Brookfield Real Estate Services

**For Immediate Release**

## Brookfield Real Estate Services Fund Announces Fourth Quarter and Fiscal 2007 Results and Monthly Cash Distribution

***2007 Royalties increased 9.5%***

**Toronto, ON – March 12, 2008** – (TSX – BRE.UN) Brookfield Real Estate Services Fund (the "Fund"), formerly Royal LePage Franchise Services Fund, today announced that royalties for the year ended December 31, 2007 increased 9.5% over 2006 to $32.5 million, exceeding the Fund's target of 4% growth. Distributable cash increased 21.5% to $23.5 million ($1.76 per unit) from $19.3 million ($1.45 per unit) in 2006, and net earnings increased to $7.7 million ($0.77 per unit) from $3.5 million ($0.35 per unit) in 2006.

The year-over-year increase in royalties resulted from the continued growth in the Canadian residential real estate market and the Fund's underlying REALTOR®[1] network while the increase in net earnings included a $1.8 million income tax recovery recorded during the second half of 2007 in accordance with new tax legislation, and a non-recurring accumulated $1.9 million management fee recorded in the first quarter of 2006.

"In 2007 we exceeded our performance targets again and for the third consecutive year we raised our cash distribution target," said Phil Soper, President and Chief Executive. "Our strong growth reflects the ongoing expansion of our REALTOR® network, the continuing high standards of leading support services we provide our REALTORS®, and the increase in average housing prices and unit sales in the Canadian residential resale market.

"We also made excellent progress in implementing the acquisition portion of our growth strategy. For some time, we have communicated our objective of acquiring new high quality real estate brands in markets with good long-term potential, building on the success of our Royal LePage brand. In 2007 we made our first move in this direction, with the Fund's acquisition of Quebec-based La Capitale Real Estate Network ("La Capitale") effective January 1, 2008. The addition of the La Capitale brand triggered our name change. These initiatives open new doors that increase our growth potential and should enable us to more fully leverage our unique operating strengths."

A summary of our year end and fourth quarter results is as follows:

| | **Fourth Quarter** | | | | **Year Ended December 31,** | | | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | | 2006 | | **2007** | | 2006 | |
| | **(thousands)** | **(per unit)** | (thousands) | (per unit) | **(thousands)** | **(per unit)** | (thousands) | (per unit) |
| Royalties | **$ 7,448** | **$ 0.56** | $ 6,765 | $ 0.51 | **$ 32,491** | **$ 2.44** | $ 29,959 | $ 2.23 |
| Earnings before non-controlling interest | **$ 1,281** | **$ 0.10** | $ 1,156 | $ 0.09 | **$ 10,493** | **$ 0.79** | $ 4,769 | $ 0.36 |
| Net earnings | **$ 917** | **$ 0.09** | $ 839 | $ 0.08 | **$ 7,718** | **$ 0.77** | $ 3,450 | $ 0.35 |
| Distributable cash [2] | **$ 5,320** | **$ 0.40** | $ 4,822 | $ 0.36 | **$ 23,478** | **$ 1.76** | $ 19,328 | $ 1.45 |
| Distributions | **$ 3,993** | **$ 0.30** | $ 3,825 | $ 0.29 | **$ 15,973** | **$ 1.20** | $ 15,303 | $ 1.15 |

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

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

In the fourth quarter, royalty revenue increased 10.0% over the same quarter in 2006 to $7.4 million, distributable cash increased 10.3% to $5.3 million or $0.40 per unit and net earnings increased 9.3% to $917,000 or $0.09 per unit.

**Fund Growth**

During 2007, the Fund added 1,905 REALTORS® to begin 2008 with a total of 14,444 REALTORS®, representing an increase of 15.2% from January 1, 2007. This growth far exceeded the high end of our growth target of 300 to 500 REALTORS® for the year. Of the 1,905 additional REALTORS®, 633 were added organically through recruitment and 1,272 REALTORS® joined through the Fund's acquisition of 60 franchise contracts on January 1, 2008. Of these new contracts, 16 represented locations serviced by an estimated 212 agents operating under the Royal LePage brand and 44 represented locations serviced by an estimated 1,060 agents operating under the La Capitale Real Estate Network brand.

