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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

o Registration Statement Pursuant to Section 12 of the Securities Exchange Act of 1934

or

ý Annual Report Pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended March 31, 2004

Commission file number 0-24762

FirstService Corporation

(Exact name of Registrant as specified in its charter)

Ontario
(Province or other jurisdiction of incorporation or organization)

1140 Bay Street, Suite 4000
Toronto, Ontario, Canada M5S 2B4
416-960-9500
(Address and telephone number of Registrant's principal executive offices)

Mr. Santino Ferrante
Ferrante & Associates
126 Prospect Street, Cambridge, MA 02139
617-868-5000
(Name, address and telephone number of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Securities registered or to be registered pursuant to Section 12(g) of the Act: Subordinate Voting Shares

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

For annual reports, indicate by check mark the information filed with this Form:

ý Annual information form ý Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

14,087,018 Subordinate Voting Shares and 662,847 Multiple Voting Shares

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the filing number assigned to the Registrant in connection with such Rule.

o Yes ý No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

ý Yes o No

DISCLOSURE CONTROLS AND PROCEDURES

A. Evaluation of disclosure controls and procedures. The Registrant's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Registrant's disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this annual report (the "Evaluation Date"). They have concluded that, as of the Evaluation Date, these disclosure controls and procedures were effective to ensure that material information relating to the Registrant and its consolidated subsidiaries would be made known to them by others within those entities and would be disclosed on a timely basis. However, as recommended by the Securities and Exchange Commission (the "SEC") in its adopting release, the Registrant will continue to periodically evaluate its disclosure controls and procedures and will make modifications from time to time as deemed necessary to ensure that information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

B. Changes in internal control over financial reporting. As of the end of the period covered by this annual report, there were no changes in the Registrant's internal control over financial reporting that occurred during the period covered by this annual report that have materially affected or are reasonably likely to materially affect the Registrant's internal control over financial reporting.

C. Limitations on the effectiveness of controls. The Registrant's management, including the Registrant's Chief Executive Officer and Chief Financial Officer, does not expect that the Registrant's disclosure controls and procedures will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant's Board of Directors has determined that it has at least one audit committee financial expert (as such term is defined in the rules and regulations of the SEC) serving on its Audit Committee. Mr. Peter F. Cohen has been determined to be such audit committee financial expert and is independent (as such term is defined by the NASDAQ National Stock Market's corporate governance standards applicable to the Registrant).

The SEC has indicated that the designation of Mr. Peter F. Cohen as an audit committee financial expert does not make him an "expert" for any purpose, impose on him any duties, obligations or liability that are greater than the duties, obligations or liability imposed on him as a member of the Audit Committee and the Board of Directors in absence of such designation, or affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

CODE OF ETHICS

The Registrant has adopted a Code of Ethics that applies to all directors, officers and employees of the Registrant. A copy of this Code of Ethics can be obtained, free of charge, by contacting the Registrant at (416) 960-9500.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets out the fees billed to the Registrant by PricewaterhouseCoopers LLP and its affiliates for professional services rendered in each of the fiscal years ended March 31, 2004 and 2003. During these years, PricewaterhouseCoopers LLP was the Registrant's only external auditor.

	Year ended March 31	
(in US$ thousands)	**2004**	**2003**
Audit fees [1]	$ 498	$ 409
Audit-related fees [2]	64	77
Tax fees [3]	576	450
All other fees [4]	—	—
Total	**$ 1,138**	**$ 936**

(1) For professional services rendered by PricewaterhouseCoopers LLP for the audit and review of the Registrant's financial statements or services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements.

(2) For assurance and related services by PricewaterhouseCoopers LLP that are reasonably related to the performance of the audit or review of the Registrant's financial statements and are not reported under "Audit Fees" above.

(3) For professional services rendered by PricewaterhouseCoopers LLP in connection with tax compliance, tax advice and tax planning.

(4) For services provided by PricewaterhouseCoopers LLP, other than the services reported under "Audit Fees", "Audit-Related Fees" and "Tax Fees" above.

AUDIT COMMITTEE'S PRE-APPROVAL POLICIES AND PROCEDURES

The Registrant's Audit Committee pre-approves all audit services and permitted non-audit services provided to the Registrant by PricewaterhouseCoopers LLP. The Audit Committee has delegated to the Chairman of the Audit Committee, who is independent, the authority to act on behalf of the Audit Committee with respect to the pre-approval of all audit and permitted non-audit services provided by its external auditors from time to time. Any approvals by the Chairman are reported to the full Audit Committee at its next meeting. None of the services described in footnotes 2, 3 and 4 under "Principal Accountant Fees and Services" above were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

CONTRACTUAL OBLIGATIONS

Please refer to the section entitled "Liquidity and Capital Resources" in Management's Discussion and Analysis of Results of Operations and Financial Condition, included as an exhibit to this annual report on Form 40-F.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant has a separately designated standing audit committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Messrs. David R. Beatty, Brendan Calder and Peter F. Cohen, Chairman.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the SEC, and to furnish promptly, when requested to do so by the SEC staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises or transactions in said securities.

B. Consent to Service of Process

Concurrently with the filing of this annual report on Form 40-F, the Registrant is filing with the SEC a Form F-X in connection with the Subordinate Voting Shares.

SIGNATURE

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

FIRSTSERVICE CORPORATION

Date: June 1, 2004

By: */s/ John B. Friedrichsen*

Name: John B. Friedrichsen
Title: Senior Vice President and
Chief Financial Officer

EXHIBIT INDEX

No.	Document
1.	Annual information form of the Registrant for the fiscal year ended March 31, 2004
2.	Consolidated audited financial statements of the Registrant as at March 31, 2004 and 2003 and for the three years ended on March 31, 2004, in accordance with United States generally accepted accounting principles
3.	Management's discussion and analysis of financial condition and results of operations of the Registrant
4.	Consent Letter from PricewaterhouseCoopers LLP
5.	Officers' Certifications Required by Rule 13a-14(a) or Rule 15d-14(a).
6.	Officers' Certifications Required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code

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SIGNATURE
EXHIBIT INDEX

QuickLinks -- Click here to rapidly navigate through this document

EXHIBIT 1

FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED
MARCH 31, 2004

MAY 25, 2004

TABLE OF CONTENTS

Corporate structure	3
General development of the business	4
Business description	4
Business strategy	10
Seasonality	12
Trademarks	12
Employees	13
Minority interests	13
Dividend policy	13
Capital structure	13
Market for securities	13
Transfer agents and registrars	14
Directors and officers	14
Legal proceedings	15
Properties	15
Selected consolidated financial information	16
Risk and uncertainties	17
Management's discussion and analysis	18
Material contracts	18
Cease trade orders, bankruptcies, penalties or sanctions	18
Conflicts of interest	18
Audit Committee	18
Additional information	19
Forward-looking statements	19

FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM

MAY 25, 2004

All amounts referred to in this Annual Information Form ("AIF") are in United States dollars unless otherwise indicated. All financial and statistical data in this AIF is presented as at March 31, 2004 unless otherwise indicated.

Corporate structure

FirstService Corporation (the "Company" or "FirstService") was formed under the *Business Corporations Act* (Ontario) by Certificate of Incorporation dated February 25, 1988. The Company amalgamated with Coloma Resources Limited pursuant to a Certificate of Amalgamation dated July 31, 1988, and the amalgamated corporation continued under the name "FirstService Corporation".

By Certificate of Amendment dated April 2, 1990, the Company: (i) consolidated each of its Class A Subordinate Voting Shares on a 30 to 1 basis and changed the designation of that class of shares to "Subordinate Voting Shares", each such share carrying one vote; and (ii) consolidated each of its Class B shares on a 30 to 1 basis and changed the designation of that class of shares to "Multiple Voting Shares", each such share carrying 20 votes.

Our fiscal year-end is March 31. Our Subordinate Voting Shares are publicly traded on both the Toronto Stock Exchange (symbol: FSV) and the NASDAQ National Market (symbol: FSRV). Our head and registered office is located at 1140 Bay Street, Suite 4000, Toronto, Ontario, M5S 2B4.

The following chart sets out the significant subsidiaries of the Company. The voting securities not controlled by us are those of operating management of each respective subsidiary.

Name of subsidiary	Percentage of voting securities owned by FirstService	Jurisdiction of incorporation
American Pool Enterprises, Inc.	88.21%	Delaware
BDP Business Data Services, Ltd.(1)	88.37%	Ontario
BLW, Inc. (d/b/a Security Services and Technologies ("SST"))	82.90%	Pennsylvania
DDS Distribution Services, Ltd.(1)	87.50%	Ontario
FirstService (U.S.A.), Inc.	100.00%	Delaware
FirstService Delaware, LLC	100.00%	Delaware
FirstService Delaware, LP	100.00%	Delaware
Greenspace Services Ltd.(2)	90.00%	Ontario
Intercon Security Ltd.	100.00%	Ontario
Prime Management Group, Inc.	94.73%	Florida
Rossmar & Graham Community Association Management, Inc.	93.31%	Arizona
The Continental Group, Inc.	85.85%	Florida
The Franchise Company, Inc.	82.50%	Ontario
The Wentworth Group, Inc.	84.35%	Pennsylvania
Watts Communications Inc.(1)	100.00%	Ontario
Watts NCH Promotional Services Ltd.(1)	100.00%	Ontario

(1) Effective May 2004, the Business Services companies were re-branded as "Resolve" and became subsidiaries of a new FirstService subsidiary named Resolve Corporation.

(2) Substantially all of the assets of Greenspace Services Ltd. were sold to a third party on April 1, 2004.

General development of the business

Our origins date back to 1972 when Jay S. Hennick, President and CEO of the Company, started a Toronto swimming pool and recreational facility management business, which became the foundation of FirstService. In 1993, we completed our initial public offering on the Toronto Stock Exchange, raising C$20 million. In 1997, a second stock offering was completed in Canada and the United States raising US$20 million.

From 1994 to present, the Company completed numerous acquisitions, developing and growing the service lines that exist today.

In 1996, we obtained a revolving credit facility from a syndicate of banks, which has been amended and restated at various times to the present. The maximum presently available under the revolving credit facility is $90 million. In 2001, we completed a private placement of $100 million of 8.06% Senior Secured Notes due June 29, 2011 with a group of U.S. institutional investors. In October 2003, a further $50 million of 6.40% Senior Secured Notes due September 30, 2015 was issued. In both cases, proceeds were used to repay amounts outstanding on the revolving credit facility.

In October 2003, our Consumer Services unit acquired two franchise systems — Pillar to Post and Floorcoverings International — and two franchises of our California Closets franchise system — San Francisco and Toronto. In January 2004, we acquired a small residential property management business in South Florida, as well as an Integrated Security Services business with operations in Florida and Texas.

On April 1, 2004, we sold the assets of Greenspace Services Ltd., our company-owned lawn care operation based in Toronto, to a subsidiary of The ServiceMaster Company.

In April 2004, we reorganized the management structure of our two Integrated Security Services businesses, Security Services and Technologies and Intercon Security Ltd., to bring the businesses under a common management team.

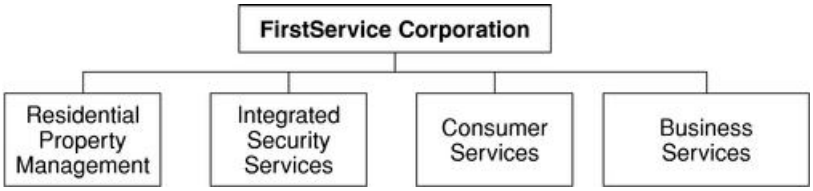
In May 2004, as part of the our ongoing plan to integrate and realize synergies, the Business Services operations were re-branded as "Resolve", and re-organized to operate as Resolve Corporation.

Business description

Overview

FirstService is a North American leader in the rapidly growing service sector, providing services to commercial, residential and institutional customers in the following areas: Residential Property Management, Integrated Security Services, Consumer Services and Business Services. Each service line provides essential or near-essential services, generates a high percentage of recurring revenues, has strong cash flows, generates high returns on invested capital and can be leveraged through margin enhancement, cross-selling or consolidation.

Our operations are conducted through four operating segments:



Revenues by operating segment (In US$ thousands)	Years ended March 31				
	2004	2003	2002	2001	2000
Residential Property Management	$ 241,293	$ 214,965	$ 205,376	$ 181,730	$ 133,782
Integrated Security Services	122,748	107,548	95,507	81,007	61,539
Consumer Services	92,870	73,852	64,826	58,897	51,541
Business Services	152,449	126,373	127,478	82,346	73,198
Corporate	434	389	364	253	186
Total	$ 609,794	$ 523,127	$ 493,551	$ 404,233	$ 320,246

Residential Property Management

FirstService is the largest manager of private residential communities in North America. Private residential communities include condominiums, cooperatives, gated communities and a variety of other residential developments governed by multiple unit residential community associations (collectively referred to as "community associations"). In total, we manage more than 450,000 residential units in 2,500 community associations in the States of Florida, New York, New Jersey, Arizona, Virginia, Pennsylvania, Delaware, Maryland and the District of Columbia.

In Florida, we operate under the Continental Group, Prime Management Group, Dickinson Management and Sterling Management brands. In the mid-Atlantic region, we operate under the Wentworth Group, Armstrong Management, Cooper Square and Arco Wentworth Management brands. Our Arizona operations are conducted through Rossmar & Graham Community Association Management.

In addition, through our American Pool Enterprises, Inc. subsidiary, we are the largest manager of commercial swimming pools and recreation facilities in North America. American Pool Enterprises currently serves approximately 1,200 commercial swimming pools and recreation facilities and 5,000 residential swimming pools in ten states and in Canada, providing recreational facility management, staffing, maintenance and restoration services. Operations outside of the Florida and Arizona markets are seasonal in nature with the majority of revenues being earned in the first and second fiscal quarters.

In the residential property management industry, there are two types of professional property management companies: (i) traditional property managers, and (ii) full-service property managers. Traditional property managers primarily handle administrative property management functions such as collecting maintenance fees, sourcing and paying suppliers, preparing financial statements and contracting out support services. Full-service property managers provide the same services as traditional property managers but also provide a variety of other services under one exclusive contract.

FirstService is a full-service property manager and in many markets provides a full range of services including grounds maintenance, landscaping, painting, restoration, pest control, irrigation, real estate sales and leasing, heating, air conditioning, plumbing and swimming pool management and maintenance.

The aggregate budget of the community associations managed by FirstService is approximately $1.4 billion. The aggregate budget of all the community associations in the United States is estimated to be $35 billion. Currently, FirstService accesses approximately 20% of the aggregate budget of its communities through the various services that it offers. Our strategy is to continue to add communities under management while striving to earn a greater percentage of the aggregate budget by introducing additional services and products.

Based on recent industry data compiled by the Community Associations Institute, we estimate that: (i) more than 50 million Americans, representing approximately 20 million households, live in condominiums, cooperatives, planned communities and other residential developments governed by multiple unit residential community associations; (ii) more than 50% of new homes currently being built in and around major metropolitan areas in the United States are within these categories; (iii) there are approximately 250,000 community associations in the United States; and (iv) the total annual operating expenses for these community associations are estimated to be $35 billion. The market is growing at a rate of approximately 3% per year as a result of the 6,000-8,000 new community associations formed each year. In addition, the growing trend from self-management to professional management, currently almost 50% of the market, is believed to at least double the effective growth rate for professional property management companies.

Typically, owners of private residential units are required to pay quarterly or monthly fees to cover the expenses of managing the condominium or homeowner association's business activities and maintaining community properties. Historically, decision making for communities was delegated to volunteer boards of directors elected by the owners. Increasingly, these volunteer boards have outsourced the responsibility to manage the day-to-day operation and maintenance of community property to professional property management companies.

The residential property management industry is extremely fragmented and dominated by numerous local and regional management companies. Only a small number of such companies, however, have the expertise and capital to provide both traditional property management services as well as the other support services provided by full-service property managers. FirstService is the largest full-service manager of private residential communities in the United States, managing approximately 2% of the nation's approximately 20 million units in community associations. We enjoy a competitive advantage because of our size, depth of financial and management resources, and operating expertise.

Our business is subject to regulation by the states in which we operate. In most states, laws require that property managers must be licensed, which involves certain examinations and continuing education. In addition, our real estate sales and leasing operations are subject to regulation as a real estate brokerage by the various states in which we operate.

Integrated Security Services

FirstService is one of North America's largest providers of integrated security services, primarily to the commercial market, with operations in ten branches — seven in the United States and three in Canada. We operate two security brands, Intercon in Canada and Security Services and Technologies ("SST") in the United States. In April 2004, we appointed a management team to be responsible for the combined Intercon and SST operations, with the goal of enhancing customer service and realizing operating efficiencies.

We design, install, repair and maintain integrated electronic security systems including identification badging, access control and closed-circuit television for office buildings, commercial and industrial facilities, institutional campuses and multi-unit residential properties. Our customers include Fortune 1000 corporations, property management companies, hospitals and universities and all levels of government. Revenues are derived from installation projects, ongoing service, branch and head office upgrades, central station monitoring and maintenance-related work.

