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Q1 2006 Interim Report to Unitholders

Letter to Unitholders

Financial and Operating Highlights
For the three months ended March 31, 2006 and 2005

	Q1 2006		Q1 2005	
	(thousands)	(per unit)	(thousands)	(per unit)
Royalties	$6,492	$0.49	$5,596	$0.42
Operating earnings before management fees[1]	$5,742	$0.43	$4,992	$0.38
Net Earnings (Loss)	($762)	($0.08)	$431	$0.04
Distributable cash before reserves	$2,631	$0.20	$4,077	$0.31
Distributions	$3,827	$0.29	$3,661	$0.28

Royal LePage Franchise Services Fund (the "Fund") is pleased to report results for the first quarter of 2006. Royalty revenue for the three-months ended March 31, 2006 (the "Quarter") totalled $6.5 million, a 16% increase over the same period in 2005. This reflects growth in the Fund's underlying network of Realtors, and continued strength in the Canadian residential resale housing market.

From inception through January 2006, the Fund accumulated and retained cash of $9.4 million, of which 80% was distributable to unitholders and 20% was owed to the Residential Income Fund Manager Limited (the "Manager"). The cash was invested in short-term investments.

During the Quarter, the trustees permanently invested the cash to fund the 2005 and 2006 franchise agreements acquired by the Fund. Consistent with past practice, the trustees intend to prudently withhold cash that would otherwise be distributed to: provide for seasonal fluctuations in the business; fund acquisitions; and/or service any indebtedness or debt repayment.

As a consequence of these decisions, the accumulated management fee of $1.9 million relating to the $9.4 million of cash withheld was paid. This had the effect of reducing distributable cash to $2.6 million in the first quarter, compared to $4.1 million from the first quarter in 2005, resulting in a loss of $762,000 or $0.08 per unit for the Quarter, compared to earnings of $431,000 or $0.04 per unit from the first quarter of 2005. Currently, the Fund anticipates paying all management fees as earned.

1 Defined as royalties less administration expense and interest expense

Fund Growth

The Fund's growth objective for 2006 is to add between 300 to 500 Realtors to the Fund Network during the year, with approximately one half achieved through organic growth and one half achieved through acquisitions. During the quarter, the Fund Network grew organically by 97 Realtors, or 1% from January 1, 2006.

Fund Structure

The Fund generates both fixed and variable fees. Variable fees are primarily driven by 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 65% of the Fund's revenue is based on fixed fees from a large number of long-term franchisee contracts, which stabilizes revenue and keeps the Fund insulated from market fluctuations.

Outlook

We expect that the resale housing market will enjoy solid but more moderate growth in 2006, with unit sales at approximately the same level as the record highs set in 2005. The pace of market growth should continue to slow slightly in the second half of 2006 as latent demand is satisfied and listing inventories rise, moving us from a seller's market into more balanced conditions in most of the country. Markets in the resource-rich west will experience significantly higher price appreciation throughout the year than those in central and Atlantic Canada.

Philip Soper

President and Chief Executive Officer

Kevin Cash

Chief Financial Officer

Forward-Looking Statements

This Quarter’s interim statement to unitholders 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 general economic conditions, interest rates, availability of equity and debt financing and other risks detailed from time to time in the Fund’s reports filed with Securities Commissions. 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.

Financial Review

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

INTRODUCTION

This section of our interim report includes management's discussion and analysis of our financial results ("MD&A"). 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.

Management's Discussion and Analysis of Results and Financial Condition

FINANCIAL HIGHLIGHTS

($ 000's, except Agents and Sales Representatives)		Three Months Ended March 31, 2006		Three Months Ended March 31, 2005
Royalties	**$**	**6,492**	$	5,596
Less:				
Administration expenses		**160**		123
Interest expense		**590**		481
Management fee		**3,111**		915
Earnings and distributable cash before working capital and other reserves	**$**	**2,631**	$	4,077
Distributions	**$**	**3,827**	$	3,661
Number of Agents[1] and Sales Representatives[2]		**11,985**		10,895

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

OVERVIEW

This Management Discussion and Analysis ("MD&A") covers the period from January 1, 2006 to March 31, 2006 and has been prepared as at May 8, 2006.

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

Management of the Fund is governed by a Management Services Agreement ("MSA"). The services under the MSA are provided by the Manager, a division of Centract Residential Property Services ("Centract"), the residential real estate services division of Brookfield Asset Management Inc., ("BAM"), formerly Brascan Corporation. The senior management of Centract 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, 2006, the Fund Network was comprised of 11,985 REALTORS[3] operating from 582 locations under 278 franchise agreements. The Fund Network has an approximate 20% share of the Canadian residential resale real estate market based on transactional dollar volume.

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

STRUCTURE OF THE FUND

Royalty Fees

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

Fixed franchise fees are based on the number of Agents and flat fee paying Sales Representatives, collectively "selling-REALTORS" in the Fund Network and consist of a monthly fixed fee of $100 per selling-REALTOR, a technology fee and web services and other fees.

Prior to July 1, 2005 the fixed fee of $100 and a technology fee was based on the number of Agents in the Fund Network. Effective July 1, 2005, franchisees began paying the fixed monthly fee of $100 and a technology fee for Sales Representatives. This change only affected Sales Representatives that are selling-REALTORS, and excludes broker-owners and managers. As of March 31, 2006, there were 844 Sales Representatives, 605 of which pay the fixed franchise fees. The majority of the remaining 239 Sales Representatives are brokers and managers.

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

For the Quarter, approximately 87% (87% - 2005) of the Fund's royalties are derived from the combined fixed fee of $100 per selling-REALTOR per month, 1% variable fee and premium fees. The remaining royalty stream is generated from technology fees, 4.5% option and web services and other fees. Approximately 65% of the annual royalties are insulated from market fluctuations, as they are not directly driven by transaction volumes. Management believes that the combination of a royalty stream based on the number of selling-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.

Monthly Distributions

Effective January 1, 2006, the target annual cash distribution was increased from $1.10 per unit to $1.15 per unit. Public unitholder cash distributions are made monthly.

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.

OPERATIONS OVERVIEW

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

1. The number of selling-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

- During the Quarter, the Fund Network grew by 97 REALTORS or 1% from January 1, 2006. This organic growth is in addition to the 346 REALTORS who joined the Fund Network with the 16 franchise agreements acquired on January 1, 2006.

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 residential resale real estate market (the "market"[4]) remained healthy and was buoyed by strong consumer confidence, housing affordability and unseasonably mild weather. Despite the continued rise in housing prices, strong employment prospects, low mortgage rates and the introduction of new 30 and 35 year mortgage amortization periods have helped to keep housing affordable in most markets. A summary of the market and related activity is as follows, as reported by Canada Mortgage and Housing Corporation ("CMHC"), Canadian Real Estate Association ("CREA") and the Toronto Real Estate Board ("TREB"):

- Canada's annual rate of housing starts, the market's future inventory, totalled 232,314 as of March 31, 2006, an increase of 0.5% over the same period in 2005.
- The Canadian resale market totalled $126.2 billion for the 12 months ended March 31, 2006, an increase of 20.3% over the same period in 2005.
- The year-over-year growth in the Canadian market for the 12 months ended March 31, 2006, was fuelled by a 10.6% increase in average selling price to $255,814 and an 8.8% increase in residential unit sales to 493,285. National MLS sales for the Quarter set first quarter records for both units sold and transaction dollar volume.
- During the Quarter, the pace of home sales relative to new listings moderated in most regions to create a more balanced market. The most notable exceptions were Alberta and the Northwest Territories, which experienced strong demand relative to a limited supply of housing.
- The GTA market, from which the Fund earns its premium franchise fees, reached a transactional dollar volume of $29.9 billion for the 12 months ended March 31, 2006, an 11.2% increase over the same period in 2005. This market activity was fuelled by the sale of 87,532 homes at an average selling price of $341,155, representing a 4.5% increase in homes sold and a 6.4% increase in average price per home, over the same period in 2005. Total unit sales as reported by TREB during the Quarter were the best first quarter results on record.
- The Fund Network REALTOR productivity for the year ended December 31, 2005, was approximately $2.3 million per REALTOR in transactional dollar volume, 5% ahead of the 2004 level of $2.2 million and 64% ahead of the rest of the Canadian REALTOR productivity, which is estimated at $1.4 million per REALTOR.
- Strong consumer confidence combined with overall housing affordability continues to encourage existing homeowners to trade up to larger, more expensive dwellings.

