis results in a future income tax liability of $1.1 million.

During the Quarter, $2.9 million was paid by the Fund as a partial payment of the 80% deposit on acquisition for the Royal LePage franchise agreements acquired on January 1, 2008. Based on the actual royalties received during the Quarter, the deposit on acquisition was reduced by $1.0 million and intangible assets were increased by the corresponding amount.

DEBT FINANCING

In the low interest rate environment of 2004 and 2005, the Fund sought to increase its debt to meet its franchise agreement purchase obligations and moved 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 full amount of the debt is due upon maturity on February 17, 2010.

The Fund has a $2 million operating line provided by a single Canadian financial institution. As of the date of this MD&A, this operating line remains undrawn and in force. On February 25, 2008, the operating line was renewed for an additional one-year period ending March 6, 2009. The $0.8 million in issue costs associated with the $38 million private debt placement and the $2 million operating line are amortized over the term of the private debt placement. During the Quarter, $43,000 of these charges was amortized.

On April 4, 2008, the Fund completed a $15 million Term Facility with a Canadian financial institution and with effect from April 7, 2008 entered into an interest rate swap agreement which fixed the variable portion of the Term Facility's interest at 3.29% for a total annual interest rate of 4.29% over the term of the facility (before legal and associated costs, see Recent Developments – Debt Financing).

SUMMARY OF QUARTERLY RESULTS

Three months ended	2008	2007				2006		
($ 000's) except Agents, unit and per unit amounts	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Royalties								
Fixed franchise fees	**$ 4,336**	$ 3,788	$ 3,749	$ 3,714	$ 3,621	$ 3,509	$ 3,485	$ 3,453
Variable franchise fees	**1,921**	1,315	2,661	2,870	1,720	1,347	2,377	2,498
Premium franchise fees	**893**	1,348	1,899	1,306	737	990	1,685	1,125
Other fee revenue and services	**942**	997	986	948	832	919	923	856
	8,092	7,448	9,295	8,838	6,910	6,765	8,470	7,932
Less:								
Administration expenses	**190**	192	184	175	174	132	163	190
Interest expense	**811**	606	606	615	592	606	605	600
Management fee	**1,473**	1,330	1,700	1,610	1,229	1,205	1,540	1,429
Earnings before undernoted	**5,618**	5,320	6,805	6,438	4,915	4,822	6,162	5,713
Amortization of intangible assets	**3,896**	3,746	3,723	3,683	3,652	3,666	3,657	3,632
Income tax expense / (recovery)	**(35)**	293	(11)	(2,101)	–	–	–	–
Net and comprehensive earnings (loss) before non-controlling interest	**1,757**	1,281	3,093	4,856	1,263	1,156	2,505	2,081
Non-controlling interest	**476**	364	811	1,249	351	317	657	556
Net and comprehensive earnings (loss)	**$ 1,281**	$ 917	$ 2,282	$ 3,607	$ 912	$ 839	$ 1,848	$ 1,525
Basic and diluted earnings per unit (9,983,000 units)	**$ 0.13**	$ 0.09	$ 0.23	$ 0.36	$ 0.09	$ 0.08	$ 0.19	$ 0.15
Number of Agents	**13,551**	12,201	12,117	12,038	11,868	11,258	11,307	11,271
Number of fixed fee paying Sales Representatives	**728**	735	716	673	643	644	644	645

Revenues increased in each quarter, year over year due to a number of factors such as organic Agent count growth, increasing Agent productivity, the acquisition of franchise agreements on January 1 of each year and the introduction of new fees such as the $100 per month selling-REALTOR® fee in July 2005 and the introduction of new services. An income tax recovery of $1.8 million was recorded during 2007 and decreased to $0.8 million during the Quarter, in accordance with new tax legislation (see Impact of Taxation on Income Trusts).

The Fund's royalty revenues are affected by the seasonality of the Canadian Market which typically has stronger second and third quarters as summarized in the chart below. The seasonality of this market is mitigated by the timing of certain factors such as: the factors noted above, the significant fixed element of the Fund's Agent count-based fees and the fixed element of variable Royal LePage franchise fees resulting from the $1,300 per annum capping feature described earlier.

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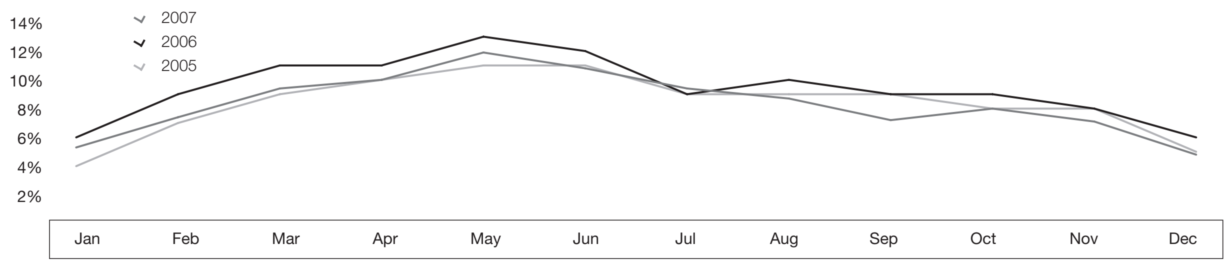
Canadian Residential Resale Real Estate Market
(% Transactional Dollar Volume by Month)



Source: CREA and Fund Management

A key statistic management utilizes to monitor Fund performance is the rolling 12-month distributable cash per unit, adjusted for management fees on a "total" basis. As noted on the table below, distributable cash calculated on this basis has been steadily increasing each quarter.

Adjusted[1] rolling twelve-month distributable cash

Twelve months ended	**2008**	2007				2006		
($ 000's) except per unit amounts	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Royalties	**$ 33,673**	$ 32,491	$ 31,808	$ 30,983	$ 30,077	$ 29,659	$ 29,419	$ 28,886
Less:								
Administration expenses	**741**	725	665	644	659	645	715	677
Interest expense	**2,638**	2,419	2,419	2,418	2,403	2,401	2,399	2,396
Adjusted management fee[1]	**6,113**	5,869	5,745	5,584	5,403	5,323	5,261	5,163
	$ 24,181	$ 23,478	$ 22,979	$ 22,337	$ 21,612	$ 21,290	$ 21,044	$ 20,650
Adjusted distributable cash per unit – total basis	**$ 1.82**	$ 1.76	$ 1.73	$ 1.68	$ 1.62	$ 1.60	$ 1.58	$ 1.55

[1] Above adjusted for management fees calculated before Reserve requirements.
A "total" basis refers to the calculation of the management fee as per the MSA before Reserves for working capital requirements.
Prior to 2005, a Reserve was deducted for the purposes of the management fee calculation.
This Reserve requirement was removed and the accumulated management fee was paid in the first quarter of 2006.

