Q1 2004

Royal LePage Franchise Services Fund

Interim Report to Unitholders Q1 2004 TSX-RSF.un

ROYAL LEPAGE
www.royallepage.ca
www.rsfund.ca

LETTER TO UNITHOLDERS

Financial and Operating Highlights
For the three months ended March 31, 2004

	(thousands)	(per unit)
Royalties	$ 4,855	$ 0.36
Net earnings	$ 63	–
Distributable cash	$ 3,527	$ 0.26
Distributions	$ 3,660	$ 0.28

Dear Unitholders:

We are pleased to present our results for the quarter ended March 31, 2004.

Revenue for the first quarter was $4.9 million and distributable cash from operations was $3.5 million or $0.26 per unit, which was in line with management's expectations.

These results were driven by 3% growth in the Fund's underlying network of agents and sales representatives and a strong Canadian residential resale real estate market. Internal agent growth exceeded expectations, and the market, fuelled by record low mortgage rates, increased housing affordability, strong housing starts and buoyant consumer confidence, continued to prosper.

During the quarter, our agent count increased by 225 as a result of organic growth, which is well ahead of the pace required to meet our annual net growth target of 200 to 400 agents. This increase will have a positive impact on the Fund's revenues, which are driven largely by the number of agents in our network.

Growth Pipeline

From November 1, 2003 to March 31, 2004, Centract Residential Property Services, the Fund Manager, converted franchises operating from five locations serviced by 47 agents to the Royal LePage brand.

In September 2003, the Fund Manager, acquired Le Groupe Trans-Action, a prominent Montreal-based real estate franchisor with over 300 agents operating in 80 locations. The Fund will acquire these franchise agreements once we are satisfied the franchises meet our eligibility and quality control criteria .

Outlook

The Canadian residential resale real estate market achieved record transactional dollar volumes and unit sales for the month and 12 months ended March 31, 2004. We expect continued strength in the mid-term due to the strong underlying market fundamentals. As evidenced in the first quarter, we remain focused on developing new products and services to expand the scope of our network and are confident that we will continue to do so throughout the course of 2004.

On behalf of the Fund's trustees and management team, thank you once again for your continued support.

Philip Soper
President and Chief Executive Officer

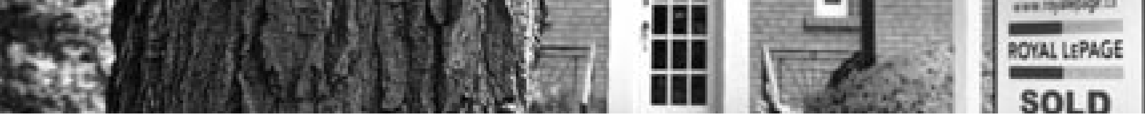
Kevin Cash
Chief Financial Officer

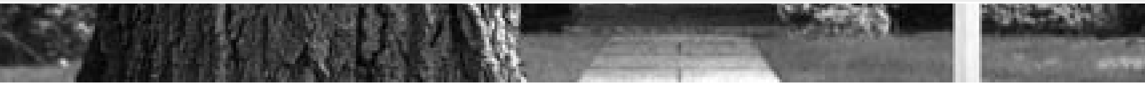
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Financial Highlights

(thousands)	**Quarter Ended March 31 2004**	Quarter Ended March 31 2003
Royalties	**$ 4,855**	$ 4,343
Less:		
Administrative expenses	**86**	
Interest expense	**361**	
Management fee	**881**	
Earnings	**$ 3,527**	
Distributable cash	**$ 3,527**	
Distributions	**$ 3,660**	
Number of agents and sales representatives	**9,733**	8,912

This table sets out selected historical information and other data which should be read in conjunction with the Management's Discussion and Analysis ("MD&A") in the Royal LePage Franchise Services Fund's (the "Fund") Annual Report for the 147-day period ended December 31, 2003, and the attached interim unaudited consolidated financial statements for the quarter ended March 31, 2004. These interim financial statements





are prepared in Canadian dollars and are in accordance with Canadian generally accepted accounting principles.

As the Fund commenced its operations on August 7, 2003, certain comparative figures for the quarter ended March 31, 2004, are not available. External economic and industry factors remain substantially unchanged, unless otherwise stated.

Overview

This MD&A covers the period from January 1, 2004 to March 31, 2004 (the "Quarter"), and has been prepared as at April 30, 2004.

Royal LePage Franchise Services Fund was established as a public entity 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 and sales representatives, operating under the Royal LePage, Johnston & Daniel and Realty World brand names (collectively the "Fund Network").

As at March 31, 2004, the Fund Network was comprised of 8,979 agents and 754 sales representatives operating from 515 locations under 230 franchise agreements. The Fund Network has an approximate one-fifth share of the Canadian Residential Resale Real Estate market based on transactional dollar volume.