Stability of the Fund's royalty stream

- The Fund's royalties are derived primarily from a diverse national network of 278 independently owned and operated franchises, the majority of which operate with less than 100 Agents.
- The geographic distribution of the Fund Network is similar to the distribution of the overall Canadian REALTOR population.
- During the Quarter there were no agreements subject to renewal, however, four agreements were renewed in advance of their expiry.
- During the Quarter, no franchise agreements were terminated.
- The Fund has secured 10, 15 and 20-year agreements, exceeding the industry norm of five-year agreements.
- As at March 31, 2006, the Fund had $0.4 million in reserves which are being held for future cash flow considerations such as seasonal fluctuations in the business, to fund acquisitions, and/or to service any indebtedness or fund debt repayment requirements.

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

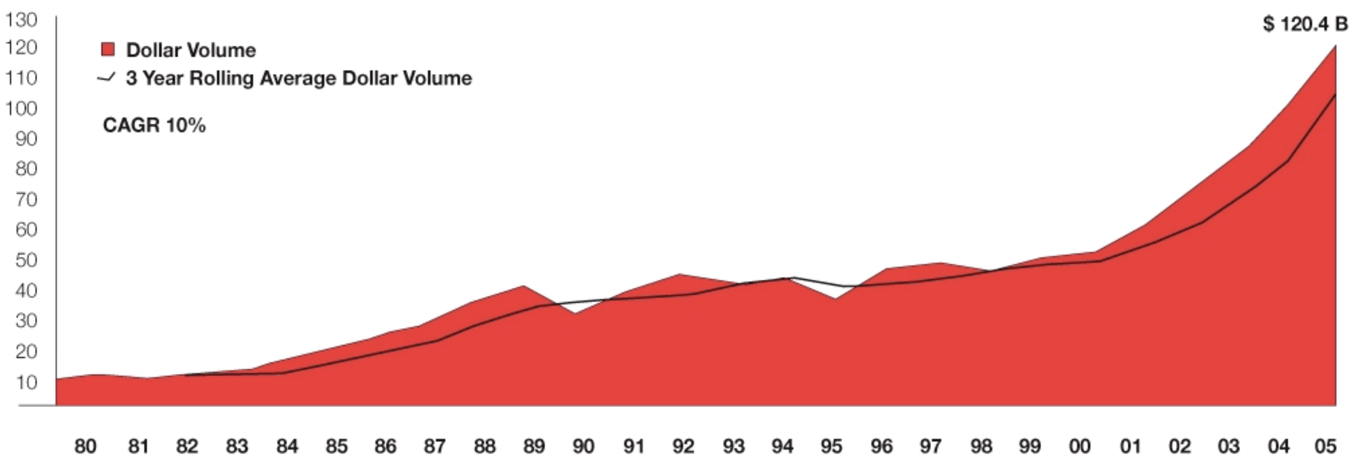
Fund growth opportunities
Our growth objective is to add between 300 to 500 REALTORS to the Fund Network during 2006, with approximately one half of this growth from acquisitions and one half from internal growth. Growth through acquisition is achieved through Centract's dedicated network development team operating under the MSA.

Growth in overall royalties is achieved by: increasing the number of selling-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, supported by on-going training programs to franchisees and selling-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 Quarter totalled 97 REALTORS.
- From November 4, 2005 to the date of this MD&A, franchises operating from 17 locations serviced by 135 agents were added to the Royal LePage brand. Centract anticipates presenting these franchise contracts to the Fund's Trustees for purchase by the Fund on January 1, 2007. The estimated purchase price of these contracts is $2.4 million.
- Centract continues to develop, introduce and support new tools, services and programs, which assist franchisees in attracting and retaining REALTORS and increasing their productivity and driving down administration costs.

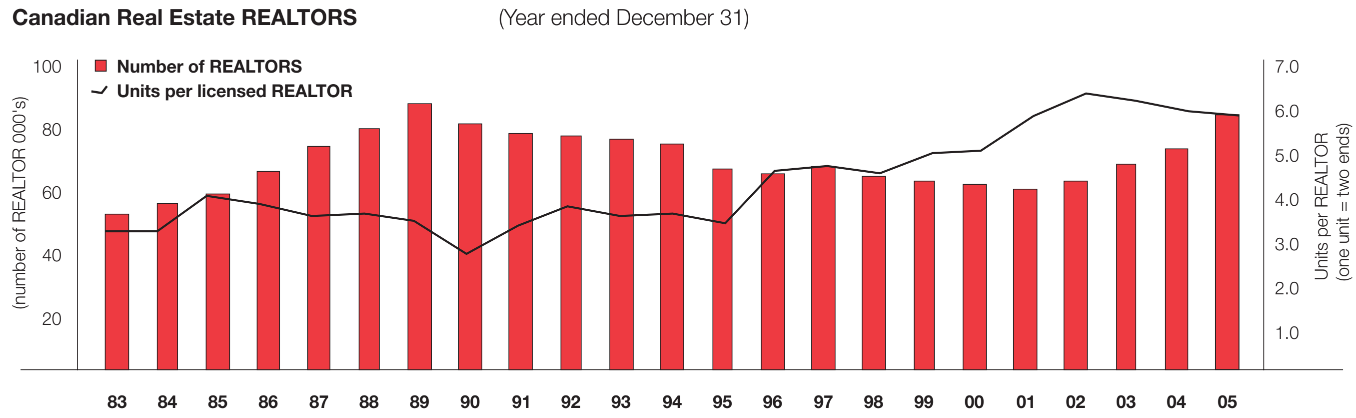
THE CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET
Since 1980, the Canadian residential resale real estate market has grown at a compounded annual growth rate of 10% and has been very resilient with only two significant downturns occurring in 1990 and 1995, both of which returned to pre-downturn levels within 24 months. During the 1990 downturn, interest rates were at all time highs 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 Resale Residential Real Estate (1980 - 2005) (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, 2005, on the strength of a record residential resale real estate market, the Canadian real estate REALTOR membership grew by 8.0% to 82,852 members with an average of 6 units sold per REALTOR. The number of REALTORS in the Fund Network grew by 13.8% over the same period. The Canadian REALTOR population and the average number of units sold per REALTOR are summarized in the chart on the following page.