Adjusted[1] rolling twelve-month distributable cash
Reconciled to cash flows from operating activities

Twelve months ended	2008	2007				2006		
($ 000's) except per unit amounts	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Cash flows from operating activities	**$ 24,335**	$ 22,871	$ 23,998	$ 22,054	$ 20,968	$ 20,199	$ 19,223	$ 19,720
Add (deduct):								
Changes in non-cash working capital items	**12**	769	(856)	446	807	(703)	254	(112)
Amortization of deferred charges	**–**	–	(41)	(83)	(124)	(168)	(167)	(165)
Non-cash interest expense	**(166)**	(162)	(121)	(80)	(39)	–	–	–
Management fee adjustment[1]	**–**	(0)	(1)	(0)	–	1,962	1,734	1,207
	$ 24,181	$ 23,478	$ 22,979	$ 22,337	$ 21,612	$ 21,290	$ 21,044	$ 20,650
Adjusted distributable cash per unit – total basis	**$ 1.82**	$ 1.76	$ 1.73	$ 1.68	$ 1.62	$ 1.60	$ 1.58	$ 1.55

[1] Above adjusted for management fees calculated before Reserve requirements.
A "total" basis refers to the calculation of the management fee as per the MSA before Reserves for working capital requirements.
Prior to 2005, a Reserve was deducted for the purposes of the management fee calculation.
This Reserve requirement was removed and the accumulated management fee was paid in the first quarter of 2006.

LIQUIDITY

The Fund utilized cash flow generated from operating activities for the Quarter of $5.3 million to meet acquisition and distribution requirements. A summary of the Fund's working capital position is as follows:

Working Capital

($ 000's)	**As at March 31, 2008**	As at December 31, 2007
Current assets		
Cash and cash equivalents	**$ 2,365**	$ 7,516
Accounts receivable and other	**3,373**	2,836
	$ 5,738	$ 10,352
Current liabilities		
Accounts payable and accrued liabilities	**$ 2,336**	$ 2,232
Purchase obligation	**5,358**	2,295
Distribution payable to unitholders	**1,038**	998
	8,732	5,525
Net working capital	**$ (2,994)**	$ 4,827

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The Fund had a net negative working capital position of $3.0 million as at March 31, 2008, a decrease of $8.0 million from December 31, 2007. The decrease from December 31, 2007 was due primarily to the $5.4 million purchase price obligation relating to the January 1, 2008 acquisition and the use of cash to fund the payment of the purchase price adjustment relating to the January 1, 2007 acquisition (see Acquisitions and Deposit on Acquisitions) partially offset by positive cash flows generated during the Quarter.

Accounts receivable of $3.4 million increased $0.5 million from December 31, 2007 due primarily to seasonal fluctuations and increased revenues associated with the increase in the number of REALTORS®.

Accounts payable and accrued liabilities of $2.3 million increased $0.1 million from December 31, 2007. Accounts payable and accrued liabilities is comprised of a $1.0 million ($1.0 million – December 31, 2007) quarterly distribution payable to the non-controlling interest, $0.4 million ($0.4 million – December 31, 2007) in management fees payable to the Manager and $0.9 million ($0.8 million – December 31, 2007) in interest expense, deferred service revenue and administration expense accruals.

CAPITAL RESOURCES

The existing capital resources that the Fund can draw on consist of a $2 million operating line, which has been unutilized since the inception of the Fund. Other capital resources include: funds generated from operations; $1.9 million in unutilized distributable cash held for future distributions in anticipation of the seasonality of the Canadian Market; debt servicing and distribution requirements; and financing for the acquisition of franchise agreements. As a result of the January 1, 2008 acquisition of assets related to La Capitale by the Fund, $15 million additional term debt was obtained on April 4, 2008 (see Recent Developments – Debt Financing).

OFF-BALANCE SHEET ARRANGEMENTS

The Fund has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

As at March 31, 2008, the Fund's interests are ultimately controlled 75% by the public and 25% by BAM, which sold its interest in certain assets to the Fund. These assets included the relationships, trademarks and franchise agreements related to the business of its Royal LePage residential resale real estate brokerage franchise operations. Under the terms of the offering, the non-controlling interest must hold its 25% interest for five years until August 7, 2008 at which time it may exchange its Subordinated LP units for units of the Fund. In addition, during the initial five-year period, the non-controlling interest's right to receive distributions on a quarterly basis is reduced to the extent that the public unitholders do not receive their initial targeted monthly distributions of $0.0917 per unit.

As at March 31, 2008, BAM continued to operate 16 corporately-owned residential resale real estate brokerage locations in the GTA serviced by over 1,000 Agents. Of these operations, 14 entered into a single franchise agreement with the Fund on the inception of the Fund. This franchise agreement provides for a 20-year term for these locations under the $100/1% option and an additional Premium franchise fee ranging from 1% to 5% of the location's gross commission income for a 15-year term after which time the Premium franchise fees cease. The agreement for one additional corporately-owned location was acquired by the Fund on January 1, 2007 and a 16th location was acquired by the Fund on January 1, 2008.

The management of the Fund and its underlying structure is provided under an MSA by the Manager, which is a company controlled by the non-controlling interest. The MSA was amended and restated effective January 1, 2008. The MSA provides for an initial term expiring August 6, 2013 and is automatically renewable for successive 10-year terms subject to certain performance criteria and/or other notification requirements. The MSA details the Manager's responsibilities and provides for a monthly fee, payable in arrears, of 20% of cash otherwise distributable for Royal LePage agreements and 30% with respect of cash otherwise distributable from the La Capitale franchise agreements.

On January 1 of each year the Fund may, upon the Board of Trustees' approval and based upon criteria detailed in the MSA, purchase Royal LePage franchises acquired by the Manager up to or on or about 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 units of the Fund and are paid 80% on acquisition and the remaining 20% a year later when the actual franchise fees are reviewed and the acquisition calculations are adjusted accordingly.

On January 1 of each year, the Fund may, upon the Independent Trustees' approval and criteria established by the Board of Trustees, purchase La Capitale franchises acquired by the Manager or its affiliates up to or on or about October 31 of the previous year. The acquisition costs may be satisfied by way of cash or units of the Fund. Modification of the MSA relating to the La Capitale acquisition costs and management fees are as follows:

(a) the discount factor of 92.5%, which is applied to the royalties upon which the purchase price is based, was increased to 90%, thereby reducing the purchase price;

(b) the final purchase price is to be calculated based on the average annual royalties earned from La Capitale Franchise Agreements over three years (instead of one year);

(c) the Partnership will pay a management fee equal to 30% of net royalties (defined as Distributable Cash MSA), received from the La Capitale franchise agreements, instead of 20%. The increase in the management fee resulted in a direct and proportional decrease in the purchase price paid by the Partnership, as the purchase price is calculated based on royalties earned from the La Capitale franchise agreements net of the management fee.

The related party transactions entered into by the Fund were transacted at contracted rates or at exchange amounts approximating fair market value. A summary of these amounts in thousands of dollars follows:

Three months ended March 31,		**2008**		2007
a) Royalties				
Fixed, variable and other franchise fees	**$**	**603**	$	508
Premium franchise fees	**$**	**774**	$	618
b) Expenses				
Management fees	**$**	**1,473**	$	1,229
Insurance and other	**$**	**25**	$	25
Interest on initial purchase obligation	**$**	**210**	$	–
c) Distributions				
Distribution paid to non-controlling interest	**$**	**998**	$	957
d) Accounts receivable				
Franchise fees receivable and other	**$**	**408**	$	425
e) Accounts payable and accrued liabilities				
Distributions payable to non-controlling interest	**$**	**1,040**	$	998
Management fees	**$**	**458**	$	469
Purchase obligation	**$**	**5,358**	$	–
Interest on initial purchase obligation	**$**	**210**	$	–

Effective January 1, 2008, the Fund acquired 16 new Royal LePage residential real estate brokerage agreements serviced by 212 real estate agents. The Fund acquired the agreements from the Manager for an estimated purchase price of $3.6 million which is based on an estimated annual royalty stream of $0.4 million and has been calculated in accordance with the formula set forth in the Fund's MSA. The initial purchase price obligation of $2.9 million was due on January 2, 2008 and the remaining $0.7 million is expected to be paid in the first quarter of 2009 upon meeting the terms set out in the MSA.

