US SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

[ ] Registration Statement Pursuant to Section 12 of the Securities Exchange Act of 1934
or
[x] Annual Report Pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended **March 31, 2008**

Commission file number **0-24762**

FirstService Corporation

(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English (if applicable))

Ontario, Canada
(Province or other jurisdiction of incorporation or organization)

6500
(Primary Standard Industrial Classification Code Number (if applicable))

N/A
(I.R.S. Employer Identification Number (if applicable))

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 (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Subordinate Voting Shares	**NASDAQ Stock Market** **Toronto Stock Exchange**

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

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:

[**x**] Annual information form [**x**] 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:

5,979,074 7% Cumulative Preference Shares, Series 1
28,786,893 Subordinate Voting Shares and 1,325,694 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.

[ ] Yes [**x**] 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.

[**x**] Yes [ ] No

PRINCIPAL DOCUMENTS

The following documents have been filed as part of this Annual Report on Form 40-F:

A. Annual Information Form

For the Registrant's Annual Information Form for the fiscal year ended March 31, 2008, see Exhibit 1 of this Annual Report on Form 40-F.

B. Audited Annual Financial Statements

For the Registrant's consolidated audited annual financial statements as at March 31, 2008 and 2007 and for the three fiscal years ended on March 31, 2008, including the auditor's report with respect thereto, see Exhibit 2 of this Annual Report on Form 40-F.

C. Management's Discussion and Analysis

For the Registrant's management's discussion and analysis for the fiscal year ended March 31, 2008, see Exhibit 3 of this Annual Report on Form 40-F.

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 Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this annual report (the "Evaluation Date"). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, the Registrant's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Registrant in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC") and (ii) accumulated and communicated to the Registrant's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of its effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has excluded Field Asset Services, Inc. and 14 other individually insignificant entities acquired by the Company during the last fiscal year from its assessment of internal control over financial reporting as at March 31, 2008. The total assets and total revenues of these majority-owned entities of the Company represent 5.5% and 9.9%, respectively, of the related consolidated financial statement amounts including discontinued operations as at and for the fiscal year ended March 31, 2008.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at March 31, 2008, based on the criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at March 31, 2008, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as at March 31, 2008, has been audited by PricewaterhouseCoopers LLP, the Company's independent auditors. The attestation report of PricewaterhouseCoopers LLP is included in PricewaterhouseCoopers LLP's report to the shareholders of the Company dated May 20, 2008, which accompanies the Company's audited consolidated financial statements for the fiscal year ended March 31, 2008.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

The effectiveness of the Registrant's internal control over financial reporting as at March 31, 2008, has been audited by PricewaterhouseCoopers LLP, the Registrant's independent auditors. The attestation report of PricewaterhouseCoopers LLP is included in PricewaterhouseCoopers LLP's report to the shareholders of the Registrant dated May 20, 2008, which accompanies the Registrant's audited consolidated financial statements for the fiscal year ended March 31, 2008, filed as Exhibit 23 to this Annual Report on Form 40-F.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the fiscal year ended March 31, 2008, there were no changes in the Registrant's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Registrant sent during the fiscal year ended March 31, 2008 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant's board of directors (the "Board of Directors") has determined that it has at least one audit committee financial expert (as such term is defined in item 8(a) of General Instruction B to Form 40-F) serving on its audit committee (the "Audit Committee"). Mr. Peter F. Cohen has been determined by the Board of Directors to be such audit committee financial expert and is independent (as such term is defined by the NASDAQ 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 and Conduct that applies to all directors, officers and employees of the Registrant and its subsidiaries, and a Financial Management Code of Ethics, which applies to senior management and senior financial and accounting personnel of the Registrant and its subsidiaries. A copy of the Code of Ethics and Conduct and the Financial Management Code of Ethics can be obtained, free of charge, on the Registrant's website (www.firstservice.com) or 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, 2008 and 2007. During these years, PricewaterhouseCoopers LLP was the Registrant's only external auditor.

(in US$)

Year ended March 31	**2008**	**2007**
Audit fees (note 1)	$ 2,020,700	$ 1,102,400
Audit-related fees (note 2)	324,500	339,600
Tax fees (note 3)	254,800	147,100
All other fees (note 4)	-	5,000
	$ 2,600,000	**$ 1,594,100**

Notes:

1. Refers to the aggregate fees billed by the Registrant's external auditor for audit services, including statutory and subsidiary audits. In fiscal 2008, audit fees included $242,000 of fees related to the divestiture of the Integrated Security Services segment.
2. Refers to the aggregate fees billed for assurance and related services by the Registrant's external auditor that are reasonably related to the performance of the audit or review of the Registrant's financial statements and are not reported under (1) above, including professional services rendered by the Registrant's external auditor for accounting consultations on proposed transactions and consultations related to accounting and reporting standards. Such fees included fees incurred in respect of due diligence and other work related to the disposition and acquisition of businesses, such work being unrelated to the audit of the Registrant's financial statements; accounting consultations with respect to proposed transactions; as well as other audit-related services
3. Refers to the aggregate fees billed for professional services rendered by the Registrant's external auditor for tax compliance, tax advice and tax planning.
4. Refers to fees for software product licensing billed by the Registrant's external auditor.

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 Chair 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 Chair are reported to the full Audit Committee at its next meeting. All 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Registrant does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Registrant's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The information provided in the table entitled “Contractual Obligations” under the section entitled “Liquidity and Capital Resources” in the Management’s Discussion and Analysis of Results of Operations and Financial Condition included as Exhibit 3 to this Annual Report on Form 40-F, is incorporated herein by reference.

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. Bernard I. Ghert (Chair), Peter F. Cohen and David Beatty.

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

The Registrant has previously filed with the SEC an Appointment of Agent for Service of Process and Undertaking on Form F-X in connection with its 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: May 21, 2008

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 year ended March 31, 2008.
2.	Consolidated audited financial statements of the Registrant as at March 31, 2008 and 2007 and for the three fiscal years ended on March 31, 2008, in accordance with generally accepted accounting principles in the United States.
3.	Management's discussion and analysis of results of operations and financial condition of the Registrant.
23.	Consent of PricewaterhouseCoopers LLP.
31.	Certifications of Chief Executive Officer and Chief Financial Officer pursuant toRule 13(a)-14(a) or 15(d)-14 of the Securities Exchange Act of 1934.
32.	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 1

FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED
MARCH 31, 2008

MAY 21, 2008

FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM

MAY 21, 2008

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, 2008 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.

By Certificate of Amendment dated June 27, 2007, the first series of Preference Shares of the Company were created and designated as 7% cumulative preference shares, series 1 (the "Preferred Shares"), with each Preferred Share having a stated value of US$25.00 and carrying a fixed cumulative annual dividend of US$1.75 payable quarterly.

Our Subordinate Voting Shares are publicly traded on both the Toronto Stock Exchange ("TSX") (symbol: FSV) and the NASDAQ Stock Market ("NASDAQ") (symbol: FSRV). Our Preferred Shares, trade in US$ on the TSX (symbol: FSV.PR.U). Our head and registered office is located at 1140 Bay Street, Suite 4000, Toronto, Ontario, M5S 2B4.

Our fiscal year-end was March 31 up to and including the fiscal year ended March 31, 2008. On May 14, 2008, our Board of Directors approved a change in year-end to December 31, effective December 31, 2008, pending receipt of any necessary consents from relevant tax authorities.

The following chart sets out the significant subsidiaries of the Company as of March 31, 2008. The voting securities of such subsidiaries not controlled by us are those owned by operating management of each respective subsidiary.

Name of subsidiary	Percentage of voting securities owned by FirstService	Jurisdiction of incorporation
American Pool Enterprises, Inc.	93.12%	Delaware
BLW, Inc. (d/b/a Security Services and Technologies)	82.80%	Pennsylvania
Field Asset Services, Inc.	69.16%	Texas
FirstService Commercial Real Estate Services, Inc. (d/b/a Colliers Macaulay Nicolls and Colliers International)	83.92%	Ontario
FirstService (USA), Inc.	100.00%	Delaware
FirstService Delaware, LLC	100.00%	Delaware
FirstService Delaware, LP	100.00%	Delaware
Intercon Security Ltd.	100.00%	Ontario
The Continental Group, Inc.	85.85%	Florida
The Franchise Company, Inc.	86.45%	Ontario
The Wentworth Group, Inc.	84.35%	Pennsylvania
The Merit Companies, Inc	74.65%	Delaware

General development of the business

Our origins date back to 1972 when Jay S. Hennick, the Founder and CEO of the Company, started a Toronto commercial swimming pool and recreational facility management business, which became the foundation of FirstService. In 1993, we completed our initial public offering on the TSX, raising C$20 million. In 1995 our shares were listed on NASDAQ. In 1997, a second stock offering was completed in Canada and the United States raising US$20 million. In December 2004, a stock dividend was declared effectively achieving a 2-for-1 stock split for all outstanding Subordinate and Multiple Voting Shares.

On August 1, 2007, we issued a stock dividend of Preferred Shares to holders of Subordinate Voting Shares and Multiple Voting Shares (together the “Common Shares”). One Preferred Share was issued for every five outstanding Common Shares. The stock dividend resulted in the issuance of 5,979,074 Preferred Shares, with an aggregate par value of $149.5 million. The annual preferred dividend obligation is $10.5 million, payable quarterly on or about the last day of each quarter.

From 1994 to present, we 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 and now includes a $225 million revolving credit facility due September 2012. In 2001, we completed a private placement of $100 million of 8.06% Senior Notes due June 29, 2011 with a group of US institutional investors. In October 2003, $50 million of 6.40% Senior Notes due September 30, 2015 was issued. In April 2005, we completed a further private placement of $100 million of 5.44% Senior Notes due April 1, 2015.

In November 2004, we established a new commercial real estate services division under the “Colliers International” brand with the acquisition of CMN International Inc. (“CMN”). Generating revenues of $285 million in the year prior to acquisition and with 80 offices in twenty countries, CMN is the largest affiliate of the Colliers International commercial real estate services network. CMN’s real estate services offerings include brokerage (sale and leasing), property management, valuation and advisory services.

During the fiscal year ended March 31, 2005, we sold the assets of Greenspace Services Ltd., our company-owned lawn care operation and two other non-strategic businesses. The combined revenues of the disposed operations for the fiscal year ended March 31, 2004, the last full year of ownership, were $39 million.

In March 2006, we disposed of Resolve Corporation, our Business Services operation, through an initial public offering of trust units of Resolve Business Outsourcing Income Fund in Canada for consideration comprised of cash and a 7.3% interest in the trust. The disposal marked a significant milestone in our strategy of focusing on property services businesses for future growth.

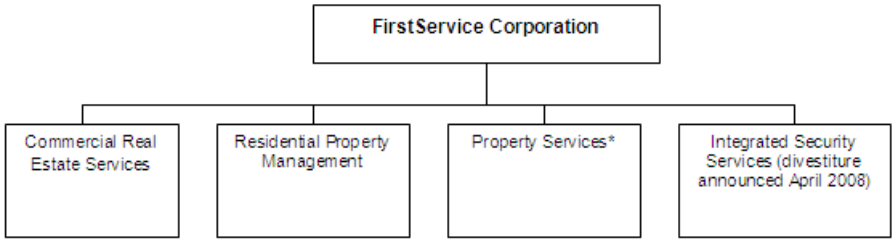
In April 2008, we announced the divestiture of our Integrated Security Services division, which includes Intercon Security in Canada and SST in the United States, for gross proceeds of approximately $187 million. The transaction is expected to close upon receipt of regulatory approvals. FirstService plans to use the proceeds to drive further growth and intensify its focus on global diversified real estate services.

Business description

FirstService is a leader in the rapidly growing property services sector, providing services in the following areas: commercial real estate; residential property management; and property services. Market-leading brands include Colliers International in commercial real estate; Continental, Wentworth and Merit in residential property management; and Field Asset Services, California Closets, Paul Davis Restoration and CertaPro Painters in property services.

Each service line provides near-essential services, generates a significant percentage of recurring revenues, has strong cash flows, generates strong 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 continuing operating segment	**Year ended March 31**				
(in thousands of US$)	**2008**	**2007**	**2006**	**2005**	**2004**
Commercial Real Estate Services	$ 810,969	$ 605,845	$ 438,032	$ 120,535	$ -
Residential Property Management	544,926	423,797	346,133	275,229	228,790
Property Services*	216,972	150,794	134,136	111,779	89,361
Corporate	348	554	367	572	434
Total	$ 1,573,215	$ 1,180,990	$ 918,668	$ 508,115	$ 318,585

* Previously referred to as Property Improvement Services.