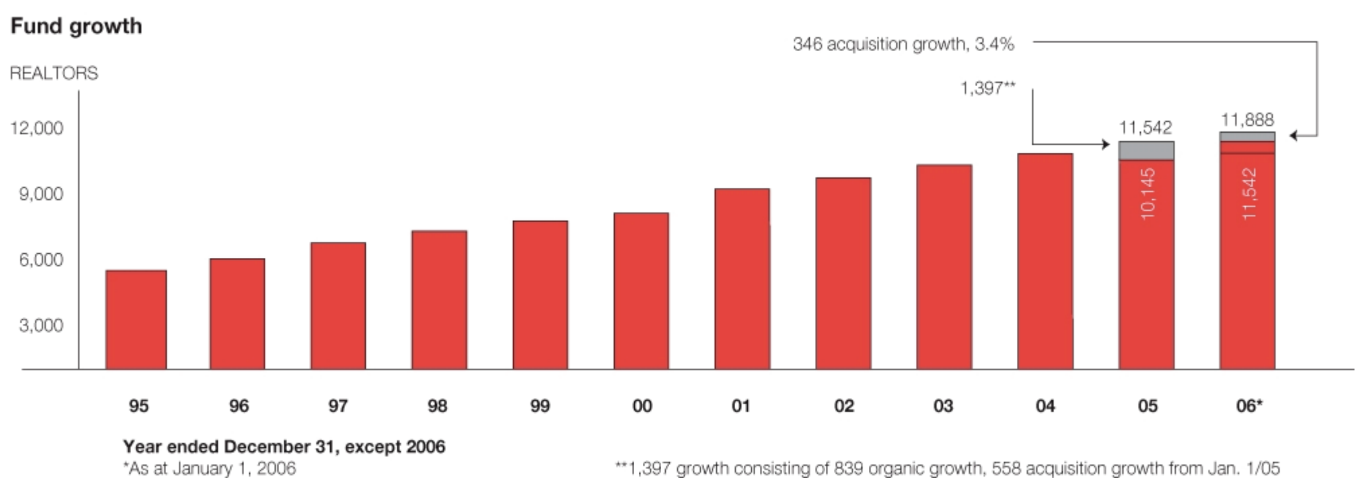


THE FUND NETWORK

Realtor growth

As at March 31, 2006, the Fund Network was comprised of 278 independently owned and operated franchises operating from 582 locations serviced by 11,985 REALTORS, with an approximate 20% share of the Canadian residential resale real estate market based on transactional dollar volume.

With the addition of 346 REALTORS from the 16 franchise agreements acquired by the Fund on January 1, 2006, the Fund began 2006 with 11,888 REALTORS for a total increase of 1,185 REALTORS, or 11% from January 1, 2005.



A summary of the Canadian and Fund's growth in REALTORS for the calendar year ended December 31, 2005, is as follows:

	Canada*		The Fund Network	
	Number of Licensed Members	% Change	Number of Licensed Members	% Change
Opening	**76,752**		**10,145**	
Q1	2,064	2.7%	750	7.4%
Q2	1,788	2.3%	323	3.2%
Q3	1,508	2.0%	119	1.2%
Q4	740	1.0%	205	2.0%
Closing	**82,852**	**8.0%**	**11,542**	**13.8%**

* Source: CREA

Network diversity
The Fund Network is comprised of diverse operations as the majority of the Fund's franchise fees are generated by franchisees with less than 100 REALTORS. Over 73% of the Fund's franchisees as at January 1, 2006, have less than 50 REALTORS. In addition, the Fund Network of REALTORS is geographically diverse with our REALTORS spread throughout Canada on approximately the same basis as the overall Canadian REALTOR population, as summarized in the chart below.

	Canadian[1] REALTOR Population	Fund[2] Network REALTORS
Ontario	49%	52%
Prairies	14%	12%
BC	19%	16%
Quebec	14%	15%
Maritimes	4%	5%
Total	100%	100%

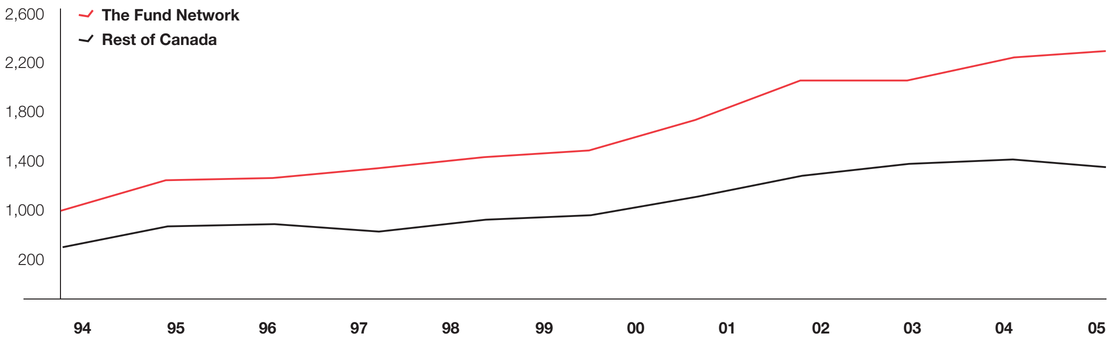
1: As at December 31, 2005, Source: CREA

2: As at January 1, 2006

Realtor productivity

The average Fund Network REALTOR generated approximately $2.3 million in transactional dollar volume in 2005, 5% greater than 2004 and 64% greater than the estimated average of $1.4 million for all other Canadian REALTORS. 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.

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



Source: CREA and Fund Management

OPERATING RESULTS

($ 000's, except unit and per unit amounts)		**Three Months Ended March 31, 2006**		Three Months Ended March 31, 2005
Royalties				
Fixed franchise fees	**$**	**3,380**	$	2,945
Variable franchise fees		**1,610**		1,335
Premium franchise fees		**688**		576
Other fees and services		**814**		740
		6,492		5,596
Less:				
Administration expenses		**160**		123
Interest expense		**590**		481
Management fee		**3,111**		915
Earnings before undernoted		**2,631**		4,077
Amortization of intangible assets		**3,604**		3,471
Non-controlling interest		**(211)**		175
Net (loss) earnings	**$**	**(762)**	$	431
Basic and dilluted earnings (loss) per unit (9,983,000 units)	**$**	**(0.08)**	$	0.04

Royalties for the Quarter of $6.5 million increased 16% over the same period in 2005.

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

Fixed franchise fees, variable franchise fees and premium franchise fees together represented 87% of royalties for the Quarter, consistent with the same period in 2005.

Fixed franchise fees increased 15% for the Quarter over the same period in 2005. This increase exceeds the increase in the underlying Agents, as Sales Representatives began paying the $100 fixed fee per month effective July 1, 2005.

Variable franchise fees increased 21% for the Quarter over the same period in 2005 while the market activity increased 23% over the same period in 2005. The market activity for the Quarter outpaced the variable fees for the same period in 2005 as these fees are paid to the Fund after the sales transaction closes. There is typically a 45 to 60 day delay between a home sale and closing, as such, some of the market activity during the Quarter is expected to materialize as variable fees in the quarter ending June 30, 2006.

Premium franchise fees are a function of the mix of 22 franchise locations servicing the GTA market, which pay premium fees ranging from 1% to 5% of the location's gross revenue. The premium franchise fees for the Quarter increased by 19% over the same period in 2005, while the GTA market activity for the same period increased by 16%. As mentioned earlier there is typically a 45 to 60 day delay between the home sale and closing, as such, some of the market activity for the quarter ended December 31, 2005 has materialized as premium fees in the Quarter.

Other fees and services represented 13% of Fund royalties for the Quarter and increased 10% over the same period in 2005. These fees, comprised of technology fees, 4.5% option fees, web service and other fees and revenue, increased over the same period in 2005 due primarily to the higher number of REALTORS in the network.

Administration expenses for the Quarter were in line with management's expectations.

Interest expense for the Quarter increased over the same period in 2005 as we increased our debt and moved from a variable interest rate position on our $30.6 million term loan to a $38 million private debt placement at an effective fixed rate of 6.3%. Interest expense of $0.6 million for the Quarter as compared to $0.5 million for the same period of 2005, is comprised of interest on the Fund's $38 million private debt placement, amortization of the financing charges incurred to secure the placement, and standby charges associated with the Fund's $2 million operating line, which has remained unutilized since inception of the Fund.

Management fee expense

Management fees of $3.1 million for the Quarter are in line with management's expectations and have been calculated based on the terms set out in the MSA, defined as 20% of royalties less administration expenses, interest expenses and changes in working capital reserves.

Included in the $3.1 million management fee for the Quarter was an accumulated management fee of $1.9 million relating to the $9.4 million of distributable cash previously withheld (see Reserves).

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.

Net loss for the Quarter totalled $0.8 million. This loss represents earnings less non-cash charges of $3.6 million of amortization related to intangible assets and $0.2 million related to the non-controlling interest's 25% share of the operating results for the Quarter.