Also effective January 1, 2008, the Fund acquired from an affiliate to the Manager (the "Seller") the La Capitale trademarks, trademark rights and the 44 La Capitale franchise agreements serviced by 1,060 real estate agents, collectively the "La Capitale Assets". The estimated purchase price for the La Capitale Assets of $17.5 million which is based on an estimated annual royalty stream of $2.5 million, is calculated in accordance with the MSA as modified by the Board of Trustees as previously described. The initial purchase price obligation of $14.0 million was required to be satisfied on or about January 1, 2008. The remaining 20% of the purchase obligation is to be paid out over the next three years based on an annual review of the actual royalties received and a re-estimation of the purchase price. Such payment will be made on or about January 1 of 2009, 2010 and 2011, with any excess over the purchase price plus interest being paid to the Seller and any payments made by the Fund in excess of the purchase price plus interest being paid by the Seller to the Fund.

On January 2, 2008, the Fund paid $3.9 million from cash on hand against the 2008 initial purchase obligation of $16.9 million. The balance of the obligations and $0.2 million of associated interest charges were paid on April 4, 2008 from proceeds of a $15 million term debt facility (see Recent Developments – Debt Financing).

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 include: the Fund's administration costs, allocation of the intangible assets between franchise agreements and relationships, and trademarks and their related amortization periods. The Fund's administration costs of approximately $0.7 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.

FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, purchase obligation, distributions payable to unitholders and a $38 million private debt placement.

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% with an effective rate after financing costs of 6.3% for a five-year term commencing February 18, 2005 and as such is not subject to interest rate fluctuations.

On April 4, 2008, the Fund completed a $15 million Term Facility with a Canadian financial institution and with effect from April 7, 2008 entered into an interest rate swap agreement which fixed the variable portion of the Term Facility's interest at 3.29% for a total effective annual interest rate of 4.29% over the term of the facility (before legal and associated costs see Recent Developments – Debt Financing).

Management estimates the fair value of the Fund's financial instruments to approximate their carrying values.

CONTROLS AND PROCEDURES

We maintain appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. Our Chief Executive and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and effectiveness of our disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at March 31, 2008, and have concluded that such disclosure controls and procedures are operating effectively.

Management is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our Chief Executive and Chief Financial Officer assessed, or caused an assessment under their direct supervision of, the design of our internal controls over financial reporting (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at March 31, 2008 and, based on that assessment, determined that our internal controls over financial reporting were appropriately designed. No changes were made to the design of our internal controls over financial reporting during the three months ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Note however, that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

OUTSTANDING UNITS

The Fund's capital structure remains unchanged from its 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, 2008, 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.

FUND STRUCTURE

On October 31, 2007, the name of the Royal LePage Franchise Services Fund was changed to the Brookfield Real Estate Services Fund. This name change reflects the Fund's long-term multi-brand growth strategy and its close association with BAM, which has a strong reputation in the global real estate industry. The Fund currently receives revenues from franchisees operating under the national brand of Royal LePage and Quebec-based La Capitale network.

As a result of these changes, the Fund's TSX stock symbol has been changed to BRE.UN and the website to www.brookfieldres.com.

The Fund is governed by a Board of Trustees and is comprised of a Trust (Fund) on Trust (Holding Trust) structure, as summarized above, that controls a general partner and Limited Partnership. The Trust on Trust structure qualifies the Fund for Canadian RRSPs, RRIFs, RESPs, DPSPs and similar plans.

Substantially, all Fund activity is transacted through the Limited Partnership ("LP"), which in turn flows distributions to public unitholders and the non-controlling interest through the Fund structure. The Fund has a 75% interest in the LP by way of Ordinary LP units held by the Holding Trust while the subordinated unitholder has a 25% interest in the Partnership by way of Subordinated LP units. The Fund and the subordinated unitholder have a 75% and 25% respective ownership in the General Partner, which mirrors their LP interests.

As part of the Fund's purchase of the La Capitale Assets on January 1, 2008, the LP acquired two companies, a Limited Partnership ("LCLP") which held the La Capitale Assets and the General Partner ("LCGP"). For a more detailed explanation of the Fund Structure please see the 2007 Annual Information Circular.

Under the terms of the Offering, the subordinated unitholder must retain its full interest for five years from the commencement of the Fund. Fund distributions of all available cash are made on a monthly basis to public unitholders and on a quarterly basis to the subordinated unitholder. During the initial five-year period, the subordinated unitholder's distributions are subordinated to the public unitholders' distributions to the extent the public unitholders have not received the initial targeted monthly distribution of $0.0917 per unit, $1.10 per unit per annum. At the end of the five-year term, the subordinated unitholder may exchange its units for units of the Fund.

The LP manages the Fund's operations and underlying structure by way of the MSA, as discussed in detail earlier.

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 the taxable income of the Trust to nil. The deductions available to the Trust are comprised of the costs of the offering and intangible assets. The estimated deductions available to the Trust as at December 31, 2007 are comprised of the costs of the initial public offering, intangible assets of the LP, acquisitions of franchise agreements subsequent to inception, and costs associated with the $38 million private debt placement, which have the following deductibility profile and amounts:

Taxation of Fund Distributions

($ millions)

Future Deduction Basis	Remaining Balance Dec. 31, 2007	Estimated Addition for 2008	Estimated Deduction for 2008	Estimated Balance Dec. 31, 2008
7% of Balance	81.5	3.6	5.9[1]	78.3
Five-year straight-line	1.4		1.2	0.2
	82.9	3.6	7.1	78.5

[1] This estimated deduction for 2008 is calculated as 7% of the sum of the remaining balance as of December 31, 2007 and 75% of the estimated addition for 2008.

[2] There is approximately $3.9 million of post acquisition costs that may be available for future deductions.

For the year ended December 31, 2007, the Fund had a return of capital per unit of approximately 3% (26% – 2006) and a taxable amount per unit of approximately 97% (74% – 2006). These calculations are summarized in the table below. Management will seek to manage the taxable amount to a maximum of 100% in 2008.

($ millions)	2003	2004	2005	2006	2007
Fund net earnings	2.0	3.3	4.8	3.5	7.7
Add					
Non-controlling interest	0.7	1.2	1.7	1.3	2.8
Amortization	3.8	13.7	14.2	14.6	14.8
Income tax	–	–	–	–	(1.8)
Rounding and other	(0.1)	–	–	–	0.1
Taxable earnings	6.4	18.2	20.7	19.4	23.6
Less					
Tax deduction	3.4	8.0	8.2	8.1	8.1
Taxable income	3.0	10.2	12.5	11.3	15.5
Distributions	(6.0)	(14.6)	(14.6)	(15.3)	(16.0)
Return of capital	(3.0)	(4.4)	(2.1)	(4.0)	(0.5)
Return of capital	50%	30%	14%	26%	3%
Taxable	50%	70%	86%	74%	97%
Distributions					
Unit holders	4.5	11.0	11.0	11.5	12.0
Non-controlling interest	1.5	3.6	3.6	3.8	4.0
	6.0	14.6	14.6	15.3	16.0

IMPACT OF TAXATION ON INCOME TRUSTS

On October 31, 2006, the Minister of Finance announced proposed tax legislation ("trust legislation") that will change the income tax rules applicable to publicly traded trusts rendering income trusts taxable in 2011. This trust legislation was substantially enacted into law on June 12, 2007, and accordingly, in its second quarter report of 2007, the Fund began to recognize the accounting treatment of these new tax rules.

