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Royal LePage Franchise Services Fund Reports Record Second Quarter Results

Toronto, ON – August 4, 2005 – (TSX – RSF.UN) Royal LePage Franchise Services Fund (the "Fund") today reported record operating results for the second quarter ended June 30, 2005, the strongest in the Fund's history. Royalty revenue increased to $7.1 million and net earnings to $1.4 million, representing 12% and 18% increases respectively, over the second quarter of 2004. Distributable cash totaled $5.5 million, up 8% over the same period in 2004. Growth in royalty revenue was driven by a 13% increase in the Fund's underlying network of agents and sales representatives for the twelve months ended June 30, 2005 and continued strength in the Canadian residential resale housing market.

Philip Soper, President and CEO noted, "Our investment in recruitment programs has paid off handsomely this year - an unprecedented 295 agents were added to the Fund Network during the second quarter alone. In addition to the 168 agents recruited in the first quarter, the Fund has already exceeded our annual growth target of 400 agents. Royal LePage is a highly valued real estate brand in every province. We continue to attract high performing broker-owners and agents with our unique suite of web-based marketing and business process automation services. To help our Realtors leverage these tools, we have invested heavily in training and coaching programs."

Mr. Soper added, "Our solid second quarter performance has allowed us to grow the Fund's cash reserves to $5.6 million from $3.8 million in the previous quarter. This puts the fund in an excellent position to maintain stable distributions through periods of seasonal fluctuation, and to fund future growth initiatives."

Financial and Operating Highlights
For the three months ended June 30, 2005

	(thousands)	(per unit)
Royalties	$7,138	$0.54
Net earnings	$1,436	$0.14
Distributable cash	$5,476	$0.41
Distributions	$3,662	$0.28

Growth Pipeline

In addition to the 463 agents added by organic recruitment in 2005, the Fund grew through the acquisition of 558 agents represented by 38 franchise contracts on January 1, 2005. Total agent growth for the six months ended June 30, 2005, is 1,021, well ahead of management's expectations.

An additional 179 agents are in the acquisition growth pipeline as of June 30, 2005.

Royalty Fee Structural Change

Effective July 1, 2005, franchises will begin paying a fixed $100 monthly fee for sales representatives. This impacts only sales representatives that are selling-Realtors, and excludes broker-owners and managers. Fund management anticipates that a minimum of 400 sales representatives will contribute royalties under the new fee structure.

Monthly Cash Distribution

The Royal LePage Franchise Services Fund today declared a cash distribution of $0.0917 per unit for the month of August 2005, payable September 30, 2005, to unitholders of record on August 31, 2005.

Outlook

The second quarter saw a softening in the rate of price appreciation in major markets such as Toronto, Montreal and Vancouver. However, there was no corresponding softening of demand. In most urban markets, increased inventory gave buyers more selection over last year and curbed price increases somewhat. "Strong economic fundamentals and low interest rates kept demand for homes among Canadians resolutely high," said Philip Soper. "The pace of market growth should moderate in the second half of 2005 as latent demand is satisfied and listing inventories continue to rise. Annual house price appreciation should fall from the double-digit increases seen in 2004 to mid-single digit levels by year end; moving us from a market skewed in the seller's favour, to more balanced conditions."

Second Quarter Results Conference Call

A conference call for investors, analysts and media to review the second quarter 2005 results will be held on Friday, August 5, 2005 at 9:30 am. (EST). To participate in the conference call, please dial toll-free 1-866-682-1164 from Canada, and 1-877-366-0714 from USA, at approximately 1:50 p.m. EST. The participant verbal pass code for this call is VS009854. For those unable to participate in the conference call, a taped re-broadcast will be available from August 10, 2005 online at www.rsfund.ca under "Financial Reports" which can be found under "Investment Info."

About the Royal LePage Franchise Services Fund

The Royal LePage Franchise Services Fund is a leading provider of services to residential real estate brokers and their agents. The Fund generates cash flow from franchise royalties and service fees derived from a national network of real estate brokers and agents in Canada operating under the Royal LePage and Johnston & Daniel brand names. As at June 30, 2005, the Fund Network is comprised of 264 franchise agreements, operating from 565 locations serviced by 11,218 agents and sales representatives. The Fund has approximately 20% market share of the Canadian residential resale real estate market based on transactional dollar volume. Royal LePage Franchise Services Fund is a TSX listed income trust, which pays monthly distributions and trades under the symbol "RSF.UN".