In executing our growth strategy to date, we have focused on the development of long-term customer relationships, providing complete enterprise-wide electronic security solutions for all of our customers' facilities and operations. Going forward, this growth strategy will be augmented by acquisitions in key U.S. markets enabling us to add strong regional operators that are leaders in their markets, establish national service capabilities and leverage our existing national account relationships and supplier base.

In Canada, we supplement our integrated electronic security service offerings with a premium security officer service, providing highly trained manpower on-site, via mobile patrol and in response to central station calls. This full-service approach of providing both security systems expertise and security officer services has been a key success factor in delivering growth in the Canadian market, where commercial security clients often express a desire for comprehensive security services.

U.S. security systems integration is a $4 billion industry growing at an annual rate of approximately 10%. Factors driving growth include:

- The trend toward consolidation of security functions and reducing costs: Corporate and institutional security embodies a variety of independent functions (access control, physical security, employee/user security, surveillance, etc.) operating concurrently. Integrating these functions into one system is simpler, more efficient and requires fewer people and resources to operate. An integrated system may also replace a number of different legacy systems that were required to be managed independently, improving functionality and reducing operating and maintenance costs.

- Continued development of network and information technology: Security systems are highly reliant on computer and electronic technology and have benefited from advancements in these technologies, becoming increasingly more powerful, flexible and functional. Security systems and information for multiple sites can be readily integrated and controlled from a centralized location and administered remotely.

- Increased public awareness of security issues: Security has become a priority in the workplace, schools and other public facilities.

The security systems integration industry is highly fragmented but undergoing consolidation. The market is comprised of many small and medium-sized, and a few very large competitors. Of the top 100 systems integrators compiled by SDM Magazine for 2003, only the largest five had revenues over $100 million and the smallest 55 had revenues of less than $10 million. FirstService is the sixth largest integrated security services provider in North America.

Larger competitors are driving consolidation in response to customer demands for comprehensive solution providers with national service capabilities. Customers are moving away from developing and sourcing each of their security systems separately from several different suppliers. System integrators must be able to evaluate customer needs, design an integrated suite of systems and products that is simple and effective, and provide quality installation and service in multiple geographic locations. Critical mass and geographic reach have become increasingly important success factors in this industry.

Our strategy is to combine strong regional operators into a national network, focusing on long-term relationships with customers that have complex security needs. We differentiate ourselves through superior customer service and by designing and integrating open architecture systems (versus proprietary or closed systems).

Consumer Services

In Consumer Services, we provide a variety of residential and commercial services through our network of approximately 1,700 franchised and 7 Company-owned locations across North America. The principal brands in the Consumer Services unit include California Closets, Paul Davis Restoration, CertaPro Painters, College Pro Painters, Pillar to Post and Floorcoverings International. On April 1, 2004, the Company sold its company-owned lawn care operations operating under the Chemlawn, Green Lawn and Natural Alternative brands to a subsidiary of The ServiceMaster Company.

California Closets is the largest provider of installed closet and home storage systems in North America. Headquartered in San Rafael, California, California Closets has 100 franchises in the United States and Canada as well as master franchises in other countries around the world. California Closets receives royalties from franchisees based on a percentage of the franchisees' revenues.

Paul Davis Restoration is a Florida-based franchiser of residential and commercial restoration services serving the insurance restoration industry in the United States through 225 franchises. This company provides restoration services for property damaged by natural or man-made disasters. Paul Davis Restoration receives royalties from franchisees based on a percentage of the franchisees' revenues.

CertaPro Painters is a residential and commercial painting franchise system with approximately 175 franchises operating in major markets across the United States and Canada as well as master franchises in other countries around the world. CertaPro Painters focuses on high-end residential and commercial painting and decorating work and other programs for property managers who have portfolios of condominium and commercial properties. Franchisees pay CertaPro Painters either a royalty based on a percentage of revenues or a fixed monthly fee, plus administrative fees for various ancillary services.

College Pro Painters is a seasonal exterior residential painting franchise system operating in 25 states and across Canada with approximately 675 franchises. It recruits students and trains them to operate the business, including price estimating, marketing, operating procedures, hiring, customer service and safety. College Pro Painters receives a royalty from each franchisee based on a percentage of revenue. College Pro Painters' operations are seasonal with significant revenue and earnings in the Company's first and second quarters followed by losses in the third and fourth quarters.

Pillar to Post is North America's largest home inspection service provider. Services are provided through a network of 400 franchises. Pillar to Post earns royalties from its franchisees based on a percentage of revenues.

Floorcoverings International is a franchiser of "shop-at-home" flooring and window covering solutions, with 100 franchises in the United States and Canada. Floorcoverings International earns revenues from its franchisees based on a percentage of revenues.

Franchise agreements are for terms of five or ten years, with the exception of College Pro Painters where the agreements are for a term of one year. All franchise agreements contain renewal provisions that can be invoked at little cost.

We currently own and operate six California Closets franchises located in Boston, Seattle, Chicago, Jacksonville, San Francisco and Toronto (the latter two were acquired in October 2003). These operations are referred to as "branchises". The purpose of branchising is to reacquire well-established and profitable franchises located in large territories to accelerate growth in these territories in partnership with operating management. We intend to make several more branchising acquisitions as opportunities arise.

The franchised services industry is highly fragmented, consisting principally of a large number of smaller, single-service or single-concept companies. Due to the large size of the overall market for these services, dominant market share is not considered necessary for becoming a major player in the industry. However, because of the low barriers to entry in this segment, we believe that brand name recognition among consumers is a critical factor in achieving long-term success in the businesses we operate.

We believe that the largest franchise companies in North America have been successful because of their ability to realize economies of scale through the centralization and successful application of certain administrative functions such as finance, marketing, purchasing, training and support staffing.

Franchise businesses are subject to U.S. Federal Trade Commission regulations and state and provincial laws that regulate the offering and sale of franchises. Presently, the Company is authorized to sell franchises in 40 states, in all Canadian provinces and in several other countries around the world. In all jurisdictions, we endeavor to have our franchisees meet or exceed regulatory standards.

Business Services

We provide outsourced marketing support services ("MSS") and business process outsourcing ("BPO") services to Fortune 1000 companies through a branch network in Canada and the United States. Effective May 2004, these operations were re-branded as Resolve Corporation ("Resolve"). Resolve is comprised of the businesses formerly known as BDP Business Data Services Ltd., DDS Distribution Services Ltd., Herbert A. Watts Ltd., and their respective subsidiaries. The formation of Resolve marked a significant milestone in our long-term plan to integrate and realize synergies from our Business Services operations.

MSS includes customer relationship management, order processing, inventory management, warehousing, order assembly and shipping, coupon processing, rebating and client profiling. We work with our clients to create fully integrated marketing support and fulfillment solutions, which can include ongoing technical service or product support, customized order processing, inventory management and fulfillment. MSS services are provided from branches in the United States and Canada, including facilities in Cleveland, Toronto, Dallas, Philadelphia, Chicago, Los Angeles, Atlanta and Albuquerque. In aggregate, the Company occupies 2.1 million square feet of dedicated fulfillment and production capacity. We use advanced electronic inventory management and tracking systems to manage materials on behalf of our clients.

In our BPO operations, we provide administrative functions that typically are not strategic to an organization and can be more efficiently and cost-effectively performed by third parties that specialize in such activities. The objective of our BPO operation is to be recognized as the best strategic partner to businesses and government agencies for the outsourcing of labor-intensive, back-office functions. We have developed expertise in performing services that require significant labor in coordination with technology, such as the management of loan portfolios, credit card and affinity programs and the processing of drug and dental claims. We are the second largest student loan processor in Canada. Typical contracts vary in length from one to five years.

Businesses and governments are increasingly concerned with focusing scarce resources on core operations that provide the greatest competitive advantage and best return on investment. As a result, non-core functions are being outsourced to companies that can perform them more productively, more efficiently, more quickly and with higher precision.

The business services industry is diverse and comprised of distinct sectors, including the areas in which FirstService participates. The estimated size of the market for MSS services is $5 billion, and the estimated size of the market for BPO services is $500 billion; both markets are experiencing annual growth in excess of 10%. Competitors range from large, sophisticated companies to smaller niche providers, with many possessing adequate size and technical capabilities. Given the large size of the market, significant growth can be achieved without significant market share. Our largest Business Services client represented approximately 2% of fiscal 2004 consolidated revenues.

The BPO segment is occupied by some of the largest business services companies in the world, leveraging their size to realize economies of scale on very large outsourcing contracts. To compete, we tend to focus on certain niches, such as loan processing and credit and loyalty card administration, where we can capitalize on our specialized expertise. We compete on the basis of providing competitively priced value-added services, supported by strong operating efficiencies.

Technology investment and the cost of labor are the most significant factors driving change in the MSS and BPO sectors. Technological advances are changing business processes, improving productivity, and reducing the importance of geographical proximity. Low cost, high quality labor available overseas has caused market participants to shift production work away from North America to off shore locations.

We believe that we have sufficient size, expertise and financial resources to keep pace with technological advances and remain competitive in the industry. We believe that only a minority of the services offered to our clients could be provided at off shore locations because of transportation and timely delivery requirements for fulfillment materials, the political sensitivities of our clients (especially government agencies), training requirements, and other logistical reasons. However, the Company is currently conducting an off shore pilot program and has subcontracted selected processing activities with a supplier in India.

We provide call center and processing services from low-cost locations in Canada including Charlottetown, PEI and St. John, NB to several U.S. clients. Legislation has been proposed in several U.S. states and federally aiming to protect and repatriate U.S. call center jobs. It is possible that such legislation, if passed, could impair our clients' abilities to effectively use our services.

Business strategy

Operating strategy

Our objective is to increase the revenues, profitability and market position of each operating unit and subsequently acquired business, while maintaining the highest level of service to our customers. Key elements of our operating strategy are:

Senior management commitment: We strongly believe that management ownership at each of our primary operating units has contributed significantly to our ability to grow our businesses. As a result, we expect to continue our practice of encouraging strong operators of newly acquired platform businesses to retain or acquire a significant equity stake in the businesses they operate, generally in the form of a non-transferable direct equity ownership position. In all cases, we retain the right to purchase the minority interest at a pre-determined formula price based on a multiple of trailing twelve month EBITDA[(1)]. These minority interests average approximately 15%. Management believes that its strategy of aligning the interests of operating management with those of the Company provides a powerful incentive to deliver superior financial performance.

Performance-based compensation: We use performance-based compensation programs throughout each of our businesses to attract, retain and motivate our employees. In general, senior managers receive bonuses that are based on a percentage of the amount by which their results exceed budgeted or prior year EBITDA. Lower level managers' incentives are also linked to EBITDA targets, but may include other measures deemed important for growing their business. We believe these programs are effective incentives to operating management and employees to deliver consistent, high-quality service in a cost-effective manner.

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(1) EBITDA is defined as net earnings before extraordinary items, minority interest share of earnings, income taxes, interest, depreciation and amortization. EBITDA excludes income taxes and interest, both of which are charges that require cash settlement. EBITDA is not a recognized measure for financial statement presentation under Canadian or United States generally accepted accounting principles ("GAAP"). The most directly comparable GAAP measure is operating earnings. Operating earnings takes into account depreciation and amortization expenses, while EBITDA does not. Management utilizes EBITDA as a measure to assess the performance of its operations, to evaluate acquisition candidates and establish pricing, for performance-based compensation purposes, and within its debt covenants with its lenders. The Company believes EBITDA is a reasonable measure of operating performance because of the low capital intensity of its service operations. The Company believes EBITDA is a financial metric used by many investors to compare companies, especially in the services industry, on the basis of operating results and the ability to incur and service debt.

Operating efficiencies: We have been able to obtain significant operating efficiencies through the implementation of a variety of "best practices" and have achieved meaningful cost savings through certain economies of scale. We attempt to identify and refine our best practices across all of our businesses in order to benefit from the most innovative and effective management techniques. The implementation of best practices has resulted in improved labor management, customer service and service delivery routing. We also achieve significant savings through the volume purchasing of vehicles, insurance, group benefits, advertising and professional and financial services.

Marketing penetration and joint marketing: We capitalize on the complementary nature of our businesses by introducing new or additional services to customers with which we already have long-term contractual relationships. The complementary nature of our property services businesses also provides certain advantages when introducing a new service in a market where we have existing operations. These advantages include significant market knowledge, demographic information and the ability to share the established overhead of existing operations. Because we provide a number of property services, we are able to effectively utilize consolidated customer lists, in-house telemarketing capabilities and other marketing data that is accumulated to conduct cost-efficient customer referral across our businesses.

Acquisition strategy

Our acquisition strategy has been developed to complement the internal growth strategies of our existing service lines and as a component of our overall growth strategy of building a significant, diversified service business that generates recurring and predictable cash flows and earnings. The acquisition strategy entails the systematic acquisition of established, well managed, and profitable service companies operating in fragmented industries that will:

- Enhance the market position of an existing service line, provide an entry into a new geographic region/market, or introduce a new service line; and
- Provide a return on invested capital that exceeds our weighted average cost of capital.

Acquisitions are classified as "tuck-under" or "platform". The majority of acquisitions that we target and complete are tuck-under acquisitions. These acquisitions are generally smaller transactions completed within an existing service line that strengthen its regional presence or competitive position through increased market share or the addition of a complementary service line. Platform acquisitions are larger transactions that either establish an existing service line in a new geographic region or provide a vehicle for FirstService to add a new service offering that can be leveraged through cross-selling of services, sharing of best practices or other synergies or through further consolidation. Each acquisition must meet strict criteria that include the following:

- Strong, experienced management teams in place that are interested in growing their businesses and in being rewarded through performance-based compensation;
- History of consistent profitability, supported by significant contractual revenues;
- Non-capital intensive operations with a variable cost structure;
- Leading positions in the markets served; and,
- In the case of platform acquisitions, one or more senior managers who wish to retain a significant minority interest in the acquired company in order to participate directly in its future growth and development as part of FirstService.

In general, platform companies continue to operate on a stand-alone basis in accordance with our operating strategy, while drawing on the resources of FirstService to facilitate future growth. Most tuck-under acquisitions are fully integrated into the operations of the service line making the acquisition.

We have historically paid approximately 4.5 times normalized and sustainable EBITDA ("Valuation EBITDA") for our acquisitions. Usually, consideration is paid with a combination of cash at closing and contingent note consideration. Contingent consideration is typically issuable over a three-year contingency period, subject to achievement of the Valuation EBITDA on an averaged basis over the three-year period subsequent to closing. In the event that the actual average EBITDA is less than the Valuation EBITDA, the purchase price and contingent consideration are reduced by a multiple of the deficiency in EBITDA.

In executing acquisitions, our acquisition team works closely with operating management of our service lines to identify, negotiate and complete acquisitions. A majority of acquisitions are negotiated on an exclusive basis, without the imposition of an intermediary-controlled auction process, thereby facilitating a focused effort by FirstService to build a relationship with its prospective partner and emphasize the appropriate balance of financial and non-financial, as well as long-term and short-term attributes of the acquisition to the vendor. Notwithstanding the varied acquisition opportunities available to FirstService, management remains committed to a disciplined approach to acquisitions, including a rigorous adherence to our strict acquisition criteria and transaction structure. As well, we only allocate our financial and human resources to existing service lines for acquisitions if the management team has the capacity to integrate the acquisition and the performance of current operations is meeting or exceeding expectations.

The integration process is a critical component of all acquisitions executed by FirstService. This process is initiated during due diligence, when opportunities for integration, operational improvements and the sharing of best practices are identified and an integration plan is drafted. Post-closing, the integration plan is reviewed with management of the acquired company to ensure that it accurately captures and prioritizes the issues to be addressed. Once a buy-in has been obtained, the integration plan is finalized and a timetable established for the execution of the plan by the management of the acquired company. This is a collaborative process with a high degree of involvement from our integration team in overseeing the implementation and in monitoring progress against the timetable.

Seasonality

FirstService operates several seasonal service lines. In Consumer Services, we provide exterior painting services throughout North America. In Business Services, we provide textbook fulfillment services, in which the majority of activity occurs in our June and September quarters. In Residential Property Management, we provide swimming pool management and maintenance services (throughout North America) to primarily outdoor pools. The result of this seasonality in these service lines is relatively higher revenues in our June and September quarters followed by lower revenues in the December and March quarters.

The seasonality inherent in the businesses listed above results in variations in quarterly operating margins. These businesses generate significant profits during the June and September quarters followed by losses during the December and March quarters as a result of fixed overhead expenses including rent and administrative payroll.

We expect that the April 1, 2004 disposal of our Canadian lawn care business will significantly reduce seasonality in our business. As we make acquisitions, the service mix will change and we expect that seasonality will be further reduced.

Trademarks

FirstService's trademarks are important for the advertising and brand awareness of all of our businesses and franchises. We take precautions to defend the value of our trademarks by maintaining legal registrations and by litigating against alleged infringements, if necessary.