Prior to June 12, 2007, income tax obligations relating to distributions from the Fund were obligations of the unitholders and, accordingly, no provisions for income taxes were recorded by the Fund.

In accordance with the substantially enacted trust legislation, while the Fund will not be liable for current taxes until January 1, 2011, the Fund recognized, beginning in the second quarter of 2007, future income taxes or recoveries arising from those temporary tax differences expected to reverse after January 1, 2011.

In 2011 when the Fund becomes a taxable entity, income taxes payable will reduce net earnings and will affect distributable cash by an equal amount.

In accordance with new tax legislation, as at March 31, 2008 the Fund has recorded a non-cash future tax asset of $0.8 million, arising from temporary tax differences expected to reverse after January 1, 2011 at the tax rate of 29.5%, applicable to the Fund in 2011 and 28% applicable thereafter. This non-cash future tax asset was reduced from the $1.8 million recorded as at December 31, 2007, by a future tax liability triggered by the acquisition of the La Capitale Assets. The increase attributable to future income tax liabilities arises as the assets of La Capitale were acquired on a tax deferred basis through a partnership with the underlying tax value attributed to the partnership units. As a result, the individual agreements and trademarks of the partnership at the time of acquisition by the Fund do not have a tax basis. The temporary difference between the carrying value of these agreements and trademarks and zero tax basis results in a future income tax liability of $1.1 million.

Management of the Fund will review the value of the Fund's future income tax assets and liabilities on a quarterly basis and will record adjustments, as necessary, to reflect the realizable amounts of the Fund's future income tax assets and liabilities.

This trust legislation, and the related impact and proposed limits on equity issued by Income Funds to fund acquisitions, may affect the Fund's ability to make future acquisitions, accordingly, management and the Trustees have been monitoring the changes in the income trust environment and are continuing to review potential impacts on the Fund's current strategy and the alternatives available to the Fund, to protect and enhance unitholder value.

CHANGE IN ACCOUNTING POLICIES

Accounting Changes

The CICA has issued new accounting standards.

a) Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*. These two new sections, issued by the CICA on December 1, 2006, replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing disclosure requirements and carrying forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards came into effect for the Fund during the first quarter of 2008. The Fund has not experienced any material impact on the consolidated financial statements by adopting these standards.

b) Section 1535, *Capital Disclosures*. This section establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital. This new standard came into effect for the Fund in the first quarter of 2008. The Fund has not experienced any material impact on the consolidated financial statements by adopting these standards.

Accounting Changes – Future

a) Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section, issued in February 2008, will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Fund will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Fund is currently assessing the future impact of these new standards on its consolidated financial statements.

b) International Financial Reporting Standards ("IFRS"). The Accounting Standards Board of Canada has announced that accounting standards in Canada, as used by public companies, will be converged to IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Fund will convert to these new standards according to the timetable set with these new rules. The Fund is currently assessing the future impact of these new standards on its consolidated financial statements.

RISK FACTORS

Risks related to the residential resale real estate brokerage industry and the business of the Partnership and the Fund are outlined in the Fund's Annual Information Form which is available at www.sedar.com and on the Funds website www.brookfieldres.com under Investor Relations/Financial Reports.

OUTLOOK

Following record housing prices and units sold in Canada in 2007, we anticipate continued but more moderate strength in the Market in the mid-term supported by solid underlying economic fundamentals, including low interest rates, steady employment, high immigration levels and a relatively stable economy. We expect this strength will be mitigated by eroding affordability causing demand to ease, resulting in lower levels of price appreciation and fewer homes trading hands than in 2007. Nationally, we expect average house prices to rise by 3.5% in 2008 and transactions to decline 4.0% to a level that is still higher than in all years prior to 2007.

We are well positioned for the slowing Markets, as the benefits of strong brands and productivity enhancing tools become more apparent to brokers and Agents when transaction volumes moderate, and there typically are more acquisition opportunities. This bodes well for the Fund as approximately two thirds of the Fund's royalties are driven by the number of Agents in the network rather than the transactional dollar volume of the Market.

The continued stability of the Market is in contrast with the U.S. housing Market which is experiencing the worst housing downturn in 30 years. U.S. housing unit sales and average prices peaked in the third quarter of 2005, and have since been declining, the result of a monetary, fiscal, and financial environment that encouraged developers to over-build and buyers to over-leverage their savings; a situation exacerbated by the sub-prime debt debacle that has been a catalyst for foreclosures and much reduced credit availability. Falling house prices have had a negative impact on U.S. consumer confidence and are expected to affect consumer spending, contributing to a U.S. economic slowdown. It is unclear how successful U.S. monetary and fiscal policies will be in addressing these challenges in the short-term, but the long-term prospects for the U.S. economy and housing Market, remain positive.

We continued to investigate acquisition opportunities in the U.S., where we are seeking a good fit and solid long-term value. We take a long-term view of the real estate industry, which history has shown to be a sustainable growth industry in both Canada and the U.S.

During 2007, we took two significant steps to further increase our growth potential and enable us to more fully leverage our unique operating strengths. We launched our multi-brand strategy with the acquisition of La Capitale Assets on January 1, 2008; and we changed our name to Brookfield Real Estate Services Fund to accommodate this and future brand acquisitions.

In summary, the Fund continues to experience growth even while the Market has slowed. Our high proportion of fixed revenue and growth through acquisitions mitigates the impact of a potential flat or declining Market. These strategies have positioned the Fund to maintain performance stability throughout the Market cycle.

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking information and other "forward-looking statements". The words such as "should", "will", "continue", "plan", "believe", "expect", "anticipate", "intend", "estimate" and other expressions which are predictions of or indicate future events and trends and which 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, which may cause the actual results, performance or achievements of the Fund 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 set forward in the forward-looking statements include a change in general economic conditions, interest rates, consumer confidence, the level of residential resale transactions, the average rate of commissions charged, competition from other traditional real estate brokers or from discount and/or internet-based real estate alternatives, the availability of acquisition opportunities and/or the closing of existing real estate offices, other developments in the residential real estate brokerage industry or the Fund that reduce the number of and/or royalty revenue from the Fund's REALTORS®, our ability to maintain brand equity through the use of trademarks, the availability of equity and debt financing, a change in tax provisions, and other risks detailed in the Fund's annual information form which is filed with securities commissions and posted on SEDAR at www.sedar.com. The Fund 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.