The Fund Network as at March 31, 2006, was comprised of 11,141 Agents and 844 Sales Representatives, with 10,841 of the Agents operating under the combined flat fee of $100 per month and 1% of gross earnings option (the "$100/1% option"), 300 Agents operating under the 4.5% variable fee option (the "4.5% option") and 605 Sales Representatives operating under the $100 per month fixed fee plan.

DISTRIBUTIONS

Distributions were in line with the 2006 annualized targeted distributions of $1.15 per unit. The tax allocation of distributions declared for 2005 is 86% taxable income and 14% return of capital. The tax allocation for 2006 distributions is estimated at 85% taxable income and 15% return of capital.

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

DISTRIBUTABLE CASH

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

Distributable cash **($ 000's)**		**Three Months Ended March 31, 2006**		Three Months Ended March 31, 2005
Royalties	**$**	**6,492**	$	5,596
Less:				
Administration expenses		**160**		123
Interest expense		**590**		481
Management fee		**3,111**		915
Distributable cash before working capital and other reserves		**2,631**		4,077
Add (deduct) change in working capital and other reserves		**1,196**		(416)
Distributable cash	**$**	**3,827**	$	3,661

Distributable cash reconciled to the financial statements **($ 000's)**		**Three Months Ended March 31, 2006**		Three Months Ended March 31, 2005
Net earnings (loss) for the period	**$**	**(762)**	$	431
Add:				
Non-controlling interest share of net earnings		**(211)**		175
Amortization of intangible assets		**3,604**		3,471
Distributable cash before working capital and other reserves		**2,631**		4,077
Add (deduct) change in working capital and other reserves		**1,196**		(416)
Distributable cash	**$**	**3,827**	$	3,661

Distributable cash before working capital and other reserves totalled $2.6 million for the Quarter. This was in line with management's expectations. Since distributable cash before working capital and other reserves was less than the declared distributions for the quarter, working capital and other reserves were reduced by $1.2 million during the Quarter.

RESERVES

As at March 31, 2006, the Fund had approximately $0.4 million in reserves as presented in the table below. These reserves are comprised of distributable cash generated by the Fund less distribution to public unitholders, the non-controlling interest and $8.4 million in cash utilized to meet the Fund's franchise agreement purchase obligations.

From inception through January 2006, the Fund accumulated and retained cash of $9.4 million, of which 80% was distributable to unitholders and 20% was owed to the Manager. The cash was invested in short-term investments.

During the Quarter, the trustees permanently invested the cash to fund the 2005 and 2006 franchise agreements acquired by the Fund. Consistent with past practice, the trustees intend to prudently withhold cash that would otherwise be distributed to: provide for seasonal fluctuations in the business; fund acquisitions; and/or service any indebtedness or debt repayment.

As a consequence of these decisions, the accumulated management fee of $1.9 million relating to the $9.4 million of cash withheld was paid. This had the effect of reducing distributable cash in the first quarter. Currently, the Fund anticipates paying all management fees as earned.

Reserves **($ 000's)**	August 7, 2003 to December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2006	**Total**
Royalties	$ 8,802	$ 23,740	$ 27,196	$ 6,492	**$ 66,230**
Less:					
Administration expenses	231	513	595	160	**1,499**
Interest expense	620	1,327	2,289	590	**4,826**
Management fee	1,550	3,660	3,660	3,111	**11,981**
Distributable cash before working capital and other reserves	6,401	18,240	20,652	2,631	**47,924**
Less:					
Distributions to public unitholders	4,533	10,985	10,985	2,870	**29,373**
Distributions to non-controlling interest	1,511	3,662	3,662	957	**9,792**
Funding of acquisitions	-	120	414	7,871	**8,405**
	$ 357	$ 3,473	$ 5,591	$ (9,067)	**$ 354**

Distributable cash before working capital and other reserves Reconciled to the financial statements **($ 000's)**	August 7, 2003 to December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2006	**Total**
Net earnings for the period	$ 1,947	$ 3,331	$ 4,756	$ (762)	**$ 9,272**
Add:					
Non-controlling interest share of net earnings	702	1,232	1,746	(211)	**3,469**
Amortization of intangible assets	3,752	13,677	14,150	3,604	**35,183**
Distributable cash before working capital and other reserves	$ 6,401	$ 18,240	$ 20,652	$ 2,631	**$ 47,924**

ACQUISITIONS AND DEPOSIT ON ACQUISITIONS

On January 1st of each year, the Fund's independent trustees approve the acquisition of new franchise agreements from the Manager. The purchase price is determined in line with the terms of the MSA. The actual purchase price for these contracts is not determined until after October 31st of each year when an audit of the actual royalties generated under these contracts is completed and the actual purchase price is recalculated as detailed in the MSA. As a result, the initial payment 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 contracts 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.

2005 Acquisition

On January 1, 2005, the Fund acquired 38 franchise agreements at an estimated purchase price of $9.3 million. These agreements generate an estimated annual royalty stream of $1.2 million from 47 locations serviced by 558 REALTORS. An initial payment of $7 million was made and the balance was paid January 1, 2006 upon audit of the actual royalties generated under these agreements and the recalculation of the actual purchase price as detailed in the MSA.

As at December 31, 2005, the royalties generated from these agreements resulted in a total purchase price obligation of $9.9 million. Accordingly, intangible assets were increased by $9.9 million and the remaining $2.9 million purchase obligation was paid in January 2006.

2006 Acquisition

On January 1, 2006, the Fund acquired 16 new franchise agreements serviced by 346 REALTORS, with an estimated annual royalty stream of $0.7 million. The agreements for the 21 locations were acquired in accordance with the terms of the MSA at an estimated purchase price of $6.2 million. At the closing $5.0 million was paid on the closing date of January 1, 2006 and the balance is to be paid by way of cash or units during the first quarter of 2007, upon meeting the terms and conditions outlined in the MSA.

PRIVATE DEBT PLACEMENT AND $2 MILLION OPERATING LINE

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

On an annualized basis, as compared to the year ended December 31, 2004, the private debt placement effectively increased the Fund's interest costs by $1.0 million, from $1.3 million in 2004 to $2.3 million, with 23% of the increase coming from the increase in debt from $30.6 million to $38 million and the remainder from the increase in the effective interest cost from 4.6% in 2004 to 6.3% (comprised of 5.882% fixed interest plus issue costs) under the private debt placement. In what management anticipates will be a rising interest rate environment, the fixing of the interest rate on the Fund's debt will add stability and predictability over the next four years to this significant component of the Fund's distributable cash.

On February 16, 2005, the Fund replaced its $2 million operating line with a $2 million operating line from a single Canadian financial institution. As of the date of this MD&A, this operating line remains undrawn and in force. The $0.8 million in issue costs associated with the $38 million private debt placement and the $2 million operating line will be amortized over the term of the private debt placement. During the Quarter, $41,000 of these charges were amortized.

LIQUIDITY

The Fund utilized cash flow generated from operating activities for the Quarter of $3.0 million to meet acquisition and distribution requirements, without drawing on our $2 million operating line.

Working Capital

($ 000's)		As at March 31, 2006		As at December 31, 2005
Current assets				
Cash and cash equivalents	**$**	**1,278**	$	9,941
Accounts receivable and other		**2,709**		2,518
	$	**3,987**	$	12,459
Current assets				
Accounts payable and accrued liabilities	**$**	**2,573**	$	2,064
Purchase obligation		**-**		2,893
Distribution payable to unitholders		**957**		915
		3,530		5,872
Net working capital	**$**	**457**	$	6,587

The Fund had a net positive working capital position of $0.5 million as at March 31, 2006, a decrease of $6.1 million from the $6.6 million as at December 31, 2005. This decrease was a direct result of the use of $7.9 million in cash to fund acquisitions. (See Acquisitions and Deposit on Acquisitions).

Accounts receivable increased $0.2 million from December 31, 2005 due primarily to seasonal fluctuations in revenues and increased revenues associated with the increase in the number of selling-REALTORS.