**Monthly Cash Distribution**

The Brookfield Real Estate Services Fund declared a cash distribution of $0.104 per unit for the month of March 2008, payable April 30, 2008, to unitholders of record on March 31, 2008.

**Outlook**

"After experiencing an exceptionally strong year characterized by record-breaking average house prices and unit sales, we expect a move toward balanced housing markets during 2008 as affordability is slowly eroded," said Mr. Soper. "We expect continuing solid housing markets in Canada in 2008, benefiting from a combination of stable economic fundamentals, including high levels of employment, favourable consumer confidence, modest levels of inflation and the relatively low cost of borrowing money.

"Nationally, we forecast average house prices in Canada to increase by 3.5%, and transactions to decline by about 4% compared with 2007. Despite the anticipated reduction in unit sales, we expect the number of homes trading hands in 2008 to remain higher than in all years prior to 2007.

"In 2008, our growth will reflect the addition of La Capitale as well as Royal LePage's network expansion. The increasing size and scale required in the real estate services industry to provide sophisticated infrastructure cost effectively is driving consolidation in Canada as well as in the U.S. where the industry is more fragmented. We will continue to investigate accretive acquisition opportunities, including new brands, in Canada and the U.S.

"Based on existing brands, we target increasing revenue by 10% over 2007, and our total network by a range of 300 to 500 REALTORS® through organic growth and acquisitions." This target is based on the Fund's current market outlook and continuing successful implementation of its growth strategy and is subject to a number of risks including those outlined under Forward-Looking Statements below.

**Fund Structure**

The Fund generates both fixed and variable fee components. Variable fees are primarily driven by the total transactional-dollar volume from agent sales commissions, while fixed franchise fees are based on the number of agents and sales representatives in the network. Approximately 66% of the Fund's revenue is based on fixed fees from a large number of long-term franchisee contracts, which provide revenue stability and help insulate the Fund from market fluctuations.

**Q4 Conference Call**

A conference call for investors, analysts and media to review the fourth quarter results will be held on Wednesday, March 12, 2008, at 10:00 a.m. (Eastern Time). To participate in the conference call, please dial toll free 1-866-296-6505 approximately five minutes before the call. The pass code for this call is 53439. For those unable to participate in the conference call, it will be available by webcast, and a replay will also be posted online following the conference call at www.brookfieldres.com under "News & Events".

## About the Brookfield Real Estate Services Fund

The Fund is a leading provider of services to residential real estate REALTORS®[1]. The Fund generates cash flow from franchise royalties and service fees derived from a national network of real estate brokers and agents in Canada operating under the Royal LePage, La Capitale Real Estate Network and Johnston & Daniel brand names. At January 1, 2008, the Fund Network was comprised of 14,444 REALTORS®. The Fund Network has an approximate 21% share of the Canadian residential resale real estate market based on transactional dollar volume. The Fund is a TSX listed income trust, which pays monthly distributions and trades under the symbol "BRE.UN". The Fund's website address is www.brookfieldres.com

## Forward-Looking Statements

This quarterly news release contains forward-looking information and other "forward-looking statements".The words such as "should", "will", "continue", "plan", "believe", "expect", "anticipate", "intend", "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Fund to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forward in the forward-looking statements include a change in general economic conditions, interest rates, consumer confidence, the level of residential resale transactions, the average rate of commissions charged, competition from other traditional real estate brokers or from discount and/or internet-based real estate alternatives, the availability of acquisition opportunities and/or the closing of existing real estate offices, other developments in the residential real estate brokerage industry or the Fund that reduce the number of and/or royalty revenue from the Fund's REALTORS®, our ability to maintain brand equity through the use of trademarks, the availability of equity and debt financing, a change in tax provisions, and other risks detailed in the Fund's annual information form which is filed with securities commissions and posted on SEDAR at www.sedar.com. The Fund undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

For more information contact
Gurinder Sandhu
Vice President Finance
Brookfield Real Estate Services Limited
(416) 510-5701
gsandhu@brookfieldres.com
www.brookfieldres.com