Commercial Real Estate Services

Through CMN, we are a leading international commercial real estate services provider offering a full range of commercial real estate services in the United States, Canada, Australia, Russia, and several other countries in Eastern Europe, Asia and Latin America. Operations in the United States and Canada generate approximately 60% of total revenues for this segment, while Asia-Pacific, Eastern Europe and Latin America generates approximately 40%. We provide services to owners, investors and tenants, including brokerage (sale, leasing, and mortgage), property management and maintenance, valuation and corporate advisory services.

Commercial real estate brokers match buyers and sellers of real estate (investors, developers or owners-users) as well as owners and tenants of space for lease in return for a commission generally based on the value of the transaction. CMN's brokerage activities focus primarily on office, industrial, retail and multi-unit residential properties. The Company also offers complementary commercial real estate mortgage brokerage services to borrowers seeking financing to acquire properties or refinance existing mortgages under the Cohen Financial brand. Brokerage activities represent approximately 70% of CMN's revenues and provide opportunities for cross selling other real estate services. In calendar year 2007, through a network of 1,900 brokers across 145 offices, CMN executed transactions valued at $37 billion across a diverse client base, including corporations, financial institutions, governments and individuals. Typically, brokers earn a direct commission on individual transactions, which provides variability in the Company's cost structure.

Commercial property management focuses on the same client segments as brokerage; however, fees are typically multi-year fixed fee contracts that are largely recurring in nature.

CMN's international corporate services group partners with large corporations in managing their overall portfolio and transactions. Professional staff combine proprietary technology with high level strategic planning, portfolio management, lease administration and facilities and project management. Fees in corporate services are derived from a combination of fixed fee services and transaction based brokerage fees.

Commercial real estate brokerage is cyclical and seasonal in nature, affected by external factors, including interest rates, access to financing, investor and consumer confidence and other macroeconomic factors and political risk in any specific region. CMN's revenues are somewhat seasonal in nature, with approximately 70% of transactions occurring in our fiscal quarters ending in September and December.

CMN is the largest affiliate within the global Colliers International Property Consultants ("CIPC") alliance. Each member of the CIPC alliance licenses the right to use the "Colliers International" brand in an exclusive territory. Colliers International is recognized as one of the top 3 commercial real estate services organizations worldwide with a network of 293 offices and over 11,000 employees in 61 countries. Membership in CIPC provides us with a global brand name and local market intelligence throughout the world to assist the international community of investors, owners and users of real estate. Members of CIPC are required, except in certain limited circumstances, to direct referrals for other regions to member firms.

Commercial real estate firms can be segmented into two tiers: (i) large global full-service firms with international research abilities, and (ii) regional and niche firms with strengths in their respective local markets. Recent industry trends have seen an increase in outsourcing from sophisticated clients with global needs, creating an opportunity for full-service global players such as CMN.

There has also been a recent trend amongst larger firms to further improve their market position through consolidation. However, the commercial real estate competitive landscape market remains highly fragmented with the top five real estate organizations combining for only about 10% of the estimated $100 billion global market.

CMN's growth strategy is to expand its suite of complementary service offerings and the geography where services are offered. This will continue to be achieved both organically and through selective acquisitions. CMN also plans to enhance its brand and service delivery through increased broker training and continued development of its proprietary market tools and research resources. During the year ended March 31, 2008, we made investments in several businesses, including Colliers Russia, Colliers Southeast Europe, Colliers Meredith & Grew in Boston and Colliers Hawaii. In January, 2008 we announced the wind down of our Canadian commercial mortgage securitization operation which is complete as of the current date other than disposal of remaining mortgage loans receivable.

CMN's business is subject to regulation by the countries and regions in which it operates. In most countries or regions, laws require that brokers must be licensed and conform to a code of ethics, which involves certain examinations and continuing education. In addition, CMN's property managers are subject to regulation in the various regions in which they operate.

Residential Property Management

We are 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 multi-unit residential community associations (collectively referred to as "community associations"). In total, we manage more than 900,000 residential units in 3,700 community associations in the states of Arizona, California, Delaware, Florida, Georgia, Illinois, Maryland, Nevada, New Jersey, New York, North Carolina Pennsylvania, Tennessee, Texas, Virginia and the District of Columbia.

In Florida, we operate under the Continental, Service America, and Sterling brands. In the mid-Atlantic region, we operate under the Wentworth, Armstrong, Cooper Square, Arco Wentworth, Planned Companies, and American Pool brands. In Arizona, we operate as Rossmar & Graham, while in Illinois we operate as Wolin-Levin. In Nevada we operate as RMI and in Texas as Premier, which we acquired in June 2007. In California, we operate as Merit, which we acquired in April 2007.

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, pest control, irrigation, home service contracts, real estate sales and leasing, heating, air conditioning, plumbing and swimming pool management and maintenance. A majority of the swimming pool related services revenues are generated outside the "sunbelt" states, and therefore impacted by weather-related seasonality. Accordingly, revenues are earned primarily in the fiscal quarters ending in June and September.

The aggregate budget of all the community associations in the United States is estimated to be over $40 billion. The aggregate budget of the community associations managed by FirstService is estimated at approximately $5.0 billion. Currently, FirstService estimates that it accesses in the range of 18-20% 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, thereby offering our clients a single point of accountability.

Based on recent industry data compiled by the Community Associations Institute, we estimate that: (i) more than 59.5 million Americans, representing approximately 24 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 300,000 community associations in the United States; and (iv) the total annual operating expenses for these community associations are estimated to be $41 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 over 3.3% of the nation's approximately 24 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 residential real estate sales and leasing operations are subject to regulation as a real estate brokerage by the various states in which we operate.

Property Services

In our Property Services division (previously referred to as Property Improvement Services), we provide a variety of residential and commercial services through our network of approximately 1,900 franchised and 12 Company-owned locations across North America. The principal brands in this division include Field Asset Services ("FAS"), California Closet Company ("California Closets"), Paul Davis Restoration, CertaPro Painters, College Pro Painters, Pillar to Post Home Inspection and Handyman Connection.

FAS, headquartered in Austin, Texas, is one of North America's largest residential property preservation services companies. FAS provides comprehensive property preservation, maintenance and repair services to some of the largest residential mortgage lenders in America, for residential properties acquired through foreclosure. FAS currently processes nearly 2,000 client requests weekly through the use of information technology systems to manage client portfolios of foreclosed properties. All maintenance and repair services are managed through a process that includes outsourcing field services to a national network of independent service contractors. At any one time, FAS provides its services to more than $1.5 billion in client assets representing over 30,000 residential properties.

California Closets is the largest provider of installed closet and home storage systems in North America. Headquartered in San Rafael, California, California Closets has 107 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 franchisor of residential and commercial restoration services serving the insurance restoration industry in the United States through 228 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 298 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 580 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 June and September quarters followed by losses in the December and March quarters.

Pillar to Post is North America's largest home inspection service provider. Services are provided through a network of 356 franchises. Pillar to Post earns royalties from its franchisees based on a percentage of franchisee revenues.

Handyman Connection is North America's leading home repair and remodeling service franchiser. Services are provided by a network of 112 franchises operating throughout the United States. Handyman Connection earns royalties from its franchisees based on a percentage of franchisee 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 or no cost.

We currently own and operate 12 California Closets franchises located in Boston, Seattle, Chicago, Jacksonville, San Francisco, Toronto, Dallas, Phoenix, Hartford, Sacramento, Fresno and Berkeley. 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 US 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.

Integrated Security Services

In April 2008, the Company entered into an agreement to sell the businesses comprising its Integrated Security Services segment. This segment is reported as discontinued operations for all periods presented

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, in the form of a non-transferable direct equity ownership position, stock options or in equity-like stock value appreciation rights. In all cases, we have the right to purchase the minority interest at a formula price based on a multiple of trailing EBITDA[1]. Management believes that its strategy of aligning the ownership 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 prior year EBITDA. Lower level managers' incentives are also aligned with business unit 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.

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.

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[1] EBITDA is defined as net earnings before extraordinary items, discontinued operations, minority interest share of earnings, income taxes, interest, other income, depreciation and amortization and stock-based compensation expense. The Company uses EBITDA to evaluate operating performance. EBITDA is an integral part of the Company's planning and reporting systems. Additionally, the Company uses multiples of current and projected EBITDA in conjunction with discounted cash flow models to determine its overall enterprise valuation and to evaluate acquisition targets. 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. EBITDA is not a recognized measure of financial performance under GAAP in the United States, and should not be considered as a substitute for operating earnings, net earnings or cash flows from operating activities, as determined in accordance with GAAP. The Company's method of calculating EBITDA may differ from other issuers and accordingly, EBITDA may not be comparable to measures used by other issuers.

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 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 property services 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.

Our acquisitions are typically valued on a debt-free basis using a multiple of normalized and sustainable EBITDA (“Valuation EBITDA”). Usually, consideration is paid with a combination of cash at closing and contingent 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 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

Certain segments of the Company's operations are subject to seasonal variations. The demand for exterior painting (Property Services segment) and swimming pool management in the northern United States and Canada (Residential Property Management segment) is highest during late spring, summer and early fall and very low during winter. These operations generate most of their annual revenues and earnings between April and September and comprise approximately 5% of consolidated revenues.

The Commercial Real Estate Services operation generates peak revenues and earnings in the month of December followed by a low in January and February as a result of the timing of closings on commercial real estate brokerage transactions. Revenues and earnings during the balance of the year are relatively even. These brokerage operations comprise approximately 36% of consolidated revenues.

The seasonality of these service lines results in variations in quarterly revenues and operating margins. Variations can also be caused by acquisitions or dispositions, which alter the consolidated service mix.

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 Property Services unit, four franchise systems – California Closet Company, Paul Davis Restoration, Pillar to Post Home Inspection, and Handyman Connection – have trademarks to which value has been ascribed in the consolidated financial statements. These franchise systems have franchises in significant population centers 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, home inspections and handyman services. 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.

In our Commercial Real Estate Services unit, the Colliers International trademark was identified as an acquired intangible asset. The Colliers International trademark is highly recognized in the commercial real estate industry.

Employees

Excluding discontinued operations, we have approximately 17,000 employees, rising to a total of approximately 18,000 with seasonal employees in the spring and summer months.

Minority interests

FirstService owns a majority interest in nearly 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 risks and rewards of equity ownership to management at the operating companies. In all cases, the Company has the right to "call" management's shares, usually payable at the Company'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.

Dividends and dividend policy

Our Preferred Shares (issued by way of stock dividend on August 1, 2008) have a fixed annual dividend of US$1.75 per Preferred Share payable on or about the last day of each quarter to holders of record on or about the fifteenth day of the last month in each quarter, subject to declaration by the Board of Directors of the Company. During the fiscal year ended March 31, 2008, dividends were paid on the Preferred Shares as follows:

- US$0.2877 per Preferred Share for the period of August 1, 2007 (the date of initial issue of the Preferred Shares) to but excluding September 30, 2007, which dividend was payable on October 1, 2007 to holders of Preferred Shares of record at the close of business on September 19, 2007;
- US$0.4375 per Preferred Share for the period of September 30, 2007 to but excluding December 31, 2007, which dividend was payable on December 31, 2007 to holders of Preferred Shares of record at the close of business on December 18, 2007; and
- US$0.4375 per Preferred Share for the period of December 31, 2007 to but excluding March 31, 2008, which dividend was payable on March 31, 2008 to holders of Preferred Shares of record at the close of business on March 18, 2008.

The payment of dividends on the Common Shares 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 on the Common Shares, they could be payable in either US or Canadian dollars.

Capital structure

The authorized capital of the Company consists of an unlimited number of preference shares, issuable in series, at the discretion of the Board of Directors of the Company,–of which are authorized an unlimited number of Preferred Shares, an unlimited number of Subordinate Voting Shares and an unlimited number of convertible 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. Each Multiple Voting Share is convertible into one Subordinate Voting Share at the option of the holder. Effective December 15, 2004, a stock dividend was declared, effectively achieving a 2-for-1 stock split for all outstanding Subordinate and Multiple Voting Shares. On August 1, 2007 a stock dividend occurred in the amount of one Preferred Share for every five Common Shares. The Preferred Shares have a stated value of US$25.00, carry a fixed cumulative annual dividend of US$1.75 payable quarterly and are redeemable for cash or Subordinate Voting Shares at the option of the Company. The holders of the Preferred Shares are not entitled, except as otherwise provided by law or in the conditions attaching to the preference shares as a class, to receive notice of, attend or vote at any meeting of the shareholders of the Company. As of May 21, 2008, there were 28,786,893 Subordinate Voting Shares, 1,325,694 Multiple Voting Shares and 5,979,074 Preferred Shares issued and outstanding.