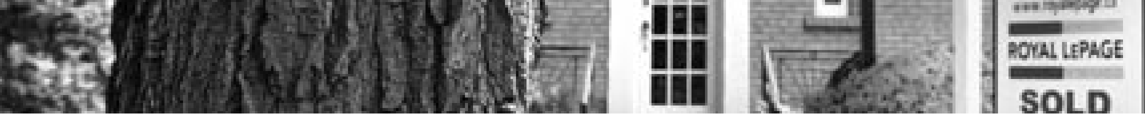
Management of the Fund is provided by the Residential Income Fund Manager Limited (the "Fund Manager"), a division of Centract Residential Property Services, the real estate services division of Brascan Corporation. The senior management of the Fund Manager developed and managed the Fund Network prior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

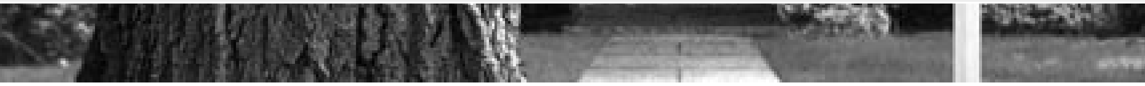
Structure of the Fund

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

Royalty fees

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





Variable 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.

Approximately 89% of the Fund's annual royalties are derived from the combined fixed fee of $100 per agent per month, 1% variable fee and premium fee. The remaining royalty stream is generated from technology fees, 4.5% option and web services and other fees. Approximately 60% of the total royalties are insulated from market fluctuations, as they are not directly driven by transaction volumes.

The combination of a royalty stream based on the number of agents in the network, increasing agent and broker productivity and an increasing supply of new housing inventory provides the base for strong, stable and growing cash flow.

Monthly distributions

The target annual cash distribution is $1.10 per unit. Public unitholder cash distributions are made monthly.

To reduce unitholder risk, 25% of the Fund's units, which are held by the Fund Manager, are subordinated in their rights to distributions until public unitholders receive their target distribution. This arrangement is in place until 2008.

Operations Overview

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

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

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

Number of agents in the Fund

- During the quarter, the Fund Network of 8,979 agents grew by 225 agents or 2.6%.

Transaction volumes

- Canada's housing starts, the market's future inventory, continues to increase with 219,538 starts nationally for the 12 months ended March 31, 2004, which represents the highest level in 15 years.

- The Canadian residential resale real estate market achieved record transactional dollar volumes for the month and the 12 months ended March 31, 2004. The market as defined by transactional dollar volume totalled $95.1 billion for the 12 months ended March 31, 2004, an increase of 20.5% and 5.1% as compared with 12 months ended March 31, 2003, and December 31, 2003, respectively.

- The year-over-year growth in the Canadian market for the 12 months ended March 31, 2004, was fuelled by a 9.4% increase in residential unit sales to 450,329 units and a 10.1% increase in average selling price to $211,281.

- The GTA market, from which the Fund earns its premium franchise fees, achieved its best year ever in 2003. This trend continued in 2004 with 81,409 homes sold at an average price of $297,431 for the 12 months ended March 31, 2004. This activity represents an increase of 11.9% and 6.2%, respectively over the same period in 2003 and an increase of 2.6% and 1.4%, respectively over the 12 months ended December 31, 2003.

- Agent productivity for the 12 months ended December 31, 2003, was approximately $2 million per agent in transactional dollar volume, which remains slightly ahead of 2002 levels and 67% ahead of the rest of the Canadian industry's agent productivity of $1.2 million per agent for the same period.

- Record low mortgage interest rates, strong consumer confidence, combined with the overall increase in housing affordability continues to encourage first-time buyers to enter the market and 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 230 independently- owned and operated franchises, the majority of which operate with less than 100 agents.

- The geographic distribution of the Fund Network is similar to the distribution of the overall Canadian agent population.

- During the quarter there were no franchise contracts subject to renewal.

Fund growth opportunities

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

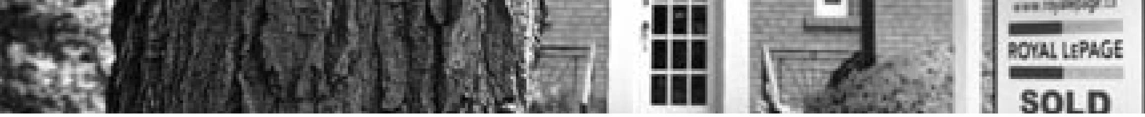
Growth in overall royalties is achieved by: increasing the number of agents in the Fund; increasing the productivity of agents; expanding the range of products and services supporting the franchisees and agents; increasing adoption of these products and services; and providing targeted programs to the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

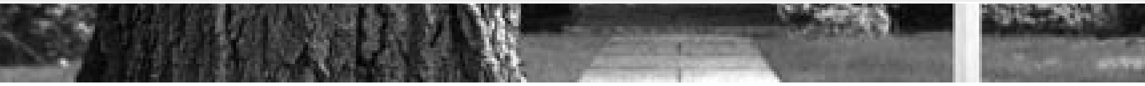
- Three franchises operating from three locations serviced by seven agents were acquired by the Fund on January 1, 2004.

- On September 11, 2003, the Fund Manager acquired the operations of Groupe Trans-Action, a Quebec-based franchisor operating with over 300 agents from 80 locations, 40 of which operate in areas not currently serviced by the Fund. The Fund Manager intends to present these franchises to the Fund's Board of Trustees for acquisition when the underlying contracts and operations are substantially in a form similar to that of franchises currently in the Fund.