Brookfield Real Estate Services Fund (formerly Royal LePage Franchise Services Fund)

# Consolidated Balance Sheets

| As at December 31, 2007 and 2006 (in thousands of dollars) | | **2007** | | 2006 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash | **$** | **7,516** | $ | 6,951 |
| Accounts receivable | | **2,752** | | 2,699 |
| Prepaid expenses | | **84** | | 92 |
| | | **10,352** | | 9,742 |
| Deferred charges (note 5) | | **–** | | 516 |
| Future income tax asset (note 7) | | **1,819** | | – |
| Intangible assets (note 3) | | **117,279** | | 124,031 |
| | **$** | **129,450** | $ | 134,289 |
| **Liabilities and Unitholders' Equity** | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | **$** | **2,232** | $ | 2,998 |
| Purchase obligation (note 3) | | **2,295** | | 576 |
| Distribution payable to unitholders | | **998** | | 956 |
| | | **5,525** | | 4,530 |
| Long-term debt (note 5) | | **37,617** | | 38,000 |
| Non-controlling interest (note 6) | | **22,106** | | 23,317 |
| | | **65,248** | | 65,847 |
| Unitholders' equity | | **64,202** | | 68,442 |
| | **$** | **129,450** | $ | 134,289 |

See accompanying notes to the consolidated financial statements

Brookfield Real Estate Services Fund (formerly Royal LePage Franchise Services Fund)

# Consolidated Statements of Earnings and Comprehensive Earnings

| Years ended December 31 (in thousands of dollars, except unit and per unit amounts) | 2007 | 2006 |
|---|---|---|
| **Royalties** | | |
| Fixed franchise fees | **$ 14,872** | $ 13,827 |
| Variable franchise fees | **8,566** | 7,832 |
| Premium franchise fees | **5,290** | 4,488 |
| Other fees and services | **3,763** | 3,512 |
| | **32,491** | 29,659 |
| **Expenses** | | |
| Administration | **725** | 645 |
| Management fee (note 10) | **5,869** | 7,285 |
| Interest expense | **2,419** | 2,401 |
| Amortization of intangible assets (note 3) | **14,804** | 14,559 |
| | **23,817** | 24,890 |
| **Earnings before the undernoted** | **8,674** | 4,769 |
| Income tax (note 7) | **1,819** | – |
| **Earnings before non-controlling interest** | **10,493** | 4,769 |
| Non-controlling interest (note 6) | **(2,775)** | (1,319) |
| **Net and comprehensive earnings** | **$ 7,718** | $ 3,450 |
| **Basic and diluted earnings per unit** (9,983,000 units) (note 9) | **$ 0.77** | $ 0.35 |

See accompanying notes to the consolidated financial statements

Brookfield Real Estate Services Fund (formerly Royal LePage Franchise Services Fund)

# Consolidated Statements of Unitholders' Equity

| (in thousands of dollars) | Units | Net Earnings | Distributions | Deficit | Total |
|---|---|---|---|---|---|
| **Balance, January 1, 2006** | $ 92,938 | $ 10,034 | $ (26,503) | $ (16,469) | $ 76,469 |
| Changes during the year: | | | | | |
| Net earnings | | 3,450 | – | 3,450 | 3,450 |
| Unit distributions | | – | (11,477) | (11,477) | (11,477) |
| **Balance, December 31, 2006** | $ 92,938 | $ 13,484 | $ (37,980) | $ (24,496) | $ 68,442 |
| Transition adjustment (notes 2 & 5) | | 22 | – | 22 | 22 |
| Balance, January 1, 2007 | $ 92,938 | $ 13,506 | $ (37,980) | $ (24,474) | $ 68,464 |
| Changes during the year: | | | | | |
| Net earnings | | **7,718** | **–** | **7,718** | **7,718** |
| Unit distributions | | **–** | **(11,980)** | **(11,980)** | **(11,980)** |
| **Balance, December 31, 2007** | **$ 92,938** | **$ 21,224** | **$ (49,960)** | **$ (28,736)** | **$ 64,202** |