In our Consumer Services unit, three franchise systems — California Closet Company, Paul Davis Restoration and Pillar to Post — have trademarks to which value has been ascribed in the consolidated financial statements. These franchise systems have franchises in every significant population center in the United States. The value of these trademarks is derived from the recognition they enjoy among the target audiences for closet system installations, disaster restoration services and home inspections. These trademarks have been in existence for many years, and their prominence among consumers has grown over time through the addition of franchisees and the ongoing marketing programs conducted by both franchisees and the Company.

Employees

We employ approximately 11,000 full-time non-unionized employees, rising to a total of approximately 14,000 with seasonal employees in the spring and summer months.

Minority interests

FirstService owns a majority interest (on average 85% of the equity) in all of its subsidiaries, while operating management of each subsidiary owns the remaining shares. This structure was designed to maintain control at FirstService while providing significant incentives to management at the operating companies. In all cases, management has the right to "call" management's shares at a predetermined formula price, usually payable at FirstService's option with any combination of FirstService shares or cash. FirstService may also be obligated to acquire certain of these minority interests in the event of death, disability or cessation of employment of the employee or if the shares are "put" by the employee. These arrangements provide significant flexibility to FirstService in connection with management succession planning and shareholder liquidity matters.

Dividend policy

The Company does not currently pay dividends on any of its shares. The payment of dividends is at the discretion of the Board of Directors of the Company, which considers earnings, capital requirements and the financial condition of the Company, among other relevant factors. If dividends were declared, they would be payable in either U.S. or Canadian dollars.

Capital structure

The authorized capital of the Company consists of an unlimited number of preference shares, issuable in series, an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. The holders of Subordinate Voting Shares are entitled to one (1) vote in respect of each Subordinate Voting Share held at all meetings of the shareholders of the Company. The holders of Multiple Voting Shares are entitled to twenty (20) votes in respect of each Multiple Voting Share held at all meetings of the shareholders of the Company. As of May 25, 2004 there were 14,119,018 Subordinate Voting Shares, 662,847 Multiple Voting Shares and no preference shares issued and outstanding.

A summary of certain rights attaching to the Company's Subordinate Voting Shares is set out in the section entitled "Certain Rights of Holders of Subordinate Voting Shares" contained in the Company's Management Information Circular dated May 17, 2004 filed in connection with the Company's annual and special meeting of shareholders to be held on June 23, 2004, which section is hereby incorporated herein by reference.

Market for securities

The Company's Subordinate Voting Shares are listed for trading on the Toronto Stock Exchange and on the NASDAQ National Market. The Company's Multiple Voting Shares are not listed and do not trade on any public market or quotation system.

The table below details the price ranges and volumes traded of Subordinate Voting Shares on the Toronto Stock Exchange in Canadian dollars, on a monthly basis:

Month	High price (C$)	Low price (C$)	Volume traded
April 2003	17.60	16.50	231,708
May 2003	22.50	17.74	452,633
June 2003	22.35	20.75	134,064
July 2003	24.25	20.40	446,400
August 2003	24.55	21.75	117,300
September 2003	24.44	21.97	156,100
October 2003	27.79	23.90	423,900
November 2003	28.00	26.50	163,900
December 2003	27.00	26.15	211,200
January 2004	29.18	25.80	448,200
February 2004	30.93	29.30	802,600
March 2004	32.00	30.01	715,600

Transfer agents and registrars

The transfer agent and registrar for the Subordinate Voting Shares is Equity Transfer Services, Inc., 120 Adelaide Street West, Suite 420, Toronto, Ontario, M5H 3C4. The transfer agent and registrar for the Multiple Voting Shares is the Company at 1140 Bay Street, Suite 4000, Toronto, Ontario, M5S 4B4.

Directors and officers

Directors — the following are the directors of the Company as at May 25, 2004:

Name and municipality of residence	Age	Present position and tenure	Business experience during last five years
David R. Beatty(1,2,3) *Toronto, Ontario*	62	Director since May 2001	Corporate Director; Director of Clarkson Center for Business Ethics
Brendan Calder(1,2,3) *Toronto, Ontario*	57	Director since June 1996	Entrepreneur in Residence, Rotman School of Management, University of Toronto; Corporate Director; Former Chairman and Chief Executive Officer, CIBC Mortgages Inc. (subsidiary of a Canadian chartered bank)
Peter F. Cohen(1,2,3) *Toronto, Ontario*	51	Director since March 1990	President, Dawsco Group (Ontario-based real estate and investment company); Former Chairman and Chief Executive Officer, Centrefund Realty Corp. (Canadian publicly traded real estate company)
Jay S. Hennick *Toronto, Ontario*	47	President, Chief Executive Officer and Director since May 1988	Chairman, President and Chief Executive Officer
Steven Rogers *Mississauga, Ontario*	48	Director since August 1989	President and Chief Executive Officer, The Franchise Company, Inc. (subsidiary of the Company)

(1) Member of Audit Committee

(2) Member of Executive Compensation Committee

(3) Member of Nominating and Corporate Governance Committee

Each director remains in office until the following annual shareholders' meeting or until the election of his successor, unless he resigns or his office becomes vacant. All directors stand for election or re-election annually.

Officers — the following are the officers of the Company as at May 25, 2004:

Name and municipality of residence	Age	Present position with the Company	First became an officer
Jay S. Hennick *Toronto, Ontario*	47	Chairman, President, Chief Executive Officer and Director	1988
D. Scott Patterson *Toronto, Ontario*	43	Executive Vice President	1995
John B. Friedrichsen *Toronto, Ontario*	42	Senior Vice President and Chief Financial Officer	1998
Roman Kocur *Toronto, Ontario*	43	Vice President, Acquisitions	2003
Douglas G. Cooke *Toronto, Ontario*	44	Corporate Controller and Treasurer	1995

The directors and officers of the Company, as a group, own or control 2,000,722 Subordinate Voting Shares (including vested stock options), which represents 13.6% of the total Subordinate Voting Shares outstanding (including vested stock options). The directors and officers, as a group, control 58.2% of the total voting rights when all Multiple Voting Shares, Subordinate Voting Shares and vested stock options are considered. Mr. Hennick controls all of the Company's Multiple Voting Shares.

Mr. Rogers controls a 9% voting interest in The Franchise Company Inc., a subsidiary of the Company.

Legal proceedings

The Company is involved in legal proceedings and claims arising in the normal course of its business. In the opinion of management, the Company's liability, if any, would not materially affect its financial condition or operations.

Properties

The following chart provides a summary of the properties occupied by the Company and its subsidiaries as at March 31, 2004:

(square feet)	United States (leased)	United States (owned)	Canada (leased)	Canada (owned)
Residential Property Management	295,000	73,000	5,000	—
Integrated Security Services	40,000	—	70,000	—
Consumer Services	60,000	—	150,000	—
Business Services	1,735,000	—	590,000	106,000
Corporate	—	—	—	20,000

Selected consolidated financial information

Last five fiscal years
(US$ thousands, except per share amounts)

Year ended March 31	2004	2003	2002[1]	2001	2000
OPERATIONS					
Revenues	$ 609,794	$ 523,127	$ 493,551	$ 404,233	$ 320,246
Operating earnings	39,071	37,703	43,287	34,033	26,707
Net earnings from continuing operations	18,864	18,026	16,482	12,056	9,297
Net earnings from discontinued operations, net of income taxes	160	414	547	575	495
Net earnings	19,024	18,440	17,029	12,631	9,792
FINANCIAL POSITION					
Total assets	$ 437,553	$ 389,031	$ 365,929	$ 305,137	$ 230,887
Long-term debt[2]	153,581	155,610	160,488	149,374	102,177
Shareholders' equity	155,101	123,406	99,221	79,220	68,338
Book value per share	10.52	8.71	7.20	6.02	5.26
OTHER DATA					
EBITDA[3]	$ 54,294	$ 50,988	$ 55,240	$ 45,310	$ 35,669
SHARE DATA					
Net earnings per share					
Basic					
Continuing operations	$ 1.32	$ 1.29	$ 1.22	$ 0.93	$ 0.72
Discontinued operations	0.01	0.03	0.04	0.04	0.04
	1.33	1.32	1.26	0.97	0.76
Diluted					
Continuing operations	1.29	1.24	1.13	0.87	0.68
Discontinued operations	0.01	0.03	0.04	0.04	0.04
	1.30	1.27	1.17	0.91	0.72
Weighted average shares (thousands)					
Basic	14,285	13,921	13,565	13,074	12,948
Diluted	14,596	14,498	14,600	13,841	13,708
Cash dividends per share	—	—	—	—	—

Notes

(1) Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142") was adopted effective April 1, 2001, which resulted in a material decrease in amortization expense and a material increase in net earnings. Fiscal 2001 net earnings, adjusted for SFAS 142, were $15,484 and net earnings per share were $1.19 (basic) and $1.11 (diluted).

(2) Excluding current portion of long-term debt and effect of interest rate swaps.

(3) EBITDA is defined as net earnings before extraordinary items, minority interest share of earnings, income taxes, interest, depreciation and amortization. EBITDA excludes income taxes and interest, both of which are charges that require cash settlement. EBITDA is not a recognized measure for financial statement presentation under Canadian and United States generally accepted accounting principles ("GAAP"). The most directly comparable GAAP measure is operating earnings. Operating earnings takes into account depreciation and amortization expenses, while EBITDA does not. Management utilizes EBITDA as a measure to assess the performance of its operations, to evaluate acquisition candidates and establish pricing, for performance-based compensation purposes, and within its debt covenants with its lenders. The Company believes EBITDA is a reasonable measure of operating performance because of the low capital intensity of its service operations. The Company believes EBITDA is a financial metric used by many investors to compare companies, especially in the services industry, on the basis of operating results and the ability to incur and service debt. The table below reconciles EBITDA to operating earnings.

Year ended March 31	2004	2003	2002	2001	2000
EBITDA	$ 54,294	$ 50,988	$ 55,240	$ 45,310	$ 35,669
Less: depreciation and amortization	(15,223)	(13,285)	(11,953)	(11,277)	(8,962)
Equals: operating earnings	39,071	37,703	43,287	34,033	26,707

Last eight quarters
(US$ thousands, except per share amounts)

	Q1	Q2	Q3	Q4	Year
FISCAL 2004					
Revenues	$ 148,482	$ 157,393	$ 148,704	$ 155,215	$ 609,794
Operating earnings	11,917	15,443	6,009	5,702	39,071
Net earnings from continuing operations	5,403	7,315	2,650	3,496	18,864
Net earnings from discontinued operations	1,009	1,654	(640)	(1,863)	160
Net earnings	6,412	8,969	2,010	1,633	19,024
Net earnings per share:					
Basic	0.45	0.63	0.14	0.11	1.33
Diluted	0.45	0.62	0.14	0.11	1.30
FISCAL 2003					
Revenues	$ 137,309	$ 137,794	$ 123,931	$ 124,093	$ 523,127
Operating earnings	13,729	16,067	5,002	2,905	37,703
Net earnings from continuing operations	6,080	7,365	1,760	2,822	18,026
Net earnings from discontinued operations	1,228	1,430	(425)	(1,819)	414
Net earnings	7,308	8,795	1,335	1,002	18,440
Net earnings per share:					
Basic	0.53	0.63	0.10	0.07	1.32
Diluted	0.50	0.60	0.09	0.07	1.27
OTHER DATA					
EBITDA — Fiscal 2004	$ 15,626	$ 19,072	$ 9,873	$ 9,723	$ 54,294
EBITDA — Fiscal 2003	16,897	19,297	8,284	6,510	50,988

Risk and uncertainties

The Company is subject to various risks and uncertainties, which are described below in order of significance:

- North American economic conditions, especially as they relate to consumer spending and business spending on customer relations and marketing.
- Extreme weather conditions impacting demand for our services or our ability to perform those services.
- Political conditions, including any outbreak or escalation of terrorism or hostilities and the impact thereof on our business.
- Competition in the markets served by the Company.
- Labor shortages or increases in wage and benefit costs.
- The effect of changes in interest rates on our cost of borrowing.
- Unexpected increases in operating costs, such as insurance, workers' compensation, health care and fuel prices.
- Changes in the frequency or severity of insurance incidents relative to our historical experience.
- The effect of changes in the Canadian dollar foreign exchange rate in relation to the U.S. dollar on the Company's Canadian dollar denominated revenues and expenses.
- Our ability to make acquisitions at reasonable prices and successfully integrate acquired operations.
- Changes in government policies at the federal, state/provincial or local level that may adversely impact our call center operations, student loans processing, firearms registration processing, or textbook fulfillment activities.

Each of the above factors may have a material adverse affect on the Company's business, operating results and financial condition.

Management's discussion and analysis

The section entitled "Management's Discussion and Analysis of Results of Operations and Financial Condition" within the Company's 2004 annual report is incorporated herein by reference.

Material contracts

On February 1, 2004, the Company, upon the review, report and recommendation of the Executive Compensation Committee of the Board of Directors of the Company, entered into a management services agreement (the "Management Services Agreement") with Jayset Capital Corp. ("Jayset") and Jay S. Hennick. Mr. Hennick is the sole officer, director and shareholder of Jayset. The particulars of the Management Services Agreement are set out in the sections entitled "Executive Compensation — Management Contract" and "Long Term Incentive Plan" contained in the Company's Management Information Circular dated May 17, 2004 filed in connection with the Company's annual and special meeting of shareholders to be held on June 23, 2004, which sections are hereby incorporated herein by reference.

Cease trade orders, bankruptcies, penalties or sanctions

No director or executive officer of the Company or shareholder holding a sufficient number of securities to materially affect the control the Company has, within the last ten years, been a director or executive officer of any company that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any statutory exemption for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person.

No director or executive officer of the Company or shareholder holding a sufficient number of securities to materially affect the control the Company has, within the last ten years, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud.

Conflicts of interest

Certain directors and officers of the Company are engaged in and will continue to engage in activities outside the Company, and as a result, certain directors and officers of the Company may become subject to conflicts of interest. The *Business Corporations Act* (Ontario) provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the *Business Corporations Act* (Ontario). To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the *Business Corporations Act* (Ontario).

As at the date hereof, the Company is not aware of any existing or potential material conflicts of interest between the Company and a director or officer of the Company.

Audit Committee

The Audit Committee of the Company is composed of three members who are independent and financially literate. The committee reviews the annual financial statements intended for circulation among shareholders and reports upon these to the board of directors of the Company. In addition, the board of directors of the Company may defer to the Audit Committee on other matters and questions relating to the financial position of the Company and its affiliates. In February 2003, the board adopted an Audit Committee mandate, a copy of which is published on the Company's website (www.firstservice.com) and was attached as Schedule "C" to the Company's Management Information Circular dated May 14, 2003 in connection with the Company's annual meeting of shareholders held on June 24, 2003, and is hereby incorporated herein by reference. The members of the Audit Committee during the year ended March 31, 2004 were Messrs. David R. Beatty, Brendan Calder and Peter F. Cohen, Chairman. Mr. Cohen is a Chartered Accountant and a former partner in an audit practice. Mr. Beatty and Mr. Calder have each served as senior executives of public companies.

Additional information

Additional information, including the directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities, where applicable, is contained in the Company's Management Information Circular dated May 17, 2004 in connection with the Company's annual and special meeting of shareholders to be held on June 23, 2004.

Copies of publicly filed documents of the Company, including those incorporated herein by reference, can be found through the SEDAR web site at www.sedar.com. Additional financial information is provided in the Company's consolidated comparative financial statements and Management's Discussion and Analysis for the year ended March 31, 2004.

Upon request, the Secretary of the Company will provide to any person or company:

(a) when the securities of the Company are in the course of a distribution under a short form prospectus or a preliminary short form prospectus has been filed for a distribution of its securities:

(i) one copy of the Annual Information Form of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;

(ii) one copy of the comparative financial statements of the Company for its most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditor and one copy of any interim financial statements of the Company for any period after the end of its most recently completed financial year;

(iii) one copy of the management information circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared instead of the management information circular, as appropriate; and

(iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under subparagraphs (i) to (iii); or

(b) at any other time, one copy of any document referred to in subparagraphs (a)(i), (ii) and (iii), provided that the Company may require the payment of a reasonable charge if the request is made by a person or company who is not a shareholder of the Company.

Forward-looking statements

This Annual Information Form contains or incorporates by reference certain forward-looking statements. Such forward-looking statements involve risks and uncertainties and include, but are not limited to, statements regarding future events and the Company's plans, goals and objectives. Such statements are generally accompanied by words such as "intend", "anticipate", "believe", "estimate", "expect" or similar statements. Our actual results may differ materially from such statements. Factors that could result in such differences, among others, are described in the section entitled "Risks and uncertainties" above.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in such forward-looking statements will be realized. The inclusion of such forward-looking statements should not be regarded as a representation by the Company or any other person that the future events, plans or expectations contemplated by the Company will be achieved. We note that past performance in operations and share price are not necessarily predictive of future performance.

QuickLinks

FIRSTSERVICE CORPORATION ANNUAL INFORMATION FORM FOR THE YEAR ENDED MARCH 31, 2004
TABLE OF CONTENTS
FIRSTSERVICE CORPORATION ANNUAL INFORMATION FORM MAY 25, 2004

QuickLinks -- Click here to rapidly navigate through this document

EXHIBIT 2

REPORT OF MANAGEMENT

To the shareholders of FirstService Corporation:

Management is responsible for the preparation of FirstService Corporation's consolidated financial statements. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the consolidated financial statements reasonably present the Company's financial condition and results of operations. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and reconciled to Canadian generally accepted accounting principles in note 22 to the consolidated financial statements in all material respects. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable under the circumstances.