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ROYAL LEPAGE FRANCHISE SERVICES FUND

Interim Consolidated Balance Sheets

(in thousands of dollars)

As at	June 30, 2005	December 31, 2004
Assets	(unaudited)	
Current assets		
Cash and cash equivalents	**$ 5,430**	$ 4,444
Accounts receivable	**3,074**	2,176
Prepaid expenses	**60**	96
	8,564	6,716
Deferred charges	**743**	—
Deposit on acquisition (note 3)	**1,118**	—
Intangible assets (note 3)	**136,169**	137,238
	$ 146,594	$ 143,954
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 2,003**	$ 2,001
Distribution payable to unitholders	**915**	915
	2,918	2,916
Long-term debt (note 5)	**38,000**	30,600
Non-controlling interest	**26,604**	27,740
	67,522	61,256
Unitholders' equity	**79,072**	82,698
	$ 146,594	$ 143,954

See accompanying notes to the interim consolidated financial statements

On behalf of the board

Trustee

Trustee

ROYAL LEPAGE FRANCHISE SERVICES FUND
Interim Consolidated Statements of Earnings

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

	Three months ended June 30, 2005	Three months ended June 30, 2004	**Six months ended June 30, 2005**	Six months ended June 30, 2004
Royalties				
Fixed franchise fees	**$ 2,999**	$ 2,718	**$ 5,944**	$ 5,240
Variable franchise fees	**2,231**	2,008	**3,566**	3,187
Premium franchise fees	**1,103**	932	**1,679**	1,473
Other fees and services	**805**	739	**1,545**	1,352
	7,138	6,397	**12,734**	11,252
Expenses				
Administration	**145**	93	**268**	179
Management fee	**915**	950	**1,830**	1,831
Interest expense	**602**	296	**1,083**	657
Amortization of intangible assets	**3,521**	3,418	**6,992**	6,838
	5,183	4,757	**10,173**	9,505
Earnings before undernoted	**1,955**	1,640	**2,561**	1,747
Non-controlling interest	**(519)**	(427)	**(694)**	(471)
Net earnings	**$ 1,436**	$ 1,213	**$ 1,867**	$ 1,276
Basic and diluted earnings per unit (9,983,000 units) (note 6)	**$ 0.14**	$ 0.13	**$ 0.19**	$ 0.13

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, 2003	$ 92,938	$ 1,947	$ (4,533)	$ 90,352
Changes during the period:				
Net earnings	—	1,276	—	1,276
Unit distributions	—	—	(5,493)	(5,493)
Balance, June 30, 2004	$ 92,938	$ 3,223	$(10,026)	$ 86,135
Balance, December 31, 2004	$ 92,938	$ 5,278	$(15,518)	$ 82,698
Changes during the period:				
Net earnings	—	1,867	—	1,867
Unit distributions	—	—	(5,493)	(5,493)
Balance, June 30, 2005	$ 92,938	$ 7,145	$(21,011)	$ 79,072

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 June 30, 2005	Three months ended June 30, 2004	**Six months ended June 30, 2005**	Six months ended June 30, 2004
Cash provided by (used for):				
Operating activities				
Net earnings for the period	**$ 1,436**	$ 1,213	**$ 1,867**	$ 1,276
Items not affecting cash				
Non-controlling interest	**519**	427	**694**	471
Amortization of deferred charges	**41**	—	**58**	—
Amortization of intangible assets	**3,521**	3,418	**6,992**	6,838
	5,517	5,058	**9,611**	8,585
Changes in non-cash working capital	**(29)**	(540)	**(860)**	(525)
	5,488	4,518	**8,751**	8,060
Investing activities				
Deposit on acquisition (note 3)	—	—	**(7,048)**	—
Purchase of intangible assets	**(19)**	(4)	**7**	(120)
	(19)	(4)	**(7,041)**	(120)
Financing activities				
Distributions paid to unitholders	**(2,747)**	(2,748)	**(5,493)**	(5,493)
Distributions paid to non-controlling interest	**(915)**	(916)	**(1,830)**	(1,831)
Proceeds from private debt placement	—	—	**38,000**	—
Repayment of term loan	—	—	**(30,600)**	—
Deferred charges	**(35)**	—	**(801)**	—
	(3,697)	(3,664)	**(724)**	(7,324)
Increase in cash and cash equivalents during the period	**1,772**	850	**986**	616
Cash and cash equivalents, beginning of period	**3,658**	1,205	**4,444**	1,439
Cash and cash equivalents, end of period	**$ 5,430**	$ 2,055	**$ 5,430**	$ 2,055
Supplementary Cash Flow Information				
Cash paid for interest	**$ 557**	$ 286	**$ 808**	$ 512

See accompanying notes to the interim consolidated financial statements

ROYAL LEPAGE FRANCHISE SERVICES FUND

Notes to the Interim Consolidated Financial Statements

June 30, 2005
(unaudited)
(in thousands of dollars)

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 (the "Subordinated LP Units") 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 except as described below. They do not include all the information and disclosure required by GAAP for annual financial statements, and should be read in conjunction with the December 31, 2004 annual consolidated financial statements.