See accompanying notes to the consolidated financial statements

Brookfield Real Estate Services Fund (formerly Royal LePage Franchise Services Fund)

# Consolidated Statements of Cash Flows

| Years ended December 31, 2007 and 2006 (in thousands of dollars) | **2007** | 2006 |
|---|---|---|
| **Cash provided by (used for):** | | |
| **Operating activities** | | |
| Net earnings for the year | **$ 7,718** | $ 3,450 |
| Items not affecting cash | | |
| Non-controlling interest | **2,775** | 1,319 |
| Future income tax recovery | **(1,819)** | – |
| Amortization of deferred charges | **–** | 168 |
| Non-cash interest expense (note 5) | **162** | – |
| Amortization of intangible assets | **14,804** | 14,559 |
| Changes in non-cash working capital (note 12) | **(769)** | 703 |
| | **22,871** | 20,199 |
| **Investing activities** | | |
| Purchase of intangible assets (note 3) | **(5,757)** | (4,993) |
| Payment of purchase price obligation | **(576)** | (2,893) |
| | **(6,333)** | (7,886) |
| **Financing activities** | | |
| Distributions paid to unitholders | **(11,980)** | (11,477) |
| Distributions paid to non-controlling interest | **(3,993)** | (3,826) |
| | **(15,973)** | (15,303) |
| **Increase (decrease) in cash during the year** | **565** | (2,990) |
| **Cash, beginning of year** | **6,951** | 9,941 |
| **Cash, end of year** | **$ 7,516** | $ 6,951 |

**See supplemental cash flow disclosure** (note 12)

See accompanying notes to the consolidated financial statements

# Notes to the Consolidated Financial Statements

December 31, 2007 and 2006 (in thousands of dollars)

## 1. Organization

Brookfield Real Estate Services Fund (the “Fund”, formerly the Royal LePage Franchise Services 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.

## 2. Significant Accounting Policies

**Basis of presentation**

These consolidated financial statements include the accounts of Brookfield Real Estate Services Fund (formerly 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, under the terms of a management services agreement (the “MSA”), receives certain management, administrative and support services from Brookfield Real Estate Services Ltd. (“BRESL”, formerly known as Residential Income Fund Manager Limited), a party related to the non-controlling interest via common control.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The Fund’s significant accounting policies are as follows:

**Revenue recognition**

Franchise fees are generally based on a percentage of an agent’s gross revenue (“Variable Franchise Fees”) to a specified maximum plus a dollar amount per agent (“Fixed Franchise Fees”). Gross revenue is the gross commission income (net of outside broker payments) paid in respect of the closings of residential resale real estate transactions. Variable Franchise Fees are recognized in income at the time a residential resale real estate transaction closes or lease is signed by the vendor or lessor. Fixed Franchise Fees are recognized in income as earned.

Premium franchise fees are calculated as a percentage ranging from 1% to 5% of an agent’s gross commission income for a select number of franchise locations. These fees are recognized in income at the time a residential resale real estate transaction closes or lease is signed by the vendor or lessor.

Other fee-based revenues are generally recognized in income when the related services have been provided. Any prepayment for future service is recorded as deferred revenue. Deferred revenue as at December 31, 2007 was $161 (2006 – $153).

**Intangible assets**

Intangible assets, consisting of franchise agreements, relationships and trademark rights are recorded at cost less accumulated amortization. The franchise agreements are being amortized over the terms of the agreements using the effective rate method. Relationships are being amortized over one renewal period, at the commencement of that period, using the effective rate method. The trademarks are being amortized on a straight-line basis over the term of the agreement plus one renewal period. The Fund reviews the carrying value of the intangible assets for impairment whenever events or circumstances indicate the carrying value may not be recoverable. If an impairment is determined to exist, the intangible assets are written down to their fair value.

**Earnings per unit**

The earnings per unit are based on the weighted average number of units outstanding during the period. Diluted earnings per unit are calculated to reflect the dilutive effect, if any, of the non-controlling interest exercising its right to exchange its Subordinated LP Units of the Partnership into units of the Fund after August 7, 2008.