PricewaterhouseCoopers LLP, the independent auditors of the Company, have audited the Company's consolidated financial statements in accordance with Canadian generally accepted auditing standards, and they provide an objective, independent review of the fairness of reported operating results and financial position.

The Board of Directors of the Company has an Audit Committee that meets with financial management and the independent auditors to review accounting, auditing, internal accounting controls, and financial reporting matters.

/s/ Jay S. Hennick
President and CEO

/s/ John B. Friedrichsen
Senior Vice President and CFO

May 7, 2004

INDEPENDENT AUDITORS' REPORT

To the shareholders of FirstService Corporation:

We have audited the consolidated balance sheets of FirstService Corporation as at March 31, 2004 and 2003 and the consolidated statements of earnings, shareholders' equity and cash flows for each year in the three-year period ended March 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2004 and 2003 and the results of its operations and cash flows for each year in the three-year period ended March 31, 2004 in accordance with United States generally accepted accounting principles.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants

Toronto, Canada
May 7, 2004

FIRSTSERVICE CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands of U.S. dollars, except per share amounts) — in accordance with United States generally accepted accounting principles

For the years ended March 31	2004	2003	2002
Revenues	**$ 609,794**	$ 523,127	$ 493,551
Cost of revenues	**424,069**	359,254	334,464
Selling, general and administrative expenses (note 5)	**132,328**	113,991	104,043
Other income, net (note 6)	**(897)**	(1,106)	(196)
Depreciation and amortization	**15,223**	13,285	11,953
	39,071	37,703	43,287
Interest, net	**7,905**	8,936	12,952
Earnings before income taxes and minority interest	**31,166**	28,767	30,335
Income taxes (note 14)	**9,201**	7,701	10,195
Earnings before minority interest	**21,965**	21,066	20,140
Minority interest share of earnings	**3,101**	3,040	3,658
Net earnings from continuing operations	**18,864**	18,026	16,482
Net earnings from discontinued operations, net of income taxes (note 4)	**160**	414	547
Net earnings	**$ 19,024**	$ 18,440	$ 17,029
Net earnings per share (note 15)			
Basic			
Continuing operations	**$ 1.32**	$ 1.29	$ 1.22
Discontinued operations	**0.01**	0.03	0.04
	$ 1.33	$ 1.32	$ 1.26
Diluted			
Continuing operations	**$ 1.29**	$ 1.24	$ 1.13
Discontinued operations	**0.01**	0.03	0.04
	$ 1.30	$ 1.27	$ 1.17

The accompanying notes are an integral part of these consolidated financial statements.

FIRSTSERVICE CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars) — in accordance with United States generally accepted accounting principles

As at March 31	2004	2003
Assets		
Current assets		
Cash and cash equivalents	**$ 15,620**	$ 5,378
Accounts receivable, net of an allowance of $3,976 (2003 — $5,343)	**97,367**	85,484
Inventories (note 7)	**15,229**	15,095
Prepaids and other (note 7)	**15,659**	13,617
Deferred income taxes (note 14)	**3,358**	2,808
	147,233	122,382
Other receivables (note 8)	**5,397**	5,839
Interest rate swaps (note 17)	**6,805**	6,279
Fixed assets (note 9)	**49,826**	46,600
Other assets (note 9)	**2,829**	2,777
Deferred income taxes (note 14)	**2,167**	103
Intangible assets (note 10)	**37,717**	31,427
Goodwill (note 11)	**185,579**	173,624
	290,320	266,649
	$ 437,553	$ 389,031
Liabilities		
Current liabilities		
Accounts payable	**$ 20,526**	$ 22,564
Accrued liabilities (note 7)	**49,353**	34,270
Income taxes payable	**1,985**	1,209
Unearned revenue	**9,736**	8,369
Long-term debt — current (note 12)	**3,502**	3,030
Deferred income taxes (note 14)	**1,266**	1,066
	86,368	70,508
Long-term debt less current portion (note 12)	**160,386**	161,889
Deferred income taxes (note 14)	**19,594**	19,404
Minority interest	**16,104**	13,824
	196,084	195,117
Shareholders' equity		
Capital stock (note 13)	**68,557**	60,571
Issued and outstanding 14,087,018 (2003 — 13,501,343) Subordinate Voting Shares and 662,847 (2003 — 662,847) convertible Multiple Voting Shares		
Contributed surplus (note 13)	**183**	—
Receivables pursuant to share purchase plan (note 13)	**(2,148)**	(2,434)
Retained earnings	**81,972**	62,948
Cumulative other comprehensive earnings	**6,537**	2,321
	155,101	123,406
	$ 437,553	$ 389,031

Commitments and contingencies (note 18)

On behalf of the Board,

/s/ Jay S. Hennick
Director

/s/ Peter F. Cohen
Director

The accompanying notes are an integral part of these consolidated financial statements.

FIRSTSERVICE CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands of U.S. dollars) — in accordance with United States generally accepted accounting principles

	Issued and outstanding shares	Capital stock	Contributed surplus	Receivables pursuant to share purchase plan	Retained earnings	Cumulative other comprehensive earnings (loss)	Total shareholders' equity
Balance, March 31, 2001	13,168,240	$ 54,863	$ —	$ (3,196)	$ 27,736	$ (183)	$ 79,220
Comprehensive earnings:							
Net earnings	—	—	—	—	17,029	—	17,029
Foreign currency translation adjustments	—	—	—	—	—	(443)	(443)
Comprehensive earnings							16,586
Subordinate Voting Shares:							
Stock options exercised	607,025	2,849	—	—	—	—	2,849
Cash payments on share purchase plan	—	—	—	566	—	—	566
Balance, March 31, 2002	13,775,265	57,712	—	(2,630)	44,765	(626)	99,221
Comprehensive earnings:							
Net earnings	—	—	—	—	18,440	—	18,440
Foreign currency translation adjustments	—	—	—	—	—	2,947	2,947
Comprehensive earnings							21,387
Subordinate Voting Shares:							
Stock options exercised	421,625	3,002	—	—	—	—	3,002
Purchased for cancellation	(32,700)	(143)	—	—	(257)	—	(400)
Cash payments on share purchase plan	—	—	—	196	—	—	196
Balance, March 31, 2003	14,164,190	60,571	—	(2,434)	62,948	2,321	123,406
Comprehensive earnings:							
Net earnings	—	—	—	—	19,024	—	19,024
Foreign currency translation adjustments	—	—	—	—	—	4,216	4,216
Comprehensive earnings							23,240
Subordinate Voting Shares:							
Stock option expense			322				322
Stock options exercised	585,675	7,986	(139)	—	—	—	7,847
Cash payments on share purchase plan	—	—	—	286	—	—	286
Balance, March 31, 2004	**14,749,865**	**$ 68,557**	**$ 183**	**$ (2,148)**	**$ 81,972**	**$ 6,537**	**$ 155,101**

The accompanying notes are an integral part of these consolidated financial statements.

FIRSTSERVICE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars) — in accordance with United States generally accepted accounting principles

For the years ended March 31	2004	2003	2002
Cash provided by (used in)			
Operating activities			
Net earnings	**$ 19,024**	$ 18,440	$ 17,029
Less net earnings from discontinued operations	**(160)**	(414)	(547)
Items not affecting cash:			
Depreciation and amortization	**15,223**	13,285	11,953
Deferred income taxes	**(683)**	2,786	230
Minority interest share of earnings	**3,101**	3,040	3,658
Write-off of financing fees on early debt retirement	**—**	—	1,375
Other	**(181)**	(287)	471
Changes in operating assets and liabilities:			
Accounts receivable	**(2,256)**	9,661	(7,092)
Inventories	**839**	(4,292)	(579)
Prepaids and other	**(1,069)**	(1,042)	(1,988)
Accounts payable	**(10,464)**	(355)	(1,777)
Accrued liabilities	**12,778**	(6,629)	404
Income taxes payable	**(1,670)**	(1,503)	589
Unearned revenue	**575**	(3,033)	371
Net cash provided by operating activities	**35,057**	29,657	24,097
Investing activities			
Acquisitions of businesses, net of cash acquired	**(16,019)**	(9,561)	(15,363)
Purchases of minority shareholders' interests	**(1,098)**	(6,352)	(4,623)
Purchases of fixed assets	**(13,121)**	(9,335)	(14,912)
Purchases of intangible assets	**(551)**	(579)	(1,150)
(Increase) decrease in other assets	**(163)**	2,069	683
Decrease (increase) in other receivables	**1,869**	(578)	80
Net cash used in investing activities	**(29,083)**	(24,336)	(35,285)
Financing activities			
Increases in long-term debt	**60,522**	14,474	169,042
Repayments of long-term debt	**(62,559)**	(28,683)	(155,246)
Financing fees paid	**(525)**	—	(3,030)
Proceeds received on exercise of stock options	**7,847**	3,002	2,849
Collection of receivables pursuant to share purchase plan	**286**	196	566
Repurchases of Subordinate Voting Shares	**—**	(400)	—
Dividends paid to minority shareholders of subsidiaries	**(510)**	(191)	(139)
Net cash provided by (used in) financing activities	**5,061**	(11,602)	14,042
Net cash (used in) provided by discontinued operations	**(318)**	1,483	21
Effect of exchange rate changes on cash	**(475)**	2,844	(658)
Increase (decrease) in cash and cash equivalents during the year	**10,242**	(1,954)	2,217
Cash and cash equivalents, beginning of year	**5,378**	7,332	5,115
Cash and cash equivalents, end of year	**$ 15,620**	$ 5,378	$ 7,332

The accompanying notes are an integral part of these consolidated financial statements.

1. DESCRIPTION OF THE BUSINESS

FirstService Corporation (the "Company") is a provider of property and business services to commercial, institutional and residential customers in the United States and Canada. The Company's operations are conducted through four segments: Residential Property Management, Integrated Security Services, Consumer Services and Business Services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of the financial statements in conformity with United States generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are related to goodwill, intangible assets and the collectibility of accounts receivable. Actual results could be materially different from these estimates. Significant accounting policies are summarized as follows:

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions and accounts are eliminated on consolidation.

Cash and cash equivalents

Cash equivalents consist of highly liquid investments, which are readily convertible into cash and have original maturities of three months or less.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined by the weighted average or first-in, first-out methods. The weighted average and the first-in, first-out methods represent approximately 35% and 65% of total inventories, respectively (2003 — 45% and 55%). Finished goods and work-in-progress include the cost of materials, direct labor and manufacturing overhead costs.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. Fixed assets are depreciated over their estimated useful lives as follows:

Buildings	5% declining balance and 20 to 40 years straight-line
Vehicles	3 to 10 years straight-line
Furniture and equipment	20% to 30% declining balance and 3 to 10 years straight-line
Computer equipment and software	20% declining balance and 3 to 5 years straight-line
Enterprise system software	5 to 10 years straight-line
Leasehold improvements	term of the leases to a maximum of 10 years

The Company reviews the carrying value of fixed assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of the impairment loss is based on the excess of the carrying amount of the asset over fair value calculated using discounted expected future cash flows.

Financial instruments

The Company uses interest rate swaps to hedge its interest rate exposure. The swaps are carried at fair value on the balance sheet, with gains or losses recognized in earnings. The carrying value of the hedged debt is adjusted for changes in fair value attributable to the hedged interest rate risk; the associated gain or loss is recognized currently in earnings. The company uses foreign exchange contracts to fix its exposure to Canadian dollar expenses. These contracts are not hedge accounted for. They are carried on the balance sheet at fair value and gains or losses are recognized in earnings.

Financing fees

Financing fees related to the revolving credit facility are amortized to interest expense on a straight-line basis over the term of the associated debt. Financing fees related to the senior secured notes are amortized to interest expense using the effective interest method.

Goodwill and intangible assets

Goodwill and intangible assets are accounted for in accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations*, ("SFAS 141") and SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). Goodwill represents the excess of purchase price over the fair value of identifiable assets acquired in a business combination and is not subject to amortization.

Intangible assets are recorded at cost and are amortized over their estimated useful lives as follows:

Management contracts and other	straight-line over life of contract ranging from 2 to 15 years
Customer lists and relationships	straight-line over 2 to 15 years
Trademarks and trade names	straight-line over 25 to 35 years
Franchise rights	by pattern of use

The Company reviews the carrying value of intangible assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of the impairment loss is based on the excess of the carrying amount of the asset over fair value calculated using discounted expected future cash flows.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate the asset might be impaired, in which case the carrying value of the asset is written down to fair value. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a discounted cash flow approach. If the carrying amount of the reporting unit exceeds its fair value, then a second step is performed to measure the amount of impairment loss, if any.

Revenue recognition and unearned revenue

(a) Company-owned services

Revenues from Residential Property Management, Company-owned Consumer Services, Integrated Security Services and Business Services are recognized at the time the service is rendered or the product is shipped. Revenues from Integrated Security Services installation contracts and Residential Property Management painting and restoration contracts in process are recognized on the percentage of completion method, generally in the ratio of actual costs to total estimated contract costs, unless the Company cannot reasonably estimate its gross margins in which case the completed contract method is used. Amounts received from customers in advance of services being provided are recorded as unearned revenue when received.

(b) Franchised services

The Company's franchised Consumer Services are conducted principally through subsidiaries California Closet Company, Inc., Paul Davis Restoration, Inc., Pillar to Post, Inc., CertaPro Painters Ltd. and College Pro Painters Ltd. Royalties are charged as a percentage of revenues, as defined, where reported by the franchisees except for CertaPro Painters Ltd., where the franchisees are charged either a fixed monthly amount or a percentage of revenues. Revenues from administrative and other support services, as applicable, are recognized as the services are provided.

Advertising costs

Advertising costs are expensed as incurred except for prepaid direct-response advertising, which is recorded as a current asset and is amortized over the period of expected sales revenue resulting from such advertising.

Foreign currency translation

Assets and liabilities of the Company's subsidiary operations that are measured in a functional currency other than the U.S. dollar are translated into U.S. dollars at the exchange rates prevailing at year-end and revenues and expenses at the weighted average exchange rates for the year. Realized exchange gains and losses are included in earnings. Currency translation adjustments are included in other comprehensive earnings.

Income taxes

Income taxes have been provided using the asset and liability method whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the change occurs. A valuation allowance is recorded when there is uncertainty regarding realization of a deferred income tax asset.

Income taxes are not provided on the unremitted earnings of U.S. subsidiaries because it has been the practice and is the intention of the Company to reinvest these earnings indefinitely in its U.S. subsidiaries.

Stock-based compensation

Effective April 1, 2003, the Company is accounting for stock options as compensation expense in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of SFAS 123* ("SFAS 148") provides alternative methods of transitioning to the fair value based method of accounting for employee stock options as compensation expense. The Company is using the "prospective method" of SFAS 148 and is expensing the fair value of new option grants awarded subsequent to March 31, 2003. The financial statements for the year ended March 31, 2004 include $322 of stock option expense.

Prior to April 1, 2003, the Company applied Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and related interpretations in accounting for its stock option plan. No compensation expense was recognized when shares or stock options were issued to employees or directors. However, the Company disclosed pro forma earnings and earnings per share to reflect compensation costs in accordance with the methodology prescribed under SFAS 123.

3. ACQUISITIONS

2004 acquisitions:

The Company completed six small business acquisitions during the year. Four were completed in the Consumer Services segment in October 2003, one was completed in Residential Property Management in January 2004 and one was completed in Integrated Security Services in February 2004.

The Company purchased minority interests from two shareholders in the Business Services segment during the year.

2003 acquisitions:

The Company completed seven small acquisitions during the year, three in Consumer Services and two in each of Residential Property Management and Business Services, which collectively are shown in the Acquisitions column below.

The Company also acquired minority interests from several shareholders in the Business Services, Residential Property Management and Integrated Security Services segments during the year.

Details of the 2004 acquisitions are as follows:

	2004	
	Acquisitions	Purchases of minority shareholders' interests
Current assets	$ 2,587	$ —
Long-term assets	700	—
Current liabilities	(2,136)	—
Long-term liabilities	(3,238)	—
Minority interest	(223)	674
	(2,310)	674
Cash consideration	$ 13,722	$ 1,098
Acquired intangibles	8,011	—
Acquired goodwill	8,021	424
Contingent consideration at date of acquisition	$ 6,002	$ —

Details of the 2003 acquisitions are as follows:

	2003	
	Acquisitions	Purchases of minority shareholders' interests
Current assets	$ 821	$ —
Long-term assets	1,347	—
Current liabilities	(1,389)	—
Long-term liabilities	(942)	(840)
Minority interest	(229)	775
	(392)	(65)
Cash consideration	$ 6,599	$ 6,352
Acquired intangibles	2,226	2,064
Acquired goodwill	4,765	4,353
Contingent consideration at date of acquisition	$ 4,074	$ 1,000

In 2002, the Company finalized the allocation of the purchase price with respect to the March 2001 Watts acquisition. The final adjustment to this purchase equation and the purchase equations on other acquisitions resulted in additional goodwill and accrued liabilities in the amount of $1,860, net of income taxes, principally to reflect costs to restructure operations of one of the acquired Watts subsidiaries. At March 31, 2004, an accrual of $1,719 still exists relating to that acquired subsidiary.