A summary of certain rights attaching to the 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 (the "Circular") dated May 21, 2008 filed in connection with the Company’s annual and special meeting of shareholders to be held on June 23, 2008, which section is incorporated herein by reference.

Rating of Preferred Shares

Our Preferred Shares are rated by DBRS Ltd. (“DBRS”). As of the date of this AIF, the rating was “Pfd-3 (low)” with a status of “under review with developing implications”. The status was updated from “stable” on April 15, 2008 to reflect the pending divestiture of our Integrated Security Services segment. DBRS rates preferred shares with ratings ranging from “Pfd-1” to “Pfd-5”, with “Pfd-1” representing the highest rating. To show relative rankings with the categories, DBRS may modify them by the addition of “high” or “low”. The rating of our Preferred Shares is not a recommendation to purchase, hold or sell the Preferred Shares and does not comment as to market price or suitability for a particular investor. There can be no assurance that the rating shown above will remain in effect for any given period of time or that the rating will not be revised or withdrawn in its entirety by DBRS in the future if, in its judgment, circumstances so warrant.

Market for securities

The Company’s Subordinate Voting Shares are listed for trading on the TSX and NASDAQ. The Company’s Preferred Shares are listed for trading on the TSX, and trade in US$. 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 NASDAQ in US dollars, and the TSX in Canadian dollars and of Preferred Shares on the TSX in US dollars, in each case, on a monthly basis during fiscal 2008:

	Subordinate Voting Shares						*Preferred Shares*		
	NASDAQ			TSX			TSX		
Month	**High Price (US$)**	**Low Price (US$)**	**Volume Traded**	**High Price (C$)**	**Low Price (C$)**	**Volume Traded**	**High Price (US$)**	**Low Price (US$)**	**Volume Traded**
April 2007	29.64	26.80	320,200	33.00	30.19	1,022,894	–	–	–
May 2007	35.46	29.44	883,400	39.00	32.61	1,031,247	–	–	–
June 2007	37.25	34.34	844,000	39.89	36.64	1,054,001	–	–	–
July 2007	38.29	31.62	906,800	39.93	34.50	1,439,467	24.50	22.30	237,207
August 2007	34.28	28.87	858,900	36.02	30.86	1,757,406	23.00	21.00	1,131,883
September 2007	31.90	26.23	1,046,600	32.03	27.32	2,011,560	23.00	21.50	175,118
October 2007	38.25	29.90	1,123,300	36.30	29.56	1,474,785	22.75	20.50	305,593
November 2007	38.05	32.41	1,087,600	36.16	32.20	1,278,187	21.00	19.50	92,728
December 2007	33.32	28.99	601,400	33.59	28.81	1,104,838	20.75	19.60	765,882
January 2008	31.14	20.15	1,389,700	30.44	20.26	2,819,650	20.30	19.00	107,895
February 2008	23.83	20.47	761,300	24.18	20.76	2,070,091	21.25	19.15	77,099
March 2008	22.89	20.64	549,800	23.16	20.55	1,802,772	20.00	18.40	93,801

Transfer agents and registrars

The transfer agent and registrar for the Subordinate Voting and Preferred Shares is Equity Transfer and Trust Company, 200 University Ave., Suite 200, Toronto, Ontario, M5H 4H1. The transfer agent and registrar for the Multiple Voting Shares is the Company at 1140 Bay Street, Suite 4000, Toronto, Ontario, M5S 2B4.

Directors and officers

Directors – The following are the directors of the Company as at May 21, 2008:

Name and municipality of residence	Age	Present position and tenure	Business experience during last five years
David R. Beatty [1,2,3] *Toronto, Ontario*	66	Director since May 2001	Corporate Director; Chair and CEO, Beatinvest Limited (an investment company); Managing Director of the Canadian Coalition for Good Governance; Professor of Strategy, Director of Clarkson Center for Business Ethics and Board Effectiveness and Professor of Strategic Management, Rotman School of Management, University of Toronto
Brendan Calder[2,3] *Toronto, Ontario*	61	Director since June 1996	Corporate Director; Adjunct Professor of Strategic Management, Rotman School of Management, University of Toronto
Peter F. Cohen[1,2,3] *Toronto, Ontario*	55	Director since March 1990; Chair of the Board since May 2005	President, Dawsco Group (an Ontario-based real estate and investment company)
Bernard I. Ghert[1] *Toronto, Ontario*	68	Director since June 2004	Corporate Director
Jay S. Hennick *Toronto, Ontario*	51	Chief Executive Officer and Director since May 1988	Founder and Chief Executive Officer of the Company
Steven S. Rogers *Mississauga, Ontario*	52	Director since August 1989	President and Chief Executive Officer, The Franchise Company, Inc. (subsidiary of the Company)
Michael D. Harris *Vaughan, Ontario*	63	Director since June 2006	Senior Business Advisor, Goodmans LLP; Corporate Director; Senior Fellow, The Fraser Institute Former Premier of the Province of Ontario

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 or appointment of his successor, unless he resigns or his office becomes vacant. All directors stand for election or re-election annually.

Further background information regarding the directors of the Company is set out in the sections entitled "Business of the Meeting – Election of Directors" and "Statement of Corporate Governance Practices" contained in the Circular, which sections are incorporated herein by reference.

Officers – The following are the executive officers of the Company as at May 21, 2008:

Name and municipality of residence	Age	Present position with the Company	First became an officer
Jay S. Hennick *Toronto, Ontario*	51	Founder and Chief Executive Officer	1988
D. Scott Patterson *Toronto, Ontario*	47	President and Chief Operating Officer	1995
John B. Friedrichsen *Toronto, Ontario*	46	Senior Vice President and Chief Financial Officer	1998
Roman Kocur *Toronto, Ontario*	47	Senior Vice President, Strategy and Corporate Development	2003
Michael Natale *Toronto, Ontario*	48	Vice President, Performance & Risk Management	2005
Douglas G. Cooke *Toronto, Ontario*	48	Vice President, Corporate Controller and Corporate Secretary	1995

The directors and executive officers of the Company, as a group, own or control 3,071,009 Subordinate Voting Shares, which represents 10.7% of the total Subordinate Voting Shares outstanding. The directors and officers, as a group, control 53.5% of the total voting rights when all Multiple Voting Shares and Subordinate Voting Shares are considered. Mr. Hennick controls all of the Company's Multiple Voting Shares.

Mr. Rogers controls a 5.4% voting interest in The Franchise Company Inc., a subsidiary of the Company.

Legal proceedings and regulatory actions

In the normal course of operations, the Company is subject to routine claims and litigation incidental to its business. Litigation currently pending or threatened against the Company includes disputes with former employees and commercial liability claims related to services provided by the Company. The Company believes resolution of such proceedings, combined with amounts set aside, will not have a material impact on the Company's financial condition or the results of operations.

We have responded to the information requests of our primary securities regulator, the Ontario Securities Commission, and the TSX with respect to the Special Committee of our Board of Directors' review of our historical stock option granting processes and the related accounting for the 13 year period from 1995 to 2007 and the measures taken in response. We will continue to co-operate with the Ontario Securities Commission, the TSX and any further information requests in connection with the inquiry. Until further notified by the TSX, all grants of stock options by us require the prior consent of the TSX.

Properties

The following chart provides a summary of the properties occupied by the Company and its subsidiaries as at March 31, 2008:

(square feet)	United States (leased)	United States (owned)	Canada (leased)	Canada (owned)	International (leased)	International (owned)
Residential Property Management	575,000	312,000	7,500	-	-	-
Commercial Real Estate Services	462,000	-	245,000	-	330,000	-
Integrated Security Services	69,000	-	71,000	-	-	-
Property Services	249,000	-	35,000	-	-	-
Corporate	-	-	-	20,000	-	-

Selected annual information - last five fiscal years
(in thousands of US$, except per share amounts)

Year ended March 31	2008	2007	2006	2005	2004
OPERATIONS					
Revenues	$ 1,573,215	$ 1,180,990	$ 918,668	$ 508,115	$ 318,585
Operating earnings	73,576	76,118	61,087	27,838	21,392
Net earnings from continuing operations	33,065	34,032	26,757	12,172	11,776
Net earnings from discontinued operations	1,334	2,184	42,740	11,035	7,248
Net earnings	34,399	34,863	69,497	23,207	19,024
FINANCIAL POSITION					
Total assets	$ 1,089,343	$ 816,998	$ 711,004	$ 626,728	$ 437,553
Long-term debt	356,030	235,131	248,686	220,015	163,888
Shareholders' equity	305,685	264,875	237,752	185,871	155,101
Book value per common share	5.19	8.85	7.91	6.15	5.26
COMMON SHARE DATA					
Net earnings per common share:					
Basic					
Continuing operations	$ 0.87	$ 1.14	$ 0.89	$ 0.41	$ 0.41
Discontinued operations	0.05	0.07	1.41	0.37	0.26
Cumulative effect adjustment	-	(0.04)	-	-	-
	0.92	1.17	2.30	0.78	0.67
Diluted					
Continuing operations	0.81	1.05	0.83	0.38	0.40
Discontinued operations	0.04	0.07	1.38	0.36	0.25
Cumulative effect adjustment	-	(0.04)	-	-	-
	0.85	1.08	2.21	0.74	0.65
Weighted average common shares (thousands)					
Basic	29,905	29,903	30,171	29,777	28,570
Diluted	30,547	30,354	30,896	30,467	29,192
Cash dividends per common share	-	-	-	-	-
PREFERRED SHARE DATA					
Number outstanding (thousands)	5,979	-	-	-	-
Cash dividends per preferred share	$ 1.16	-	-	-	-
OTHER DATA					
EBITDA (note 1)	$ 119,874	$ 109,809	$ 84,319	$ 47,814	$ 28,352
Adjusted diluted earnings per share from continuing operations (note 2)	1.02	1.05	0.74	0.34	0.18

Quarterly results – fiscal years ended March 31, 2008 and 2007
(in thousands of US$, except per share amounts)

Period	**Q1**	**Q2**	**Q3**	**Q4**	**Year**
FISCAL 2008					
Revenues	$ 370,494	$ 379,935	$ 451,100	$ 371,686	$ 1,573,215
Operating earnings (loss)	34,483	31,770	21,162	(13,839)	73,576
Net earnings (loss) from continuing operations	15,685	15,859	9,683	(8,162)	33,065
Net earnings (loss) from discontinued operations	2,397	1,834	(1,698)	(1,199)	1,334
Net earnings (loss)	18,082	17,693	7,985	(9,361)	34,399
Net earnings (loss) per common share:					
Basic	0.61	0.53	0.18	(0.40)	0.92
Diluted	0.56	0.50	0.15	(0.40)	0.85
FISCAL 2007					
Revenues	$ 281,780	$ 296,908	$ 326,611	$ 275,691	$ 1,180,990
Operating earnings	27,701	23,957	14,577	9,883	76,118
Net earnings from continuing operations	12,925	11,848	6,673	2,586	34,032
Net earnings (loss) from discontinued operations	1,208	125	1,084	(233)	2,184
Net earnings	12,780	11,973	7,757	2,353	34,863
Net earnings per common share:					
Basic	0.43	0.40	0.26	0.08	1.17
Diluted	0.39	0.38	0.25	0.06	1.08
OTHER DATA					
EBITDA - fiscal 2008 (note 1)	$ 42,739	$ 41,894	$ 36,684	$ (1,443)	$ 119,874
EBITDA - fiscal 2007 (note 1)	34,787	31,103	23,837	20,082	109,809

Notes

1. EBITDA is defined as net earnings before extraordinary items, discontinued operations, minority interest share of earnings, income taxes, interest, other income, depreciation and amortization and stock-based compensation expense. The Company uses EBITDA to evaluate operating performance. EBITDA is an integral part of the Company's planning and reporting systems. Additionally, the Company uses multiples of current and projected EBITDA in conjunction with discounted cash flow models to determine its overall enterprise valuation and to evaluate acquisition targets. 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. EBITDA is not a recognized measure of financial performance under GAAP in the United States, and should not be considered as a substitute for operating earnings, net earnings or cash flows from operating activities, as determined in accordance with GAAP. The Company's method of calculating EBITDA may differ from other issuers and accordingly, EBITDA may not be comparable to measures used by other issuers. A reconciliation of annual amounts appears below.