Accounts payable and accrued liabilities of $2.6 million increased $0.5 million from December 31, 2005. Accounts payable are comprised of a $0.9 million ($0.9 million – December 31, 2005) quarterly distribution payable to the non-controlling interest, $0.8 million ($0.3 million – December 31, 2005) in management fees payable to the Manager and $0.9 million ($0.7 million – December 31, 2005) in interest expense, deferred service revenue and administration expense accruals.

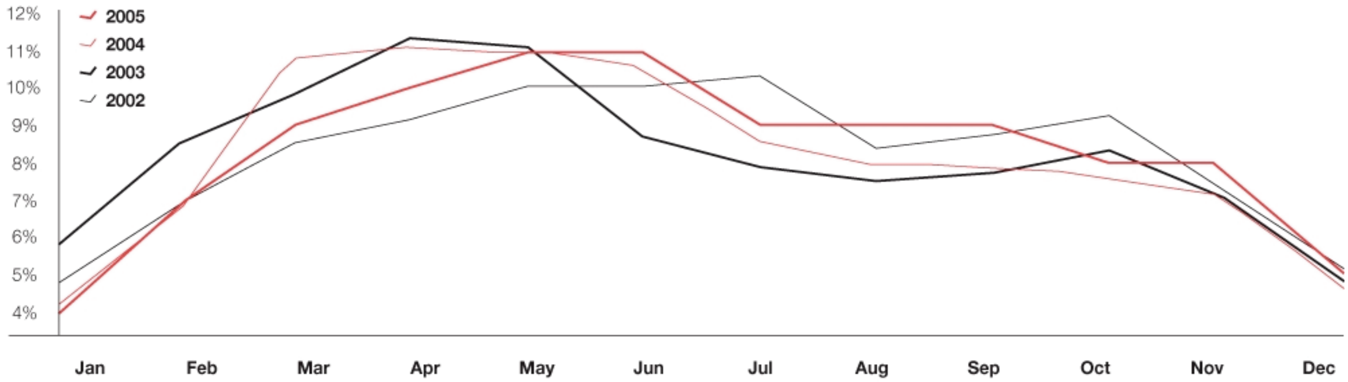
CAPITAL RESOURCES

Existing capital resources, which the Fund can draw upon, consists of a $2 million operating line, which remains unutilized since the inception of the Fund. Other resources include: funds generated from operations in excess of administration costs; debt servicing and distribution requirements; and $0.4 million in working capital and other reserves held for future distributions in anticipation of the seasonality of the Canadian residential resale real estate market and to finance the acquisition of franchise agreements. Management will assess financing alternatives such as the issuance of additional Fund units and additional debt when funding requirements, such as potential acquisition opportunities, present themselves.

With $0.4 million in cumulative reserves, an anticipated flow through of strong market unit sales, and the anticipated generation of further reserves in the future due to continued market strength, we anticipate meeting our near term financing requirements.

A summary of the seasonality of the market over the last four years is provided in the chart below.

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



Source: CREA

OFF-BALANCE SHEET ARRANGEMENTS

The Fund has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

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

CRITICAL ACCOUNTING ESTIMATES

Substantially all of the Fund's activities are based on cash transactions with revenue and expenditures based on contracted terms. The only operating activities not based on contractual terms include the Fund's administration costs; and allocation of the intangible assets between franchise agreements; and relationships and trademarks and their related amortization periods. The Fund's administration costs of approximately $0.6 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, accounts payable and accrued liabilities, distributions payable to unitholders and a $38 million private debt placement. We estimate that the fair values of these financial instruments approximate their carrying value.

The Fund is exposed to credit risk with respect to accounts receivable to the extent any franchisees are unable to pay their fees.

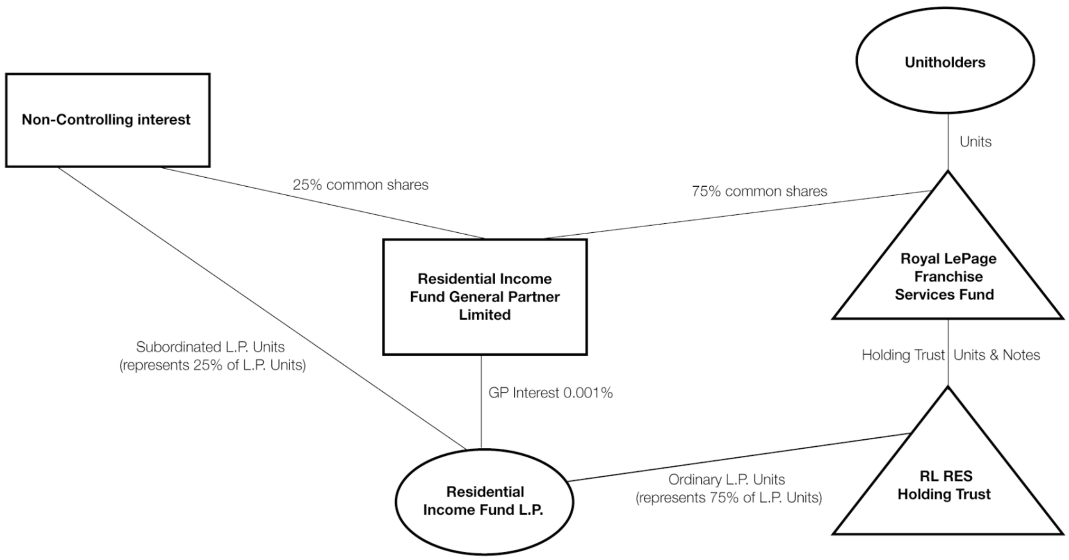
The Fund's $38 million private debt is fixed at 5.882% with an effective rate of 6.3% for a five-year term commencing February 18, 2005 and as such is not subject to interest rate fluctuations.

The fair value of the Fund's financial instruments is estimated by management to approximate their carrying values.

OUTSTANDING UNITS

The Fund's capital structure remains unchanged from our launch on August 7, 2003, with the Fund authorized to issue an unlimited number of units of the same class with equal rights and privileges. As at March 31, 2006, 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



The Fund is governed by a Board of Trustees and is comprised of a Trust (Fund) on Trust (Holding Trust) structure that controls a general partner and Limited Partnership. The Trust on Trust structure qualifies the Fund for Canadian RRSP, 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.

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, which was 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 its 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, 2006 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)	Actual Deduction for 2004	Actual Deduction for 2005	Remaining Balance	Estimated Deduction for 2006	Future Deduction Basis
	6.2	5.7	76.6	5.4	7% of Balance
	1.8	1.9	5.3	2.0	Five year straight- line
	–	0.6	9.4	1.0	Length of contract plus one renewal
	8.0	8.2	91.3	8.4	

The estimated tax allocation of distributions for 2006 is 85% taxable income and 15% return of capital.

OUTLOOK

We expect continued strength in the Canadian residential resale real estate market in the mid-term due to strong underlying market fundamentals supported by low interest rates, strong consumer confidence, the relative affordability of residential real estate, a relatively strong economy and a steadily increasing inventory of residential resale homes. This strength will be mitigated somewhat with rising interest rates and an increase in listing inventory levels. This rise in listing inventory is expected to lessen the pace of price appreciation from double digits seen in 2004 and 2005 to single digit for the near to mid-term, with the anticipated overall effect of a strong but more balanced market in most regions of Canada.

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

During 2004, we embarked on the largest technology revitalization in our history to improve our technology platform for web, internet, intranet and online services. The phased launch of these systems occurred during 2005. This improved technology platform will reinforce our leadership position in 2006 and in the years ahead.

