



Franchise Services of North America Inc.

Q2

Second Quarter Report for the Six Months Ended March 31, 2007

Report to Shareholders

Dear Fellow Shareholders:

We are pleased to present to you the second report for Franchise Services of North America Inc. ("FSNA") for the six months ended March 31, 2007.

As previously reported, Rent-A-Wreck Capital Inc. went through a name change in conjunction with the business combination transaction that was completed on November 30, 2006. The attached quarterly report reflects the activity of the combined entity, but the comparative information from the previous year does not reflect any of the results of U-Save Auto Rental of America, Inc. Because of the materiality of the U-Save operations in comparison to those of Practicar in Canada, we refer you to the filings on SEDAR for a more descriptive analysis of the combined entity.

The Second Quarter included an expansion into the Middle East via a Master Franchise Agreement for the U-Save brand and U-Save locations displaying rates and availability on several new reservation channels including Expedia and Kayak. Several franchise candidates have been identified and are under consideration.

During the second quarter the company completed a public offering of 7,320,600 common shares at CDN \$0.85 per share for aggregate gross proceeds of CDN \$6,222,510. The Company has now retired all of its outstanding subordinated debt.

As we head into the stronger summer season, we look forward to growing the system and awareness of the brands to the benefit of our franchisees and mutual shareholders.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandy Miller".

Sandy Miller
Co-Chairman

A handwritten signature in black ink, appearing to read "Tom McDonnell".

Tom McDonnell
Co-Chairman

May 30, 2007

The following unaudited Consolidated Financial Statements were not reviewed by the Company's Auditors.

Franchise Services of North America Inc.		
Consolidated Balance Sheet		
As at March 31, 2007 and September 30, 2006		
	March 2007 (unaudited) US \$	September 2006 (audited) US \$
ASSETS		
Current assets		
Cash	1,968,733	24,633
Restricted cash and equivalents	3,407,001	-
Accounts receivable	1,808,291	193,370
Related party and other notes receivables	113,434	-
Deferred income tax assets	2,230,000	-
Prepaid expenses and cash deposits held	145,994	44,978
	9,673,453	262,981
Related party and other notes receivables, less current portion	3,194,744	-
Deferred income taxes	380,000	-
Capital assets	207,315	32,776
Intangible assets	1,315,678	306,836
Goodwill	7,222,647	9,906
Other assets	1,473,089	-
Marketing Account	46,176	109,631
	23,513,102	722,130
LIABILITIES		
Bank indebtedness	-	104,797
Accounts payable and accrued liabilities	2,885,994	313,631
Current portion of insurance loss reserves	2,626,647	-
Current portion of notes payable	2,639,848	-
Current portion of long-term debt	5,979	6,189
Current portion of capital lease obligations	8,799	4,821
Convertible debentures	-	43,827
	8,167,267	473,265
Insurance loss reserves	774,004	-
Notes payable	1,241,214	-
Long-term debt	997	4,126
Capital lease obligations	27,905	5,474
Convertible debentures	-	290,258
Marketing Account liability	46,176	109,631
Total Liabilities	10,257,563	882,754
SHAREHOLDERS' EQUITY		
Share capital	16,102,253	629,582
Equity portion of convertible debentures	-	11,512
Contributed surplus	191,396	8,159
Deficit	(3,026,539)	(778,028)
Cumulative translation adjustment	(11,571)	(31,849)
Total Shareholders Equity	13,255,539	(160,624)
	23,513,102	722,130

Franchise Services of North America Inc.
Consolidated Statement of Operations and Retained Earnings
(unaudited)

	for the three months ended March 31,		for the six months ended March 31,	
	2007	2006	2007	2006
	US \$	US \$	US \$	US \$
Revenue				
Insurance premiums and related fees	2,881,970	19,188	3,837,452	58,994
Royalties, licensee fees and other	1,121,076	113,995	1,510,256	232,458
Franchise fees	320,000	17,746	363,890	18,709
	4,323,046	150,929	5,711,598	310,161
Expenses				
Franchise system development	1,324,499	103,281	1,702,696	203,964
Insurance operating	689,668	-	825,217	-
Claims expense	1,279,023	-	1,621,880	-
Insurance underwriting expense	613,598	-	825,532	-
General and administrative	487,173	83,573	770,352	151,687
Amortization	57,443	3,348	67,792	6,643
Interest expense (recovery)	(358,321)	5,819	(601,341)	12,235
Loss on sale of capital assets	-	-	1,521	-
Stock based compensation	-	-	24,579	-
	4,093,083	196,021	5,238,228	374,529
Net Income (Loss) from Operations, before the following:	229,963	(45,092)	473,370	(64,368)
Business combination expenses	(9,186)	-	30,714	-
Income tax expense	159,120	-	263,991	-
Net Income (Loss)	80,029	(45,092)	178,665	(64,368)
Retained Earnings (Deficit)				
Beginning	(3,106,568)	(735,464)	(3,205,204)	(716,188)
End of period	(3,026,539)	(780,556)	(3,026,539)	(780,556)
Net income (loss) per share:	\$ -	(\$0.01)	\$ -	(\$0.01)

Franchise Services of North America Inc.