(in thousands of US$)

Year ended March 31	**2008**	**2007**	**2006**	**2005**	**2004**
Operating earnings	**$ 73,576**	$ 76,118	$ 61,087	$ 27,838	$ 21,392
Depreciation and amortization	**38,479**	28,735	20,921	18,288	6,638
	112,055	104,853	82,008	46,126	28,030
Stock-based compensation expense	**7,819**	4,956	2,311	1,688	322
EBITDA	**$ 119,874**	$ 109,809	$ 84,319	$ 47,814	$ 28,352

2. Adjusted diluted earnings per share from continuing operations is defined as diluted net earnings per share from continuing operations plus the effect, after income taxes, of (i) amortization of short-lived intangible assets acquired in connection with recent Commercial Real Estate Services acquisitions; (ii) the impairment loss on available-for-sale securities and (iii) incremental stock option expense from the stock option review recorded in December 2007. The Company believes this measure is useful because (i) it isolates the impact of non-recurring acquisition-related amortization expense; (ii) it eliminates the effect of a non-cash impairment of securities obtained in connection with the disposal of a business and (iii) it eliminates the effect of a non-cash adjustment to historical stock option expense. This is not a recognized measure of financial performance under generally accepted accounting principles ("GAAP") in the United States of America, and should not be considered as a substitute for diluted net earnings per share from continuing operations, as determined in accordance with GAAP. The Company's method of calculating this measure may differ from other issuers and, accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation appears below.

(in US$)	Year ended March 31		
	2008	2007	2006
Diluted net earnings per common share from continuing operations	**$ 0.81**	$ 1.05	$ 0.83
Pro forma impact of dividends on preferred shares	**-**	(0.23)	(0.23)
Amortization of brokerage backlog, net of taxes	**0.10**	0.15	0.14
Impairment loss on available-for-sale securities, net of taxes	**-**	0.08	-
Incremental stock option expense from stock option review	**0.11**	-	-
Adjusted diluted net earnings per common share from continuing operations	**$ 1.02**	$ 1.05	$ 0.74

Risk and uncertainties

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

- Economic conditions, especially as they relate to credit conditions and consumer spending.
- Commercial real estate property values, vacancy rates and general conditions of financial liquidity for real estate transactions.
- 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 foreign exchange rates in relation to the US dollar on the Company's Canadian and Australian dollar denominated revenues and expenses.
- Our ability to make acquisitions at reasonable prices and successfully integrate acquired operations.
- Risks arising from any regulatory review.
- Changes in government policies at the federal, state/provincial or local level that may adversely impact our businesses.

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 2008 annual report is incorporated herein by reference.

Interest of management and others in material transactions

There are no material interests, direct or indirect, of directors or executive officers of the Company, any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding shares of the Company, or any known associate or affiliate of such persons in any transactions within the three most recently completed financial years of the Company or during the current financial year which has materially affected, or would materially affect, the Company.

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 "Sale of Control Agreement" contained in the Circular, which sections are incorporated herein by reference.

On September 10, 2007, the Company successfully completed an amended and restated credit facility, increasing the amount to $225 million from the then current amount of $110 million. The new facility also increased the term to 5 years from 3 years and included an "accordion feature" providing an additional $50 million in financing under the same terms if required, bringing the total financing capacity of the facility to $275 million. The lead arranger for the financing was TD Securities. The syndicate of banks included incumbents, The Toronto-Dominion Bank, The Bank of Nova Scotia, Royal Bank of Canada, JP Morgan Chase Bank, HSBC Bank, as well as new participants United Overseas Bank, Bank of America and Bank of Montreal.

On April 14, 2008, the Company entered into a definitive agreement to sell its Integrated Security Services division, FirstService Security, to ADT Security (“ADT”), a unit of Tyco International. Under the terms of the agreement, ADT will acquire 100% of the shares of FirstService Security from FirstService for cash on closing. FirstService Security operates under the Intercon Security brand name in Canada and Security Services & Technologies in the United States. The transaction is valued at approximately $187 million and has been approved by the boards of directors of both companies. The transaction is expected to close as soon as practicable following receipt of required regulatory approvals and satisfaction of other customary closing conditions.

Cease trade orders, bankruptcies, penalties or sanctions

To the best of the knowledge of the Company:

(A) none of the directors or executive officers of the Company is, as at the date of this AIF, or has been, within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company) that: (i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

(B) none of the directors or executive officers of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control the Company: (a) is, as at the date of this AIF, or has been, within 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become 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 the director, executive officer or shareholder;

except for David R. Beatty who was a director of Thistle Mining Inc. ("Thistle") when Thistle announced on December 21, 2004 that it intended to undertake a restructuring under the *Companies' Creditors Arrangement Act*. While Thistle completed the restructuring on June 30, 2005, its common shares were suspended from trading on the Alternative Investment Market from June 30, 2005 to July 13, 2005 and its common shares were suspended from trading on the TSX on December 31, 2004 due to the restructuring until Thistle delisted in February 2006. Mr. Beatty is no longer a director of Thistle Mining Inc.

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.

Experts

The Company's independent auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have issued an independent auditors' report dated May 20, 2008 in respect of the Company's consolidated financial statements as at March 31, 2008 and 2007 and for each year in the three year period ending March 31, 2008, and the Company's internal control over financial reporting as at March 31, 2008. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and the rules of the SEC.

Audit Committee

The Audit Committee is comprised of three members who are each "independent" and "financially literate" as required by Multilateral Instrument 52-110 *Audit Committees* (the "Audit Committee Rule"). The members of the Audit Committee during the year ended March 31, 2008 were Messrs. Ghert - Chair, Beatty and Cohen. Mr. Ghert was appointed Chair of the Audit Committee in May 2005. Mr. Beatty was appointed to the Audit Committee in August 2007, replacing Mr. Calder. The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external auditors as well as to anyone in the Company. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. The Audit Committee meets at least four times annually, or more frequently as circumstances dictate.

The Audit Committee reviews the annual and interim financial statements intended for circulation among shareholders and reports upon these to the Board of Directors of the Company (the "Board") prior to their approval by the full Board. The Audit Committee is also responsible for the oversight of the integrity of the Company's internal accounting and control systems. The Audit Committee communicates directly with the Company's external auditors in order to discuss audit and related matters whenever appropriate. In addition, the Board may defer to the Audit Committee on other matters and questions relating to the financial position of the Company and its affiliates. The Board has adopted an Audit Committee mandate, a copy of which is annexed as Exhibit "A" to Exhibit 1 of the Form 40-F of the Company in respect of the fiscal year ended March 31, 2007 (a copy of which is available at www.sedar.com). The Audit Committee mandate is also published on the Company's website (www.firstservice.com).

The education and related experience of each of the members of the Audit Committee that is relevant to the performance by such members of their responsibilities on such committee is described below.

Bernard I. Ghert (Chair) – Mr. Ghert has a Masters degree in Business Administration (MBA). Mr. Ghert was previously President and Chief Executive Officer of the Cadillac Fairview Corporation Limited from 1981 to 1987 and President of Stelworth Investments Inc. from 1987 to 1992. Mr. Ghert has been a director of many organizations in the private and public sectors, including Cadillac Fairview, Stelworth, CT Financial and Canada Trust, Wellington Insurance, and the Canada Deposit Insurance Corporation. Mr. Ghert has served as Director of the Managers of several Middlefield Funds, President of the Canadian Institute of Public Real Estate Companies and was a former member of the Advisory Board of the Office of the Superintendent of Financial Institutions. Mr. Ghert current is Chairman of the Independent Review Committee of the Middlefield Group of Funds, President of the B.I. Ghert Family Foundation and Immediate Past Chair of the Mount Sinai Hospital Board of Directors.

Peter F. Cohen – Mr. Cohen is a Chartered Accountant and a former partner in an audit practice of a public accounting firm. Mr. Cohen is currently the Chair of the Board of the Company and President and Chief Executive Officer of the Dawsco Group, a private real estate and investment company owned by Mr. Cohen and his family. Mr. Cohen was a co-founder and Chair and Chief Executive Officer of Centrefund Realty Corporation, a publicly traded shopping center investment company until August 2000 when control of the company was sold. Mr. Cohen is a member of the boards of a number of private companies and charities.

David Beatty – Mr. Beatty is currently the Chairman and Chief Executive Officer of Beatinvest Limited (an investment company), Managing Director of the Canadian Coalition for Good Governance and Professor of Strategic Management and the Director of the Clarkson Centre for Business Ethics and Board Effectiveness at The Rotman School of Management, University of Toronto. Mr. Beatty was previously founding Chairman of Orogen Minerals Limited, Chairman and Chief Executive Officer of Old Canada Investment Corporation Limited and President of Weston Foods. Mr. Beatty is Honorary Consul to Canada for the Government of Papua New Guinea and in 1993 was awarded the O.B.E. A graduate in economics from the University of Toronto (Trinity College), he was a Nuffield Scholar at the University of Cambridge (Queens' College) where he obtained an M.A..

The Audit Committee Rule requires the Company to disclose whether its Audit Committee has adopted specific policies and procedures for the engagement of non-audit services and to prepare a summary of these policies and procedures. The mandate of the Audit Committee provides that it is such committee's responsibility to: (a) approve the appointment and, when circumstances warrant, discharge of the external auditor and monitor its qualifications, performance and independence; (b) approve and oversee the disclosure of all audit services provided by the external auditor to the Company or any of its subsidiaries, determining which non-audit services the external auditor are prohibited from providing and, exceptionally, pre-approve and oversee the disclosure of permitted non-audit services to be performed by the

external auditor, in accordance with applicable laws and regulations; and (c) approve the basis and amount of the external auditor's fees and other significant compensation. The Audit Committee has adopted a pre-approval policy pursuant to which the Company may not engage the Company's external auditor to carry out certain non-audit services that are deemed inconsistent with the independence of auditors under US and Canadian applicable laws. The Audit Committee must pre-approve all audit services as well as permitted non-audit services. The Audit Committee has delegated to the Chair 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 Chair are reported to the full Audit Committee at its next meeting.

In addition to performing the audit of the Company's annual consolidated financial statements, PricewaterhouseCoopers LLP provided other services to the Company and they billed the Company the following fees for each of the Company's two most recently completed fiscal years:

(in US$)

Year ended March 31	**2008**	**2007**
Audit fees (note 1)	$ 2,020,700	$ 1,102,400
Audit-related fees (note 2)	324,500	339,600
Tax fees (note 3)	254,800	147,100
All other fees (note 4)	-	5,000
	$ 2,600,000	**$ 1,594,100**

Notes:

1. Refers to the aggregate fees billed by the Company's external auditor for audit services, including statutory and subsidiary audits. In fiscal 2008, audit fees included $242,000 of fees related to the divestiture of the Integrated Security Services segment.
2. Refers to the aggregate fees billed for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under (1) above, including professional services rendered by the Company's external auditor for accounting consultations on proposed transactions and consultations related to accounting and reporting standards. Such fees included fees incurred in respect of: due diligence and other work related to the disposition and acquisition of businesses, such work being unrelated to the audit of the Company's financial statements; accounting consultations with respect to proposed transactions; as well as other audit-related services.
3. Refers to the aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.
4. Refers to fees for software product licensing billed by the Company's external auditor.

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 Circular.

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, 2008.

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 most recent AIF of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF;
   (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 AIF 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. We disclaim any intention and assume no obligation to update or revise and forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

EXHIBIT 2

MANAGEMENT'S REPORTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements and management discussion and analysis ("MD&A") of FirstService Corporation (the "Company") and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America using the best estimates and judgments of management, where appropriate. The most significant of these accounting principles are set out in note 2 to the consolidated financial statements. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

The MD&A has been prepared in accordance with National Instrument 51-102 of the Canadian Securities Administrators, taking into consideration other relevant guidance, including Regulation S-K of the US Securities and Exchange Commission.

The Board of Directors of the Company has an Audit Committee consisting of three independent directors. The Audit Committee meets regularly to review with management and the independent auditors any significant accounting, internal control, auditing and financial reporting matters.