Certain vendors, at the time of acquisition, are entitled to receive contingent consideration if the acquired businesses achieve specified earnings levels during the two- to five-year periods following the dates of acquisition. Such contingent consideration is issued at the expiration of the contingency period. As at March 31, 2004, there was contingent consideration outstanding of up to $16,200 ($12,700 as at March 31, 2003). The contingencies will expire during the period extending to January 2009. The contingent consideration will be recorded when the contingencies are resolved and the consideration is issued or becomes issuable, at which time the Company will record the fair value of the consideration issued or issuable, including interest, if any, as additional costs of the acquired businesses. Contingent consideration issued or issuable during the year ended March 31, 2004 was $1,565 net of deferred income tax of $95 (2003 — $3,143, net of deferred income tax of $165).

The acquisitions referred to above were accounted for by the purchase method of accounting for business combinations. Accordingly, the accompanying consolidated statements of earnings do not include any revenues or expenses related to these acquisitions prior to these respective closing dates. The cash portions of the acquisitions were financed through available cash and borrowings from the Company's revolving credit facility. The goodwill acquired during 2004 was not deductible for tax purposes.

Following are the Company's unaudited pro forma results assuming the 2004 and 2003 acquisitions occurred on April 1 of the respective year of acquisition. The year immediately prior to the year of each respective acquisition also includes the pro forma results of the respective acquisitions.

(unaudited)	2004	2003
Pro forma revenue	**$ 622,268**	$ 555,841
Pro forma net earnings from continuing operations	**19,631**	19,185
Pro forma net earnings per share from continuing operations		
Basic	**$ 1.37**	$ 1.38
Diluted	**1.34**	1.32

These unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of results of operations that would have actually resulted had the combinations been in effect at the beginning of each year or of future results of operations.

4. DISPOSITION

On April 1, 2004, immediately after year-end, the Company sold substantially all of the assets of the Company-owned lawn care operations carried on by its subsidiary Greenspace Services Ltd. to a third party. The sale proceeds and the expected resulting gain will be reported in the financial statements for the quarter ended June 30, 2004. The sale proceeds were approximately $14,215, which was comprised of cash in the amount of $5,009, assumption of liabilities in the amount of approximately $5,469 and a note receivable in the amount of $3,737. The note receivable is non-interest bearing and is receivable in five annual installments during the period April 1, 2005 to April 1, 2009. For the years ended March 31, 2004, 2003 and 2002, the operating results of the Canadian lawn care operations, which were previously included in the Consumer Services segment, have been reported as discontinued operations. The operating results and balance sheets of the discontinued operations are as follows:

Operating results	2004	2003	2002
Revenues	**$ 23,091**	$ 19,565	$ 19,138
Earnings from discontinued operations before income taxes	**250**	962	793
Provision for income taxes	**90**	548	246
Net earnings from discontinued operations	**160**	414	547
Net earnings per share from discontinued Operations			
Basic	**$ 0.01**	$ 0.03	$ 0.04
Diluted	**0.01**	0.03	0.04

Balance sheets	2004	2003
Current assets	**$ 6,083**	$ 5,466
Fixed assets	**3,090**	2,581
Intangible assets	**604**	713
Goodwill	**2,115**	1,890
Total assets	**$ 11,892**	$ 10,650
Current liabilities	**$ 6,689**	$ 6,587
Long-term liabilities	**790**	671
Total liabilities	**$ 7,479**	$ 7,258

5. UNUSUAL ITEM

During 2003, the Company received $4,228 of executive life insurance proceeds upon the deaths of two senior management employees, one in the Business Services segment in the amount of $3,228 and one in Residential Property Management in the amount of $1,000. The amounts received were recorded as reductions of selling, general and administrative costs. No such proceeds were received in 2004 or 2002.

6. OTHER INCOME

In accordance with the Company's partnership philosophy, it may from time to time sell shares of its operating subsidiaries to operating management. During 2004, the Company sold a 5% interest in California Closet Company, Inc. and a 5.5% interest in CertaPro Painters, Ltd. to officers of the respective businesses, resulting in dilution gains of $1,137. In 2003, the Company sold a 7.5% interest in Paul Davis Restoration, Inc. to two of its officers, resulting in a dilution gain on sale of $1,106. The 2004 and 2003 share sales were financed by secured interest-bearing loans (see note 8(a)). In 2002, the Company recorded gains totaling $196 relating to the sale of shares of two subsidiaries. Also included in 2004 other income is a loss of $240 related to the Company's disposal of the security officer assets of its Chicago Integrated Security Services branch.

7. COMPONENTS OF WORKING CAPITAL ACCOUNTS

	2004	2003
Inventories		
Work-in-progress	**$ 8,888**	$ 6,009
Finished goods	**3,156**	4,560
Supplies and other	**2,769**	4,222
Small equipment	**416**	304
	$ 15,229	$ 15,095
Prepaids and other		
Insurance	**$ 3,259**	$ 3,108
Advertising	**2,804**	2,441
Transportation	**1,775**	1,248
Security deposits	**1,410**	1,129
Other	**6,411**	5,691
	$ 15,659	$ 13,617
Accrued liabilities		
Accrued payroll and benefits	**$ 27,472**	$ 16,707
Customer advances	**13,617**	10,663
Costs to restructure operations of acquired subsidiary	**1,719**	1,667
Other	**6,545**	5,233
	$ 49,353	$ 34,270

During 2003, the Company incurred $1,904 of severances and related costs in its Business Services segment as part of a plan to reduce overheads and more aggressively realize synergies within the segment. Of this amount, $133 remained unpaid at March 31, 2004 and was included in accrued payroll and benefits within accrued liabilities.

8. OTHER RECEIVABLES

Other receivables are comprised of:

(a) $4,003 (2003 — $2,578) of secured interest-bearing loans due from minority shareholders of four (2003 — four) subsidiaries.

(b) $1,194 (2003 — $1,347) of long-term customer receivables, certain of which are interest bearing; and

(c) $200 (2003 — $1,914) of interest bearing franchise fees receivable from franchisees in the Consumer Services segment.

9. FIXED ASSETS AND OTHER ASSETS

2004	Cost	Accumulated depreciation / amortization	Net 2004
Fixed assets			
Land	$ 2,273	$ —	**$ 2,273**
Buildings	7,829	1,475	**6,354**
Vehicles	17,661	10,372	**7,289**
Furniture and equipment	43,176	29,738	**13,438**
Computer equipment and software	26,069	14,516	**11,553**
Enterprise system software	3,975	1,717	**2,258**
Leasehold improvements	12,820	6,159	**6,661**
Total	$ 113,803	$ 63,977	**$ 49,826**
Other assets			
Investments	$ 815	$ —	**$ 815**
Financing fees	3,802	1,788	**2,014**
Total	$ 4,617	$ 1,788	**$ 2,829**

2003	Cost	Accumulated depreciation / amortization	Net 2003
Fixed assets			
Land	$ 2,234	$ —	$ 2,234
Buildings	7,228	1,156	6,072
Vehicles	16,788	10,182	6,606
Furniture and equipment	36,345	23,112	13,233
Computer equipment and software	24,835	14,397	10,438
Enterprise system software	4,549	2,402	2,147
Leasehold improvements	11,612	5,742	5,870
Total	$ 103,591	$ 56,991	$ 46,600
Other assets			
Investments	$ 756	$ —	$ 756
Financing fees	3,119	1,098	2,021
Total	$ 3,875	$ 1,098	$ 2,777

Included in fixed assets are vehicles under capital lease at a cost of $7,299 (2003 — $5,846) with a net book value of $3,324 (2003 — $3,130), furniture and equipment under capital lease at a cost of $288 (2003 — $882) and net book value of $150 (2003 — $497) and computer equipment and software under capital lease at a cost of $2,343 (2003 — $822) with a net book value of $1,274 (2003 — $393).

10. INTANGIBLE ASSETS

2004	Gross carrying amount	Accumulated amortization	Net 2004
Management contracts and other	$ 3,924	$ 1,423	**$ 2,501**
Customer lists and relationships	7,374	1,692	**5,682**
Trademarks and trade names	12,517	1,367	**11,150**
Franchise rights	20,698	2,314	**18,384**
	$ 44,513	$ 6,796	**$ 37,717**

2003	Gross carrying amount	Accumulated amortization	Net 2003
Management contracts and other	$ 2,085	$ 1,067	$ 1,018
Customer lists and relationships	6,506	1,122	5,384
Trademarks and trade names	11,327	970	10,357
Franchise rights	16,464	1,796	14,668
	$ 36,382	$ 4,955	$ 31,427

During the year ended March 31, 2004, the company acquired the following intangible assets:

	Amount	Estimated weighted average amortization period in years
Management contracts and other	$ 1,949	9.8
Customer lists and relationships	1,104	10.9
Trademarks and trade names	1,137	30.0
Franchise rights	4,387	Pattern of use
	$ 8,577	22.4

The following is the estimated annual amortization expense for each of the next five years ending March 31:

2005	$ 2,372
2006	2,305
2007	2,255
2008	2,035
2009	1,896

11. GOODWILL

	Residential Property Management	Integrated Security Services	Consumer Services	Business Services	Corporate	Consolidated
Balance, March 31, 2002	$ 55,483	$ 24,812	$ 27,558	$ 52,415	$ —	$ 160,268
Goodwill resulting from adjustments to purchase price allocations	(238)	69	(143)	19	—	(293)
Goodwill resulting from contingent acquisition payments	1,450	1,693	—	—	—	3,143
Goodwill resulting from purchases of minority shareholders' interests	3,013	380	—	960	—	4,353
Goodwill acquired during year	2,557	—	2,208	—	—	4,765
Foreign exchange	—	34	149	1,205	—	1,388
Balance, March 31, 2003	62,265	26,988	29,772	54,599	—	173,624
Goodwill resulting from adjustments to purchase price allocations	372	—	165	—	—	537
Goodwill resulting from contingent acquisition payments	664	341	560	—	—	1,565
Goodwill resulting from purchases of minority shareholders' interests	—	—	—	424	—	424
Goodwill acquired during year	168	231	7,622	—	—	8,021
Foreign exchange	—	78	339	991	—	1,408
Balance, March 31, 2004	**$ 63,469**	**$ 27,638**	**$ 38,458**	**$ 56,014**	**$ —**	**$ 185,579**

12. LONG-TERM DEBT

	2004	2003
Revolving credit facility of $90,000, (2003 — $140,000) of which up to US$40,000 may be drawn in Canadian funds	**$ —**	$ 52,026
8.06% Senior Secured Notes due June 29, 2011	**100,000**	100,000
6.40% Senior Secured Notes due September 30, 2015	**50,000**	—
Adjustment to Senior Secured Notes resulting from interest rate swaps	**6,805**	6,279
Capital leases bearing interest ranging from 5% to 10%, maturing at various dates through 2008	**4,128**	3,478
Other long-term debt bearing interest at 8%, maturing at various dates through 2008	**2,955**	3,136
	163,888	164,919
Less: current portion	**3,502**	3,030
	$ 160,386	$ 161,889

The revolving credit facility was unused at March 31, 2004. At March 31, 2003, US$35,281 and C$24,578 (US$16,745) was drawn. Included in capital leases at March 31, 2004 and 2003 are obligations in Canadian dollars of $2,222 (US$1,694) and $2,478 (US$1,689), respectively. Included in other long-term debt at March 31, 2004 and 2003 are obligations in Canadian dollars of $1,335 (US$1,018) and $1,569 (US$1,069), respectively.

At March 31, 2004, the estimated aggregate amount of principal repayments on long-term debt required in each of the next five fiscal years and thereafter to meet the retirement provisions are as follows:

2005	$ 3,502
2006	16,572
2007	15,203
2008	14,610
2009	14,340
Thereafter	92,856

The Company's amended and restated credit agreement provides a $90,000 committed senior revolving credit facility renewable and extendible in 364-day increments, and if not renewed, a two-year final maturity. The revolving credit facility was most recently renewed and extended on May 7, 2003. The revolving credit facility bears interest at 1.50% to 3.00% over floating reference rates, depending on certain leverage ratios. The average interest rate during fiscal 2004 was 3.45%. At March 31, 2004, the revolving credit facility was unused, had outstanding letters of credit in the amount of $5,993 and had $84,007 of available credit.

The Company has outstanding $100,000 of 8.06% fixed-rate Senior Secured Notes (the "8.06% Notes"). The 8.06% Notes have a final maturity of June 29, 2011, with seven equal annual principal repayments beginning on June 29, 2005. On October 1, 2003, the Company issued $50,000 of 6.40% fixed-rate Senior Secured Notes (the "6.40% Notes") to a group of U.S. institutional investors. The 6.40% Notes have a final maturity of September 30, 2015 with equal annual principal repayments commencing on September 30, 2012. The proceeds of the 6.40% Notes were used to repay amounts drawn on the revolving credit facility. Concurrent with the issuance of the 6.40% Notes, the Company's revolving credit facility was reduced to $90,000 from $140,000 resulting in no net change to the Company's overall borrowing capacity.

The Company has indemnified the holders of the 8.06% Notes and 6.40% Notes (collectively, the "Notes") from all withholding taxes that are or may become applicable to any payments made by the Company on the Notes. The Company has interest rate swap agreements related to the Notes. See note 17 for information regarding hedge accounting.

The revolving credit facility and the Notes rank equally in terms of seniority. The Company has granted these lenders collateral including the following: an interest in all of the assets of the Company including the shares of the Company's subsidiaries, an assignment of material contracts and an assignment of the Company's "call rights" with respect to shares of the subsidiaries held by minority interests.

The covenants and other limitations within the revolving credit facility and the Notes agreement are substantially the same. The covenants require the Company to maintain certain ratios including leverage, fixed charge coverage, interest coverage and net worth. The Company is prohibited from undertaking certain mergers, acquisitions and dispositions without prior approval.

13. CAPITAL STOCK

The authorized capital stock of the Company is as follows:

An unlimited number of preference shares, issuable in series;

An unlimited number of Subordinate Voting Shares having one vote per share; and

An unlimited number of Multiple Voting Shares having 20 votes per share, convertible at any time into Subordinate Voting Shares at a rate of one Subordinate Voting Share for each Multiple Voting Share outstanding.

The following table provides a summary of total capital stock:

	Subordinate Voting Shares		Multiple Voting Shares			
	Number	Amount	Number	Amount	Total Number	Total Amount
Balance, March 31, 2002	13,112,418	$ 57,339	662,847	$ 373	13,775,265	$ 57,712
Balance, March 31, 2003	13,501,343	60,198	662,847	373	14,164,190	60,571
Balance, March 31, 2004	**14,087,018**	**68,184**	**662,847**	**373**	**14,749,865**	**68,557**

In February 2004, the Company approved a long-term incentive plan ("LTIP") for the Chief Executive Officer ("CEO"). Under the LTIP, the CEO is entitled to receive a payment upon the arm's length sale of control of the Company or upon a distribution of the Company's assets to shareholders. The payment amount is determined with reference to the price per Subordinate Voting Share received by shareholders upon an arm's length sale or upon a distribution of assets. The right to receive the payment may be transferred among members of the CEO's family, their holding companies and trusts.

The Company's contributed surplus account relates to stock option compensation expense accounting under SFAS 123. Contributed surplus is credited at the time stock option compensation expense is recorded. As stock options are exercised, contributed surplus is reduced and capital stock is credited.

During the year ended March 31, 2003, the Company repurchased 32,700 (2004 and 2002 — nil) Subordinate Voting Shares under a Normal Course Issuer Bid filed with the Toronto Stock Exchange, which allowed the Company to repurchase up to 5% of its outstanding shares on the open market during a twelve-month period.

The Company has $2,148 (C$3,034) (2003 — $2,434 (C$3,439)) of interest bearing loans receivable related to the purchase of 365,000 Subordinate Voting Shares (2003 — 387,500 shares). The loans, which are collateralized by the shares issued, have a ten-year term from the grant date, however, they are open for repayment at any time. The maturities of these loans are as follows, for the years ending March 31.

2005	$ —
2006	—
2007	916
2008	467
2009	765
	$ 2,148

The Company has a stock option plan for certain officers and key full-time employees of the Company and its subsidiaries. Options are granted at the market price for the underlying shares on the date of grant. Each option vests over a four-year term and expires five years from the date granted and allows for the purchase of one Subordinate Voting Share. Options are exercisable in either U.S. or Canadian dollars. At March 31, 2004, there were 1,144,315 options outstanding to 44 individuals at prices ranging from $10.50 to $23.14 (C$15.60 to C$36.89) per share, expiring on various dates through February 2009. At March 31, 2004, there were 107,030 options available for future grants.