Management's Discussion and Analysis of Results and Financial Condition

SUPPLEMENTAL INFORMATION – NET EARNINGS AND DISTRIBUTABLE CASH BY PERIOD

Three months ended ($ 000's except per unit amounts, unaudited)	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	**March 31, 2008**
Royalties	$ 7,932	$ 8,470	$ 6,765	$ 6,910	$ 8,838	$ 9,295	$ 7,448	**$ 8,092**
Less:								
Administration expenses	190	163	132	174	175	184	192	**190**
Management fee	1,429	1,540	1,205	1,229	1,610	1,700	1,330	**1,473**
Interest expense	600	605	606	592	615	606	606	**811**
Amortization of intangible assets	3,632	3,657	3,666	3,652	3,683	3,723	3,746	**3,896**
Earnings (loss) before undernoted	2,081	2,505	1,156	1,263	2,755	3,082	1,574	**1,722**
Income tax recovery	–	–	–	–	2,101	11	(293)	**35**
Non-controlling interest	(556)	(657)	(317)	(351)	(1,249)	(811)	(364)	**(476)**
Net and comprehensive earnings (loss) for the period	1,525	1,848	839	912	3,607	2,282	917	**1,281**
Add :								
Amortization of intangible assets	3,632	3,657	3,666	3,652	3,683	3,723	3,746	**3,896**
Income tax (recovery) expense	–	–	–	–	(2,101)	(11)	293	**(35)**
Non-controlling interest	556	657	317	351	1,249	811	364	**476**
Distributable cash	5,713	6,162	4,822	4,915	6,438	6,805	5,320	**5,618**
Add (less) change in:								
Unutilized cash	(1,889)	(2,338)	(997)	(922)	(2,445)	(2,812)	(1,327)	**(1,463)**
Distributable cash	$ 3,824	$ 3,824	$ 3,825	$ 3,993	$ 3,993	$ 3,993	$ 3,993	**$ 4,155**
Distributable cash available to:								
Public unitholders	$ 2,868	$ 2,869	$ 2,870	$ 2,995	$ 2,995	$ 2,995	$ 2,995	**$ 3,115**
Non-controlling interest	956	958	955	998	998	998	998	**1,040**
	$ 3,824	$ 3,827	$ 3,825	$ 3,993	$ 3,993	$ 3,993	$ 3,993	**$ 4,155**
Distributions to public unitholders	$ 2,868	$ 2,869	$ 2,870	$ 2,995	$ 2,995	$ 2,995	$ 2,995	**$ 3,115**
Per unit (9,983,000 units):								
Basic and diluted earnings (loss)	$ 0.15	$ 0.19	$ 0.08	$ 0.09	$ 0.36	$ 0.23	$ 0.09	**$ 0.13**
Basic and diluted distributable cash before working capital and other reserves	$ 0.43	$ 0.46	$ 0.36	$ 0.37	$ 0.48	$ 0.51	$ 0.40	**$ 0.42**
Basic and diluted distributions	$ 0.29	$ 0.29	$ 0.29	$ 0.30	$ 0.30	$ 0.30	$ 0.30	**$ 0.31**

TAX ALLOCATION OF DISTRIBUTIONS

(Unaudited)	2003 [1]	2004	2005	2006	**2007**	2008 [2]
	(actual)	(actual)	(actual)	(actual)	**(actual)**	(estimated)
Other taxable income	50%	70%	86%	74%	**97%**	100%
Return of capital	50%	30%	14%	26%	**3%**	0%
Total distributions of the period	100%	100%	100%	100%	**100%**	100%

[1] Inception (August 7) to December 31, 2003

[2] Management will seek to manage the taxable income to a maximum of 100%

SUPPLEMENTAL INFORMATION – SELECTED FINANCIAL AND OPERATING INFORMATION

Three months ended ($000's, unaudited)	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	**March 31, 2008**
Revenue								
Fixed franchise fees	$ 3,453	$ 3,485	$ 3,509	$ 3,621	$ 3,714	$ 3,749	$ 3,788	**$ 4,336**
Variable franchise fees	2,498	2,377	1,347	1,720	2,870	2,661	1,315	**1,921**
Premium franchise fees	1,125	1,685	990	737	1,306	1,899	1,348	**893**
Other fee revenue and services	856	923	919	832	948	986	997	**942**
	$ 7,932	$ 8,470	$ 6,765	$ 6,910	$ 8,838	$ 9,295	$ 7,448	**$ 8,092**
% Revenue by region								
British Columbia	15	14	14	15	15	13	13	**14**
Prairies	11	11	11	11	11	9	9	**10**
Ontario	57	59	59	58	59	63	63	**55**
Quebec	13	12	12	12	12	11	11	**18**
Maritimes	4	4	4	4	3	4	4	**3**
	100	100	100	100	100	100	100	**100**

Three months ended **Changes during the period**	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	**March 31, 2008**
Number of REALTORS®	177	39	(52)	633	178	125	87	**1,418**
Number of Agents	130	36	(49)	610	170	79	84	**1,350**
Number of fixed fee paying Sales Representatives	40	(1)	–	(1)	30	43	19	**(7)**
Number of locations	(2)	(1)	(1)	22	(6)	–	(3)	**55**
Number of franchise agreements	(1)	(1)	(1)	20	(6)	–	(4)	**54**
At end of period								
Number of REALTORS®	12,162	12,201	12,149	12,782	12,960	13,085	13,172	**14,590**
Number of Agents	11,271	11,307	11,258	11,868	12,038	12,117	12,201	**13,551**
Number of fixed fee paying Sales Representatives	645	644	644	643	673	716	735	**728**
Number of locations	580	579	578	600	594	594	591	**646**
Number of franchise agreements	277	276	275	295	289	289	285	**339**

Management's Discussion and Analysis of Results and Financial Condition

SUPPLEMENTAL INFORMATION

Fund Unit Performance

Three months ended	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	**March 31, 2008**
Trading price range of units (TSX: "RSF.UN")								
High	$ 14.75	$ 14.50	$ 14.50	$ 14.00	$ 14.26	$ 14.14	$ 13.89	**$ 13.88**
Low	$ 12.41	$ 13.00	$ 11.00	$ 11.85	$ 12.10	$ 12.26	$ 11.50	**$ 11.01**
Close	$ 13.26	$ 14.10	$ 13.35	$ 12.74	$ 13.75	$ 12.87	$ 13.88	**$ 11.75**
Average daily volume	18,383	5,883	11,731	4,230	6,497	3,618	8,266	**4,385**
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	**9,983,000**
Net enterprise value at period end (thousands)								
Market capitalization[5]	$176,499	$187,680	$177,697	$169,578	$183,022	$171,308	$184,752	**$156,400**
Long-term debt	38,000	38,000	38,000	37,494	37,535	37,576	37,617	**37,660**
Less:								
Cash on hand	2,268	4,708	6,951	512	2,434	6,652	7,516	**2,365**
	$212,231	$220,972	$208,746	$206,560	$218,123	$202,232	$214,853	**$191,695**

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

Distribution History

	Distributions Declared per Unit					
Month	2003	2004	2005	2006	2007	**2008**
January		$ 0.0917	$ 0.0917	$ 0.0958	$ 0.1000	**$ 0.1042**
February		0.0917	0.0917	0.0958	0.1000	**0.1042**
March		0.0917	0.0917	0.0958	0.1000	**0.1042**
April		0.0917	0.0917	0.0958	0.1000	
May		0.0917	0.0917	0.0958	0.1000	
June		0.0917	0.0917	0.0958	0.1000	
July		0.0917	0.0917	0.0958	0.1000	
August		0.0917	0.0917	0.0958	0.1000	
September	$ 0.1789*	0.0917	0.0917	0.0958	0.1000	
October	0.0917	0.0917	0.0917	0.0958	0.1000	
November	0.0917	0.0917	0.0917	0.0958	0.1000	
December	0.0917	0.0917	0.0917	0.0958	0.1000	
	$ 0.45	$ 1.10	$ 1.10	$ 1.15	$ 1.20	**$ 0.31**