**Use of estimates**
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment in the value of intangible assets, determination of the future tax asset, useful lives for amortization and provisions for contingencies. Actual results could differ from those estimates.

**Financial instruments**
As required by the Canadian Institute of Chartered Accountants ("CICA"), on January 1, 2007, the Fund adopted CICA Handbook Section 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855; *Financial Instruments – Recognition and Measurement*; Section 3861, *Financial Instruments – Disclosure and Presentation* and Section 3865, *Hedges*. These new Handbook sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also establishes standards for reporting and displaying comprehensive income.

Under the new standards, all financial instruments are classified into one of the following five categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale or other financial liabilities. All financial instruments, including derivatives, are measured at fair value, except for loans and receivables, held-to-maturity instruments and other financial liabilities, which are measured at amortized cost. Transaction costs for financial liabilities are applied against these liabilities and amortized using the effective interest method, the resulting amortization being recorded as financial expenses. Gains and losses on held-for-trading financial instruments are included in net income in the period in which they arise.

The Fund made the following classifications:

| | |
|---|---|
| Cash and cash equivalents | Held-for-trading |
| Accounts receivable | Loans and receivables |
| Accounts payable and accrued liabilities | Other liabilities |
| Purchase obligation | Other liabilities |
| Distributions payable to unitholders | Other liabilities |
| Long-term debt | Other liabilities |

The adoption of these new standards resulted in changes in the accounting for and presentation of the Fund's financial instruments and the recognition of certain transition adjustments recorded in opening unitholders' equity as described in note 5.

The Fund did not have any financial instruments or embedded derivatives at January 1, 2007 and December 31, 2007 that would result in Other Comprehensive Earnings to the Fund.

*Income taxes*
Pursuant to the terms of the Amended and Restated Declaration of Trust, the trustees of the Fund are required to make distributions or designate all taxable income earned by the Fund to its unitholders, including the taxable portion of net realized capital gains, and will deduct such distributions and designations for income tax purposes. Income tax obligations related to distributions by the Fund are the obligations of the unitholders. In respect of the assets and unit issuance costs of the Fund, the carrying value of the Fund's net assets at December 31, 2007 exceeds the amortizable tax basis by approximately $34,800 (2006 – $35,700).

On October 31, 2006, the Minister of Finance (Canada) announced proposed tax legislation ("trust legislation") that will change the income tax rules applicable to publicly traded trusts rendering income trusts taxable in 2011 except where a particular trust exceeds the Department of Finance's "growth guidelines" in which case the publicly traded trust would become immediately subject to the trust legislation. This trust legislation was substantively enacted into law on June 12, 2007, at which time the Fund gave accounting recognition to these new tax rules.

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

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

In 2011 when the Fund becomes a taxable entity, income taxes payable may reduce net earnings and will affect distributable cash by an equal amount. The Fund uses the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on the differences between the financial statement carrying value and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The Fund will review the value of its future income tax assets and liabilities quarterly and will record adjustments, as necessary, to reflect the realizable amounts of its future income tax assets and liabilities.

*Future accounting policy changes*

The CICA has issued new accounting standards.

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

b) Section 1535, *Capital Disclosures*. This section establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital. This new standard will be effective for the Fund in the first quarter of 2008. The Fund does not expect the adoption of this standard will have a material impact on the consolidated financial statements.

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

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

## 3. Intangible Assets and Asset Acquisitions

a) On January 1, 2007, the Partnership acquired 22 new franchise agreements from BRESL at a purchase price of $8,038 in accordance with the formula set forth in the MSA and incurred related legal costs of $14. A deposit of $5,743 was paid in cash on January 2, 2007 and the remaining balance of $2,295 was paid on January 2, 2008.

b) On January 1, 2006, the Partnership acquired 16 franchise agreements from BRESL at a purchase price of $5,554 calculated in accordance with the MSA. On January 4, 2006 $4,978 was paid in cash on deposit against this purchase price obligation and the remaining balance of $576 was paid in cash on January 2, 2007.