The number of Subordinate Voting Shares issuable under options and the average option prices per share are as follows:

	Shares issuable under options			Weighted average price per share (US$)		
	2004	2003	2002	2004	2003	2002
Shares issuable under options — Beginning of year	**1,782,990**	2,119,115	2,119,640	**$ 15.95**	$ 13.20	$ 8.57
Granted	**133,000**	101,500	625,000	**15.99**	15.58	20.93
Exercised for cash	**(585,675)**	(421,625)	(607,025)	**12.54**	7.41	4.70
Expired or forfeited	**(186,000)**	(16,000)	(18,500)	**23.65**	19.00	7.25
Shares issuable under options — End of year	**1,144,315**	1,782,990	2,119,115	**$ 16.01**	$ 15.95	$ 13.20
Options exercisable — End of year	**667,933**	876,506	925,498			

	Weighted average price per share (C$)		
	2004	2003	2002
Shares issuable under options — Beginning of year	**$ 23.41**	$ 21.05	$ 13.52
Granted	**23.89**	24.14	32.77
Exercised for cash	**18.73**	11.48	7.35
Expired or forfeited	**35.33**	29.43	11.35
Shares issuable under options — End of year	**$ 23.92**	$ 23.41	$ 21.05

The weighted average fair values of options granted in 2004, 2003 and 2002 were $5.31 (C$7.18), $5.10 (C$7.90) and $6.59 (C$10.31) per share, respectively.

The options outstanding as at March 31, 2004 to purchase Subordinate Voting Shares are as follows:

	Options outstanding			Options exercisable	
Range of exercise prices (US$)	Number Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (US$)	Number exercisable	Weighted average exercise price (US$)
$10.50 to $11.68	304,440	0.9	$ 11.09	272,883	$ 11.14
$12.00 to $14.62	374,875	2.3	13.45	221,200	13.78
$15.70 to $23.14	465,000	3.2	21.38	173,850	22.08
	1,144,315	2.3	$ 16.01	667,933	$ 14.86

	Options outstanding			Options exercisable	
Range of exercise prices (C$)	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C$)	Number exercisable	Weighted average exercise price (C$)
$15.60 to $17.25	304,440	0.8	$ 16.48	272,883	$ 16.56
$18.20 to $22.50	374,875	2.3	20.39	221,200	20.91
$25.00 to $36.89	465,000	3.2	31.63	173,850	32.67
	1,144,315	2.3	$ 23.92	667,933	$ 22.19

Prior to April 1, 2003, the Company had accounted for stock options under the intrinsic value method under APB 25, as permitted by GAAP. Had compensation expense for stock options been determined under the fair value method under SFAS 123 for all periods, pro forma reported net earnings and earnings per share would reflect the following:

	2004	2003	2002
Net earnings as reported	**$ 19,024**	$ 18,440	$ 17,029
Deduct: Stock-based compensation expense determined under fair value method, net of tax	**(2,158)**	(2,179)	(1,144)
Pro forma net earnings	**16,866**	16,261	15,885
Pro forma net earnings per share:			
Basic	**$ 1.18**	$ 1.17	$ 1.17
Diluted	**1.16**	1.12	1.09
Assumptions:			
Risk-free interest rate	**3.0%**	4.5%	5.0%
Expected life in years	**4.4**	4.4	4.0
Volatility	**30%**	30%	30%
Dividend yield	**0.0%**	0.0%	0.0%

14. INCOME TAXES

Income taxes differ from the amounts that would be obtained by applying the statutory rate to the respective years' earnings before taxes. These differences result from the following items:

	2004	2003	2002
Income tax expense using combined statutory rate of approximately 40% (2003 — 40%; 2002 — 41%)	**$ 12,509**	$ 11,377	$ 12,545
Non-deductible expenses:			
Loss not tax effected	**—**	—	443
Other	**576**	735	250
Non-taxable proceeds of life insurance policies	**—**	(1,691)	—
Foreign tax rate reduction	**(3,884)**	(2,720)	(3,043)
Provision for income taxes as reported	**$ 9,201**	$ 7,701	$ 10,195

Earnings before income taxes and minority interest by tax jurisdiction comprise the following:

	2004	2003	2002
Canada	**$ 13,612**	$ 13,273	$ 10,820
United States	**17,554**	15,494	19,515
Total	**$ 31,166**	$ 28,767	$ 30,335

The provision for income taxes comprises the following:

	2004	2003	2002
Current			
Canada	**$ 3,360**	$ 1,319	$ 2,844
United States	**5,665**	5,129	6,862
	9,025	6,448	9,706
Deferred			
Canada	**67**	585	(1,130)
United States	**109**	668	1,619
	176	1,253	489
Total	**$ 9,201**	$ 7,701	$ 10,195

The significant components of deferred income taxes are as follows:

	2004	2003
Deferred income tax assets		
Expenses not currently deductible	**$ 553**	$ 900
Provision for doubtful accounts	**128**	410
Inventory and other reserves	**24**	350
Loss carry-forwards	**4,820**	1,251
	5,525	2,911
Deferred income tax liabilities		
Depreciation and amortization	**20,219**	19,464
Prepaid and other expenses deducted for tax purposes	**560**	865
Financing fees	**81**	141
	20,860	20,470
Net deferred income tax liability	**$ 15,335**	$ 17,559

As at March 31, 2004, the Company had U.S. and Canadian net operating loss carry-forward balances of approximately $10,240 and $2,000, respectively. These amounts are available to reduce future federal, state and provincial income taxes. Net operating loss carry-forward balances attributable to the U.S. expire over the next 20 years while net operating losses attributable to Canada expire over the next 7 years.

15. SHARES OUTSTANDING FOR EARNINGS PER SHARE CALCULATIONS

	2004	2003	2002
Shares issued and outstanding at beginning of year	**14,164,190**	13,775,265	13,168,240
Weighted average number of shares:			
Issued in the year	**120,662**	148,141	397,077
Repurchased in the year	**—**	(2,346)	—
Weighted average number of shares used in computing basic earnings per share	**14,284,852**	13,921,060	13,565,317
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	**310,976**	576,485	1,034,551
Number of shares used in computing diluted earnings per share	**14,595,828**	14,497,545	14,599,868

16. OTHER SUPPLEMENTAL INFORMATION

	2004	2003	2002
Products and services segmentation			
Revenue			
Products	**$ 108,983**	$ 96,219	$ 75,337
Services	**500,811**	426,908	418,214
Total	**609,794**	523,127	493,551
Cost of revenue			
Products	**$ 67,721**	$ 57,633	$ 46,060
Services	**356,348**	301,621	288,404
Total	**424,069**	359,254	334,464
Franchised operations			
Revenue	**$ 64,947**	$ 57,497	$ 54,173
Operating earnings	**11,369**	11,121	9,283
Initial franchise fee revenue	**4,467**	3,822	2,951
Cash payments made during the year			
Income taxes	**$ 13,388**	$ 7,667	$ 10,649
Interest	**5,156**	7,916	9,633
Non-cash financing activities			
Increases in capital lease obligations	**$ 1,352**	$ 1,565	$ 1,965
Depreciation and amortization expense			
Fixed assets	**$ 13,011**	$ 11,447	$ 10,671
Intangible assets	**2,212**	1,838	1,282
	15,223	13,285	11,953
Other expenses			
Advertising expense	**$ 8,577**	$ 8,141	$ 6,103
Rent expense	**15,679**	14,280	13,445

17. FINANCIAL INSTRUMENTS

Concentration of credit risk

The Company is subject to credit risk with respect to its accounts receivable, other receivables, interest rate swaps and foreign exchange contracts. Concentrations of credit risk with respect to the receivables are limited due to the large number of entities comprising the Company's customer base and their dispersion across many different service lines in two countries. The counter-parties to the interest rate swaps and foreign exchange contracts are investment-grade financial institutions that the Company anticipates will satisfy their obligations under the contracts.

Interest rate risk

The Company maintains an interest rate risk management strategy that uses interest rate swaps to lower the long-term cost of borrowed funds. The Company's specific goals are to (i) manage interest rate sensitivity by modifying the characteristics of its debt and (ii) lower the long-term cost of its borrowed funds. Fluctuations in interest rates create an unrealized appreciation or depreciation in the market value of the Company's fixed-rate debt when that fair value is compared with the cost of the borrowed funds. The effect of this unrealized appreciation or depreciation in market value, however, will generally be offset by the gain or loss on the interest rate swaps that are linked to the debt.

The Company has interest rate swap agreements to exchange the fixed rates on the Notes for variable rates. On the 8.06% Notes, one interest rate swap exchanges the fixed rate on $75,000 of principal for LIBOR + 250.5 basis points and a second exchanges the fixed rate on $25,000 for LIBOR + 445 basis points. The terms of the swaps match the term of the 8.06% Notes with a maturity of June 29, 2011. On October 2, 2003, the Company entered into two interest rate swap agreements to exchange the fixed rate on the $50,000 of 6.40% Notes for a variable rate of LIBOR + 170 basis points. The terms of the swaps match the term of the 6.40% Notes with a maturity of September 30, 2015.

The swaps are being accounted for as fair value hedges in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* The swaps are carried at fair value on the balance sheet, with gains or losses recognized in earnings. The carrying value of the hedged debt is adjusted for changes in fair value of the swaps; the associated gain or loss is recognized currently in earnings. The fair values of the swaps are determined based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date. Due to changes in the yield curve, the fair value of the swaps fluctuates and at March 31, 2004, the fair values represented a gain of $6,805 (2003 — $6,279).

The Company from time to time uses foreign exchange contracts to fix Canadian dollar expenses relative to U.S. dollar revenues. As at March 31, 2004, four such contracts were open, with maturities extending to March 30, 2005. Details are summarized below.

Buy currency	Canadian dollars
Sell currency	U.S. dollars
Notional value	$8,000
Weighted average exchange rate	1.3547
Gain included in earnings	$ 219

Fair values of financial instruments

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair values due to the short maturity of these instruments, unless otherwise indicated.

	2004		2003	
	Carrying amount	Fair value	Carrying amount	Fair value
Other receivables	**$ 5,397**	**$ 5,379**	$ 5,839	$ 5,784
Long-term debt including current portion	**157,083**	**175,085**	158,640	166,892
Interest rate swaps	**6,805**	**6,805**	6,279	6,279
Foreign exchange contracts	**219**	**219**	—	—

18. COMMITMENTS AND CONTINGENCIES

(a) Lease commitments

Minimum operating lease payments are as follows:

Year ending March 31	
2005	$ 16,810
2006	13,460
2007	10,937
2008	10,111
2009	7,543
Thereafter	15,795

(b) Shareholder agreements

The Company has shareholder agreements with the minority owners of its subsidiaries. These agreements allow the Company to "call" the minority position for a predetermined formula price, which is usually equal to the multiple of net earnings before extraordinary items, minority interest share of earnings, income taxes, interest, depreciation, and amortization paid by the Company for the original acquisition. The minority owners may also "put" their interest to the Company at the same price subject to certain limitations. The purchase price may, at the option of the Company, be paid primarily in Subordinate Voting Shares. Acquisitions of these minority interests would be accounted for using the purchase method. The total obligation if all call or put options were exercised at March 31, 2004 was approximately $30,000 (2003 — $26,000). The acquisition of all outstanding minority interests would increase net earnings.

(c) Contingencies

The Company is involved in legal proceedings and claims primarily arising in the normal course of its business. In the opinion of management, the Company's liability, if any, would not materially affect its financial condition or operations.

(d) Guarantee

In connection with a contract, the Company has assumed risks associated with work to be performed by a third party. In the unlikely event of non-performance by the third party, the maximum exposure to the Company would be $7,626.

19. RELATED PARTY TRANSACTIONS

During the year, the Company paid $544 (2003 — $847) in rent to entities in which an officer of the Company has equity interests. In addition, the Company paid $514 (2003 — $853) in rent to entities controlled by minority shareholders of subsidiaries. The transactions were completed at market rates.

During the year, the Company reorganized the management structure of its Residential Property Management operations. As a result, several minority shareholders contributed their shares to new entities. These transactions were accounted for at cost.

20. SEGMENTED INFORMATION

Operating segments

The Company has four reportable operating segments. The segments are grouped with reference to the types of services provided and the types of clients that use those services. The Company assesses each segment's performance based on operating earnings or operating earnings before depreciation and amortization. Residential Property Management provides property management, maintenance, landscaping and other services to residential community associations in the United States. Integrated Security Services provides security systems installation, maintenance, monitoring and manpower to primarily commercial customers in Canada and the United States. Consumer Services provides franchised and Company-owned property services to customers in the United States and Canada. Business Services provides marketing support and business process outsourcing services to corporate and institutional clients in Canada and the United States. Corporate includes the costs of operating the Company's headquarters.

2004	Residential Property Management	Integrated Security Services	Consumer Services	Business Services	Corporate	Consolidated
Revenues	$ 241,293	$ 122,748	$ 92,870	$ 152,449	$ 434	$ 609,794
Depreciation and amortization	4,363	1,948	2,313	6,450	149	15,223
Operating earnings	13,675	6,241	14,116	12,071	(7,032)	39,071
Interest, net						(7,905)
Income taxes						(9,201)
Minority interest						(3,101)
Net earnings from continuing operations						18,864
Net earnings from discontinued operations						160
Net earnings						$ 19,024
Total assets	$ 110,439	$ 75,198	$ 102,802	$ 144,677	$ 4,437	$ 437,553
Total additions to long-lived assets	$ 6,566	$ 2,953	$ 19,966	$ 6,047	$ 340	$ 35,872

2003	Residential Property Management	Integrated Security Services	Consumer Services	Business Services	Corporate	Consolidated
Revenues	$ 214,965	$ 107,548	$ 73,852	$ 126,373	$ 389	$ 523,127
Depreciation and amortization	4,089	1,502	1,924	5,620	150	13,285
Operating earnings	10,531	5,834	12,163	14,153	(4,978)	37,703
Interest, net						(8,936)
Income taxes						(7,701)
Minority interest						(3,040)
Net earnings from continuing operations						18,026
Net earnings from discontinued operations						414
Net earnings						$ 18,440
Total assets	$ 107,998	$ 64,803	$ 83,923	$ 117,432	$ 14,875	$ 389,031
Total additions to long-lived assets	$ 10,991	$ 3,942	$ 7,749	$ 7,781	$ 41	$ 30,504

2002	Residential Property Management	Integrated Security Services	Consumer Services	Business Services	Corporate	Consolidated
Revenues	$ 205,376	$ 95,507	$ 64,826	$ 127,478	$ 364	$ 493,551
Depreciation and amortization	3,716	1,377	1,780	4,964	116	11,953
Operating earnings	15,118	5,158	10,184	17,412	(4,585)	43,287
Interest, net						(12,952)
Income taxes						(10,195)
Minority interest						(3,658)
Net earnings from continuing operations						16,482
Net earnings from discontinued operations						547
Net earnings						$ 17,029
Total assets	$ 106,268	$ 57,515	$ 77,060	$ 117,874	$ 7,212	$ 365,929
Total additions to long-lived assets	$ 13,237	$ 5,154	$ 8,984	$ 13,365	$ 478	$ 41,218

Geographic information

Revenues in each geographic segment are reported by customer location.

	2004	2003	2002
Canada			
Revenues	**$ 174,992**	$ 149,570	$ 149,531
Total long-lived assets	**68,408**	68,710	53,082
United States			
Revenues	**$ 434,802**	$ 373,557	$ 344,020
Total long-lived assets	**204,715**	182,941	180,685
Consolidated			
Revenues	**$ 609,794**	$ 523,127	$ 493,551
Total long-lived assets	**$ 273,123**	$ 251,651	$ 233,767

21. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2003, FASB Interpretation No. 46, *Consolidation of Variable Interest Entities (an interpretation of ARB No. 51)* ("FIN 46") was issued. In December 2003, FASB issued FASB Interpretation No. 46 (revised December 2003) ("FIN 46R"). FIN 46R addresses consolidation by business enterprises of variable interest entities having certain characteristics and replaces FIN 46. FIN 46R is effective for the Company's annual financial statements for the year ended March 31, 2004, and had no impact on the consolidated financial statements.

In May 2003, FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* ("SFAS 150"), which was effective for the Company on July 1, 2003. SFAS 150 establishes standards for how to classify and measure certain financial instruments with characteristics of both liabilities and equity. The adoption of SFAS 150 did not have a material impact on the consolidated financial statements.

22. RECONCILIATION TO CANADIAN GAAP

The following adjustments are required to reconcile these consolidated financial statements to Canadian generally accepted accounting principles:

(i) *Deficit elimination.* On September 15, 1997, the shareholders of the Company approved a reduction of the stated capital attributable to the Company's capital stock by $5,683, thereby eliminating the Company's deficit as at March 31, 1997. While permitted under Canadian GAAP, this elimination is not permitted under United States GAAP.

(ii) *Currency translation adjustments.* Under United States GAAP, currency translation and certain other transactions must be reported in an equity account called "other comprehensive earnings". Under Canadian GAAP, such an account does not exist, and currency translations are reported in an equity account called "currency translation adjustments". The Company's foreign currency translation adjustments account is similar to the other comprehensive earnings account in all material respects.