These consolidated financial statements have been audited by PricewaterhouseCoopers LLP, which have been appointed as the independent auditors of the Company by the shareholders. As auditors, PricewaterhouseCoopers LLP obtain an understanding of the Company's internal controls and procedures for financial reporting to plan and conduct such audit procedures as they consider necessary to express their opinion on the consolidated financial statements. As auditors, PricewaterhouseCoopers LLP have full and independent access to the Audit Committee to discuss their findings.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of its effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has excluded Field Asset Services, Inc. and 14 other individually insignificant entities acquired by the Company during the last fiscal year from its assessment of internal control over financial reporting as at March 31, 2008. The total assets and total revenues of these majority-owned entities of the Company represent 5.5% and 9.9%, respectively, of the related consolidated financial statement amounts including discontinued operations as at and for the fiscal year ended March 31, 2008.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at March 31, 2008, based on the criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at March 31, 2008, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as at March 31, 2008, has been audited by PricewaterhouseCoopers LLP, the Company's independent auditors. The attestation report of PricewaterhouseCoopers LLP is included in PricewaterhouseCoopers LLP's report to the shareholders of the Company dated May 20, 2008, which accompanies the Company's audited consolidated financial statements for the fiscal year ended March 31, 2008.

/s/ Jay S. Hennick
Chief Executive Officer

/s/ John B. Friedrichsen
Chief Financial Officer

May 21, 2008

INDEPENDENT AUDITORS' REPORT

To the Shareholders of FirstService Corporation

We have completed an integrated audit of FirstService Corporation's 2008 consolidated financial statements and of its internal control over financial reporting as at March 31, 2008 and audits of its 2007 and 2006 consolidated financial statements. Our opinions, based on our audits, are presented below.

Consolidated financial statements
We have audited the accompanying consolidated balance sheets of FirstService Corporation as at March 31, 2008 and March 31, 2007, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit of the Company's financial statements as at March 31, 2008 and for the year then ended in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). We conducted our audits of the Company's financial statements as at March 31, 2007 and for each of the years in the two-year period then ended in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and March 31, 2007 and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2008 in accordance with generally accepted accounting principles in the United States of America.

Internal control over financial reporting
We have also audited FirstService Corporation's internal control over financial reporting as at March 31, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Field Asset Services, Inc. and 14 other individually insignificant entities acquired by the Company from its assessment of internal control over financial reporting as at March 31, 2008 because these entities were acquired by the Company in purchase business combinations during the year ended March 31, 2008. The total assets and total revenues of these majority owned entities represent 5.5% and 9.9%, respectively, of the related consolidated financial statement amounts including discontinued operations as at and for the year ended March 31, 2008.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at March 31, 2008 based on criteria established in *Internal Control — Integrated Framework* issued by COSO.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
May 20, 2008

Comments by auditor for U.S. readers on Canada-U.S. reporting differences
In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the Company's consolidated financial statements, such as the change from the adoption of a new accounting standard described in note 14 to the consolidated financial statements. Our report to the shareholders dated May 20, 2008 is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the Auditors' Report when the change is properly accounted for and adequately disclosed in the consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
May 20, 2008

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands of US dollars, except per share amounts)

For the years ended March 31	**2008**	2007	2006
Revenues			
Services	**$ 1,510,474**	$ 1,114,098	$ 855,572
Products	**62,741**	66,892	63,096
Total revenues	**1,573,215**	1,180,990	918,668
Cost of revenues (exclusive of depreciation shown below)			
Services	**906,403**	690,256	539,855
Products	**32,851**	40,913	34,309
Selling, general and administrative expenses	**521,906**	344,968	262,496
Depreciation	**20,056**	14,012	9,873
Amortization of intangible assets other than brokerage backlog	**13,207**	6,559	3,494
Amortization of brokerage backlog	**5,216**	8,164	7,554
	73,576	76,118	61,087
Interest expense	**17,828**	14,137	11,272
Interest income	**(4,326)**	(6,402)	(1,038)
Other income, net (note 5)	**(4,647)**	(4,848)	(3,766)
Impairment loss on available-for-sale securities (note 7)	**-**	3,139	-
Earnings before income taxes and minority interest	**64,721**	70,092	54,619
Income taxes (note 14)	**16,195**	20,261	16,084
Earnings before minority interest	**48,526**	49,831	38,535
Minority interest share of earnings	**15,461**	15,799	11,778
Net earnings from continuing operations	**33,065**	34,032	26,757
Net earnings from discontinued operations, net of income taxes (note 4)	**1,334**	2,184	42,740
Net earnings before cumulative effect of change in accounting principle	**34,399**	36,216	69,497
Cumulative effect of change in accounting principle, net of income taxes (note 2)	**-**	(1,353)	-
Net earnings	**$ 34,399**	$ 34,863	$ 69,497
Preferred share dividends	**6,952**	-	-
Net earnings available to common shareholders	**$ 27,447**	$ 34,863	$ 69,497
Net earnings per common share (note 15)			
Basic			
Continuing operations	**$ 0.87**	$ 1.14	$ 0.89
Discontinued operations	**0.05**	0.07	1.41
Cumulative effect of change in accounting principle	**-**	(0.04)	-
	$ 0.92	$ 1.17	$ 2.30
Diluted			
Continuing operations	**$ 0.81**	$ 1.05	$ 0.83
Discontinued operations	**0.04**	0.07	1.38
Cumulative effect of change in accounting principle	**-**	(0.04)	-
	$ 0.85	$ 1.08	$ 2.21

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

FIRSTSERVICE CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands of US dollars)

As at March 31	2008	2007
Assets		
Current assets		
Cash and cash equivalents	**$ 76,818**	$ 102,806
Restricted cash	**8,858**	16,930
Accounts receivable, net of an allowance of $10,716 (2007 - $7,543)	**177,048**	124,667
Income taxes recoverable	**16,887**	9,968
Inventories (note 6)	**20,519**	15,293
Prepaid expenses and other current assets	**20,982**	15,764
Deferred income taxes (note 14)	**19,540**	10,430
Assets held for sale (note 4)	**88,163**	66,499
	428,815	362,357
Other receivables	**4,446**	6,599
Fixed assets (note 8)	**80,991**	61,692
Other assets (note 7)	**29,393**	28,952
Deferred income taxes (note 14)	**14,082**	3,647
Intangible assets (note 9)	**165,919**	95,241
Goodwill (note 10)	**322,095**	220,346
Assets held for sale (note 4)	**43,602**	38,164
	660,528	454,641
	$ 1,089,343	$ 816,998
Liabilities		
Current liabilities		
Accounts payable	**$ 49,465**	$ 28,906
Accrued liabilities (note 6)	**189,349**	154,354
Income taxes payable	**36**	5,229
Unearned revenues	**23,846**	17,281
Long-term debt – current (note 11)	**24,777**	22,101
Deferred income taxes (note 14)	**411**	3,318
Liabilities held for sale (note 4)	**45,758**	25,638
	333,642	256,827
Long-term debt – non-current (note 11)	**331,253**	213,030
Other liabilities	**18,236**	4,876
Deferred income taxes (note 14)	**41,618**	29,084
Liabilities held for sale (note 4)	**441**	-
Minority interest	**58,468**	48,306
	450,016	295,296
Shareholders' equity		
Preferred shares (note 12)	**149,477**	-
Common shares (note 12)	**88,919**	80,108
Contributed surplus	**13,135**	6,557
Receivables pursuant to share purchase plan (note 12)	**(765)**	(1,232)
Retained earnings	**43,415**	175,346
Cumulative other comprehensive earnings	**11,504**	4,096
	305,685	264,875
	$ 1,089,343	$ 816,998
Commitments and contingencies (notes 12 and 18)		

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

On behalf of the Board of Directors,

/s/ Bernard I. Ghert
Director

/s/ Jay S. Hennick
Director

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of US dollars, except share amounts)

	Preferred shares		Common shares						
	Issued and out-standing shares (note 12)	Amount	Issued and outstanding shares (note 12)	Amount	Contributed surplus	Receivables pursuant to share purchase plan	Retained earnings	Cumulative other comprehensive earnings (loss)	Total shareholders' equity
Balance, March 31, 2005	-	-	30,192,788	$ 73,542	$ 805	$ (2,148)	$ 103,011	$ 10,661	$ 185,871
Comprehensive earnings:									
Net earnings	-	-	-	-	-	-	69,497	-	69,497
Foreign currency translation adjustments	-	-	-	-	-	-	-	(7,988)	(7,988)
Unrealized loss on available for-sale equity securities, net of income taxes of $335	-	-	-	-	-	-	-	(1,528)	(1,528)
Comprehensive earnings									59,981
Subordinate Voting Shares:									
Stock option expense	-	-	-	-	1,380	-	-	-	1,380
Stock options exercised	-	-	434,650	3,740	(22)	-	-	-	3,718
Purchased for cancellation	-	-	(571,650)	(1,595)	-	-	(12,116)	-	(13,711)
Cash payments received	-	-	-	-	-	513	-	-	513
Balance, March 31, 2006	-	-	30,055,788	75,687	2,163	(1,635)	160,392	1,145	237,752
SAB 108 adjustment (note 21)	-	-	-	-	-	-	(5,377)	-	(5,377)
Comprehensive earnings:									
Net earnings	-	-	-	-	-	-	34,863	-	34,863
Foreign currency translation adjustments	-	-	-	-	-	-	-	1,423	1,423
Reclass to earnings of unrealized loss on available-for-sale equity securities, net of income taxes of $335	-	-	-	-	-	-	-	1,528	1,528
Comprehensive earnings									37,814
Subsidiaries' equity transactions	-	-	-	-	2,562	-	-	-	2,562
Subordinate Voting Shares:									
Stock option expense	-	-	-	-	1,879	-	-	-	1,879
Stock options exercised	-	-	564,800	6,482	(47)	-	-	-	6,435
Purchased for cancellation	-	-	(697,700)	(2,061)	-	-	(14,532)	-	(16,593)
Cash payments received	-	-	-	-	-	403	-	-	403
Balance, March 31, 2007	-	-	29,922,888	80,108	6,557	(1,232)	175,346	4,096	264,875
FIN 48 adjustment (note 14)	-	-	-	-	-	-	(4,200)	-	(4,200)
Comprehensive earnings:									
Net earnings	-	-	-	-	-	-	34,399	-	34,399
Foreign currency translation adjustments	-	-	-	-	-	-	-	7,497	7,497
Unrealized loss on available-for-sale equity securities, net of income taxes of $20	-	-	-	-	-	-	-	(89)	(89)

Comprehensive earnings									41,807
Subsidiaries' equity transactions	-	-	-	-	1,634	-	-	-	1,634
Subordinate Voting Shares:									
Issued for purchase of minority interest	-	-	282,649	5,868	-	-	-	-	5,868
Stock option expense	-	-	-	2,440	3,498	-	-	-	5,938
Stock options exercised	-	-	159,550	1,372	(198)	-	-	-	1,174
Purchased for cancellation	-	-	(252,500)	(869)	-	-	(5,701)	-	(6,570)
Cash payments received	-	-	-	-	1,644	467	-	-	2,111
Stock dividend (note 12)	5,979,074	149,477	-	-	-	-	(149,477)	-	-
Preferred Shares:									
Dividends (note 12)	-	-	-	-	-	-	(6,952)	-	(6,952)
Balance, March 31, 2008	**5,979,074**	**149,477**	**30,112,587**	**88,919**	**$ 13,135**	**$ (765)**	**$ 43,415**	**$ 11,504**	**$ 305,685**

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

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of US dollars)