Consolidated Statement of Cash Flows

(unaudited)

for the three months ended

March 31,

2007

US \$

2006

US \$

for the six months ended

March 31,

2007

US \$

2006

US \$

Cash provided by (used in) Operating Activities	2007 US \$	2006 US \$	2007 US \$	2006 US \$
Net Income (Loss)	80,029	(45,092)	178,665	(64,368)
Items not affecting cash:				
Amortization	57,443	3,348	67,792	6,643
Loss on sale of capital assets	-		1,521	
Interest recovery on debt, net	(382,988)	6,181	(626,008)	12,145
Stock-based compensation	-		24,579	
	(245,516)	(35,563)	(353,451)	(45,580)
Net change in non-cash working capital	190,443	1,620	832,845	1,336
	(55,073)	(33,943)	479,394	(44,244)
Financing Activities				
Proceeds from issue of common shares, net of expenses	4,623,597	-	7,338,849	-
Proceeds from Notes payable	1,191,214	-	1,191,214	-
Repayment on Notes payable	(3,628,250)	-	(5,134,716)	-
Repayment (advances) on Notes Receivable	(202,284)	-	(198,009)	-
Repayments on bank debt	-	20,596	(104,797)	11,069
Capital lease obligations	27,538	(1,008)	26,409	(1,970)
Long term debt repayments	(1,679)	(1,495)	(3,339)	(2,966)
	2,010,136	18,093	3,115,611	6,133
Investing Activities				
Capital Assets	(73,091)	-	(89,481)	-
Proceeds on sale of capital assets	1,850	-	6,090	-
Acquisition of business assets	(1,567,514)		(1,567,514)	
	(1,638,755)	-	(1,650,905)	-
Change in cash for the period	316,308	(15,850)	1,944,100	(38,111)
Cash, Beginning	1,652,425	15,850	24,633	38,111
Cash, End	1,968,733	-	1,968,733	-

These unaudited interim consolidated financial statements should be read in conjunction with the Company's second quarter report as of and for the period ending March 31, 2007, the audited consolidated financial statements for the year ended September 30, 2006 and the notes to those financial statements as well as the financial statements of U-Save Auto Rental of America, Inc. included in the Company's Information Circular dated November 3, 2006 available on SEDAR, at www.sedar.com.

Notes to Consolidated Financial Statements (unaudited)

March 31, 2007

1 Basis of Presentation

Franchise Services of North America Inc. ("FSNA" or the "Company"), formerly Rent-A-Wreck Capital Inc., is a public company incorporated under the Canada Business Corporations Act on August 27, 1998 and whose shares are listed on the TSX Venture Exchange under the symbol 'FSN'.

The Company owns two operating subsidiaries, U-Save Auto Rental of America, Inc. ("U-Save") and Practicar Systems Inc. ("Practicar"). U-Save licenses franchises to operate U-Save Auto Rental businesses in the United States and offers to franchisees and independent car rental operators ("associates") insurance products including liability and physical damage coverages on their rental fleet. U-Save also operates an association, Auto Rental Resource Center ("ARRC"). ARRC provides insurance discounts and products and services to its members who operate independent vehicle rental businesses. The Company also owns a full service insurance agency, providing insurance products to its franchisees, associates, and third-party customers. Practicar licenses franchises to operate Rent-A-Wreck vehicle rental and sales businesses in Canada.

Prior to November 30, 2006, the Company's principal asset was the Rent-A-Wreck trademark and franchise system in Canada, owned and operated by Practicar Systems Inc.

These financial statements report the financial results of the Company for the six months ending and at March 31, 2007, and include the transactions resulting from the BCT with U-Save completed on November 30, 2006. The results from operations include the six months ending March 31, 2007 for FSNA as a corporation and Practicar, and four months ending March 31, 2007 for U-Save.

2 Significant Accounting Policies

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. These interim financial statements have been prepared following the same accounting methods and policies used in the audited consolidated financial statements for the fiscal year ended September 30, 2006. Operating results for the six months ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending September 30, 2007. The six months year-to-date numbers reflect only four months of U-Save's operations, and would not be representative of the results that should be anticipated in future quarterly reports or for the report covering the fiscal year.

The notes included in these interim financial statements are incremental to the notes included with the audited consolidated financial statements at September 30, 2006, as filed on SEDAR (www.sedar.com) and should be read in conjunction with the March 31, 2007 quarterly report, the audited consolidated financial statements at September 30, 2006 and the financial statements of U-Save contained in the Company's Information Circular dated November 3, 2006, also filed on SEDAR.