* Based on a 55-day period

SUPPLEMENTAL INFORMATION – CONDENSED BALANCED SHEET

As at ($ 000's, unaudited)	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	**March 31, 2008**
Cash and cash equivalents	$ 2,268	$ 4,708	$ 6,951	$ 512	$ 2,434	$ 6,652	$ 7,516	**$ 2,365**
Accounts receivable	3,320	3,159	2,699	3,030	3,854	3,054	2,752	**3,272**
Prepaid expenses	61	27	92	108	62	23	84	**101**
Deferred charges	599	557	516	–	–	–	–	**–**
Deposit on acquisition	1,423	–	–	3,908	1,512	–	–	**1,908**
Deferred income tax receivable	–	–	–	–	2,101	2,112	1,819	**799**
Intangible assets	129,356	127,149	124,031	122,228	120,941	119,593	117,279	**121,857**
	$137,027	$135,600	$134,289	$129,786	$130,904	$131,434	$129,450	**$130,302**
Accounts payable and accrued liabilities	$ 2,320	$ 2,189	$ 2,998	$ 2,236	$ 2,450	$ 2,978	$ 2,232	**$ 2,336**
Purchase obligations	–	27	576	–	–	862	2,295	**5,358**
Distributions payable to unitholders	957	956	956	998	998	998	998	**1,038**
Long-term debt	38,000	38,000	38,000	37,494	37,535	37,576	37,617	**37,660**
Non-controlling interest	24,257	23,956	23,317	22,677	22,928	22,740	22,106	**21,542**
Unitholders' equity	71,493	70,472	68,442	66,381	66,993	66,280	64,202	**62,368**
	$137,027	$135,600	$134,289	$129,786	$130,904	$131,434	$129,450	**$130,302**

SUPPLEMENTAL INFORMATION – CONDENSED CASH FLOW BY PERIOD

Three months ended ($ 000's, unaudited)	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	**March 31, 2008**
Cash provided by (used for):								
Operating activities								
Net earnings for the period	$ 1,525	$ 1,848	$ 839	$ 912	$ 3,607	$ 2,282	$ 917	**$ 1,281**
Add (deduct)								
Non-controlling interest	556	657	317	351	1,249	811	364	**476**
Income tax (recovery) expense	–	–	–	–	(2,101)	(11)	293	**(35)**
Amortization of deferred charges	41	42	41	–	–	–	–	**–**
Non-cash interest expense	–	–	–	39	41	41	41	**43**
Amortization of intangible assets	3,632	3,657	3,666	3,652	3,683	3,723	3,746	**3,896**
Changes in non-cash working capital	(925)	63	1,205	(1,150)	(564)	1,365	(420)	**(393)**
	4,829	6,267	6,068	3,804	5,915	8,211	4,941	**5,268**
Investing activities								
Deposit on acquisition	–	–	–	(5,743)	–	–	–	**(3,949)**
Payment of purchase price obligation	–	–	–	(576)	–	–	–	**(2,295)**
Purchase of intangible assets	(15)	–	–	(14)	–	–	–	**(20)**
	(15)	–	–	(6,333)	–	–	–	**(6,264)**
Financing activities								
Distributions paid to unitholders	(2,869)	(2,869)	(2,869)	(2,953)	(2,995)	(2,995)	(3,037)	**(3,115)**
Distributions paid to non-controlling interest	(955)	(958)	(956)	(957)	(998)	(998)	(1,040)	**(1,040)**
	(3,824)	(3,827)	(3,825)	(3,910)	(3,993)	(3,993)	(4,077)	**(4,155)**
Increase (decrease) in cash and cash equivalents during the period	990	2,440	2,243	(6,439)	1,922	4,218	864	**(5,151)**
Cash and cash equivalents, beginning of period	1,278	2,268	4,708	6,951	512	2,434	6,652	**7,516**
Cash and cash equivalents, end of period	$ 2,268	$ 4,708	$ 6,951	$ 512	$ 2,434	$ 6,652	$ 7,516	**$ 2,365**

SUPPLEMENTAL INFORMATION – CANADIAN ESTATE MARKET

Three months ended	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	**March 31, 2008**
Canada								
Transaction dollar volume[1]	$ 42,697	$ 33,349	$ 27,289	$ 35,287	$ 52,299	$ 40,546	$ 31,875	**$ 32,578**
Average selling price	$282,419	$276,296	$280,821	$293,849	$311,439	$308,542	$314,591	**$312,583**
Number of units sold	151,183	120,702	97,176	120,084	167,928	131,412	101,323	**104,221**
Number of REALTORS® at period end	86,838	88,131	88,906	90,449	92,396	93,709	94,506	**N/A**
Housing starts	65,229	60,197	58,052	40,716	64,615	67,838	55,174	**43,610**
Greater Toronto Area								
Transaction dollar volume[1]	$ 9,640	$ 7,094	$ 6,180	$ 7,438	$ 11,841	$ 8,788	$ 7,838	**$ 6,720**
Average selling price	$363,429	$343,014	$351,070	$363,488	$381,364	$368,685	$394,382	**$379,232**
Number of units sold	26,525	20,680	17,604	20,463	31,049	23,837	19,874	**17,721**
Housing starts	11,462	8,750	9,578	5,585	9,386	9,723	8,599	**8,945**

Twelve months ended	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	**March 31, 2008**
Canada								
Transaction dollar volume[1]	$130,983	$132,199	$133,985	$138,622	$148,224	$155,421	$160,007	**$157,298**
Average selling price	$265,640	$272,036	$276,960	$283,397	$292,997	$300,854	$307,264	**$311,553**
Number of units sold	493,085	485,961	483,770	489,145	505,890	516,600	520,747	**$504,884**
Housing starts	230,360	227,748	227,395	224,194	223,580	231,221	228,343	**231,237**
Seasonally adjusted housing starts	232,200	211,300	211,500	210,900	225,500	278,200	187,500	**254,700**
Greater Toronto Area								
Transaction dollar volume[1]	$ 30,056	$ 29,839	$ 29,903	$ 30,352	$ 32,535	$ 34,248	$ 35,905	**$ 35,188**
Average selling price	$346,024	$349,689	$352,382	$355,943	$362,321	$368,444	$377,066	**$380,489**
Number of units sold	86,861	85,330	84,859	85,272	89,796	92,953	95,223	**92,481**
Housing starts	40,380	37,356	37,080	35,375	33,299	34,272	33,293	**36,653**

Source: CMHC, CREA and TREB

[1] ($ million)