(iii) *Accounting for interest rate swaps.* Under Canadian GAAP, hedge accounting does not require interest rate swaps to be recorded on the balance sheet. However, the earnings impact of interest rate swaps is identical under Canadian and United States GAAP.

There are no reconciling items between United States and Canadian GAAP that impact the consolidated statements of earnings. Below is a continuity schedule of retained earnings under Canadian GAAP:

	2004	2003
Balance, beginning of year	**$ 68,631**	$ 50,448
Net earnings	**19,024**	18,440
Subordinate Voting Shares purchased for cancellation	**—**	(257)
Balance, end of year	**$ 87,655**	$ 68,631

The tables below provide a reconciliation of the Company's affected consolidated balance sheet accounts from United States GAAP to Canadian GAAP.

As at March 31, 2004	United States GAAP	Reconciling adjustments	Canadian GAAP
Assets			
Interest rate swaps	**$ 6,805**	$ (6,805)	**$ —**
Subtotal non-current assets	**290,320**	(6,805)	**283,515**
Total assets	**$ 437,553**	$ (6,805)	**$ 430,748**
Liabilities			
Long-term debt less current portion	**$ 160,386**	$ (6,805)	**$ 153,581**
Subtotal non-current liabilities	**196,084**	(6,805)	**189,279**
Shareholders' equity			
Capital stock	**68,557**	(5,683)	**62,874**
Retained earnings	**81,972**	5,683	**87,655**
Subtotal shareholders' equity	**155,101**	—	**155,101**
Total liabilities and shareholders' equity	**$ 437,553**	$ (6,805)	**$ 430,748**

As at March 31, 2003	United States GAAP	Reconciling adjustments	Canadian GAAP
Assets			
Interest rate swaps	$ 6,279	$ (6,279)	$ —
Subtotal non-current assets	266,649	(6,279)	260,370
Total assets	$ 389,031	$ (6,279)	$ 382,752
Liabilities			
Long-term debt less current portion	$ 161,889	$ (6,279)	$ 155,610
Subtotal non-current liabilities	195,117	(6,279)	188,838
Shareholders' equity			
Capital stock	60,571	(5,683)	54,888
Retained earnings	62,948	5,683	68,631
Subtotal shareholders' equity	123,406	—	123,406
Total liabilities and shareholders' equity	$ 389,031	$ (6,279)	$ 382,752

There are no reconciling items between United States and Canadian GAAP that impact the consolidated statements of cash flows.

QuickLinks

REPORT OF MANAGEMENT
INDEPENDENT AUDITORS' REPORT
FIRSTSERVICE CORPORATION CONSOLIDATED STATEMENTS OF EARNINGS (in thousands of U.S. dollars, except per share amounts) — in accordance with United States generally accepted accounting principles
FIRSTSERVICE CORPORATION CONSOLIDATED BALANCE SHEETS (in thousands of U.S. dollars) — in accordance with United States generally accepted accounting principles
FIRSTSERVICE CORPORATION CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (in thousands of U.S. dollars) — in accordance with United States generally accepted accounting principles
FIRSTSERVICE CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands of U.S. dollars) — in accordance with United States generally accepted accounting principles

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EXHIBIT 3

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
(in U.S. dollars)
May 14, 2004

Consolidated review

FirstService Corporation (the "Company" or "FirstService") generated improved operating results in fiscal 2004 in all business segments.

We completed six acquisitions during the year, four in Consumer Services and one in each of Residential Property Management and Integrated Security Services. These businesses are "tuck-under" acquisitions that complement existing service lines. We also benefited from a full year's earnings from our New York City residential property management platform, Cooper Square Realty, acquired in February 2003.

In October 2003, we completed a $50 million private placement of 6.40% Senior Secured Notes (the "6.40% Notes") due September 2015 with a group of U.S. institutional investors led by Prudential Capital Group. The proceeds were used to repay amounts outstanding on our revolving credit facility. The long-term nature of the 6.40% Notes and the previously issued 8.06% Senior Secured Notes (the "8.06% Notes") due June 2011 provide us with stability and flexibility to execute our growth and acquisition strategies.

In January 2004, we completed a review of the accounting for certain intangible assets in our Consumer Services segment, which resulted in a restatement that affected the following accounts: goodwill, intangible assets, deferred income tax liabilities, minority interest, amortization expense and income tax expense. In February 2004, the Company filed restated consolidated financial statements for the year ended March 31, 2003 to reflect the changes. Please refer to this filing for further information.

Just after year-end, on April 1, 2004, we sold the assets of our Greenspace Services Ltd. company-owned lawn care operations to a subsidiary of the ServiceMaster Company. We intend to redeploy the capital freed up by the sale within our other businesses to yield a higher return on investment. The operating results of our Company-owned lawn care operations, which were formerly included in our Consumer Services segment, have been reclassified to discontinued operations. As such, the consolidated statements of earnings include only the net earnings from the discontinued operations, and not the full revenues and expenses.

On May 12, 2004, the Company updated its outlook for fiscal 2005. The outlook was revised upwards despite the impact of the sale of the lawn care operations and the adoption of stock option expensing, which together reduced EBITDA[(1)] and diluted net earnings per share in our preliminary outlook by $2.2 million and $0.04, respectively. The Company anticipates that internal revenue growth, margin enhancement and strong contribution from acquisitions completed during the past twelve months will occur to positively impact fiscal 2005. The updated outlook is for revenues of $650.0 to $675.0 million, EBITDA of $60.5 to $63.0 million, and diluted earnings per share from continuing operations of $1.43 to $1.53. This outlook is the same as the Company's preliminary outlook provided in January 2004, except for diluted net earnings per share which were previously $1.40 to $1.50. In addition, the Company expects to record a gain on the sale of the lawn care operations in the quarter ended June 30, 2004 of approximately $0.18 per diluted share.

(1) EBITDA is defined as net earnings before extraordinary items, minority interest share of earnings, income taxes, interest, depreciation and amortization. EBITDA excludes income taxes and interest, both of which are charges that require cash settlement. EBITDA is not a recognized measure for financial statement presentation under Canadian and United States generally accepted accounting principles ("GAAP"). The most directly comparable GAAP measure is operating earnings. Operating earnings takes into account depreciation and amortization expenses, while EBITDA does not. Management utilizes EBITDA as a measure to assess the performance of its operations, to evaluate acquisition candidates and establish pricing, for performance-based compensation purposes, and within its debt covenants with its lenders. The Company believes EBITDA is a reasonable measure of operating performance because of the low capital intensity of its service operations. The Company believes EBITDA is a financial metric used by many investors to compare companies, especially in the services industry, on the basis of operating results and the ability to incur and service debt. The table below reconciles EBITDA to operating earnings.

Year ended March 31	2004	2003	2002
EBITDA	$ 54,294	$ 50,988	$ 55,240
Less: depreciation and amortization	(15,223)	(13,285)	(11,953)
Equals: operating earnings	$ 39,071	$ 37,703	$ 43,287

Results of operations — year ended March 31, 2004

FirstService reported revenues of $609.8 million for the year, an increase of 17% relative to the prior year. The increase was comprised of internal growth of 8%, acquisitions of 5% and the impact of foreign exchange of 4%.

Changes in foreign exchange rates were dramatic during the year, with the average value of the Canadian dollar rising 14.5% relative to the value of the U.S. dollar. The Company's Canadian dollar denominated revenues and earnings benefit from a stronger Canadian dollar upon conversion to U.S. dollars. This is offset by exchange losses incurred by certain Business Services operations based in Canada that sell services to U.S. clients in U.S. dollars. If exchange rates had remained constant year-over-year, the current year's revenues would have been $22.1 million lower and EBITDA would have been $0.9 million higher.

Operating earnings increased 4% relative to the prior year, to $39.1 million. EBITDA increased 7% to $54.3 million. In the current year, in accordance with our partnership philosophy, we sold shares of two Consumer Services subsidiaries to operating management, and recorded dilution gains of $1.1 million. A dilution gain of $1.1 million was also recorded in the prior year. Additionally in fiscal 2004, we recorded a $0.2 million loss with respect to the disposal of the security officer assets of our Chicago Integrated Security Services branch.

In the prior year, operating earnings and EBITDA included $4.2 million of executive life insurance proceeds, partially offset by $1.9 million in severance and transition costs in the Business Services segment. In fiscal 2004, no such amounts were included in earnings.

Depreciation and amortization expense was $15.2 million relative to $13.3 million in the prior year. Depreciation expense increased by $1.5 million, approximately half attributable to acquisitions and half attributable to investments in fixed assets to support the growth of our operations. Amortization of intangibles accounted for $0.4 million of the increase and was driven by intangibles acquired during the last two years, especially franchise rights related to Consumer Services acquisitions completed during fiscal 2004.

Interest expense decreased to $7.9 million from $8.9 million in the prior year. Our weighted average interest rate decreased to approximately 5.2%, down from 5.5% in the prior year, and average indebtedness also decreased as cash flow was utilized to repay borrowings. Substantially all of our debt was at floating interest rates as at March 31, 2004. Our 6.40% Notes and 8.06% Notes have been swapped to variable rates. The 6.40% Notes, which were issued on October 1, 2003, were swapped to a variable rate of LIBOR + 170 basis points. We expect interest rates to rise within the next fiscal year, and we will consider fixing a portion of our floating debt if economic indicators warrant.

Our consolidated income tax rate for fiscal 2004 was 29.5%. The prior year's rate of 28% was impacted by the $4.2 million of tax-free executive life insurance proceeds received during that year. We continue to benefit from the cross-border tax structures first implemented in fiscal 2000, and expect our fiscal 2005 tax rate to be approximately the same as fiscal 2004.

Net earnings from continuing operations was $18.9 million, an increase of 5% relative to fiscal 2003. Net earnings from discontinued operations was $0.2 million, down significantly relative to the prior year's result of $0.4 million. The discontinued lawn care operations faced a difficult operating environment during the year in terms of adverse weather conditions, negative consumer sentiment towards pesticides and increasing insurance costs. In addition, a fleet renewal program to replace aging production vehicles resulted in an increase to depreciation expense of $0.2 million.

The Consumer Services operations, excluding the discontinued lawn care operations, reported revenues of $92.9 million, an increase of 26% versus the prior year. Of the increase, 14% was attributable to internal growth, 10% to the four tuck-under acquisitions completed in October 2003, and 2% to changes in foreign exchange rates. Internal growth was strong at our California Closets and Paul Davis Restoration franchise systems. EBITDA for the year was $16.4 million, $2.3 million higher than the prior year, while the EBITDA margin declined 140 basis points to 17.7%. The decline in margin is attributable to several factors including service mix change with the addition of the fifth and sixth Company-owned California Closets "branchise" stores during the year and costs to relocate and reorganize the Toronto-based Cleanol operations. Each year's results include a dilution gain of approximately $1.1 million.

In Residential Property Management, revenues increased 12% to $241.2 million. Excluding the 5% impact of acquisitions, internal growth was 7% and was primarily attributable to core management contract wins.

Residential Property Management reported EBITDA of $17.6 million or 7.3% of revenues, up from $14.6 million or 6.8% of revenues in the prior year. The prior year's results were negatively impacted by weak results in the South Florida restoration activities (which represented 8% of segment revenues) and increases to insurance costs that could not be passed on to clients, but were positively impacted by $1.0 million of executive life insurance proceeds. In the current year, restoration continued to be challenging, generating an operating loss due to cost overruns on certain projects. The core management business generated improved margins year over year and was responsible in large part for the margin improvement. We expect margins to improve further in fiscal 2005 as we add new service offerings and return to profitability in restoration.

Integrated Security Services revenues were $122.7 million, an increase of 14% relative to the prior year. Eight percent of the increase was attributable to foreign exchange on Canadian operations, while 5% was attributable to internal growth and 1% was from an acquisition completed in February 2004. The January 2004 disposal of the Chicago security officer assets had a nominal impact on fiscal 2004 revenues. On an annual basis, the security officer assets generated approximately $3 million of revenues. The Chicago security officer assets were sold for cash proceeds of $0.1 million, with a further $0.5 million receivable over the following year contingent on revenue retention. A loss on disposal of $0.2 million was recorded in the fourth quarter. The contingent amount will be recorded in earnings if the contingency is resolved in our favor.

Segment EBITDA was $8.2 million, or 6.7% of revenues. After considering the loss on disposal of the Chicago assets, the margin would have been 6.8%, equivalent to the fiscal 2003 results. The EBITDA margin is expected to improve in fiscal 2005 because of strong backlogs of systems installation work. In addition to the loss on the Chicago asset sale, the segment suffered from weak systems installation revenues in the fourth quarter, causing the quarter's margin to be 4.4%.

Business Services generated annual revenues of $152.4 million, an increase of 21% relative to the prior year. Growth was comprised of 9% foreign exchange on Canadian operations, internal growth of 8% and acquisitions of 4%. A significant portion of the internal growth was due to a contract to provide services for the "GM Hot Button" OnStar promotion during the fourth quarter; the quarter's internal growth was 41%. Work on the promotion ended in April 2004. There is customer concentration in this segment; the largest customer in the segment represents approximately 10% of segment revenues.

Business Services EBITDA was $18.7 million or 12.2% of revenues, down from $19.8 million or 15.6% of revenues in fiscal 2003. In fiscal 2003, $3.2 million of executive life insurance proceeds were received, and $1.9 million of severance and related costs were recorded. After adjusting for these costs, fiscal 2003's margin would have been 14.6%. The current year's decline in margin is attributable to excess fulfillment storage capacity and foreign exchange on Canadian operations that sell services in U.S. dollars. The net impact of foreign exchange on the segment's results is a reduction in EBITDA of $0.7 million relative to exchange rates in effect during the prior year.

Corporate costs rose to $6.6 million from $4.8 million in fiscal 2003. Fiscal 2004's costs include a performance-based executive bonus accrual of $1.7 million versus an accrual of nil in the prior year. The Company began expensing stock options on a prospective basis effective April 1, 2003 and as a result, the Company recorded $0.3 million of stock option expense during the year. In addition, professional fees (legal, audit and Sarbanes-Oxley consulting) were higher than the previous year. Expenses totaling $0.5 million relating to acquisitions that were ultimately not completed were included in the prior year's figures.

Results of operations — year ended March 31, 2003

Consolidated revenues for fiscal 2003 were $523.1 million, a 6% increase from the $493.6 million reported for the year ended March 31, 2002. Approximately $12.8 million of the increase resulted from tuck-under acquisitions completed during the year, resulting in internal growth of 4%.

During fiscal 2003, the value of the Canadian dollar appreciated 1.0% relative to the value of the U.S. dollar, based on the average annual exchange rate versus the prior year. The impact of the foreign exchange rate movement on earnings was not material.

Operating earnings decreased from $43.3 million to $37.7 million in fiscal 2003. EBITDA decreased to $51.0 million from $55.2 million in the prior year, while the EBITDA margin declined 140 basis points to 9.8% of revenues. Included in 2003 results were executive life insurance proceeds of $4.2 million. A dilution gain upon the sale of shares of a Consumer Services subsidiary in the amount of $1.1 million was also recorded. The decline in margins was the result of weakness in the Residential Property Management and Business Services segments. Consumer Services experienced increased profitability, while Integrated Security Services' margin was stable year-over-year.

Depreciation for the year ended March 31, 2003 was $11.4 million, up 7% from the previous year, due to the impact of the higher level of capital expenditures in fiscal 2002. Amortization of intangibles was $1.8 million, compared to $1.3 million in the previous year. The increase in amortization was the result of the recognition and amortization of intangible assets on acquisitions completed subsequent to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142") on April 1, 2001.

Interest expense decreased 31% relative to the prior year, to $8.9 million, due to the combined effects of lower interest rates, lower levels of indebtedness and the $1.4 million write-off of deferred financing fees in the prior year. Weighted average interest rates were approximately 5.5% in fiscal 2003 compared to 7.1% in fiscal 2002, excluding the write-off of deferred financing fees. The reduction in rates resulted from lower floating reference rates and from two interest rate swaps which convert the fixed rate on the 8.06% Notes into variable interest streams.

In October 2002, we entered into an interest rate swap agreement in which the interest stream on $25 million of the 8.06% Notes was exchanged for the variable interest rate of LIBOR + 445 basis points. This was in addition to the December 2001 interest rate swap in which the interest stream on $75 million of the 8.06% Notes was exchanged for the variable interest rate of LIBOR + 250.5 basis points. Both swaps have maturities matched to the underlying Notes due June 29, 2011. The swaps are being accounted for as hedges in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The swaps are carried at fair value on the balance sheet, with gains or losses recognized in earnings. The carrying value of the hedged debt is adjusted for changes in fair value attributable to the hedged interest rate risk; the associated gain or loss is recognized currently in earnings.

The income tax provision for the year ended March 31, 2003 was approximately 27% of earnings before taxes, compared with 33% in the prior year. The decline in tax rate resulted from two major factors: (i) continuing leverage from the cross-border tax structure implemented in Fiscal 2000 and (ii) $4.2 million of non-taxable life insurance proceeds received during the year.

The minority interest share of earnings decreased to $3.0 million or 14.5% of earnings before minority interest from $3.7 million, or 18.1%, in the prior year. The reduction was the result of minority share purchases completed during the year.