- From November 1, 2003 to March 31, 2004, the Fund Manager converted four franchises operating from five locations serviced by 47 agents to the Royal LePage brand. The Fund Manager intends to present these franchises to the Board of Trustees on October 31, 2004, for potential acquisition by the Fund on January 1, 2005.

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





Operating Results

(thousands)		Quarter Ended March 31 , 2004
Royalties	$	4,855
Less:		
Administrative expenses		86
Interest expense		361
Management fee		881
Earnings		3,527
Amortization of intangibles		3,420
Non-controlling interest		44
Net earnings	$	63
Basic and diluted earnings per unit (9,983,000 units)	$	–

Earnings for the quarter of $3.5 million exceeded plan due primarily to greater than anticipated agent growth as previously described.

Royalties in the first quarter totalled $4.9 million, 13% ahead of the same period in 2003 as explained below. Administrative costs were in line with management's expectations and we continued to benefit from low interest rates resulting from our variable interest rate position on our $30.6 million term loan. Management fees are in line with the terms set out in the MSA.

Net earnings for the quarter of $63,000 represent earnings less non-cash charges of $3.4 million of amortization related to our intangible assets and $44,000 related to the non-controlling interest's 25% share of the operating results.

Royalties

(thousands)		**Quarter Ended March 31 2004**		Quarter Ended March 31 2003
Fixed franchise fees	**$**	**2,522**	$	2,305
Variable franchise fees		**1,179**		1,066
Premium franchise fees		**541**		515
Other fees		**613**		427
	$	**4,855**	$	4,343

Royalties of the Fund, as summarized in the table to the left, totalled $4.9 million for the quarter, 12% over the same period in 2003.

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

As at March 31, 2004, the Fund's Network was comprised of 9,733 agents and sales representatives, with 8,654 of the agents operating under the combined flat fee of $100 per month and 1% of gross earnings[1] option (the "$100/1% option") and 325 agents operating under the 4.5% variable fee option (the "4.5% option"). The remaining 754 sales representatives currently do not pay fees to the Fund.

Total fixed franchise fees, variable franchise fees and premium franchise fees represented 87% and 90% of our royalties for the quarter ended March 31, 2004 and 2003, respectively.

Fixed franchise fees for the quarter increased 9.4% over the same period in 2003, in line with a 9.2% increase in the underlying number of agents.

Variable franchise fees for the quarter exceeded the same period in 2003 by 10.6%, due to the increase in the underlying number of agents and a 20.5% increase in quarter-over-quarter market activity. The effect of the increased market activity will not be fully realized until the second quarter when the home sales close and the related fees are paid to the Fund. We expect this effect will be further magnified due to the weighting of market activity to the end of the quarter, as the quarter started with slow unit sales in January resulting from extremely cold weather and ended with a record-breaking month of March, which achieved the highest unit sales in the history of recorded CREA[2] and TREB[3] results.

Premium franchise fees for the quarter increased by 5% over the same period in 2003 due to the increase in the underlying number of agents, tempered by a slower central Toronto resale market resulting from a cold winter and a lack of resale inventory. In March the central Toronto market activity increased substantially year-over-year, continued through the month of April and as noted in the discussion of variable franchise fees, the effect of this increased market activity will not be fully realized until the second quarter.

Other fees represented 13% and 10% of Fund royalties for the quarter ended March 31, 2004 and 2003, respectively. These fees, comprised of technology, 4.5% option fees and web service and other fees, exceeded plan, due primarily to the greater than anticipated number of agents and utilization of the Fund's technology programs.

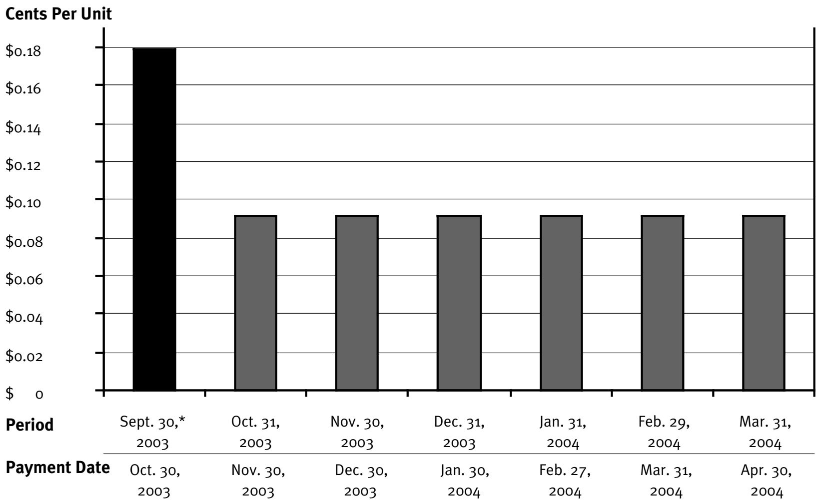
Interest expense

Interest expense for the quarter of $361,000 related to the Fund's $30.6 million term debt at an effective interest rate of 4.7%, and standby charges associated with the Fund's $2 million operating line, which remained undrawn during the period.