N/A: Not Available

Brookfield Real Estate Services Fund

Interim Consolidated Balance Sheets

As at (in thousands of dollars)	March 31, 2008 (unaudited)	December 31, 2007
Assets		
Current assets		
Cash	**$ 2,365**	$ 7,516
Accounts receivable	**3,272**	2,752
Prepaid expenses	**101**	84
	5,738	10,352
Deposit on acquisition (note 4)	**1,908**	–
Future income tax asset (note 3)	**799**	1,819
Intangible assets (note 5)	**121,857**	117,279
	$ 130,302	$ 129,450
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 2,336**	$ 2,232
Purchase obligation (note 5)	**5,358**	2,295
Distribution payable to unitholders	**1,038**	998
	8,732	5,525
Long-term debt (note 7)	**37,660**	37,617
Non-controlling interest	**21,542**	22,106
	67,934	65,248
Unitholders' equity	**62,368**	64,202
	$ 130,302	$ 129,450

See accompanying notes to the interim consolidated financial statements

On behalf of the board

Simon Dean
TRUSTEE

Lorraine Bell
TRUSTEE

Interim Consolidated Statements of Earnings and Comprehensive Earnings

(unaudited) (in thousands of dollars, except unit and per unit amounts)	Three months ended March 31, 2008	Three months ended March 31, 2007
Royalties		
Fixed franchise fees	**$ 4,336**	$ 3,621
Variable franchise fees	**1,921**	1,720
Premium franchise fees	**893**	737
Other fees and services	**942**	832
	8,092	6,910
Expenses		
Administration	**190**	174
Management fee	**1,473**	1,229
Interest expense	**811**	592
Amortization of intangible assets (notes 4 and 5)	**3,896**	3,652
	6,370	5,647
Earnings before the undernoted	**1,722**	1,263
Income tax (note 3)	**35**	–
Earnings before non-controlling interest	**1,757**	1,263
Non-controlling interest	**(476)**	(351)
Net and comprehensive earnings	**$ 1,281**	$ 912
Basic and diluted earnings per unit (9,983,000 units) (note 8)	**$ 0.13**	$ 0.09

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Unitholders' Equity

(unaudited) (in thousands of dollars)	Unitholders' Contribution	Net Earnings	Distributions	Deficit	Total
Balance, January 1, 2007	$ 92,938	$ 13,506	$ (37,980)	$ (24,474)	$ 68,464
Changes during the period:					
Net income	–	912	–	912	912
Unit distributions	–	–	(2,995)	(2,995)	(2,995)
Balance, March 31, 2007	$ 92,938	$ 14,418	$ (40,975)	$ (26,557)	$ 66,381
Balance, January 1, 2008	$ 92,938	$ 21,224	$ (49,960)	$ (28,736)	$ 64,202
Changes during the period:					
Net income	**–**	**1,281**	**–**	**1,281**	**1,281**
Unit distributions	**–**	**–**	**(3,115)**	**(3,115)**	**(3,115)**
Balance, March 31, 2008	**$ 92,938**	**$ 22,505**	**$ (53,075)**	**$ (30,570)**	**$ 62,368**

See accompanying notes to the interim consolidated financial statements

The Fund has no accumulated other comprehensive income at March 31, 2008 (December 31, 2007 – $Nil).

Brookfield Real Estate Services Fund

Interim Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars)	**Three months ended March 31, 2008**	Three months ended March 31, 2007
Cash provided by (used for):		
Operating activities		
Net earnings for the period	**$ 1,281**	$ 912
Items not affecting cash		
Non-controlling interest	**476**	–
Future income tax recovery	**(35)**	351
Non-cash interest expense (note 7)	**43**	39
Amortization of intangible assets	**3,896**	3,652
	5,661	4,954
Changes in non-cash operating working capital	**(393)**	(1,150)
	5,268	3,804
Investing activities		
Deposit on acquisition (note 4)	**(3,949)**	(5,743)
Purchase of intangible assets (note 5)	**(20)**	(14)
Payment of purchase price obligation (note 4)	**(2,295)**	(576)
	(6,264)	(6,333)
Financing activities		
Distributions paid to unitholders	**(3,115)**	(2,953)
Distributions paid to non-controlling interest	**(1,040)**	(957)
	(4,155)	(3,910)
Decrease in cash during the period	**(5,151)**	(6,439)
Cash, beginning of period	**7,516**	6,951
Cash, end of period	**$ 2,365**	$ 512
Supplementary cash flow information		
Interest paid	**$ 559**	$ 559

See accompanying notes to the interim consolidated financial statements

Notes to the Interim Consolidated Financial Statements

March 31, 2008 and 2007 (unaudited) (in thousands of dollars)

1. ORGANIZATION

Brookfield Real Estate 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 Brookfield Real Estate 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") and its wholly-owned subsidiaries 9120 Real Estate Network, L.P. ("LCLP") and 9188-5517 Quebec Inc. (the "General Partner of LCLP"). 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 Brookfield Real Estate Services Ltd. ("BRESL"), a party related to the non-controlling interest via common control.

Seasonality

The Fund's business follows a seasonal pattern, with revenue traditionally being lower in the first and fourth quarters. Due to this seasonality, the interim earnings statements are not necessarily indicative of annual earnings.

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. They do not include all the information and disclosure required by GAAP for annual audited financial statements, and should be read in conjunction with the December 31, 2007 annual consolidated financial statements.

Financial instruments

On January 1, 2008, the Fund adopted CICA Handbook Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*. These two new sections, issued by the CICA on December 1, 2006, replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing disclosure requirements and carrying forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Fund has included these disclosures in note 10.

Capital disclosures

On January 1, 2008, the Fund adopted CICA Handbook Section 1535, *Capital Disclosures*. This section establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital. The Fund has included this disclosure in note 11.

3. FUTURE INCOME TAXES

On October 31, 2006, the Minister of Finance announced proposed tax legislation ("trust legislation") that will change the income tax rules applicable to publicly traded trusts rendering income trusts taxable in 2011. This trust legislation was substantively enacted into law on June 12, 2007, at which time the Fund gave accounting recognition to these new tax rules.

Prior to June 12, 2007, income tax obligations relating to distributions from the Fund were obligations of the unitholders and, accordingly, no provisions for income taxes were recorded by the Fund.

Notes to the Interim Consolidated Financial Statements

Due to the enactment of trust legislation, while the Fund is expected to not be liable for current taxes until January 1, 2011, beginning June 12, 2007, the Fund recognized future income taxes arising from those temporary tax differences expected to reverse after January 1, 2011 at the tax rates of 29.5% applicable to the Fund in 2011 and 28% applicable after January 1, 2012.

The Fund had a future income tax asset of $1,819 at December 31, 2007 and during the three months ended March 31, 2008, the Fund recorded an additional non-cash future tax asset of $35, arising from the temporary difference in the carrying value and tax bases of the Royal LePage franchise agreements. The total future income tax asset was $1,854 at March 31, 2008.

The assets of LCLP acquired by the Partnership as described in note 4 were obtained on a tax-deferred basis with the related tax value attributed to the partnership units of LCLP held by the Partnership. Accordingly, the individual agreements and trademarks of LCLP at the time of acquisition by the Fund do not have a tax basis. The temporary difference between the carrying value of these agreements and zero tax basis results in a future income tax liability of $1,055. Under GAAP the Fund is required to adjust the carrying value of the agreements by an amount equal to the income tax liability.

In 2011, when the Fund becomes a taxable entity, income taxes payable may reduce net earnings and may affect distributable cash by an equal amount.