Net earnings from continuing operations were $18.0 million, a 9% increase over the prior year, while diluted earnings per share from continuing operations increased 10% to $1.24. The discontinued Company-owned lawn care operations generated net earnings of $0.4 million or $0.03 per diluted share.

The Residential Property Management unit generated $215.0 million of revenues for the year, an increase of 5% over the prior year. Excluding the impact of acquisitions, segment internal revenue growth was 4%.

Residential Property Management reported EBITDA of $14.6 million, down $4.2 million or 22% relative to the prior year, primarily due to insurance cost increases and poor results in painting and restoration activities. Insurance costs were approximately $2.0 million higher than the prior year, and little of the cost increase was passed on to clients. The painting and restoration service line operating in South Florida, which accounted for $22.1 million or 10% of the segment's revenues experienced a loss for the year due to difficult market conditions and several poorly performing projects. Also included in the current year's results is $1.0 million of executive life insurance proceeds received upon the death of a senior management employee.

The Integrated Security Services unit reported revenues of $107.5 million, representing growth of 13% over the prior year, all generated internally. Sales of systems and manpower contributed approximately equally to the growth. EBITDA for the segment was $7.3 million, while the margin remained constant at 6.8%. Several low-margin initial systems installations were completed during the second half of the year.

Consumer Services revenues were $73.9 million, up 14% relative to the prior year. Factoring in the two California Closets franchises acquired in October 2002, internal revenue growth was 10%. EBITDA in Consumer Services was $14.1 million, and the margin was 19.1%. The margin increased 80 basis points relative to the prior year as a result of strong performance in the College Pro, California Closets and lawn care businesses as well as the $1.1 million dilution gain experienced on the sale of 7.5% of the shares of Paul Davis Restoration, Inc. to two of its managers, which was offset by $0.5 million of compensation expense related to the sale.

Revenues for Business Services were $126.4 million, down 1% or $1.1 million relative to the prior year. Internal revenues declined 7% after considering the impact of acquisitions. A major fulfillment client departed at the end of the third quarter, impacting annual revenues negatively by approximately $1.5 million. Client volumes in the customer support and fulfillment areas were soft throughout the year, impacting revenues negatively and accounting for the remainder of the year-over-year decline.

Business Services EBITDA was $19.8 million or 15.6% of revenues, down from $22.4 million or 17.6% of revenues in the prior year. Several factors contributed to this result. The decline in volumes impacted margins because of lower contribution to cover fixed overhead costs, primarily rent. During the fourth quarter, we received proceeds of $3.2 million on a executive life insurance policy on the retired CEO and former controlling shareholder of Herbert A. Watts Ltd., Rip Gauthier, who passed away after a lengthy illness. Also during the fourth quarter, we incurred costs to reorganize and streamline the operations of Business Services under group president Scott Patterson in the amount of $1.9 million.

Corporate expenses were $4.8 million, up from $4.5 million in fiscal 2002. We expended $0.5 million on the investigation of potential acquisitions that were not completed during the year. Executive bonuses declined $0.7 million, to nil, for fiscal 2003.

Quarterly results — years ended March 31, 2004 and 2003

(in thousands of U.S. dollars except per share amounts)	Q1	Q2	Q3	Q4	Year
FISCAL 2004					
Revenues	$ 148,482	$ 157,393	$ 148,704	$ 155,215	$ 609,794
Operating earnings	11,917	15,443	6,009	5,702	39,071
Net earnings from continuing operations	5,403	7,315	2,650	3,496	18,864
Net earnings from discontinued operations	1,009	1,654	(640)	(1,863)	160
Net earnings	6,412	8,969	2,010	1,633	19,024
Net earnings per share:					
Basic	0.45	0.63	0.14	0.11	1.33
Diluted	0.45	0.62	0.14	0.11	1.30
FISCAL 2003					
Revenues	$ 137,309	$ 137,794	$ 123,931	$ 124,093	$ 523,127
Operating earnings	13,729	16,067	5,002	2,905	37,703
Net earnings from continuing operations	6,080	7,365	1,760	2,821	18,026
Net earnings from discontinued operations	1,228	1,430	(425)	(1,819)	414
Net earnings	7,308	8,795	1,335	1,002	18,440
Net earnings per share:					
Basic	0.53	0.63	0.10	0.07	1.32
Diluted	0.50	0.60	0.09	0.07	1.27
OTHER DATA					
EBITDA — Fiscal 2004	$ 15,626	$ 19,072	$ 9,873	$ 9,723	$ 54,294
EBITDA — Fiscal 2003	16,897	19,297	8,284	6,510	50,988

Seasonality and quarterly fluctuations

FirstService operates several seasonal service lines. In Consumer Services, we provide exterior painting services (throughout North America) and lawn care (in Canada). In Business Services, we provide textbook fulfillment services, in which the majority of activity occurs in our June and September quarters. In Residential Property Management, we provide swimming pool management and maintenance services (throughout North America) to primarily outdoor pools. The result of this seasonality in these service lines is relatively higher revenues in our June and September quarters followed by lower revenues in the December and March quarters.

The seasonality inherent in the businesses listed above results in variations in quarterly operating margins. These businesses generate significant profits during the June and September quarters followed by losses during the December and March quarters as a result of fixed overhead expenses including rent and administrative payroll.

We expect that the April 1, 2004 disposal of our company-owned lawn care operations will significantly reduce seasonality in our business. As we make acquisitions, the service mix will change and we expect that seasonality will be further reduced.

Liquidity and capital resources

The Company generated cash flow from operations totaling $35.1 million for fiscal 2004, an increase of 18% relative to the prior year. The most significant factor contributing to the increase in cash flow was higher net earnings. We believe that cash from operations and other existing resources will continue to be adequate to satisfy the ongoing working capital needs of the Company.

Net indebtedness as at March 31, 2004 was $141.4 million, down from $153.3 million at March 31, 2003. Net indebtedness is calculated as the current and non-current portion of long-term debt adjusted for interest rate swaps less cash and cash equivalents. Cash from operating activities exceeded cash used in investing by $6.0 million, and $7.8 million of proceeds were received upon the exercise of stock options. These two factors were the primary reasons for the reduction in indebtedness.

We are in compliance with the covenants within our financing agreements as at March 31, 2004 and, based on our outlook for fiscal 2005, we expect to remain in compliance with such covenants. We had $84.0 million of available credit as of March 31, 2004.

On October 1, 2003, we completed a private placement of $50 million of 6.40% Notes due September 30, 2015. The 6.40% Notes have an average life of 10.5 years, with equal annual principal repayments commencing September 30, 2012. Concurrent with the issuance of the 6.40% Notes, we amended our revolving credit facility such that available credit was reduced by $50 million from $140 million to $90 million. Our total borrowing capacity remains unchanged. On October 2, 2003, we entered into interest rate swap agreements to exchange the fixed rate on the 6.40% Notes for a variable rate of LIBOR + 170 basis points.

During the fiscal 2004, we had several foreign exchange contracts to fix a portion of the Canadian dollar costs of our Business Services segment relative to U.S. dollar revenues. At March 31, 2004, we had four such contracts outstanding. In aggregate, the four contracts require us to sell $8.0 million in exchange for Canadian dollars at a weighted average exchange rate of 1.3547 during the period extending to March 30, 2005. A gain of $0.2 million relating to these contracts was included in 2004 earnings.

Capital expenditures for the year were $13.1 million. Significant purchases included service vehicle fleet replacement and expansion for the Residential Property Management operations, a call center technology upgrade in Business Services, computer systems purchases in Consumer Services and Integrated Security Services, and leasehold improvements at several Residential Property Management offices. Capital expenditures for fiscal 2005 are expected to approximate $12 million.

When making acquisitions, we generally purchase executive life insurance policies on the principal managers of the acquired businesses. We believe this practice mitigates risk on acquisitions. At March 31, 2004, the Company had 20 such life insurance policies in force.

In relation to acquisitions completed during the past three years, we have outstanding contingent consideration totaling $16.2 million as at March 31, 2004 ($12.7 million as at March 31, 2003). The amount of the contingent consideration is not recorded as a liability unless the outcome of the contingency is determined to be beyond a reasonable doubt. The contingent consideration is based on achieving specified earnings levels, and is issued or issuable at the end of the contingency period. When the contingencies are resolved and additional consideration is distributable, we will record the fair value of the additional consideration as additional costs of the acquired businesses.

In certain cases, our subsidiaries have issued options to purchase shares of subsidiaries to operating managers. The subsidiary stock options are accounted for in the same manner as stock options of the Company. When the stock options are exercised, the minority shareholders become party to shareholders' agreements as described below.

In those operations where managements are also minority owners, the Company is party to shareholders' agreements. These agreements allow us to "call" the minority position for a predetermined formula price, which is usually equal to the multiple of trailing two-year average earnings paid by the Company for the original acquisition. Minority owners may also "put" their interest to the Company at the same price, with certain limitations. The total value of the minority shareholders' interests, as calculated in accordance with the shareholders' agreements, was approximately $30.0 million at March 31, 2004 (March 31, 2003 — $26.0 million). While it is not our intention to acquire outstanding minority interests, this step may materially increase net earnings. On an annual basis, we estimate the impact of the acquisition of all minority interests would increase interest expense by $1.1 million, increase amortization expense by $1.0 million, reduce income taxes by $0.6 million and reduce minority interest share of earnings by $3.1 million, resulting in an approximate increase to net earnings of $1.6 million.

The following table summarizes our contractual obligations as at March 31, 2004:

	Payments due by period				
Contractual obligations (In thousands of U.S. dollars)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long-term debt	$ 152,955	$ 1,699	$ 29,811	$ 28,589	$ 92,856
Capital lease obligations	4,128	1,803	1,964	361	—
Operating leases	74,656	16,810	24,397	17,654	15,795
Unconditional purchase obligations	—	—	—	—	—
Other long-term obligations	—	—	—	—	—
Total contractual obligations	$ 231,739	$ 20,312	$ 56,172	$ 46,604	$ 108,651

At March 31, 2004, we had commercial commitments totaling $6.0 million comprised of letters of credit outstanding due to expire within one year.

During the past two years, insurance costs have increased dramatically. To manage costs, we have taken on additional risk in the form of higher deductibles on many of our coverages. We believe this step will reduce overall insurance costs in the long term, but may cause fluctuations in the short term depending on the frequency and severity of insurance incidents.

Discussion of critical accounting estimates

Critical accounting estimates are those that management deems to be most important to the portrayal of our financial condition and results of operations, and that require management's most difficult, subjective or complex judgments, due to the need to make estimates about the effects of matters that are inherently uncertain. We have identified five critical accounting estimates: goodwill impairment testing, acquisition purchase price allocations, amortization of intangible assets, accounts receivable allowances and accounting for income taxes.

The annual goodwill impairment testing required under SFAS 142 requires judgment on the part of management. Goodwill impairment testing involves making estimates concerning the fair value of reporting units and then comparing the fair value to the carrying amount of each unit. Estimates of fair value can be impacted by sudden changes in the business environment or prolonged economic downturns, and therefore require significant management judgment in their determination.

Acquisition purchase price allocations require use of estimates and judgment on the part of management, especially in the determination of intangible assets acquired relative to the amount that is classified as goodwill. For example, if different assumptions were used regarding the profitability and expected lives of acquired customer contracts and relationships, different amounts of intangible assets and related amortization could be reported.

Amortization of intangible assets requires management to make estimates of useful lives and to select methods of amortization. Useful lives and methods of amortization are determined at the time assets are initially acquired, and then are reevaluated each reporting period. Significant judgment is required to determine whether events and circumstances warrant a revision to remaining periods of amortization. Changes to estimated useful lives and methods of amortization could result in increases or decreases in amortization expense. A 10% reduction to the weighted average useful life of intangible assets would result in an increase to annual amortization expense of $0.3 million.

Accounts receivable allowances are determined using a combination of historical experience, current information, and management judgment. Actual collections may differ from our estimates. A 10% increase in the accounts receivable allowance would increase bad debt expense by $0.4 million.

Income taxes are calculated based the expected treatment of transactions recorded in the consolidated financial statements. In determining current and deferred components of income taxes, we interpret tax legislation and make assumptions about the timing of the reversal of deferred tax assets and liabilities. If our interpretations differ from those of tax authorities or if the timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods.

Transactions with related parties

Please refer to note 19 to the consolidated financial statements for information regarding transactions with related parties.

Impact of recently issued accounting standards

Please refer to note 21 to the consolidated financial statements for a discussion of recently issued accounting standards.

Reconciliation to Canadian generally accepted accounting principles

Please refer to note 22 to the consolidated financial statements for a discussion of the adjustments required to reconcile the consolidated financial statements to Canadian generally accepted accounting principles. There are no material differences between the consolidated financial statements under Canadian and United States generally accepted accounting principles.

Outstanding share data

The authorized capital of the Company consists of an unlimited number of preference shares, issuable in series, an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. The holders of Subordinate Voting Shares are entitled to one vote in respect of each Subordinate Voting Share held at all meetings of the shareholders of the Company. The holders of Multiple Voting Shares are entitled to twenty votes in respect of each Multiple Voting Share held at all meetings of the shareholders of the Company.

As of the date hereof, the Company has outstanding 14,119,018 Subordinate Voting Shares, 662,847 Multiple Voting Shares and no preference shares. In addition, as at the date hereof, 1,112,315 Subordinate Voting Shares are issuable upon exercise of options granted under the Company's stock option plan.

Forward-looking statements

This annual report contains or incorporates by reference certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend that such forward-looking statements be subject to the safe harbors created by such legislation. Such forward-looking statements involve risks and uncertainties and include, but are not limited to, statements regarding future events and the Company's plans, goals and objectives. Such statements are generally accompanied by words such as "intend", "anticipate", "believe", "estimate", "expect" or similar statements. Our actual results may differ materially from such statements. Factors that could result in such differences, among others, are:

- North American economic conditions, especially as they relate to consumer spending and business spending on customer relations and promotion.
- Extreme weather conditions impacting demand for our services or our ability to perform those services.
- Political conditions, including any outbreak or escalation of terrorism or hostilities and the impact thereof on our business.
- Competition in the markets served by the Company.
- Labor shortages or increases in wage and benefit costs.
- The effects of changes in interest rates on our cost of borrowing.
- Unexpected increases in operating costs, such as insurance, workers' compensation, health care and fuel prices.
- Changes in the frequency or severity of insurance incidents relative to our historical experience.
- The effects of changes in the Canadian dollar foreign exchange rate in relation to the U.S. dollar on the Company's Canadian dollar denominated revenues and expenses.
- Our ability to make acquisitions at reasonable prices and successfully integrate acquired operations.
- Changes in government policies at the federal, state/provincial or local level that may adversely impact our student loans processing, firearms registration processing, or textbook fulfillment activities.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in such forward-looking statements will be realized. The inclusion of such forward-looking statements should not be regarded as a representation by the Company or any other person that the future events, plans or expectations contemplated by the Company will be achieved. We note that past performance in operations and share price are not necessarily predictive of future performance.

QuickLinks

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (in U.S. dollars) May 14, 2004

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EXHIBIT 4

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the inclusion of our report dated May 7, 2004, relating to the consolidated balance sheets of FirstService Corporation (the "Company") as at March 31, 2004 and 2003 and the consolidated statements of earnings, shareholders' equity and cash flows for each year in the three-year period ended March 31, 2004, appearing in this Annual Report on Form 40-F of the Company for the year ended March 31, 2004.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants

Toronto, Canada
May 7, 2004

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CONSENT OF INDEPENDENT AUDITORS

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EXHIBIT 5

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a)

I, Jay S. Hennick, certify that:

1. I have reviewed this annual report on Form 40-F of FirstService Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

June 1, 2004

/s/ Jay S. Hennick

Jay S. Hennick
President and Chief Executive Officer

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a)

I, John B. Friedrichsen, certify that:

1. I have reviewed this annual report on Form 40-F of FirstService Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

June 1, 2004

/s/ John B. Friedrichsen

John B. Friedrichsen
Senior Vice President and Chief Financial Officer

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CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a)

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EXHIBIT 6

CERTIFICATION
REQUIRED BY RULE 13a-14(b) OR RULE 15d-14(b) AND
SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

In connection with the annual report on Form 40-F of FirstService Corporation (the "Company") for the fiscal year ended March 31, 2004 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, Jay S. Hennick, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 1, 2004

/s/ Jay S. Hennick

Jay S. Hennick
President and Chief Executive Officer

CERTIFICATION
REQUIRED BY RULE 13A-14(b) OR RULE 15d-14(b) AND
SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

In connection with the annual report on Form 40-F of FirstService Corporation (the "Company") for the fiscal year ended March 31, 2004 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, John B. Friedrichsen, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 1, 2004

/s/ John B. Friedrichsen

John B. Friedrichsen
Senior Vice President and Chief Financial Officer

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CERTIFICATION REQUIRED BY RULE 13a-14(b) OR RULE 15d-14(b) AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE
CERTIFICATION REQUIRED BY RULE 13A-14(b) OR RULE 15d-14(b) AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE