

FOR IMMEDIATE RELEASE

NEWS RELEASE

Royal LePage Franchise Services Fund Reports 15% First Quarter Growth

Toronto, ON – May 3, 2005 – (TSX – RSF.UN) Royal LePage Franchise Services Fund (the “Fund”) today reported revenue of \$5.6 million and distributable cash from operations of \$4.1 million or \$0.31 per unit, exceeding management’s expectations for the first quarter ended March 31, 2005. The growth in revenue of 15% over the same period in 2004 was driven by a 7.4% increase in the Fund’s underlying network of agents and sales representatives, and the continued strength of the Canadian residential resale real estate market. For the twelve month period ended March 31, 2005, the Fund’s underlying network of agents and sales representatives grew by 11.9%. This increase of 750 agents and sales representatives for the quarter ended March 31, 2005, was driven by internal recruiting efforts, and the acquisition of 38 franchise contracts serviced by 558 agents on January 1, 2005. For the twelve months ended March 31, 2005, the Fund network grew by 1,162 agents and sales representatives.

“Strong first quarter recruiting efforts saw the addition of 168 agents to the Fund network. Coupled with the 135 agents that are now in our acquisition pipeline, we are well ahead of achieving our annual growth target of 200 to 400 agents,” commented Philip Soper, president and chief executive officer. “In addition to this growth, the previously announced increase and refinancing of our debt to a five-year fixed interest rate, and \$3.8 million in distributable cash reserve, positions us well to continue to deliver reliable returns for our unitholders.”

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

	<u>(thousands)</u>	<u>(per unit)</u>
Royalties	\$5,596	\$0.42
Net earnings	\$431	\$0.04
Distributable cash	\$4,077	\$0.31
Distributions	\$3,661	\$0.28

Growth Pipeline

From November 1, 2004, to March 31, 2005, the Fund Manager converted 15 franchises serviced by 135 agents to the Royal LePage brand.

It is anticipated that franchise agreements with franchisees who have converted to Royal LePage prior to October 1, 2005, will be offered to the Fund in accordance with the process set out in the Management Services Agreement.

Monthly Cash Distribution

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

Outlook

“We expect continued strength in the Canadian residential real-estate market in the mid-term due to strong underlying market fundamentals, including low interest rates, strong consumer confidence, the continued relative affordability of residential real estate, an expanding economy and a steadily increasing inventory of residential homes. The pace of market growth may slow in the second half of 2005 as latent demand is satisfied and listing inventories rise. Annual house price appreciation should fall from the double-digit increases seen in 2004 to single-digit levels in the mid-term; moving us from a market skewed in the seller’s favour, to more balanced conditions,” commented Philip Soper. “From an operational perspective, the second quarter of 2005 will see the implementation of a large and important technology revitalization program. Over the coming months, we will introduce exciting new online services that will greatly improve the Fund’s agents and sales representatives ability to market and to service clients. This significantly enhanced business system will reinforce our leadership position in the years ahead and should attract high-performing franchisees and agents to our brands.”

Third Quarter Results Conference Call

A conference call for investors, analysts and media to review the first quarter 2005 results will be held on Tuesday, May 3, 2005, at 2:00 p.m. (EST). To participate in the conference call, please dial 1-800-474-8920 toll free, at approximately 1:50 p.m. The reservation number for this call is 7154875. For those unable to participate in the conference call, a taped re-broadcast will be available until midnight May 16th, 2005. To access this re-broadcast, please call 1-888-203-1112 toll free and enter confirmation code 7154875. Beginning May 10th, the re-broadcast will also be available 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 March 31, 2005, the Fund Network is comprised of 265 franchises, operating from 566 locations serviced by 10,895 agents and sales representatives

The 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

(unaudited)

(in thousands of dollars)