For the years ended March 31	**2008**	2007	2006
Cash provided by (used in)			
Operating activities			
Net earnings from continuing operations	**$ 33,065**	$ 34,032	$ 26,757
Items not affecting cash:			
Depreciation and amortization	**38,479**	28,735	20,921
Deferred income taxes	**(20,785)**	(7,267)	(3,970)
Minority interest share of earnings	**15,461**	15,799	11,778
Stock option expense	**7,446**	3,707	1,932
Other	**2,455**	2,103	716
Changes in operating assets and liabilities:			
Accounts receivable	**(18,787)**	(14,855)	(12,664)
Inventories	**(5,087)**	(3,022)	(3,124)
Prepaid expenses and other assets	**(3,409)**	(1,195)	(2,658)
Accounts payable	**1,058**	(10,376)	7,425
Accrued liabilities	**20,587**	27,216	13,531
Income taxes	**(22,094)**	(6,611)	(5,047)
Unearned revenues	**3,994**	293	190
Discontinued operations	**4,787**	(8,769)	3,562
Net cash provided by operating activities	**57,170**	59,790	59,349
Investing activities			
Acquisitions of businesses, net of cash acquired	**(152,529)**	(66,826)	(14,105)
Purchases of minority shareholders' interests in subsidiaries	**(6,773)**	(6,437)	(11,625)
Sales of interests in subsidiaries to minority shareholders	**3,294**	3,167	-
Purchases of fixed assets	**(32,183)**	(25,145)	(16,242)
(Increase) decrease in other assets	**(1,139)**	(1,367)	109
Decrease (increase) in other receivables	**2,155**	2,350	(492)
Increase in other liabilities	**2,725**	-	-
Proceeds on sale of equity securities	**-**	4,875	-
Disposals of businesses	**-**	-	110,476
Changes in restricted cash	**8,071**	(9,797)	-
Discontinued operations	**(3,186)**	(2,965)	(11,639)
Net cash (used in) provided by investing activities	**(179,565)**	(102,145)	56,482
Financing activities			
Increase in long-term debt	**206,924**	5,935	102,614
Repayment of long-term debt	**(87,386)**	(21,430)	(74,100)
Financing fees paid	**(544)**	(150)	(1,396)
Proceeds received on exercise of stock options	**1,174**	6,435	3,740
Repurchase of Subordinate Voting Shares	**(6,570)**	(16,593)	(13,711)
Collection of receivables pursuant to share purchase plan	**467**	403	513
Capital contributions	**1,644**	-	-
Dividends paid to preferred shareholders	**(6,952)**	-	-
Distributions paid to minority shareholders of subsidiaries	**(6,930)**	(3,524)	(1,939)
Discontinued operations	**(5,132)**	5,132	-
Net cash provided by (used in) financing activities	**96,695**	(23,792)	15,721
Effect of exchange rate changes on cash and cash equivalents	**2,196**	2,379	(1,072)
(Decrease) increase in cash and cash equivalents during the year	**(23,504)**	(63,768)	130,480
Cash and cash equivalents, beginning of year	**$ 102,806**	$ 164,407	$ 30,511
Amount held by discontinued operations, beginning of year	**1,364**	3,531	6,947
	104,170	167,938	37,458
Cash and cash equivalents, end of year	**$ 76,818**	$ 102,806	$ 164,407
Amount held by discontinued operations, end of year	**3,848**	1,364	3,531
	80,666	104,170	167,938

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 real estate-related services to commercial, institutional and residential customers in North America and various other countries around the world. The Company's operations are conducted through three segments: Commercial Real Estate Services, Residential Property Management, and Property Services. As described in note 4, the Company reported two former segments in discontinued operations: (i) the Business Services segment, which was disposed in March 2006 and (ii) the Integrated Security Services segment, which was held for sale as of March 31, 2008.

2. Summary of significant accounting policies

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("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 the fair value determination of assets acquired and liabilities assumed in business combinations, impairment testing of fair values of goodwill and intangible assets, the collectibility of accounts receivable and income taxes. 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, its majority-owned subsidiaries and those variable interest entities where the Company is the primary beneficiary. Where the Company does not have a controlling interest but does exert significant influence, the equity method is used. Inter-company 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.

Restricted cash
Restricted cash consists of cash and cash equivalents over which the Company has legal ownership but is restricted as to its availability or intended use, including funds restricted by statutory deposit requirements and funds held on behalf of clients.

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 26% and 74% (2007 - 39% and 61%) of total inventories, respectively. 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 costs 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	20 to 40 years straight-line
Vehicles	3 to 5 years straight-line
Furniture and equipment	3 to 10 years straight-line
Computer equipment and software	3 to 5 years straight-line
Leasehold improvements	term of the lease to a maximum of 10 years

Investments in securities

The Company classifies investments in securities as a component of other assets. Investments in available-for-sale marketable equity securities are carried at fair value with unrealized gains and losses included in other comprehensive earnings on an after-tax basis. Other-than-temporary impairment losses are recorded in current period earnings. Investments in other equity securities are accounted for using the equity method or cost method, as applicable, and are subject to impairment testing. Income from securities is recorded in other income.

Financing fees

Financing fees related to the revolving credit facility and Senior Notes are amortized to interest expense using the effective interest method.

Goodwill and intangible assets

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, where lives are finite, are amortized over their estimated useful lives as follows:

Customer lists and relationships	straight-line over 4 to 25 years
Franchise rights	by pattern of use, currently estimated at 2.5% to 15% per year
Trademarks and trade names:	
Indefinite life	not amortized
Finite life	straight-line over 15 to 35 years
Management contracts and other	straight-line over life of contract ranging from 2 to 15 years
Brokerage backlog	as underlying brokerage transactions are completed

The Company reviews the carrying value of finite life intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition. If the sum of the undiscounted 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 the fair value calculated using discounted expected future cash flows.

Goodwill and indefinite life intangible assets are tested for impairment annually or more frequently if events or changes in circumstances indicate the asset might be impaired, in which case the carrying amount 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. Impairment of indefinite life intangible assets is tested by comparing the carrying amount to fair value on an individual intangible asset basis.

Revenue recognition and unearned revenue

(a) Real estate brokerage operations

Commission revenues from sales brokerage transactions are recognized at the time the service has been provided and the commission becomes legally due, except when future contingencies exist. In most cases, close of escrow or transfer of title is a future contingency, and accordingly revenue recognition is deferred until this contingency is satisfied.

Commission revenues from real estate leasing are recognized once obligations under the commission arrangement are satisfied. Terms and conditions of a commission arrangement generally include execution of the lease agreement and satisfaction of future contingencies such as tenant occupancy. In most cases, a portion of the commission is earned upon execution of the lease agreement, with the remaining portion contingent on a future event, typically tenant occupancy; revenue recognition for the remaining portion is deferred until all contingencies are satisfied.

(b) Service operations other than real estate brokerage
Revenues are recognized at the time the service is rendered or the product is shipped. Revenues from painting, restoration and closet installation projects in process are recognized on the percentage of completion method, generally in the ratio of actual costs to total estimated contract costs. In cases where anticipated costs to complete a project exceed the revenue to be recognized, a provision for the additional estimated losses is recorded in the period when the loss becomes apparent. Amounts received from customers in advance of services being provided are recorded as unearned revenue when received.

(c) Franchise operations
The Company operates several franchise systems within its Property Services segment. Initial franchise fees are recognized when all material services or conditions related to the sale of the franchise have been performed or satisfied. Royalty revenues are recognized based on a contracted percentage of franchisee revenues, as reported by the franchisees. Revenues from administrative and other support services, as applicable, are recognized as the services are provided. In addition, the Company operates 12 franchise locations of its California Closets franchise system and these revenues are recognized as described in (b) above.

Stock based compensation
From April 1, 2003 until March 31, 2006, the Company recognized stock option compensation expense in the statements of earnings using the fair value method of accounting for stock-based compensation under Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123") as amended by SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of SFAS 123* ("SFAS 148"). SFAS 148 provided alternative methods of transitioning to the fair value based method of accounting for employee stock options as compensation expense. The Company used the "prospective method" of SFAS 148 and expensed the fair value of new option grants awarded after March 31, 2003. Compensation expense was allocated to reporting periods using the graded attribution approach. Forfeitures of stock options were treated as a reduction of expense in the period of forfeiture.

On April 1, 2006, the Company adopted SFAS No. 123R, *Share Based Payment*, ("SFAS 123R") using the modified prospective approach. Upon the adoption of SFAS 123R, the Company changed its approach to accounting for stock options issued by subsidiaries of the Company to subsidiary employees, where the employees have the ability to elect to receive cash payments upon exercise. Previously, these options were recorded as liabilities at their intrinsic value. Under SFAS 123R, these options are recorded as liabilities at their fair value, as determined using a Black-Scholes option pricing model. Also, the Company previously accounted for stock option forfeitures as a reduction to expenses in the period of forfeiture whereas under SFAS 123R, forfeitures are estimated at the grant date. The aggregate cumulative effect of the change in accounting principle, net of income taxes of nil, was $1,353.

Foreign currency translation
Assets, liabilities and operations of foreign subsidiaries are recorded based on the functional currency of each entity. For certain foreign operations, the functional currency is the local currency, in which case the assets, liabilities and operations are translated at current exchange rates from the local currency to the reporting currency, the US dollar. The resulting unrealized gains or losses are reported as a component of cumulative other comprehensive earnings. Realized and unrealized foreign currency gains or losses related to any foreign dollar denominated monetary assets and liabilities are included in net earnings.

Income taxes
Income taxes have been provided using the asset and liability method whereby deferred income tax assets and liabilities are recognized for the expected future income tax consequences of events that have been recognized in the consolidated financial statements or income tax returns. Deferred income tax assets and liabilities are measured using enacted income 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 income tax assets and liabilities of a change in income tax rates is recognized in earnings in the period in which the change occurs. A valuation allowance is recorded unless it is more likely than not that realization of a deferred income tax asset will occur.

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

On April 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of SFAS 109*, ("FIN 48") which clarifies the accounting and reporting for uncertainties in income tax law (see note 14). In accordance with FIN 48, the Company classifies interest and penalties associated with income tax positions in income tax expense.

3. Acquisitions

2008 acquisitions:
On October 1, 2007, the Company acquired 80% of the shares of Field Asset Services, Inc., a provider of property services to foreclosed residential properties on behalf of its financial institution clients, headquartered in Austin, Texas. The Company also completed 14 individually insignificant acquisitions in its Commercial Real Estate Services, Residential Property Management and Property Services segments during the year ended March 31, 2008. The Company acquired minority interests from shareholders in all three operating segments.

Certain of the purchase price allocations for the 2008 acquisitions are preliminary pending finalization of analyses of the assets acquired and liabilities assumed. Details of the 2008 acquisitions are as follows:

	2008		
	Field Asset Services, Inc.	Aggregate other acquisitions	Purchases of minority shareholders' interests
Current assets	$ 9,012	$ 26,894	$ 92
Long-term assets	564	9,052	(695)
Current liabilities	(10,855)	(41,135)	(276)
Long-term liabilities	-	(16,880)	(2,321)
Minority interest	(89)	(3,109)	4,253
	(1,368)	(25,178)	1,053
Stock consideration	$ -	$ -	$ 5,868
Cash consideration	$ 43,337	$ 102,226	$ 6,773
Acquired intangible assets	22,080	59,277	6,069
Goodwill	22,625	68,127	5,519

2007 acquisitions:
On May 19, 2006, the Company acquired all of the shares of PRDnationwide Group, a commercial real estate services business headquartered in Brisbane, Australia. The Company also completed 12 individually insignificant acquisitions in its Commercial Real Estate Services, Residential Property Management and Property Services segments during the year ended March 31, 2007. The Company also acquired minority interests from shareholders in all segments, but primarily in Commercial Real Estate Services.

Details of the 2007 acquisitions are as follows:

	2007		
	PRDnationwide Group	Aggregate other acquisitions	Purchases of minority shareholders' interests
Current assets	$ 2,134	$ 16,390	$ -
Long-term assets	2,627	22,162	(1,561)
Current liabilities	(4,796)	(34,096)	201
Long-term liabilities	(4,892)	(7,074)	(48)
Minority interest	(223)	(6,200)	645
	(5,150)	(8,818)	(763)
Note consideration	$ -	$ 2,522	$ 1,044
Cash consideration	$ 21,475	$ 43,604	$ 6,603
Acquired intangible assets	9,519	29,156	2,376
Goodwill	17,106	25,788	6,034

2006 acquisitions:
During the year ended March 31, 2006, the Company completed six individually insignificant acquisitions in the Commercial Real Estate Services, Property Services and Residential Property Management segments. The Company also acquired minority interests from shareholders in the Commercial Real Estate Services, Residential Property Management and Integrated Security Services segments.

Details of the 2006 acquisitions are as follows:

	2006	
	Acquisitions	Purchases of minority shareholders' interests
Current assets	$ 5,915	$ -
Long-term assets	2,257	-
Current liabilities	(11,931)	-
Long-term liabilities	(5,899)	(2,254)
Minority interest	(840)	2,679
	(10,498)	425
Note consideration	$ 3,050	$ -
Cash consideration	$ 11,346	$ 11,998
Acquired intangible assets	14,854	6,213
Goodwill	10,040	5,360

The purchase prices of acquisitions resulted in the recognition of goodwill. The primary factors contributing to goodwill are assembled workforces, synergies with existing operations and future growth prospects. For acquisitions completed during the year ended March 31, 2008, goodwill in the amount of $49,410 is deductible for income tax purposes (2007 - $6,814; 2006 - nil).

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 four-year periods following the dates of acquisition. Such contingent consideration is paid in cash at the expiration of the contingency period. As at March 31, 2008, there was contingent consideration outstanding of up to $53,600 (2007 - $14,800). The contingencies will expire during the period extending to February 2011. The contingent consideration is recorded when the contingencies are resolved and the consideration is paid or becomes payable, at which time the Company records the fair value of the consideration paid or payable, including interest, if any, as additional costs of the acquired businesses. Total contingent consideration recognized for the year ended March 31, 2008 was $2,864 net of income tax of $1 (2007 - $5,732, net of income tax of $342). Contingent consideration paid during the year ended March 31, 2008 was $6,848 (2007 - $1,747) and the amount payable as at March 31, 2008 was nil (2007 - $4,306; see note 6).

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 their respective closing dates. The cash portions of the consideration for the 2008 acquisitions were financed from cash on hand and borrowings on the Company's revolving credit facility.

Following are the Company's unaudited consolidated pro forma results assuming the acquisitions occurred on the first day of the year of acquisition. The year immediately prior to the year of acquisition also includes the pro forma results of the acquisitions.

(unaudited)	2008	2007
Pro forma revenues	$ 1,689,527	$ 1,504,243
Pro forma net earnings from continuing operations	35,723	40,319
Pro forma net earnings per share from continuing operations		
Basic	$ 1.19	$ 1.35
Diluted	1.12	1.25

These unaudited consolidated pro forma results have been prepared for illustrative 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. Dispositions

On April 14, 2008, the Company entered into an agreement to sell the businesses comprising its Integrated Security Services ("ISS") segment, as part of the Company's strategy to sharpen its focus on global real estate-related services. As a condition to closing, the Company is required to acquire the minority interests of its non-wholly owned ISS subsidiaries. The closing of the sale is conditional upon receipt of regulatory approvals under competition legislation. The ISS segment has been reported as discontinued operations for all periods presented.

In January 2008, the Company decided to wind down its Canadian commercial mortgage securitization operation ("CCMS") due to adverse credit market conditions. CCMS was previously reported within the Commercial Real Estate Services segment. The wind down was complete as of March 31, 2008 except for the disposal of the remaining mortgage loans receivable. The mortgage assets are expected to be sold as soon as practicable. This operation has been reported as discontinued operations for all periods presented.

On March 17, 2006, the Company sold its 88.3% interest in Resolve Corporation ("Resolve"), its Business Services segment, to a subsidiary of Resolve Business Outsourcing Income Fund ("RBO Fund") upon the initial public offering of RBO Fund. The Company received aggregate consideration of $137,393, comprised of $116,972 in the form of cash ($110,476 net of cash sold) and $20,421 in the form of equity securities of a subsidiary of RBO Fund, which are exchangeable for publicly traded units of RBO Fund. These securities are classified as available-for-sale (note 7). The pre-tax gain on the disposal was $44,082, before current income taxes of $4,693 and deferred income taxes of $3,570, resulting in a net gain of $35,819. The net gain on disposal included the realization of a gain of $5,487 related to cumulative foreign currency translation on Canadian dollars. Resolve is reported as discontinued operations for all periods presented.

During the year ended March 31, 2008, a gain was recognized in connection with the settlement of a liability related to the Resolve disposal. The settlement resulted in a cash payment to the purchaser of the disposed operation in the amount of $1,036 and a gain on settlement in the amount of $2,265 (including an income tax benefit of $187).

The operating results of the discontinued operations are as follows:

Operating results - years ended March 31	**2008**	2007	2006
Revenues			
ISS	**$ 208,430**	$ 176,475	$ 149,064
CCMS	**(9,064)**	2,221	402
Resolve	**-**	-	160,204
	199,366	178,696	309,670
Operating earnings (loss) before income taxes			
ISS	**10,174**	5,337	3,217
CCMS	**(11,413)**	(1,205)	(816)
Resolve	**2,078**	(728)	7,429
	839	3,404	9,830
(Recovery of) provision for income taxes	**(495)**	1,220	2,909
Net operating earnings from discontinued operations	**1,334**	2,184	6,921
Net gain on disposal of Resolve	**-**	-	35,819
Net earnings from discontinued operations	**$ 1,334**	$ 2,184	$ 42,740
Net earnings per share from discontinued operations			
Basic	**$ 0.05**	$ 0.07	$ 1.41
Diluted	**0.04**	0.07	1.38

The assets and liabilities of the ISS segment are classified as held for sale and are as follows:

Balance sheets as at March 31	**2008**	2007
Assets held for sale		
Cash and cash equivalents	**$ 3,834**	$ 1,210
Accounts receivable, net	**46,937**	38,900
Inventories	**15,164**	16,475
Prepaid expenses and other current assets	**856**	1,158
Fixed assets	**5,153**	4,500
Goodwill	**30,630**	30,784
Other	**2,671**	2,272
Total	**$ 105,245**	$ 95,299
Liabilities held for sale		
Bank overdraft	**$ -**	$ 5,132
Accounts payable	**11,765**	6,516
Accrued liabilities	**18,048**	15,139
Unearned revenues	**3,585**	3,001
Other	**472**	18
Total	**$ 33,870**	$ 29,806

The assets and liabilities of CCMS are classified as held for sale and are as follows:

Balance sheets as at March 31	**2008**	2007
Assets held for sale		
Cash and cash equivalents	**$ 14**	$ 154
Mortgage loans receivable	**20,809**	13,716
Deferred income taxes	**6,803**	503
Other	**642**	124
Total	**$ 28,268**	$ 14,497
Liabilities held for sale		
Interest rate derivative contracts	**$ 11,724**	$ 368
Other	**2,354**	595
Total	**$ 14,078**	$ 963

The Company has fixed-rate and floating-rate commercial mortgage loans receivable. The mortgages were funded under co-lending agreements whereby the Company advanced 20% or less of the principal amount. The co-lenders advanced 80% or more of the principal amount directly to the borrowers. The Company's interest in the mortgages is subordinate to the co-lenders' interests. The Company has the right to purchase the co-lenders' interest in any mortgage at any time at par value and the co-lenders have the right to purchase the Company's interest in the mortgages after six months. Mortgage loans receivable are carried on an individual basis at the lower of cost and market, which is calculated based on contractually established commitments from investors or current investor yield requirements.

The Company sells mortgage loans through public securitization and whole loan sales. When the Company sells mortgage loans, the mortgage loans are removed from the balance sheet and a gain or loss is recognized in current period earnings immediately, based on the carrying values of the mortgage loans transferred. Servicing rights are sold with the mortgages and it is the Company's policy not to retain a residual interest in the mortgages sold.

The Company enters into interest rate derivative contracts to cover the full value of the mortgages written, including the portion funded by a co-lender which the Company has the right and intention to call, while mortgages await sale. The contracts are recorded on the consolidated balance sheets as assets or liabilities and carried at fair value. Changes in the fair value of contracts are recognized in current period earnings. The contracts convert the fixed-rate mortgage loans to floating rates. Hedge accounting has not been accorded to the portion of the contracts that match the mortgages held for sale as the contracts do not meet the criteria for hedge accounting.

As at March 31, 2008, the Company had interest rate derivative contracts to convert $143,500 of fixed-rate mortgage loans receivable to floating rates (2007 - $167,807) with a fair value loss of $11,724 (2007 - $368). The contracts have maturity dates ranging from June 2012 to June 2017. The fair values of contracts 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.

For the year ended March 31, 2008 a loss of $9,466 was recorded in revenues relating to these derivative contracts, which was comprised of $11,278 unrealized losses (2007 - -unrealized gains of $3,245) on outstanding contracts and $1,812 of realized gains (2007 - realized losses of $3,613) on the settlement of the contracts.

During the year ended March 31, 2008, the Company recognized pre-tax gains (after realized gains on derivatives contracts) of $2,516 (2007 - $2,120) on the securitization of mortgage loans with unpaid principal balances of $195,903 (2007 - $39,208). In connection with the sale of mortgages, the Company is obligated to cure or repurchase any mortgage sold that has a breach or defect related to the origination and underwriting process. As at March 31, 2008, the Company was unable to develop an estimate of the maximum potential of future payments under this obligation because the Company is not aware of any such breaches or defects.

5. Other income

	2008	2007	2006
Earnings from available-for-sale securities	**$ 2,292**	$ 2,078	$ -
Earnings from equity method investments	**2,006**	1,625	1,329
Net gain on sale of equity securities	**-**	1,145	2,211
Gain on foreign exchange contracts	**-**	-	121
Dilution gain on sale of subsidiary shares	**-**	-	105
Other	**349**	-	-
	$ 4,647	$ 4,848	$ 3,766

6. Components of working capital accounts

	2008	2007
Inventories		
Work-in-progress	**$ 12,871**	$ 8,464
Finished goods	**4,251**	4,350
Supplies and other	**3,397**	2,479
	$ 20,519	$ 15,293
Accrued liabilities		
Accrued payroll, commission and benefits	**$ 160,411**	$ 95,884
Accrued interest	**3,871**	4,159
Customer advances	**2,937**	9,713
Contingent acquisition consideration payable	**-**	4,306
Liabilities in connection with Resolve operation	**-**	2,912
Other	**22,130**	37,380
	$ 189,349	$ 154,354

7. Other assets

	2008	2007
Available-for-sale equity securities	**$ 17,291**	$ 17,419
Equity method investments	**5,086**	5,046
Held-to-maturity debt securities	**2,280**	3,763
Financing fees, net of accumulated amortization of $1,703 (2007 - $1,554)	**1,754**	1,690
Other	**2,982**	1,034
	$ 29,393	$ 28,952

The Company's available-for-sale equity securities consist of securities of a subsidiary of RBO Fund (see note 4). As of March 31, 2007, the Company's available-for-sale securities were in a continuous loss position for more than twelve months. Accordingly, these securities were deemed to be other-than-temporarily impaired and an unrealized, non-cash loss of $3,139 ($2,574 net of income taxes) was recorded in the statement of earnings as of March 31, 2007.

8. Fixed assets

2008	Cost	Accumulated depreciation	**Net 2008**
Land	$ 3,070	$ -	**$ 3,070**
Buildings	11,683	2,517	**9,166**
Vehicles	21,217	13,050	**8,167**
Furniture and equipment	51,784	26,265	**25,519**
Computer equipment and software	40,462	18,681	**21,781**
Leasehold improvements	24,874	11,586	**13,288**
	$ 153,090	$ 72,099	**$ 80,991**

2007	Cost	Accumulated depreciation	Net 2007
Land	$ 3,070	$ -	$ 3,070
Buildings	11,225	2,093	9,132
Vehicles	18,425	10,742	7,683
Furniture and equipment	36,387	17,999	18,388
Computer equipment and software	26,060	11,452	14,608
Leasehold improvements	16,138	7,327	8,811
	$ 111,305	$ 49,613	$ 61,692

Included in fixed assets are vehicles and computer equipment under capital lease at a cost of $11,510 (2007 - $9,385) and net book value of $5,518 (2007 - $4,937).