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

| | | 2006 | |
|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value |
| Franchise agreements | $ 127,665 | $ 45,481 | $ 82,184 |
| Relationships and trademarks | 42,504 | 657 | 41,847 |
| | $ 170,169 | $ 46,138 | $ 124,031 |

Amortization for the year ended December 31, 2007 was $14,804 (2006 – $14,559).

## 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 bankers’ acceptance rate plus 2% to 2.5%, based on the ratio of total debt to Adjusted EBITDA of the Partnership as defined in the credit agreement. As at December 31, 2007, 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 maturing February 17, 2010 with interest fixed at 5.882%, and only interest payable quarterly in arrears. The proceeds of the private placement, net of $822 in issue costs, were utilized by the Partnership to payout and retire its $30,600 term loan and to fund the Partnership’s January 1, 2005 franchise agreement acquisition obligations.

On January 1, 2007, in accordance with the new accounting standards described in note 2, the Fund reclassified deferred financing costs of $516 from Deferred charges to Long-term debt and applied the effective interest method of valuation to its Long-term debt. These changes resulted in a decrease of $29 in the opening carrying value of the long-term debt, with the corresponding decrease in the prior year’s interest expense reflected as an increase in opening unitholders’ equity of $22 (net of $7 minority interest).

For the year ended December 31, 2007, $162 of amortization of long-term debt was recorded as interest expense.

## 6. Non-Controlling Interest

A summary of the non-controlling interest is as follows:

| | | **2007** | | 2006 |
|---|---|---|---|---|
| Non-controlling interest, beginning of year | **$** | **23,317** | $ | 25,824 |
| Transition adjustment (notes 2 and 5) | | **7** | | – |
| Adjusted opening balance | **$** | **23,324** | $ | 25,824 |
| Non-controlling interest earnings for the year | | **2,775** | | 1,319 |
| Distributions | | **(3,993)** | | (3,826) |
| Non-controlling interest, end of year | **$** | **22,106** | $ | 23,317 |

The non-controlling interest owns 25 common shares in RIFGP and 3,327,667 Class B subordinated limited partnership units of the Partnership ("Subordinated LP Units"), which reflects an effective 25% interest in the Partnership. An equivalent amount of Special Fund Units, which represent voting rights in the Fund, also accompanied the Subordinated LP Units. The Fund indirectly holds the remaining 75% interest in the Partnership through Class A limited partnership of the Partnership ("Ordinary LP Units").

The holders of the Ordinary LP Units and Subordinated LP Units are entitled to proportionately receive all distributions of the Partnership, in accordance with the aggregate number of Ordinary LP Units and Subordinated LP Units issued and outstanding as at the record date for such distribution and in accordance with the provisions of the Partnership Agreement. Distributions to the holder of the Subordinated LP Units are subordinated to the distributions to the holder of Ordinary LP Units until August 7, 2008 (the "Conversion Date"). The non-controlling interest is entitled to indirectly exchange, on a one-for-one basis, subject to adjustment, the Subordinated LP Units for Units of the Fund on or after the Conversion Date.

## 7. Income Taxes

Due to the enactment of the trust legislation described in note 2, the Fund recorded a future tax asset of $1,819 in 2007, arising from the temporary differences between the accounting carrying value of the Fund's intangible assets and their tax bases estimated as at December 31, 2010 based on projected reversal patterns.

A reconciliation of income taxes at Canadian statutory rates with reported income taxes is as follows:

| For the year ended December 31, | | **2007** |
|---|---|---|
| Expected income tax expense at a statutory tax rate of 36% | **$** | **2,129** |
| Effect of current year's income being distributed to unitholders | | **(2,129)** |
| Future income tax recovery due to the trust legislation | | **1,819** |
| Future income tax recovery | **$** | **1,819** |

The tax effect of the estimated temporary differences as at December 31, 2010 that give rise to the future tax asset is as follows:

| | | **2007** |
|---|---|---|
| Future tax asset: | | |
| Intangible assets | **$** | **1,819** |
| Net future tax asset | **$** | **1,819** |

## 8. Fund Units

The Fund is authorized to issue an unlimited number of units, each of which represents an equal undivided beneficial interest in any distributions from the Fund. All units are of the same class with equal rights and privileges.