[1] Approximately 18% of agents operating under the $100/1% option exceeded the 1% of gross earnings cap in 2003.
[2] Canadian Real Estate Association
[3] Toronto Real Estate Board

Distributions

Distributions, as summarized below, were in line with annualized targeted distributions of $1.10 per unit. We intend to continue to meet the annualized target distribution of $1.10 per unit paid at a rate of $0.0917 per month, while still reassessing these distribution levels from time-to-time. Our distributions since inception are summarized in the chart below.



* based on a 55-day period

Distributable Cash

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

Distributable cash does not have a standardized meaning under Canadian generally accepted accounting principles ("GAAP") and accordingly may not be comparable to similar measures used by other issuers. Distributable cash for the quarter is derived as follows:

Distributable Cash
Reconciled to the Financial Statements

(thousands)

Net earnings for the period	$	63
Add:		
Non-controlling interest share of net earnings		44
Amortization of intangible assets		3,420
Distributable cash		3,527
Add change in:		
Working capital and other reserves		133
Distributable cash after reserves	$	3,660

Distributions Declared During the Period

(thousands)

Unitholders	$	2,745
Non-controlling interest		915
	$	3,660

Distributable Cash

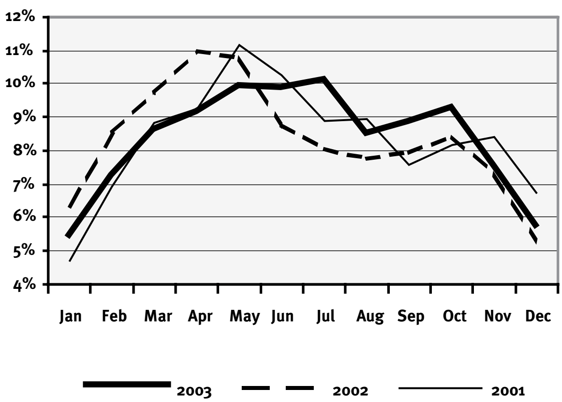
(thousands)

Royalties	$	4,855
Less:		
Administrative expenses		86
Interest expense		361
Management fee		881
Distributable cash		3,527
Add change in:		
Working capital and other reserves		133
Distributable cash after reserves	$	3,660

Distributable cash before reserves for the quarter totalled $3.5 million, in line with management's expectations. Distributable cash for the quarter was $133,000 less than the declared distributions for the quarter. The $201,000 that was reserved at the end of 2003 more than covered this anticipated shortfall that arose due to the anticipated seasonal nature of the residential resale real estate industry.

A summary of the market's seasonality over for the last three years is as follows:

Canadian Residential Resale Real Estate Market
% Transaction Dollar Volume by Month



Liquidity

During the quarter, the Fund utilized the $3.5 million in cash flow generated from operations to meet our administrative and distribution requirements and to maximize our debt servicing options without drawing on our $2 million operating line.

As at March 31, 2004, the Fund had a net positive working capital position of $0.1 million, compared to $0.4 million as at December 31, 2003, as summarized in the table below.

Working Capital (thousands)	**As at March 31 2004**	As at Dec. 31 2003
Current assets		
Cash and cash equivalents	**$ 1,205**	$ 1,439
Accounts receivable	**2,214**	1,970
Prepaid expenses	**104**	241
	$ 3,523	$ 3,650
Current liabilities		
Accounts payable and accrued liabilities	**$ 2,530**	$ 2,378
Distribution payable to unitholders	**915**	915
	3,445	3,293
Net working capital	**$ 78**	$ 357

Accounts receivable increased in line with the slower payment of fees by franchisees, typically experienced at this time of year, while prepaid expenses decreased in line with the movement to shorter 30-day terms on the underlying interest payment obligations on our $30.6 million term loan. Accounts payable and accrued liabilities are comprised of a $915,000 quarterly distribution payable to the non-controlling interest, $800,000 in management fees payable to the Fund Manager and $815,000 attributed to PST and GST obligations, deferred service revenue and administrative expenses.

As at the date of this report, the interest on our $30.6 million term loan is based on 30-day Banker Acceptance ("BAs") rates, at very favourable rates due to the overall low interest rate environment. We continue to assess the term and amount of these BAs as well as alternative options, such as fixing the debt interest rate. An increase in the BA rates or extension of the term will increase the amount of cash required to service the debt.

Our $30.6 million term loan and operating loan are due August 4, 2006. We anticipate that the term loan will be renewed in the future as an ongoing facility; however, we cannot predict the probability of this event occurring.

With $68,000 in reserve from 2003 to meet future working capital requirements, an anticipated flow through of exceptional market unit sales for the month of March and strong underlying market fundamentals, we anticipate meeting our near term funding requirements.

Capital Resources

The existing capital resources upon which we can draw consists of a $2 million operating line, which to date remains undrawn. Other resources include funds generated from operations in excess of administrative costs, debt servicing and distribution requirements, with excess cash held in reserve for future distributions in anticipation of the seasonality of the residential resale real estate market and to finance the acquisition of franchises.