Deferred Charges

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

3. INTANGIBLE ASSETS

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

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

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

(in thousands of dollars)

3. INTANGIBLE ASSETS (cont'd)

During the three and six months ended June 30, 3005, $2,920 and $5,930, respectively, was transferred from "deposit on acquisition" and recorded as "intangible assets". A summary of intangible assets is as follows:

	June 30, 2005		
	Cost	**Accumulated Amortization**	**Net Book Value**
Franchise agreements	**$ 120,338**	**$ 24,069**	**$ 96,269**
Relationships and trademarks	**40,252**	**352**	**39,900**
	$ 160,590	**$ 24,421**	**$ 136,169**

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

4. OPERATING CREDIT FACILITY

On February 16, 2005, the Partnership obtained a credit facility (the "revolver") of up to $2,000 from a Canadian financial institution. This revolver may be used to provide working capital to the Partnership from time to time. The revolver is subject to annual renewal with outstanding principal under the revolver subject to interest at the lender's prime rate plus 1% to 1.5% or the banker acceptance rate plus 2% to 2.5%, based on the ratio of total debt to Adjusted EBITDA of the Partnership as defined in the credit agreement. The Fund's $2,000 operating credit facility which existed prior to February 16, 2005, was terminated and replaced with the new revolver. As at June 30, 2005, the operating credit facility had not been drawn upon.

5. LONG-TERM DEBT

On February 18, 2005, the Partnership completed the issuance of a $38,000 private debt placement (the "private placement") provided by Canadian institutional investors. The private placement is for a five-year term with interest fixed at 5.882% payable quarterly in arrears. The proceeds of the private placement, net of $766 in issue costs, were utilized by the Partnership to payout and retire its $30,600 term loan and to fund the Partnership's January 1, 2005 franchise agreement acquisition obligations.

6. EARNINGS PER UNIT

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

(in thousands of dollars)

7. RELATED PARTY TRANSACTIONS

Unless disclosed elsewhere, the Fund had the following transactions with parties related to the non-controlling interest during the three and six months ended June 30, 2005 and 2004. These transactions have been recorded at the exchange amount agreed to between the parties.

	Three months ended June 30, 2005	Three months ended June 30, 2004	**Six months ended June 30, 2005**	Six months ended June 30, 2004
a) Royalties				
Fixed, variable and other franchise fees	**$ 510**	$ 478	**$ 952**	$ 894
Premium franchise fees	**$ 930**	$ 815	**$ 1,420**	$ 1,259
b) Expenses				
Management fees	**$ 915**	$ 950	**$ 1,830**	$ 1,831
Insurance and other	**$ 22**	$ 23	**$ 44**	$ 46
c) Distributions				
Distributions paid to non-controlling interest	**$ 915**	$ 916	**$ 1,830**	$ 1,831

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

As at	**June 30, 2005**	December 31, 2004
d) Accounts receivable		
Franchise fees receivable and other	**$ 687**	$ 293
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	**$ 915**	$ 915
Management fees	**$ 325**	$ 814
Due to non-controlling interest	**$ —**	$ 30
Other payables	**$ 42**	$ —

Supplemental Information Selected Financial and Operating Information	Three months ended Sept. 30 2003	Three months ended Dec. 31 2003	Three months ended March 31 2004	Three months ended June 30 2004	Three months ended Sept. 30 2004	Three months ended Dec. 31 2004	Three months ended March 31 2005	Three months ended June 30 2005
	(proforma)	(reported)	(reported)	(reported)	(reported)	(reported)	(reported)	(reported)
Revenue								
Fixed franchise fees	$ 2,479	$ 2,465	$ 2,522	$ 2,718	$ 2,691	$ 2,718	$ 2,945	$ 2,999
Variable franchise fees	1,901	1,169	1,179	2,008	2,041	1,149	1,335	2,231
Premium franchise fees	1,287	930	541	932	1,489	1,009	576	1,103
Other fees and services	588	638	613	739	731	660	740	805
	$ 6,255	$ 5,202	$ 4,855	$ 6,397	$ 6,952	$ 5,536	$ 5,596	$ 7,138

Additions for the period:	Three months ended Sept. 30 2003	Three months ended Dec. 31 2003	Three months ended March 31 2004	Three months ended June 30 2004	Three months ended Sept. 30 2004	Three months ended Dec. 31 2004	Three months ended March 31 2005	Three months ended June 30 2005
Number of agents & sales representatives	142	108	279	189	210	13	750	323
Number of agents	142	101	225	163	175	38	726	295
Number of locations	(1)	(12)	6	9	-	(6)	48	(1)
Number of franchisees	-	(1)	4	(2)	-	(1)	38	(1)
At end of period								
Number of agents & sales representatives	9,346	9,454	9,733	9,922	10,132	10,145	10,895	11,218
Number of agents	8,653	8,754	8,979	9,142	9,317	9,355	10,081	10,376
Number of locations	521	509	515	524	524	518	566	565
Number of franchisees	227	226	230	228	228	227	265	264

Distributable Cash

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 is calculated as net earnings per GAAP, adding back non-cash items which are comprised of non-controlling interest share of net earnings and amortization of intangible assets. 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.

Forward-Looking Statements

Certain statements in the News Release may include statements that are "forward-looking statements". These forward-looking statements may reflect the current internal projections, expectations or beliefs, 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 or 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 News Release and the Fund assumes no obligation to update or revise them.