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

SUPPLEMENTAL INFORMATION – NET EARNINGS AND DISTRIBUTABLE CASH BY PERIOD

($ 000's except per unit amounts, unaudited)	Three months ended June 30 2004	Three months ended Sept. 30 2004	Three months ended Dec. 31 2004	Three months ended March 31 2005	Three months ended June 30 2005	Three months ended Sept. 30 2005	Three months ended Dec. 31 2005	**Three months ended March 31 2006**
Royalties	$ 6,397	$ 6,952	$ 5,536	$ 5,596	$ 7,138	$ 7,937	$ 6,525	**$ 6,492**
Less:								
Administration expenses	93	119	215	123	145	125	202	**160**
Management fees	950	911	918	915	915	915	915	**3,111**
Interest expense	296	293	377	481	602	602	604	**590**
Amortization of intangible assets	3,418	3,419	3,420	3,471	3,521	3,569	3,589	**3,604**
Earnings (loss) before undernoted	1,640	2,210	606	606	1,955	2,726	1,215	**(973)**
Non-controlling interest	(427)	(572)	(189)	(175)	(519)	(702)	(350)	**211**
Net earnings (loss) for the period	1,213	1,638	417	431	1,436	2,024	865	**(762)**
Add :								
Amortization of intangible assets	3,418	3,419	3,420	3,471	3,521	3,569	3,589	**3,604**
Non-controlling interest	427	572	189	175	519	702	350	**(211)**
Distributable cash before working capital and other reserves	5,058	5,629	4,026	4,077	5,476	6,295	4,804	**2,631**
Add (less) change in:								
Working capital and other reserves	(1,398)	(1,964)	(364)	(416)	(1,814)	(2,633)	(1,142)	**1,196**
Distributable cash	$ 3,660	$ 3,665	$ 3,662	$ 3,661	$ 3,662	$ 3,662	$ 3,662	**$ 3,827**
Distributable cash available to:								
Public unit holders	$ 2,748	$ 2,746	$ 2,746	$ 2,746	$ 2,747	$ 2,746	$ 2,746	**$ 2,870**
Non-controlling interest	916	915	916	915	915	916	916	**957**
	$ 3,664	$ 3,661	$ 3,662	$ 3,661	$ 3,662	$ 3,662	$ 3,662	**$ 3,827**
Distributions to public unitholders	$ 2,748	$ 2,746	$ 2,746	$ 2,746	$ 2,747	$ 2,746	$ 2,746	**$ 2,870**
Per unit (9,983,000 units):								
Basic and diluted earnings (loss)	$ 0.13	$ 0.16	$ 0.04	$ 0.04	$ 0.14	$ 0.20	$ 0.09	**$ (0.08)**
Basic and diluted distributable cash before working capital and other reserves	$ 0.38	$ 0.42	$ 0.30	$ 0.31	$ 0.41	$ 0.47	$ 0.36	**$ 0.20**
Basic and diluted distributions	$ 0.28	$ 0.28	$ 0.28	$ 0.28	$ 0.28	$ 0.28	$ 0.28	**$ 0.29**

TAX ALLOCATION OF DISTRIBUTIONS

Unaudited	2003	2004	2005	**2006**
	(actual)	(actual)	(actual)	**(estimated)**
Other taxable income	50%	70%	86%	**85%**
Return of capital	50%	30%	14%	**15%**
Total distributions of the period	100%	100%	100%	**100%**

SUPPLEMENTAL INFORMATION – SELECTED FINANCIAL AND OPERATING INFORMATION

($000's, unaudited)	Three months ended June 30 2004	Three months ended Sept. 30 2004	Three months ended Dec. 31 2004	Three months ended March 31 2005	Three months ended June 30 2005	Three months ended Sept. 30 2005	Three months ended Dec. 31 2005	**Three months ended March 31 2006**
Revenue								
Fixed franchise fees	$ 2,718	$ 2,691	$ 2,718	$ 2,945	$ 2,999	$ 3,127	$ 3,261	**$ 3,380**
Variable franchise fees	2,008	2,041	1,149	1,335	2,231	2,444	1,327	**1,610**
Premium franchise fees	932	1,489	1,009	576	1,103	1,497	1,065	**688**
Other fees and services	739	731	660	740	805	869	872	**814**
	$ 6,397	$ 6,952	$ 5,536	$ 5,596	$ 7,138	$ 7,937	$ 6,525	**$ 6,492**
% Revenue by region								
British Columbia	14	12	13	15	15	14	14	**16**
Prairies	11	11	11	11	11	11	11	**11**
Ontario	60	64	62	57	57	59	59	**56**
Quebec	11	9	9	13	13	12	12	**13**
Maritimes	4	4	5	4	4	4	4	**4**
	100	100	100	100	100	100	100	**100**

Additions for the period:	Three months ended June 30 2004	Three months ended Sept. 30 2004	Three months ended Dec. 31 2004	Three months ended March 31 2005	Three months ended June 30 2005	Three months ended Sept. 30 2005	Three months ended Dec. 31 2005	**Three months ended March 31 2006**
Number of Agents & Sales Representatives	189	210	13	750	323	119	205	**443**
Number of Agents	163	175	38	726	295	138	179	**448**
Number of fixed fee paying Sales Representatives	-	-	-	-	-	477	89	**39**
Number of locations	9	-	(6)	47	-	(4)	-	**21**
Number of franchisees	(2)	-	(1)	38	(1)	(2)	-	**16**
At end of period								
Number of Agents & Sales Representatives	9,922	10,132	10,145	10,895	11,218	11,337	11,542	**11,985**
Number of Agents	9,142	9,317	9,355	10,081	10,376	10,514	10,693	**11,141**
Number of fixed fee paying Sales Representatives	-	-	-	-	-	477	566	**605**
Number of locations	524	524	518	565	565	561	561	**582**
Number of franchisees	228	228	227	265	264	262	262	**278**

SUPPLEMENTAL INFORMATION

Fund Unit Performance

	Three months ended June 30 2004	Three months ended Sept. 30 2004	Three months ended Dec. 31 2004	Three months ended March 31 2005	Three months ended June 30 2005	Three months ended Sept. 30 2005	Three months ended Dec. 31 2005	**Three months ended March 31 2006**
Trading price range of units (TSX: "RSF.UN")								
High	$11.90	$12.25	$12.15	$14.90	$14.30	$14.50	$13.50	**$14.25**
Low	$9.85	$10.60	$11.40	$11.50	$12.60	$12.05	$10.31	**$12.50**
Close	$11.00	$11.95	$11.55	$13.40	$13.29	$13.00	$13.10	**$13.30**
Average daily volume	10,905	5,369	22,531	25,689	5,646	7,467	4,481	**11,570**
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]	$146,417	$159,062	$153,738	$178,363	$176,899	$173,039	$174,370	**$177,032**
Debt	30,600	30,600	30,600	38,000	38,000	38,000	38,000	**38,000**
Less:								
Cash on hand	2,055	3,647	4,444	3,658	5,430	8,532	9,941	**1,278**
	$ 174,962	$ 186,015	$179,894	$212,705	$209,469	$202,507	$202,429	**$213,754**

[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 per Unit			
Month	2006	2005	2004	2003
January	$ 0.0958	$ 0.0917	$ 0.0917	
February	0.0958	0.0917	0.0917	
March	0.0958	0.0917	0.0917	
April		0.0917	0.0917	
May		0.0917	0.0917	
June		0.0917	0.0917	
July		0.0917	0.0917	
August		0.0917	0.0917	
September		0.0917	0.0917	$ 0.1750 *
October		0.0917	0.0917	0.0917
November		0.0917	0.0917	0.0917
December		0.0917	0.0917	0.0917
	$ 0.2875	$ 1.1000	$ 1.1000	$ 0.4500