We 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.

Off-Balance Sheet Arrangements

The Fund has no off-balance sheet arrangements other than the acquisition of franchises by the Fund Manager for the potential future acquisition by the Fund.

Transactions with Related Parties

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

Critical Accounting Estimates

Substantially all of the Fund's activities are based on cash transactions with revenue and expenditures based on contracted terms. The only operating activities not based on contractual terms are the Fund's administrative costs and allocation of the intangible assets between franchise agreements, relationships, trademarks and their related amortization period. The Fund's administrative costs of approximately $300,000 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

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, distributions payable to unitholders and a $30.6 million term loan. We estimate that the fair values of these financial instruments approximate their carrying value.

We are exposed to credit risk with respect to accounts receivable to the extent any franchisees are unable to pay their fees and to interest rate risk as our debt is at floating rates.

Outstanding Units

Our 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, 2004, 9,983,000 units were issued and outstanding.

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

Taxation of Fund Distributions

Under the Fund's Amended and Restated Declaration of Trust the maximum tax deductions available to the Fund shall be claimed to the extent it brings its taxable income of the Trust to nil. The deductions available to the Trust are comprised of the costs of the offering and intangible assets. The deductions available to the unitholders for the period ended December 31, 2004 are estimated at $8.0 million.

Outlook

We expect continued strength in the mid-term due to strong underlying market fundamentals supported by low interest rates, consumer confidence, the relative affordability of residential real estate, a relatively strong economy and a steadily increasing inventory of residential resale homes.

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

Forward-Looking Statements

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

Additional Information

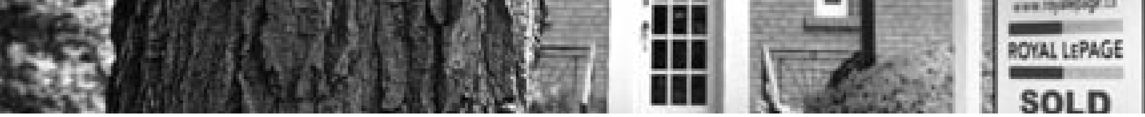
Additional information such as the Fund's Annual Information Form, Information Circular, Prospectus, material contracts, and press releases may be found on SEDAR at www.sedar.com. We also encourage you to visit the Fund's website at www.rsfund.ca for further investor information.

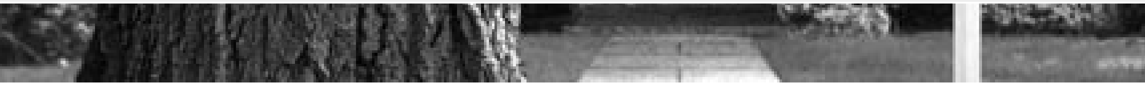
Interim Consolidated Balance Sheets

(in thousands of dollars)

Assets	**March 31, 2004 (unaudited)**	December 31, 2003
Current assets		
Cash and cash equivalents	**$ 1,205**	$ 1,439
Accounts receivable	**2,214**	1,970
Prepaid expenses	**104**	241
	3,523	3,650
Intangible assets	**147,491**	150,765
	$ 151,014	$ 154,415
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 2,530**	$ 2,378
Distribution payable to unitholders	**915**	915
	3,445	3,293
Term loan	**30,600**	30,600
Non-controlling interest	**29,299**	30,170
	63,344	64,063
Unitholders' equity	**87,670**	90,352
	$ 151,014	$ 154,415

See accompanying notes to the interim consolidated financial statements.





Interim Consolidated Statement of Earnings

For the three-month period ended March 31, 2004
(unaudited)
(in thousands of dollars, except unit and per unit amounts)

Royalties		
Fixed franchise fees	$	2,522
Variable franchise fees		1,179
Premium franchise fees		541
Premium franchise fees		613
		4,855
Expenses		
Administration		86
Management fee		881
Interest expense		361
Amortization of intangible assets		3,420
		4,748
Earnings before undernoted		107
Non-controlling interest		44
Net earnings for the period	$	63
Basic and diluted earnings per unit (9,983,000 units)	$	–

Interim Consolidated Statement of Unitholders' Equity

For the three-month period ended March 31, 2004
(unaudited)
(in thousands of dollars)

	Units in $	Net Income	Distributions	Total
Balance, December 31, 2003	$ 92,938	$ 1,947	$ (4,533)	$ 90,352
Changes during the period:				
Net income	–	63	–	63
Unit distributions	–	–	(2,745)	(2,745)
Balance, March 31, 2004	$ 92,938	$ 2,010	$ (7,278)	$ 87,670

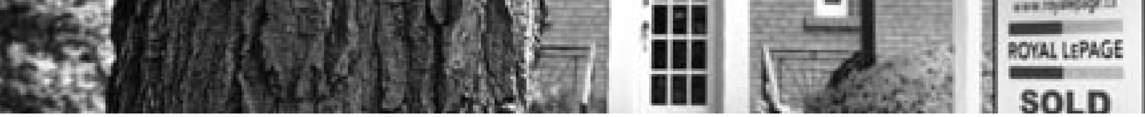
See accompanying notes to the interim consolidated financial statements.