Pursuant to the Amended and Restated Declaration of Trust, the holder of the Special Fund Units, which accompanied the Subordinated LP Units (see note 6), will be entitled to vote in all votes of Fund unitholders, as if they were holders of the number of units of the Fund they would receive if Subordinated LP Units were exchanged into units of the Fund as of the record date of such votes, and will be treated in all respects as unitholders of the Fund for the purpose of any such votes. The Special Fund Units are not entitled to receive distributions.

Units are redeemable at the option of the holder at a price based on the market value as defined in the Declaration of Trust, subject to a maximum of $50,000 in cash redemptions by the Fund in any one month. The limitation may be waived at the discretion of the Trustees of the Fund.

## 9. Earnings Per Unit

The Special Fund Units, referred to in note 8, were not included in the diluted per unit calculations as the effect would have been anti-dilutive.

## 10. Management Services Agreement

The Fund has a MSA with BRESL, a party related to the non-controlling interest via common control, under which BRESL is to provide certain management, administrative and support services to the Fund and its subsidiaries. The MSA commenced August 7, 2003, has an initial term of 10 years and is automatically renewable for successive 10-year periods subject to approval of the Fund and BRESL. The MSA provides for the payment of a monthly fee equal to 20% of the cash of the Partnership otherwise available for distribution. For the year ended December 31, 2007, BRESL earned $5,869 for these services (2006 – $7,285).

From inception to December 31, 2005, the Fund 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 BRESL. During 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, an additional management fee of $1.9 million relating to the $9.4 million in reserves was incurred for the year ended December 31, 2006.

## 11. Related Party Transactions

Unless disclosed elsewhere, the Fund had the following transactions with parties related to the non-controlling interest during years ended December 31, 2007 and 2006. These transactions have been recorded at the exchange amount agreed to between the parties.

| | **2007** | 2006 |
|---|---|---|
| a) Royalties | | |
| Fixed, variable and other franchise fees | **$ 2,248** | $ 2,198 |
| Premium franchise fees | **$ 4,473** | $ 3,756 |
| b) Expenses | | |
| Management fees | **$ 5,869** | $ 7,285 |
| Insurance and other | **$ 101** | $ 93 |
| c) Distributions | | |
| Distributions paid to non-controlling interest | **$ 3,993** | $ 3,826 |

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

| | | 2007 | | 2006 |
|---|---|---|---|---|
| d) Accounts receivable | | | | |
| Franchise fees receivable and other | **$** | **554** | $ | 375 |
| e) Accounts payable and accrued liabilities | | | | |
| Distributions payable to non-controlling interest | **$** | **998** | $ | 957 |
| Management fees | **$** | **429** | $ | 1,228 |
| Purchase obligation | **$** | **2,295** | $ | 576 |

## 12. Supplemental Cash Flow Information

| | | 2007 | | 2006 |
|---|---|---|---|---|
| a) Changes in non-cash working capital | | | | |
| Accounts receivable | **$** | **(53)** | $ | (265) |
| Prepaid expenses | | **8** | | (7) |
| Accounts payable and accrued liabilities | | **(766)** | | 934 |
| Distributions payable to unitholders | | **42** | | 41 |
| | **$** | **(769)** | $ | 703 |
| b) Supplementary information | | | | |
| Interest paid | **$** | **2,235** | $ | 2,235 |

## 13. Financial Instruments

In the normal course of business the Fund is exposed to a number of financial risks that can affect its operating performance. These risks are outlined below:

**a) Credit Risk**
Credit risk arises from the possibility that the franchisees may experience financial difficulty and be unable to pay outstanding franchise fees. The Fund's credit risk is limited to the recorded amount of accounts receivable.

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

## 14. Subsequent Event

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

In addition, on January 1, 2008, the Partnership acquired franchise agreements operating under the La Capitale brand in Quebec from Trilon Bancorp Inc., the parent company of BRESL. These contracts represent 1,060 agents operating from 44 locations. The estimated purchase price of $17,519 is based on an estimated annual royalty stream of $2,539 and has been calculated in accordance with a formula set forth in the MSA. A deposit of $14,015, being 80% of the estimated value, was due on closing. Under terms negotiated with the Fund’s trustees, the balance of the purchase price is to be paid in annual installments over the next three years. The management fee attributed to revenue generated from these contracts will be increased from 20% to 30% and the accretive factor applied to these contracts on vend-in was increased from 7.5% to 10%.