* Based on a 55 day period

SUPPLEMENTAL INFORMATION – CONDENSED BALANCE SHEET

($ 000's, unaudited)	As at June 30 2004	As at Sept. 30 2004	As at Dec. 31 2004	As at March 31 2005	As at June 30 2005	As at Sept. 30 2005	As at Dec. 31 2005	**As at March 31 2006**
Cash and cash equivalents	$ 2,055	$ 3,647	$ 4,444	$ 3,658	$ 5,430	$ 8,532	$ 9,941	**$ 1,278**
Accounts receivable	2,899	2,382	2,176	2,874	3,074	2,797	2,434	**2,614**
Prepaid expenses	66	41	96	86	60	27	84	**95**
Deferred charges	-	-	-	749	743	703	684	**640**
Deposit on acquisition	-	-	-	4,038	1,118	-	-	**2,979**
Intangible assets	144,077	140,658	137,238	136,751	136,169	135,404	133,022	**131,417**
	$ 149,097	$ 146,728	$ 143,954	$ 148,156	$ 146,594	$ 147,463	$ 146,165	**$ 139,023**
Accounts payable and accrued liabilities	$ 2,637	$ 1,719	$ 2,001	$ 1,858	$ 2,003	$ 2,122	$ 2,064	**$ 2,573**
Purchase obligations	-	-	-	-	-	1,686	2,893	**-**
Distributions payable to unitholders	915	915	915	915	915	915	915	**957**
Long-term debt	30,600	30,600	30,600	38,000	38,000	38,000	38,000	**38,000**
Non-controlling interest	28,810	28,467	27,740	27,000	26,604	26,390	25,824	**24,656**
Unitholders' equity	86,135	85,027	82,698	80,383	79,072	78,350	76,469	**72,837**
	$ 149,097	$ 146,728	$ 143,954	$ 148,156	$ 146,594	$ 147,463	$ 146,165	**$ 139,023**

SUPPLEMENTAL INFORMATION – CONDENSED CASHFLOW BY PERIOD

($ 000's, unaudited)	Three months ended June 30 2004	Three months ended Sept. 30 2004	Three months ended Dec. 31 2004	Three months ended March 31 2005	Three months ended June 30 2005	Three months ended Sept. 30 2005	Three months ended Dec. 31 2005	**Three months ended March 31 2006**
Cash provided by (used for):								
Operating activities								
Net earnings (loss) for the period	$ 1,213	$ 1,638	$ 417	$ 431	$ 1,436	$ 2,024	$ 865	**$ (762)**
Add (deduct)								
Non-controlling interest	427	572	189	175	519	702	350	**(211)**
Amortization of deferred charges	-	-	-	17	41	40	40	**44**
Amortization of intangible assets	3,418	3,419	3,420	3,471	3,521	3,569	3,589	**3,604**
Changes in non-cash working capital	(540)	(376)	433	(831)	(29)	429	248	**360**
	4,518	5,253	4,459	3,263	5,488	6,764	5,092	**3,035**
Investing activities								
Deposit on acquisition	-	-	-	(7,048)	-	-	-	**(4,978)**
Purchase of intangible assets	(4)	-		26	(19)	-	-	**(2,893)**
	(4)	-	-	(7,022)	(19)	-	-	**(7,871)**
Financing activities								
Proceeds from term loan	-	-	-	38,000	-	-	-	**-**
Distributions paid to unitholders	(2,748)	(2,746)	(2,746)	(2,746)	(2,747)	(2,746)	(2,746)	**(2,870)**
Distributions paid to non-controlling interest	(916)	(915)	(916)	(915)	(915)	(916)	(916)	**(957)**
Repayment of term loan	-	-	-	(30,600)	-	-	-	**-**
Deferred charges	-	-	-	(766)	(35)	-	(21)	**-**
	(3,664)	(3,661)	(3,662)	2,973	(3,697)	(3,662)	(3,683)	**(3,827)**
Increase (decrease) in cash and cash equivalents during the period	850	1,592	797	(786)	1,772	3,102	1,409	**(8,663)**
Cash and cash equivalents, beginning of period	1,205	2,055	3,647	4,444	3,658	5,430	8,532	**9,941**
Cash and cash equivalents, end of period	$ 2,055	$ 3,647	$ 4,444	$ 3,658	$ 5,430	$ 8,532	$ 9,941	**$ 1,278**

SUPPLEMENTAL INFORMATION – CANADIAN REAL ESTATE MARKET

	Three months ended June 30 2004	Three months ended Sept. 30 2004	Three months ended Dec. 31 2004	Three months ended March 31 2005	Three months ended June 30 2005	Three months ended Sept. 30 2005	Three months ended Dec. 31 2005	**Three months ended March 31 2006**
Canada								
Transaction dollar volume ($ millions)	$ 33,051	$ 25,711	$ 21,335	$ 24,814	$ 37,809	$ 32,190	$ 25,601	**$ 30,585**
Average selling price	$ 230,253	$ 224,550	$ 233,007	$ 238,834	$ 251,101	$ 250,214	$ 256,519	**$ 267,780**
Number of units sold	143,542	114,500	91,566	103,898	150,573	128,649	99,802	**114,217**
Number of REALTORS at period end	74,430	75,611	76,752	78,816	80,604	82,112	82,852	**N/A**
Housing starts	67,378	65,754	60,917	37,084	67,183	62,809	58,405	**43,917**
Greater Toronto Area								
Transaction dollar volume ($ millions)	$ 8,872	$ 6,457	$ 5,507	$ 6,017	$ 9,371	$ 7,385	$ 6,117	**$ 6,989**
Average selling price	$ 321,034	$ 312,545	$ 320,165	$ 330,120	$ 344,557	$ 332,507	$ 338,396	**$ 348,579**
Number of units sold	27,636	20,660	17,199	18,228	27,196	22,211	18,075	**20,050**
Housing starts	12,651	12,380	10,253	6,918	13,050	11,774	9,854	**7,290**

	Twelve months ended June 30 2004	Twelve months ended Sept 30 2004	Twelve months ended Dec. 31 2004	Twelve months ended Mar. 31 2005	Twelve months ended June 30 2005	Twelve months ended Sept. 30 2005	Twelve months ended Dec. 31 2005	**Twelve months ended March 31 2006**
Canada								
Transaction dollar volume ($ millions)	$ 101,495	$ 102,529	$ 103,666	$ 104,912	$ 109,670	$ 116,166	$ 120,395	**$ 126,189**
Average selling price	$ 219,979	$ 223,806	$ 227,261	$ 231,335	$ 238,134	$ 244,667	$ 249,365	**$ 255,814**
Number of units sold	461,387	458,115	456,108	453,506	460,537	474,795	482,805	**493,285**
Housing starts	227,766	230,749	233,431	231,133	230,938	227,993	225,481	**232,314**
Seasonally adjusted housing starts	239,300	231,000	234,400	218,500	237,200	230,500	227,700	**252,300**
Greater Toronto Area								
Transaction dollar volume ($ millions)	$ 26,181	$ 26,418	$ 26,763	$ 26,851	$ 27,352	$ 28,205	$ 28,815	**$ 29,862**
Average selling price	$ 305,568	$ 310,964	$ 315,278	$ 320,712	$ 328,419	$ 332,471	$ 336,190	**$ 341,155**
Number of units sold	85,680	84,956	84,887	83,723	83,283	84,834	85,710	**87,532**
Housing starts	43,914	43,971	42,115	42,202	42,601	41,995	41,596	**41,968**

NA: Not available at date of Management's Discussion and Analysis

Source: CMHC, CREA and TREB

ROYAL LEPAGE FRANCHISE SERVICES FUND

Interim Consolidated Balance Sheets

(in thousands of dollars)

Assets	**March 31, 2006**	**December 31, 2005**
	(unaudited)	
Current assets		
Cash and cash equivalents	$ 1,278	$ 9,941
Accounts receivable	2,614	2,434
Prepaid expenses	95	84
	3,987	12,459
Deferred charges	640	684
Deposit on acquisition (note 3)	2,979	-
Intangible assets (note 3)	131,417	133,022
	$ 139,023	$ 146,165
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,573	$ 2,064
Purchase obligation (note 3)	-	2,893
Distribution payable to unitholders	957	915
	3,530	5,872
Long-term debt (note 5)	38,000	38,000
Non-controlling interest	24,656	25,824
	66,186	69,696
Unitholders' equity	72,837	76,469
	$ 139,023	$ 146,165