Interim Consolidated Statement of Cash Flows

For the three-month period ended March 31, 2004
(unaudited)
(in thousands of dollars)

Cash provided by (used for):	
Operating activities	
Net earnings for the period	$ 63
Items not affecting cash	
Non-controlling interest	44
Amortization of intangible assets	3,420
	3,527
Changes in non-cash working capital	15
	3,542
Investing activities	
Purchase of intangible assets (Note 3)	(116)
Financing activities	
Distributions paid to unitholders	(2,745)
Distributions paid to non-controlling interest	(915)
	(3,660)
Decrease in cash and cash equivalents during the period	(234)
Cash and cash equivalents, beginning of period	1,439
Cash and cash equivalents, end of period	$ 1,205
Supplementary Cash Flow Information	
Cash paid for interest	$ 226

See accompanying notes to the interim consolidated financial statements.



Notes to the Interim Consolidated Financial Statements

March 31, 2004
(unaudited)
(in thousands of dollars, except unit and per unit amounts)

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 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.

2. SIGNIFICANT 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 Canadian GAAP for annual financial statements, and should be read in conjunction with the annual consolidated financial statements.

3. ASSET ACQUISITION

On January 1, 2004, the Partnership acquired three locations operating under three franchise agreements from Centract Residential Property Services for $146, of which $116 was paid in cash and $30 remains outstanding. This transaction has been recorded at the exchange amount agreed to between the parties.

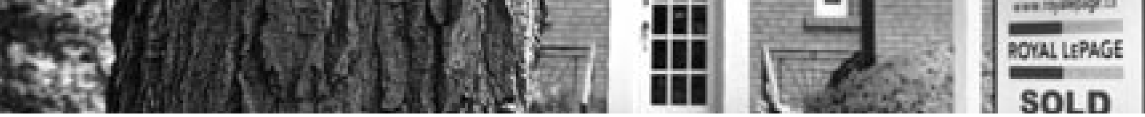
4. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2004, the Fund had the following transactions with parties related to the non-controlling interest. These transactions have been recorded at the exchange amount agreed to between the parties:

a)	Royalties		
	Fixed, variable and other franchise fees	$	416
	Premium franchise fees	$	444
b)	Expenses		
	Management fees	$	881
	Insurance and other	$	23
c)	Distributions		
	Distribution paid to non-controlling interest	$	915

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

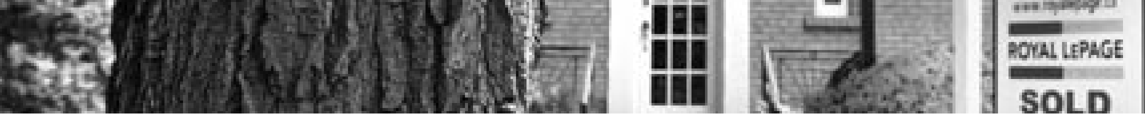
		March 31 2004	December 31 2003
d)	Accounts receivable		
	Franchise fees receivable and other	**$ 293**	$ 375
e)	Accounts payable and accrued liabilities		
	Distributions payable to non-controlling interest	**$ 915**	$ 915
	Management fees	**$ 814**	$ 663
	Due to non-controlling interest	**$ 30**	$ 100

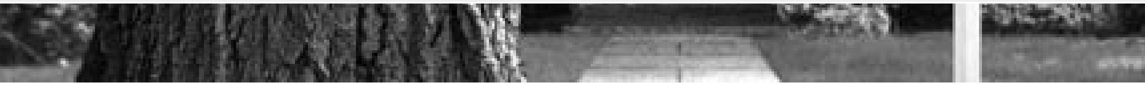


Supplemental Information
Net Earnings and Distributable Cash by Period[1]

(thousands except per unit amounts)	55 days ended Sept. 30 2003 (reported)	Three months ended Dec. 31 2003 (reported)	**Three months ended March 31 2004 (reported)**
Royalties	$ 3,600	$ 5,202	**$ 4,855**
Less:			
Administration expenses	70	161	**86**
Management fee	595	955	**881**
Interest expense	244	376	**361**
Amortization of intangible assets	1,402	2,350	**3,420**
Earnings before undernoted	1,289	1,360	**107**
Non-controlling interest	(322)	(380)	**(44)**
Net earnings for the period	967	980	**63**
Add :			
Amortization of intangible assets	1,402	2,350	**3,420**
Non-controlling interest	322	380	**44**
Distributable cash	2,691	3,710	**3,527**
Add (less) change in:			
Working capital and other reserves	(309)	108	**260**
Reserves for acquisition	–	(156)	**(127)**
Distributable cash after reserves	$ 2,382	$ 3,662	**$ 3,660**
Distributable cash available to:			
Public unit holders	$ 1,786	$ 2,747	**$ 2,745**
Non-controlling interest	596	915	**915**
	$ 2,382	$ 3,662	**$ 3,660**
Distributions to public unitholders	$ 1,787	$ 2,747	**$ 2,745**
Per unit (9,983,000 units):			
Basic and diluted earnings	$ 0.10	$ 0.10	**$ –**
Basic and diluted distributable cash	$ 0.18	$ 0.28	**$ 0.26**
Basic and diluted distributions	$ 0.18	$ 0.28	**$ 0.28**

[1]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. Distributable cash per unit has been calculated on a basis with that prescribed by GAAP for calculating earnings per unit.





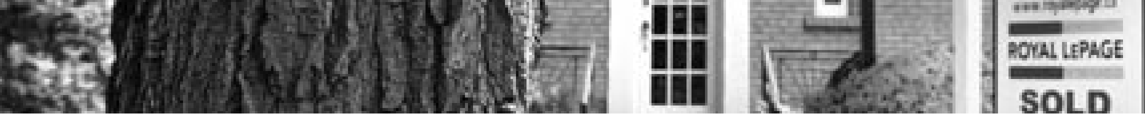
Supplemental Information
Selected Financial and Operating Information[2]

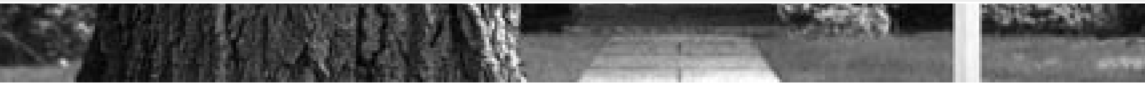
(thousands except number of agents and sales representatives)	Three months ended March 31 2003	Three months ended June 30 2003	Three months ended Sept. 30 2003	Three months ended Dec. 31 2003	**Three months ended March 31 2004**
	(pro forma)	(pro forma)	(pro forma)	(reported)	**(reported)**
Revenue					
Fixed franchise fees	$ 2,305	$ 2,418	$ 2,479	$ 2,465	**$ 2,522**
Variable franchise fees	1,066	1,709	1,901	1,169	**1,179**
Premium franchise fees	515	917	1,287	930	**541**
Other fees and services	427	515	588	638	**613**
	$ 4,313	$ 5,559	$ 6,255	$ 5,202	**$ 4,855**
Additions for the period:					
Number of agents and sales representatives	367	292	142	108	**279**
Number of agents	366	292	142	101	**225**
Number of locations	3	3	(1)	(12)	**6**
Number of franchisees	2	1	–	(1)	**4**
At end of period:					
Number of agents and sales representatives	8,912	9,204	9,346	9,454	**9,733**
Number of agents	8,219	8,511	8,653	8,754	**8,979**
Number of locations	519	522	521	509	**515**
Number of franchisees	226	227	227	226	**230**

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

Supplemental Information
Fund Unit Performance

	55 days ended Sept. 30 2003	Three months ended Dec. 31 2003	**Three months ended March 31 2004**
Trading price range of units (TSX: “RSF.un”)			
High	$ 10.64	$ 10.92	**$ 12.10**
Low	$ 9.90	$ 10.03	**$ 10.80**
Close	$ 10.26	$ 10.85	**$ 11.70**
Average daily volume	105,176	18,112	**28,016**
Number of units outstanding at period end	9,983,000	9,983,000	**9,983,000**
Enterprise value at period end (thousands)	$ 167,167	$ 175,021	**$ 186,335**



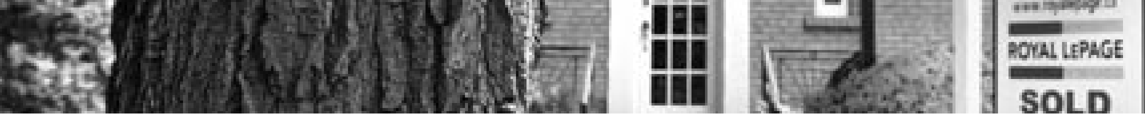


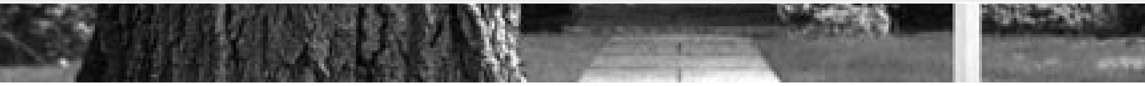
Supplemental Information
Condensed Balance Sheet

(thousands, unaudited)	As at Sept. 30 2003	As at Dec. 31 2003	**As at March 31 2004**
Cash and cash equivalents	$ 1,895	$ 1,439	**$ 1,205**
Accounts receivable	2,063	1,970	**2,214**
Prepaid expenses	179	241	**104**
Intangible assets	153,015	150,765	**147,491**
	$ 157,152	$ 154,415	**$ 151,014**
Accounts payable and accrued liabilities	$ 2,042	$ 2,378	**$ 2,530**
Distributions payable to unitholders	1,786	915	**915**
Term loan	30,600	30,600	**30,600**
Non controlling interest	30,680	30,170	**29,299**
Unitholders' equity	92,044	90,352	**87,670**
	$ 157,152	$ 154,415	**$ 151,014**