Assets	March 31, 2005	December 31, 2004
Current assets		
Cash and cash equivalents	\$ 3,658	\$ 4,444
Accounts receivable	2,874	2,176
Prepaid expenses	86	96
	<u>6,618</u>	<u>6,716</u>
Deferred charges	749	-
Deposit on acquisition (note 3)	4,038	-
Intangible assets (note 3)	136,751	137,238
	<u>\$ 148,156</u>	<u>\$ 143,954</u>
 Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,858	\$ 2,001
Distribution payable to unitholders	915	915
	<u>2,773</u>	<u>2,916</u>
Long-term debt (note 5)	38,000	30,600
Non-controlling interest	27,000	27,740
	<u>67,773</u>	<u>61,256</u>
Unitholders' equity	80,383	82,698
	<u>\$ 148,156</u>	<u>\$ 143,954</u>

See accompanying notes to the interim consolidated financial statements

ROYAL LEPAGE FRANCHISE SERVICES FUND

Interim Consolidated Statements of Earnings

(unaudited)

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

	Three months ended March 31, 2005	Three months ended March 31, 2004
Royalties		
Fixed franchise fees	\$ 2,945	\$ 2,522
Variable franchise fees	1,335	1,179
Premium franchise fees	576	541
Other fee revenue and services	740	613
	<u>5,596</u>	<u>4,855</u>
Expenses		
Administration	123	86
Management fee	915	881
Interest expense	481	361
Amortization of intangible assets	3,471	3,420
	<u>4,990</u>	<u>4,748</u>
Earnings before undernoted	606	107
Non-controlling interest	<u>(175)</u>	<u>(44)</u>
Net earnings	<u>\$ 431</u>	<u>\$ 63</u>
Basic and diluted earnings per unit (9,983,000 units) (note 6)	<u>\$ 0.04</u>	<u>\$ -</u>

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)

	<u>Units</u>	<u>Net Earnings</u>	<u>Distributions</u>	<u>Total</u>
Balance, December 31, 2003	\$ 92,938	\$ 1,947	\$ (4,533)	\$ 90,352
Net earnings	-	63	-	63
Unit distributions	-	-	(2,745)	(2,745)
Balance, March 31, 2004	<u>\$ 92,938</u>	<u>\$ 2,010</u>	<u>\$ (7,278)</u>	<u>\$ 87,670</u>
Balance, December 31, 2004	\$ 92,938	\$ 5,278	\$ (15,518)	\$ 82,698
Net earnings	-	431	-	431
Unit distributions	-	-	(2,746)	(2,746)
Balance, March 31, 2005	<u>\$ 92,938</u>	<u>\$ 5,709</u>	<u>\$ (18,264)</u>	<u>\$ 80,383</u>

See accompanying notes to the interim consolidated financial statements

ROYAL LEPAGE FRANCHISE SERVICES FUND

Interim Consolidated Statements of Cash Flows

(unaudited)

(in thousands of dollars)

	Three months ended March 31, 2005	Three months ended March 31, 2004
Cash provided by (used for):		
Operating activities		
Net earnings for the period	\$ 431	\$ 63
Items not affecting cash		
Non-controlling interest	175	44
Amortization of deferred charges	17	-
Amortization of intangible assets	3,471	3,420
	<u>4,094</u>	<u>3,527</u>
Changes in non-cash operating working capital	<u>(831)</u>	<u>15</u>
	<u>3,263</u>	<u>3,542</u>
Investing activities		
Deposit on acquisition (note 3)	(7,048)	-
Purchase of intangible assets	26	(116)
	<u>(7,022)</u>	<u>(116)</u>
Financing activities		
Distributions paid to unitholders	(2,746)	(2,745)
Distributions paid to non-controlling interest	(915)	(915)
Proceeds from long-term debt	38,000	-
Repayment of term loan	(30,600)	-
Deferred charges	(766)	-
	<u>2,973</u>	<u>(3,660)</u>
Decrease in cash and cash equivalents during the period	(786)	(234)
Cash and cash equivalents, beginning of period	4,444	1,439
Cash and cash equivalents, end of period	\$ 3,658	\$ 1,205
Supplementary Cash Flow Information		
Interest paid	\$ 255	\$ 226

See accompanying notes to the interim consolidated financial statements

ROYAL LEPAGE FRANCHISE SERVICES FUND

Notes to the Interim Consolidated Financial Statements

March 31, 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 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.