4. ASSET ACQUISITIONS

i) Royal LePage Franchise Agreement Acquisitions

On January 1, 2008, the Partnership acquired 16 new Royal LePage franchise agreements from BRESL. The estimated purchase price of $3,623 is based on an estimated annual royalty stream of $447 and has been calculated in accordance with a formula set out in the Amended and Restated Management Services Agreement (the "MSA"). A deposit of $2,899, equal to 80% of the estimated purchase price, was paid from cash on hand on January 2, 2008 and the remainder is to be paid a year later, when the final purchase price is determined in accordance with the terms set out in the MSA. The Partnership used cash reserves to acquire these agreements.

On January 1, 2007, the Partnership acquired 22 Royal LePage franchise agreements from BRESL at a purchase price of $8,038 calculated in accordance with the MSA. The purchase price was paid from cash on hand with the deposit of $5,743 paid on January 2, 2007 and balance of $2,295 on January 2, 2008.

ii) La Capitale Asset Acquisition

On January 1, 2008, the Partnership acquired 100% of the partnership units of LCLP, which holds franchise agreements operating under the La Capitale brand in Quebec and associated trademarks, and 100% of the shares of the General Partner of LCLP for an estimated purchase price of $17,519 from Trilon Bancorp Inc., the parent company of BRESL. The estimated purchase price is calculated in accordance with the terms of the Fund's MSA and the Unit and Share Purchase Agreement negotiated by the Fund's Trustees and is based on an estimated annual royalty stream of $2,539. Under these arrangements a deposit of $14,015, being 80% of the estimated purchase price (the "Initial Purchase Obligation"), was due on closing with the balance of the purchase price to be paid in annual installments over the next three years.

The Partnership paid an initial deposit of $1,050 from cash on hand on January 2, 2008. The balance of the Initial Purchase Obligation will be paid from proceeds of a new $15,000 financing which was completed on April 4, 2008 (see note 12).

iii) Deposit on Acquisition

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 reduced by the calculated amount and transferred to intangible assets. The intangible assets are then amortized in accordance with the Fund's policy on a prospective basis. The recalculated purchase price obligation in excess of the deposit on acquisition is recorded as a purchase obligation and the corresponding amount added to the intangible assets and amortized as described above.

During the three months ended March 31, 2008, $3,949 was paid and recorded as deposit on acquisition in respect of the Royal LePage and La Capitale acquisitions of which $991 and $1,050, respectively, was transferred from deposit on acquisition to intangible assets.

5. INTANGIBLE ASSETS

A summary of intangible assets is provided in the chart below. During the three months ended March 31, 2008, the intangible asset cost base increased by $8,474 with $7,463 and $1,011 resulting from the acquisition of the La Capitale and Royal LePage assets respectively (see note 4). The increase attributed to the Royal LePage assets was derived from the transfer from deposit on acquisition and $20 of related legal expenses, while the increase attributed to the La Capitale assets was comprised of $5,358 resulting from the quarterly purchase obligation recalculation, $1,055 from the future income tax liabilities (see note 3) and $1,050 from the transfer from deposit on acquisition.

	March 31, 2008		
	Cost	**Accumulated Amortization**	**Net Book Value**
Franchise agreements	**$ 137,829**	**$ 63,757**	**$ 74,072**
Relationships and trademarks	**48,866**	**1,081**	**47,785**
	$ 186,695	**$ 64,838**	**$ 121,857**

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	$ 133,393	$ 59,988	$ 73,405
Relationships and trademarks	44,828	954	43,874
	$ 178,221	$ 60,942	$ 117,279

6. 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 Bankers’ 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.

On February 25, 2008, the Partnership renewed the operating credit facility for an additional year, thereby extending the maturity date to March 6, 2009. All terms and conditions of the initial agreement are applicable during the renewal period.

As at March 31, 2008, the operating credit facility had not been drawn upon.

7. 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 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 $822 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.

The Fund determines the fair value of the long-term debt by amortizing the debt and its related costs over the life of the agreement using the effective interest method. The debt had a fair value of $37,660 at March 31, 2008 (2007 – $37,617).

During the three months ended March 31, 2008, $43 of amortization of long-term debt was recorded as interest expense (2007 – $39).

Notes to the Interim Consolidated Financial Statements

8. EARNINGS PER UNIT

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

9. 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, 2008 and 2007. These transactions have been recorded at the exchange amount agreed to between the parties.

	As at March 31, 2008	As at March 31, 2007
a) Royalties		
Fixed, variable and other franchise fees	**$ 603**	$ 508
Premium franchise fees	**$ 774**	$ 618
b) Expenses		
Management fees	**$ 1,473**	$ 1,229
Insurance and other	**$ 25**	$ 25
Interest on Initial Purchase Obligation	**$ 210**	$ –
c) Distributions		
Distributions paid to non-controlling interest	**$ 998**	$ 957

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

	2008	2007
d) Accounts receivable		
Franchise fees receivable and other	**$ 408**	$ 425
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	**$ 1,040**	$ 998
Management fees	**$ 458**	$ 469
Purchase obligation	**$ 5,358**	$ –
Interest on Initial Purchase Obligation	**$ 210**	$ –

10. FINANCIAL INSTRUMENTS

In the normal course of business the Fund 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 experience financial difficulty and be unable to pay outstanding franchise fees. The Fund's credit risk is limited to the recorded amount of accounts receivable. Management reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis. Over 90% of the Fund's accounts receivable as at March 31, 2008 was less than 60 days outstanding.

b) Fair Value

The fair value of the Fund's financial instruments, which consist of cash, accounts receivable, accounts payable and accrued liabilities, purchase obligations, distributions payable to unitholders and the long-term debt are estimated by management to approximate their carrying values.

11. MANAGEMENT OF CAPITAL

The Fund's capital is comprised of its cash reserves, long-term debt, unitholders' equity and non-controlling interest.

The Fund's objectives when managing capital are to maintain a capital structure that provides financing options to the Fund while remaining compliant with the covenants associated with the long-term debt; maintain financial flexibility to preserve its ability to meet financial obligations, including debt servicing and distributions to unitholders; and deploy capital to provide an appropriate investment return to its unitholders.

The Fund's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions.

The covenants of the long-term debt prescribe that the Fund must maintain a ratio of Adjusted EBITDA to Senior Interest Expense at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Adjusted EBITDA at a maximum 2.25 to 1. The Fund is compliant with all financial covenants.

There were no changes in the Fund's approach to capital management during the period.

12. SUBSEQUENT EVENT

On April 4, 2008, in connection with the La Capitale asset acquisition, the Partnership completed a $15,000 Term Facility with a single Canadian financial institution. Interest on the Term Facility is available in the form of floating prime rate payable quarterly, or a Bankers' Acceptance rate plus 1% with terms of up to six months. With effect from April 7, 2008, the Partnership entered into an interest rate swap agreement which fixed the variable portion of the Term Facility's interest at 3.29% for a total effective annual interest rate of 4.29% before legal and associated costs over the term of the facility. The Term Facility matures on February 17, 2010, the same date as the Fund's existing $38,000 long-term debt obligations described in note 5.

Unitholder Information

We regularly provide unitholders with information about the Fund through our annual report, quarterly reports, and new releases. Information is available online at **www.brookfieldres.com**. On the website you will find information about the Fund, the industry, news releases, statutory fillings, units and distribution information.

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Corporate Counsel

Goodmans LLP

TSX symbol: BRE.UN

Fund units are eligible investments for DPSPs,
RRSPs, RRIFs and RESPs

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