3 Goodwill

Goodwill includes \$6,154,904 carried forward from the prior fiscal year's balances from each entity involved in the BCT plus an addition of \$278,632 as a result of the BCT. Additional goodwill of \$786,138 was recorded in conjunction with the insurance agency acquisition from DRSN Holdings, LLC (see Note 8).

4 Other Assets

Other assets include \$378,433 carried forward from the prior fiscal year's balances from each entity involved in the BCT plus an addition of \$1,094,656 representing expenditures related to the BCT.

5 Notes Payable

Upon conclusion of the second prospectus offering, the Company paid in full \$5,000,000 of outstanding subordinated debt. Upon payment, the debt holder forgave \$795,705 in accrued interest and forgave warrants that were attached to the debt.

In conjunction with its purchase of an insurance agency (see Note 8), the Company entered into a note payable with a majority shareholder for \$1,191,214. The note bears interest at 8.25% per annum and is unsecured. The note matures January 2010.

6 Share Capital

a) Authorized

Unlimited number of common shares
Unlimited number of preferred shares

b) Issued

Common Shares

Balance as at:	Number of Shares	Amount US \$
September 30, 2006	7,590,501	629,582
March 31, 2007	62,731,985	16,102,253

c) Stock Options

The Company grants stock options for the benefit of directors, officers, employees and agents of the Company. Options may be granted, at the discretion of the Board of Directors, to purchase not more than 20% of the common shares of the Company, excluding agents' options. A stock option can be granted at any time at a discount to the current market price as listed on the TSX Venture Exchange within the guidelines for such discount limits as set forth by the TSX Venture Exchange. Options granted vest over a range of periods from immediately to four years and expire within a range of two to ten years after the date of grant.

Stock options outstanding:

	Options	Exercise Price Range CDN \$
September 30, 2006	<u>640,000</u>	\$0.10
March 31, 2007		
Directors, officers, employees and consultants	8,767,452	\$0.10 to \$1.04
Agents	<u>1,508,854</u>	\$0.50 to \$0.85
Total	<u>10,276,306</u>	

7 Related Party Balances

Members of the Company's Board of Directors have investments in certain vehicle rental operations and transportation companies, which have transactions with the Company. Transactions include insurance, reservation and royalty payments that were provided in the normal course of business. At March 31, 2007, related party receivables totalled \$659,241.

At March 31, 2007, an unsecured note receivable from a shareholder for \$302,000 was outstanding. The note bears an interest rate of 6% with five annual payments of principal and accrued interest due beginning August 2007. The note matures in August 2011.

8 Business Combination

Effective January 15, 2007, the Company, through its wholly owned subsidiary, U-Save Financial Services, Inc., acquired certain assets of DRSN Holdings, LLC, an Arizona-based limited liability company. These assets consisted of a full service insurance agency with an established book of business across various product lines and customers throughout North America. The purchase price, which totalled \$1,567,514, consisted of a cash down payment of \$1,191,214 with the remaining balance to be paid in equal instalments of \$188,150 on January 15, 2008 and 2009. In addition, the payments on the remaining balance may be adjusted upward or downward based on the amount of revenue retained in relation to a specified baseline revenue. Any additional consideration paid will be reflected in goodwill. The acquisition was accounted for using the purchase method of accounting and the purchase price was allocated to the assets and liabilities acquired based on their estimated fair value at the acquisition date. Any excess of the purchase price over the estimated fair values of the net assets acquired was allocated to goodwill. The results from operations have been included in the accompanying consolidated financial statements from the acquisition date. The purchase price was allocated as follows:

Goodwill	\$ 786,138
Other intangible assets	<u>\$ 781,376</u>
	<u>\$1,567,514</u>

Additional information relating to the Company is available on the SEDAR website at www.sedar.com under Franchise Services of North America Inc.

Franchise Services of North America Inc.

Corporate Information

Directors

Philip A. DeLeon
Toronto, Ontario, Canada

David I. Forseth
Calgary, Alberta, Canada

Thomas P. McDonnell, III
Madison, Mississippi, USA

Sanford Miller
Ormond Beach, Florida, USA

J. Michael Linn
Daytona Beach, Florida, USA

Officers

Thomas P. McDonnell, III
Co-Chairman and
Co-Chief Executive Officer

Sanford Miller
Co-Chairman and
Co-Chief Executive Officer

Robert M. Barton
Executive Vice President
Chief Operating Officer

O. Kendall Moore
Vice President, General Counsel
and Secretary

Henri H. Lefebvre
Chief Accounting Officer and
Canadian General Manager

Ashley M. Chambliss
Controller

Stock Exchange Listing

TSX Venture Exchange
Symbol: FSN

Transfer Agent

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