See accompanying notes to the interim consolidated financial statements

On behalf of the board

Trustee

Trustee

ROYAL LEPAGE FRANCHISE SERVICES FUND

Interim Consolidated Statement of (Loss) Earnings
(unaudited)

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

Royalties	**Three months ended March 31, 2006**	**Three months ended March 31, 2005**
Fixed franchise fees	$ 3,380	$ 2,945
Variable franchise fees	1,610	1,335
Premium franchise fees	688	576
Other fee revenue and services	814	740
	6,492	5,596
Expenses		
Administration	160	123
Management fee (note 7(ii))	3,111	915
Interest expense	590	481
Amortization of intangible assets	3,604	3,471
	7,465	4,990
(Loss) earnings before undernoted	(973)	606
Non-controlling interest	211	(175)
Net (loss) earnings	$ (762)	$ 431
Basic and diluted (loss) earnings per unit (9,983,000 units) (note 6)	$ (0.08)	$ 0.04

See accompanying notes to the interim consolidated financial statements

ROYAL LEPAGE FRANCHISE SERVICES FUND

Interim Consolidated Statements of Unitholders' Equity

(unaudited)
(in thousands of dollars)

	Units	Net Earnings	Distributions	Total
Balance, December 31, 2004	$ 92,938	$ 5,278	$ (15,518)	$ 82,698
Net earnings	-	431	-	431
Unit distributions	-	-	(2,746)	(2,746)
Balance, March 31, 2005	$ 92,938	$5,709	$ (18,264)	$ 80,383
Balance, December 31, 2005	$ 92,938	$ 10,034	$ (26,503)	$ 76,469
Net loss	-	(762)	-	(762)
Unit distributions	-	-	(2,870)	(2,870)
Balance, March 31, 2006	$ 92,938	$ 9,272	$ (29,373)	$ 72,837

See accompanying notes to the interim consolidated financial statements

ROYAL LEPAGE FRANCHISE SERVICES FUND

Interim Consolidated Statements of Cash Flows

(unaudited)

(in thousands of dollars)

	Three months ended March 31, 2006	Three months ended March 31, 2005
Cash provided by (used for):		
Operating activities		
Net (loss) earnings for the period	$ (762)	$ 431
Items not affecting cash		
Non-controlling interest	(211)	175
Amortization of deferred charges	44	17
Amortization of intangible assets	3,604	3,471
	2,675	4,094
Changes in non-cash operating working capital	360	(831)
	3,035	3,263
Investing activities		
Deposit on acquisition (note 3)	(4,978)	(7,048)
Purchase of intangible assets (note 3)	-	26
Payment of purchase price obligation	(2,893)	-
	(7,871)	(7,022)
Financing activities		
Distributions paid to unitholders	(2,870)	(2,746)
Distributions paid to non-controlling interest	(957)	(915)
Proceeds from long-term debt	-	38,000
Repayment of term loan	-	(30,600)
Deferred charges	-	(766)
	(3,827)	2,973
Decrease in cash and cash equivalents during the period	(8,663)	(786)
Cash and cash equivalents, beginning of period	9,941	4,444
Cash and cash equivalents, end of period	$ 1,278	3,658
Cash and cash equivalents are comprised of:		
Cash	$ 1,278	$ 161
Commercial Paper	-	3,497
	$ 1,278	3,658
Supplementary Cash Flow Information		
Interest paid	$ 559	$ 255

See accompanying notes to the interim consolidated financial statements

1. ORGANIZATION

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

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

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 financial statements, and should be read in conjunction with the December 31, 2005 annual consolidated financial statements.

3. INTANGIBLE ASSETS

On January 4, 2006, the Partnership acquired 16 franchise agreements from Residential Income Fund Manager Limited (“RIFML”) at an estimated purchase price of $6,222 in accordance with the Management Services Agreement (“MSA”). On that date, $4,978 was paid in cash on deposit against this purchase price obligation in accordance with the MSA. The final purchase price is based on the actual audited royalties derived from these franchises for the twelve-month period ending October 31, 2006. Accordingly, the final purchase price is not determinable until that time.

Until the final purchase price is determined, each quarter the purchase price obligation is recalculated based on the actual royalties received. Correspondingly, the deposit on acquisition is reduced by the calculated amount and transferred to intangible assets. These assets are then amortized in accordance with the Fund’s policy and calculated on a prospective basis.

(in thousands of dollars)

3. INTANGIBLE ASSETS (cont'd)

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

As at March 31, 2006, $1,999 was transferred from "deposit on acquisition" and recorded as "intangible assets".

On January 1, 2005, the Partnership acquired 38 franchise agreements from RIFM at a purchase price of $9,934 calculated in accordance with the MSA. On February 18, 2005, $7,041 was paid in cash against this purchase price obligation and the remaining $2,893 was paid in cash on January 4, 2006.

	March 31, 2006		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	$ 125,073	$ 34,686	$ 90,387
Relationships and trademarks	41,527	497	41,030
	$ 166,600	$ 35,183	$ 131,417

	December 31, 2005		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	$ 123,622	$ 31,136	$ 92,486
Relationships and trademarks	40,979	443	40,536
	$ 164,601	$ 31,579	$ 133,022

4. OPERATING CREDIT FACILITY

On February 16, 2005, the Partnership obtained a credit facility (the "revolver") of up to $2,000 from a Canadian financial institution. This revolver may be used to provide working capital to the Partnership from time to time. The revolver is subject to annual renewal with outstanding principal under the revolver subject to interest at the lender's prime rate plus 1% to 1.5% or the banker acceptance rate plus 2% to 2.5%, based on the ratio of total debt to Adjusted EBITDA of the Partnership as defined in the credit agreement. As at March 31, 2006, the operating credit facility had not been drawn upon.

5. LONG-TERM DEBT

On February 18, 2005, the Partnership completed the issuance of a $38,000 private debt placement (the "private placement") provided by Canadian institutional investors. The private placement is for a five-year term with interest fixed at 5.882%, and only interest payable quarterly in arrears.

(in thousands of dollars)

6. EARNINGS PER UNIT

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

7. RELATED PARTY TRANSACTIONS

i) Unless disclosed elsewhere, the Fund had the following transactions with parties related to the non-controlling interest during the three months ended March 31, 2006 and March 31, 2005. These transactions have been recorded at the exchange amount agreed to between the parties.

	Three months ended March 31, 2006	Three months ended March 31, 2005
a) Royalties		
Fixed, variable and other franchise fees	$ 461	$ 442
Premium franchise fees	$ 570	$ 490
b) Expenses		
Management fees	$ 3,111	$ 915
Insurance and other	$ 23	$ 22
c) Distributions		
Distributions paid to non-controlling interest	$ 957	$ 915

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

	March 31, 2006	December 31, 2005
d) Accounts receivable		
Franchise fees receivable and other	$ 446	$ 438
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	$ 957	$ 915
Management fees	$ 822	$ 325

7. RELATED PARTY TRANSACTIONS (cont'd)

ii) Management Fees

Since inception, the Fund has accumulated and retained cash of $9.4 million as a reserve, which in the event of the release of this reserve would result in a 20% management fee payable to RIFML. During the three months ended March 31, 2006, the Fund released the $9.4 million in reserves, a portion of which was used to fund the 2005 and 2006 franchise agreements purchase obligations. As a result, a management fee of $1.9 million relating to the $9.4 million in reserves was incurred for the three months ended March 31, 2006.

MANAGEMENT TEAM

The Fund is managed by the same progressive team that developed the Royal LePage and Johnston & Daniels network prior to the Fund's launch.

Philip Soper,
President and Chief Executive Officer

Kevin Cash,
Chief Financial Officer

Andy Puthon,
Executive Vice President, Network Development

Gino Romanese,
Senior Vice President, Brokerage Operations

Max Cohen,
Secretary & General Counsel

Jim Dunbar,
Vice President, Marketing & Communications

Gurinder Sandhu,
Vice President, Finance

Carolyn Cheng,
Vice President, Strategic Business Services