Supplemental Information
Condensed Cashflow by Period

(thousands, unaudited)	55 days ended Sept. 30 2003	Three months ended Dec. 31 2003	**Three months ended March 31 2004**
Cash provided by (used for):			
Operating activities			
Net earnings for the period	$ 967	$ 980	**$ 63**
Add (Deduct)			
Non-controlling interest	322	380	**44**
Amortization of intangible assets	1,402	2,350	**3,420**
Changes in non-cash working capital	(1,760)	815	**15**
	931	4,525	**3,542**
Investing activities			
Purchase of intangible assets	(121,140)	(100)	**(116)**
Financing activities			
Initial public offering of units	99,830	–	**–**
Issue costs paid	(8,326)	(667)	**–**
Proceeds from term loan	30,600	–	**–**
Distributions paid to unitholders	–	(3,618)	**(2,745)**
Distributions paid to non-controlling interest	–	(596)	**(915)**
	122,104	(4,881)	**(3,660)**
Increase (decrease) in cash and cash equivalents during the period	1,895	(456)	**(234)**
Cash and cash equivalents, beginning of period	–	1,895	**1,439**
Cash and cash equivalents, end of period	$ 1,895	$ 1,439	**$ 1,205**





Supplemental Information
Canadian Real Estate Market

(transaction dollar volume in thousands)	Three months ended March 31 2003	Three months ended June 30 2003	Three months ended Sept. 30 2003	Three months ended Dec. 31 2003	**Three months ended March 31 2004**
Canada					
Transaction dollar volume	$19,229,757	$26,138,806	$24,807,164	$20,346,679	**$23,853,144**
Average selling price	$ 198,182	$ 204,297	$ 208,769	$ 214,888	**$ 219,091**
Number of units sold	97,031	127,945	118,826	94,685	**108,873**
Number of agents at period end	67,976	69,330	70,098	71,267	**–***
Housing starts	38,270	59,150	62,771	58,235	**39,382**
Greater Toronto Area					
Transaction dollar volume	$ 4,995,339	$ 6,904,598	$ 6,219,988	$ 5,161,741	**$ 5,927,225**
Average selling price	$ 287,849	$ 295,510	$ 290,871	$ 298,919	**$ 305,653**
Number of units sold	17,354	23,365	21,384	17,268	**19,392**
Housing starts	9,743	11,300	12,323	12,109	**6,831**

* Data not available

Supplemental Information
Canadian Real Estate Market

(transaction dollar volume in thousands)	Twelve months ended March 31 2003	Twelve months ended June 30 2003	Twelve months ended Sept. 30 2003	Twelve months ended Dec. 31 2003	**Twelve months ended March 31 2004**
Canada					
Transaction dollar volume	$78,952,435	$80,894,547	$86,898,805	$90,522,405	**$95,145,792**
Average selling price	$ 191,842	$ 196,383	$ 201,968	$ 206,443	**$ 211,281**
Number of units sold	411,550	411,922	430,261	438,487	**450,329**
Housing starts	207,164	207,154	214,195	218,426	**219,538**
Greater Toronto Area					
Transaction dollar volume	$20,390,720	$20,938,930	$22,492,660	$ 23,281,665	**$24,213,552**
Average selling price	$ 280,185	$ 285,696	$ 289,540	$ 293,327	**$ 297,431**
Number of units sold	72,776	73,291	77,684	79,371	**81,409**
Housing starts	43,876	44,237	44,578	45,475	**42,563**

Royal LePage Franchise Services Fund TSX-RSF.un

Unitholder Inquiries

The Royal LePage Franchise Services Fund welcomes inquiries from unitholders, analysts, media representatives and other interested parties. Questions relating to investor relations or media inquiries can be directed to:

Selena Fiacco, Manager, Investor Relations and National Communications
Telephone: (416) 510-5699
Email: selenafiacco@royallepage.ca.

Head Office
39 Wynford Drive
Toronto, Ontario M3C 3K5

Telephone: (416) 510-5800 Fax: (416) 510-5856
Web Site: **www.rsfund.ca**
Email: **info@rsfund.ca**

Transfer Agent and Registrar
CIBC Mellon Trust Company
P.O. Box 7010, Adelaide Street Postal Station
Toronto, Ontario M5C 2W9

Telephone: (416) 643-5500 or 1-800-387-0825 Fax: (416) 643-5501
Web Site: **ww.cibcmellon.com**
Email: **inquiries@cibcmellon.com**

Communications

We endeavour to keep our unitholders informed of our progress through a comprehensive annual report, quarterly interim reports and periodic press releases.

The Royal LePage Franchise Services Fund maintains a web site that provides summary information on the company and ready access to our public reports, press releases, statutory filings, units and distribution information. Directors and management meet with the company's unitholders at the Annual Meeting and are available to respond to questions at any time.

We maintain an investor relations program to respond to inquiries in a timely manner. Management meets on a regular basis with investment analysts and financial advisors to ensure that accurate information is available to investors to discuss the company's financial results. We also endeavour to ensure that the media are kept informed of our developments as they occur.

Interim Report to Unitholders Q1 2004 TSX-RSF.UN

ROYAL LEPAGE

www.royallepage.ca
www.rsfund.ca