The Partnership paid an initial deposit of $1,000 in cash on January 2, 2008. The Partnership used cash reserves to fund the initial deposit and the balance of the deposit is expected to be funded with additional debt.

**Operating Credit Facility**
On February 25, 2008, the Partnership renewed the operating credit facility described in note 4 for an additional year, thereby extending the maturity date to March 6, 2009. All terms and conditions of the initial agreement are applicable during the renewal period.

## SUPPLEMENTAL INFORMATION – SELECTED FINANCIAL AND OPERATING INFORMATION

| Three months ended ($000's, unaudited) | March 31, 2006 | June 30, 2006 | Sept. 30, 2006 | Dec. 31, 2006 | March 31, 2007 | June 30, 2007 | Sept. 30, 2007 | **Dec. 31, 2007** |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| Fixed franchise fees | $ 3,380 | $ 3,453 | $ 3,485 | $ 3,509 | $ 3,621 | $ 3,714 | $ 3,749 | **$ 3,788** |
| Variable franchise fees | 1,610 | 2,498 | 2,377 | 1,347 | 1,720 | 2,870 | 2,661 | **1,315** |
| Premium franchise fees | 688 | 1,125 | 1,685 | 990 | 737 | 1,306 | 1,899 | **1,348** |
| Other fee revenue and services | 814 | 856 | 923 | 919 | 832 | 948 | 986 | **997** |
| | $ 6,492 | $ 7,932 | $ 8,470 | $ 6,765 | $ 6,910 | $ 8,838 | $ 9,295 | **$ 7,448** |
| **% Revenue by region** | | | | | | | | |
| British Columbia | 16 | 15 | 14 | 14 | 15 | 15 | 13 | **13** |
| Prairies | 11 | 11 | 11 | 11 | 11 | 11 | 9 | **9** |
| Ontario | 56 | 57 | 59 | 59 | 58 | 59 | 63 | **63** |
| Quebec | 13 | 13 | 12 | 12 | 12 | 12 | 11 | **11** |
| Maritimes | 4 | 4 | 4 | 4 | 4 | 3 | 4 | **4** |
| | 100 | 100 | 100 | 100 | 100 | 100 | 100 | **100** |

| Three months ended **Changes during the period** | March 31, 2006 | June 30, 2006 | Sept. 30, 2006 | Dec. 31, 2006 | March 31, 2007 | June 30, 2007 | Sept. 30, 2007 | **Dec. 31, 2007** |
|---|---|---|---|---|---|---|---|---|
| Number of Agents and Sales Representatives | 443 | 177 | 39 | (52) | 633 | 178 | 125 | **87** |
| Number of Agents | 448 | 130 | 36 | (49) | 610 | 170 | 79 | **84** |
| Number of fixed fee paying Sales Representatives | 39 | 40 | (1) | – | (1) | 30 | 43 | **19** |
| Number of locations | 21 | (2) | (1) | (1) | 22 | (6) | – | **(3)** |
| Number of franchisees | 16 | (1) | (1) | (1) | 20 | (6) | – | **(4)** |
| **At end of period** | | | | | | | | |
| Number of Agents and Sales Representatives | 11,985 | 12,162 | 12,201 | 12,149 | 12,782 | 12,960 | 13,085 | **13,172** |
| Number of Agents | 11,141 | 11,271 | 11,307 | 11,258 | 11,868 | 12,038 | 12,117 | **12,201** |
| Number of fixed fee paying Sales Representatives | 605 | 645 | 644 | 644 | 643 | 673 | 716 | **735** |
| Number of locations | 582 | 580 | 579 | 578 | 600 | 594 | 594 | **591** |
| Number of franchisees | 278 | 277 | 276 | 275 | 295 | 289 | 289 | **285** |