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.

ROYAL LEPAGE FRANCHISE SERVICES FUND

Notes to the Interim Consolidated Financial Statements

March 31, 2005

(unaudited)

(in thousands of dollars)

3. INTANGIBLE ASSETS (cont'd)

As at March 31, 2005, \$3,010 was transferred from "deposit on acquisition" and recorded as "intangible assets".

	March 31, 2005		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	\$ 117,930	\$ 20,595	\$ 97,335
Relationships and trademarks	39,721	305	39,416
	<u>\$ 157,651</u>	<u>\$ 20,900</u>	<u>\$ 136,751</u>

	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
	<u>\$ 154,667</u>	<u>\$ 17,429</u>	<u>\$ 137,238</u>

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 March 31, 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%, and only interest 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.

ROYAL LEPAGE FRANCHISE SERVICES FUND

Notes to the Interim Consolidated Financial Statements

March 31, 2005

(unaudited)

(in thousands of dollars)

6. EARNINGS PER UNIT

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

7. RELATED PARTY TRANSACTIONS

Unless disclosed elsewhere, the Fund had the following transactions with parties related to the non-controlling interest during the three months ended March 31, 2005 and March 31, 2004. These transactions have been recorded at the exchange amount agreed to between the parties.

	<u>Three months ended March 31, 2005</u>	<u>Three months ended March 31, 2004</u>
a) Royalties		
Fixed, variable and other franchise fees	\$ 442	\$ 416
Premium franchise fees	\$ 490	\$ 444
b) Expenses		
Management fees	\$ 915	\$ 881
Insurance and other	\$ 22	\$ 22
c) Distributions		
Distributions paid to non-controlling interest	\$ 915	\$ 915

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

	<u>March 31, 2005</u>	<u>December 31, 2004</u>
d) Accounts receivable		
Franchise fees receivable and other	\$ 438	\$ 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

Selected Financial and Operating Information	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	Three months ended June 30 2004	Three months ended Sept. 30 2004	Three months ended Dec. 31 2004	Three months ended March 31 2005
	(proforma)	(proforma)	(proforma)	(reported)	(reported)	(reported)	(reported)	(reported)	(reported)
Revenue									
Fixed franchise fees	\$2,305	\$2,418	\$2,479	\$2,465	\$2,522	\$2,718	\$2,691	\$2,718	\$2,945
Variable franchise fees	1,066	1,709	1,901	1,169	1,179	2,008	2,041	1,149	1,335
Premium franchise fees	515	917	1,287	930	541	932	1,489	1,009	576
Other fees and services	427	515	588	638	613	739	731	660	740
	<u>\$4,313</u>	<u>\$5,559</u>	<u>\$6,255</u>	<u>\$5,202</u>	<u>\$4,855</u>	<u>\$6,397</u>	<u>\$6,952</u>	<u>\$5,536</u>	<u>\$5,596</u>
Additions for the period:									
Number of agents	366	292	142	101	225	163	175	38	726
At end of period									
Number of agents & sales representatives	8,912	9,204	9,346	9,454	9,733	9,922	10,132	10,145	10,895
Number of agents	8,219	8,511	8,653	8,754	8,979	9,142	9,317	9,355	10,081
Number of locations	519	522	521	509	515	524	524	518	566
Number of franchisees	226	227	227	226	230	228	228	227	265

Forward-Looking Statements

Certain statements in the News Release and the 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 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 report and the Fund assumes no obligation to update or revise them.