9. Intangible assets

2008	Gross carrying amount	Accumulated amortization	**Net 2008**
Customer lists and relationships	$ 101,649	$ 15,917	**$ 85,732**
Franchise rights	31,682	7,941	**23,741**
Trademarks and trade names:			
Indefinite life	18,559	-	**18,559**
Finite life	31,086	3,918	**27,168**
Management contracts and other	11,850	3,518	**8,332**
Brokerage backlog	30,595	28,208	**2,387**
	$ 225,421	$ 59,502	**$ 165,919**

2007	Gross carrying amount	Accumulated amortization	Net 2007
Customer lists and relationships	$ 43,952	$ 6,997	$ 36,955
Franchise rights	26,862	6,597	20,265
Trademarks and trade names:			
Indefinite life	15,696	-	15,696
Finite life	18,931	2,781	16,150
Management contracts and other	6,502	1,520	4,982
Brokerage backlog	23,639	22,446	1,193
	$ 135,582	$ 40,341	$ 95,241

During the year ended March 31, 2008, the Company acquired the following intangible assets:

	Amount	Estimated weighted average amortization period (years)
Customer lists and relationships	$ 56,624	13.5
Franchise rights	4,498	21.3
Trademarks and trade names	14,587	24.1
Management contracts and other	4,329	5.0
Brokerage backlog	6,861	1.1
	$ 86,899	13.4

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

2009	$ 16,479
2010	15,135
2011	12,969
2012	11,146
2013	10,075

During the year ended March 31, 2008, charges of $1,149 (2007 - $437; 2006 - nil) were recognized in connection with impairments of intangible assets. In 2008 and 2007, the impairments were attributable to faster than expected erosion of customer relationships in the Commercial Real Estate and Residential Property Management segments. The charges were recorded in amortization expense. The fair value of the intangible assets was estimated using discounted expected future cash flows.

10. Goodwill

	Commercial Real Estate Services	Residential Property Management	Property Services	Consolidated
Balance, March 31, 2006	$ 51,867	$ 71,297	$ 43,245	$ 166,409
Adjustments to goodwill resulting from adjustments to purchase price allocations	363	-	(566)	(203)
Goodwill resulting from contingent acquisition payments	-	5,654	-	5,654
Goodwill resulting from purchases of minority shareholders' interests	4,985	-	883	5,868
Goodwill acquired during year	40,389	1,296	1,209	42,894
Goodwill disposed during year	-	-	(836)	(836)
Foreign exchange	560	-	-	560
Balance, March 31, 2007	98,164	78,247	43,935	220,346
Adjustments to goodwill resulting from adjustments to purchase price allocations	15	(594)	71	(508)
Goodwill resulting from contingent acquisition payments	2,757	26	81	2,864
Goodwill resulting from purchases of minority shareholders' interests	2,228	1,109	2,212	5,549
Goodwill acquired during year	39,103	29,024	22,625	90,752
Goodwill disposed during year	(421)	-	-	(421)
Foreign exchange	3,332	11	170	3,513
Balance, March 31, 2008	**$ 145,178**	**$ 107,823**	**$ 69,094**	**$ 322,095**

11. Long-term debt

	2008	2007
Revolving credit facility	**$ 132,500**	$ -
8.06% Senior Notes	**57,142**	71,428
6.40% Senior Notes	**50,000**	50,000
5.44% Senior Notes	**100,000**	100,000
Capital leases bearing interest ranging from 5% to 10%, maturing at various dates through 2012	**5,589**	4,455
Other long-term debt bearing interest at 4% to 10%, maturing at various dates through 2014	**10,799**	9,248
	356,030	235,131
Less: current portion	**24,777**	22,101
	$ 331,253	$ 213,030

On September 6, 2007, the Company terminated its existing $110,000 revolving credit facility and entered into an amended and restated credit agreement with a syndicate of banks to provide a $225,000 committed senior revolving credit facility with a five-year term. The amended revolving credit facility bears interest at 0.75% to 1.30% over floating reference rates, depending on certain leverage ratios. The revolving credit facility had $70,700 of available un-drawn credit as at March 31, 2008 (nil was drawn at March 31, 2007). As of March 31, 2008, letters of credit in the amount of $4,300 were outstanding ($4,900 as at March 31, 2007). The revolving credit facility requires a commitment fee of 0.25% to 0.50% of the unused portion, depending on certain leverage ratios, and also includes an uncommitted accordion provision providing an additional $50,000 of borrowing capacity under certain circumstances.

The Company has outstanding $57,142 of 8.06% fixed-rate Senior Notes (the “8.06% Notes”) (2007 - $71,428). The 8.06% Notes have a final maturity of June 29, 2011, with seven equal annual principal repayments which began on June 29, 2005. The Company also has outstanding $50,000 of 6.40% fixed-rate Senior Notes (the “6.40% Notes”). The 6.40% Notes have a final maturity of September 30, 2015 with four equal annual principal repayments commencing on September 30, 2012. The Company also has outstanding $100,000 of 5.44% fixed-rate Senior Notes (the “5.44% Notes”). The 5.44% Notes have a final maturity of April 1, 2015 with five equal annual principal repayments beginning on April 1, 2011.

The Company has indemnified the holders of the 8.06% Notes, 6.40% Notes and 5.44% 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 believes this exposure is not material as of March 31, 2008.

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 (note 18(b)).

The covenants and other limitations within the revolving credit facility and the Notes agreements 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.

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:

2009	$ 24,777
2010	17,466
2011	15,441
2012	14,721
2013	166,943
Thereafter	116,682

12. Capital stock

The authorized capital stock of the Company is as follows:

An unlimited number of Preferred 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 issued and outstanding:

	Preferred Shares		*Subordinate Voting Shares*		*Multiple Voting Shares*		*Total Common Shares*	
	Number	Amount	Number	Amount	Number	Amount	Number	amount
Balance, March 31, 2006	-	$ -	28,730,094	$ 75,314	1,325,694	$ 373	30,055,788	$ 75,687
Balance, March 31, 2007	-	-	28,597,194	79,735	1,325,694	373	29,922,888	80,108
Balance, March 31, 2008	**5,979,074**	**149,477**	**28,786,893**	**88,546**	**1,325,694**	**373**	**30,112,587**	**88,919**

On August 1, 2007, the Company issued a stock dividend in the form of 7% Cumulative Preference Shares, Series 1 (the “Preferred Shares”) to holders of Subordinate Voting Shares and Multiple Voting Shares (together the “Common Shares”). One Preferred Share was issued for every five outstanding Common Shares. The stock dividend resulted in the issuance of 5,979,074 Preferred Shares, with an aggregate par value of $149,477. Each Preferred Share has a stated amount of $25.00. Preferred dividends are payable quarterly on or about the last day of each quarter.

As at March 31, 2008, the Company may redeem each Preferred Share for $26.00 payable in cash, or alternatively the Company may convert each Preferred Share into Subordinate Voting Shares based on a price of $26.00. The redemption or conversion price is scheduled to decline in annual increments of $0.25 such that the price will be fixed at $25.00 on and after August 1, 2011. Holders of the Preferred Shares have no redemption or conversion rights.

The following table provides the pro forma impact on diluted earnings per common share of the preferred dividends on the comparative periods.

	2008	2007	2006
Diluted earnings per common share from continuing operations:			
As reported	**$ 0.81**	$ 1.05	$ 0.83
Impact of preferred dividends on comparative periods	**-**	(0.23)	(0.23)
Pro forma	**$ 0.81**	$ 0.82	$ 0.60

During the year ended March 31, 2008, the Company repurchased 252,500 (2007 - 697,700; 2006 - 571,650) Subordinate Voting Shares for cancellation 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 repurchase cost is allocated to capital stock for the weighted average book value and to retained earnings for any excess.

The Company has a $765 (2007 - $1,232) interest bearing loan receivable related to the purchase of 120,000 Subordinate Voting Shares (2007 - 240,000 shares). The loan, which is collateralized by the shares issued, has a ten-year term from the grant date; however, it is open for repayment at any time. The final maturity of the loan is January 2009.

Pursuant to an agreement approved in February 2004, the Company agreed that it will make payments to its Chief Executive Officer ("CEO") that are contingent upon the arm's length sale of control of the Company or upon a distribution of the Company's assets to shareholders. The payment amounts will be 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 payments may be transferred among members of the CEO's family, their holding companies and trusts. The agreement provides for the CEO to receive each of the following two payments. The first payment is an amount equal to 5% of the product of: (i) the total number of Subordinate and Multiple Voting Shares outstanding on a fully diluted basis at the time of the sale and (ii) the per share consideration received by holders of Subordinate and Multiple Voting Shares minus a base price of C$5.675. The second payment is an amount equal to 5% of the product of (i) the total number of shares outstanding on a fully diluted basis at the time of the sale and (ii) the per share consideration received by holders of Subordinate Voting Shares minus a base price of C$11.05.

13. Stock-based compensation

The following table provides a summary of stock-based compensation expense:

	2008	2007	2006
Stock option expense – Company plan	**$ 5,938**	$ 1,916	$ 1,380
Stock option expense – subsidiaries	**1,508**	1,791	552
Stock value appreciation plans	**373**	1,249	379
	$ 7,819	$ 4,956	$ 2,311

Company stock option plan

The Company has a stock option plan for certain officers and key full-time employees of the Company and its subsidiaries, other than its CEO. 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. All Subordinate Voting Shares issued under the plan are new shares. As at March 31, 2008, there were 338,000 options available for future grants (2007 - 506,000).

Grants under the Company's stock option plan are equity classified awards under SFAS 123R. Stock option activity for the three years ended March 31, 2008 was as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Shares issuable under options – March 31, 2005	1,844,000	$ 9.72		
Granted	328,000	19.61		
Exercised	(434,650)	8.60		
Forfeited	(21,000)	9.38		
Shares issuable under options – March 31, 2006	1,716,350	11.96		
Granted	305,000	20.65		
Exercised	(564,800)	11.40		
Forfeited	(11,000)	13.43		
Shares issuable under options – March 31, 2007	1,445,550	14.12		
Granted	175,500	32.24		
Exercised	(159,550)	7.28		
Forfeited	(7,500)	27.81		
Shares issuable under options – March 31, 2008	1,454,000	$ 16.94	2.58	$ 8,687
Options exercisable – March 31, 2008	759,450	$ 12.91	1.92	$ 6,832

As at March 31, 2008, the range of option exercise prices was $2.39 to $33.25 per share. Also as at March 31, 2008, the aggregate intrinsic value and weighted average remaining contractual life for options vested and expected to vest were $8,687 and 2.36 years, respectively.

The following table summarizes information about option exercises during the three years ended March 31, 2008:

	2008	2007	2006
Number of options exercised	**159,550**	564,800	434,650
Aggregate fair value	**$ 4,885**	$ 13,266	$ 10,784
Intrinsic value	**3,711**	6,831	7,044
Amount of cash received	**$ 1,174**	$ 6,435	$ 3,740
Tax benefit recognized	**$ -**	$ -	$ -

Stock option compensation expense recorded in the consolidated statement of earnings is allocated using the graded attribution method. As at March 31, 2008, there was $2,414 of unrecognized compensation cost related to non-vested awards which is expected to be recognized over the next 3.30 years. During the year ended March 31, 2008, the fair value of options vested was $1,734 (2007 - - $1,220; 2006 - $739).

In October 2007, the Company received an inquiry from the Ontario Securities Commission related to granting of Company stock options. A comprehensive review of historical stock option granting processes and the related accounting for the 13-year period from 1995 to 2007 was conducted by a Special Committee of the Company's Board of Directors comprised of independent directors. As a result of the review, the Special Committee found that the practice followed by the Company in granting stock options was not accounted for correctly and recommended the measurement dates of certain option grants be revised for accounting purposes. As a result, $3,278 of incremental compensation expense was recorded in 2008 to correct the error and exercise prices of outstanding unexercised options were revised. In addition, cash payments of $1,644 were received in 2008 on account of adjustments to exercise prices of previously exercised options and recorded as contributed surplus.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model, utilizing the following weighted average assumptions:

	2008	2007	2006
Risk-free interest rate	**4.8%**	4.3%	4.7%
Expected life in years	**3.75**	3.75	4.40
Expected volatility	**26.4%**	25.2%	30.0%
Dividend yield	**0%**	0%	0%
Weighted average fair value per option granted	**$ 9.31**	$ 6.70	$ 7.65

The risk-free interest rate is based on the implied yield of a zero-coupon US Treasury bond with a term equal to the option's expected term. The expected term represents the estimated period of time until exercise and is based on historical experience. Prior to January 1, 2008, the expected term was calculated using the simplified method under SAB 107. The expected volatility is based on the historical prices of the Company's shares. The dividend yield assumption is based on the Company's present intention to retain all earnings in respect of the Common Shares.

Prior to April 1, 2003, the Company had accounted for stock options under the intrinsic value method under APB No. 25 *Accounting for Stock Issued to Employees* 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:

	2006
Net earnings as reported	$ 69,497
Deduct: Stock-based compensation expense determined under fair value method, net of income taxes	(1,129)
Pro forma net earnings	$ 68,368
Pro forma net earnings per share:	
Basic	$ 2.27
Diluted	2.17
Reported net earnings per share:	
Basic	$ 2.30
Diluted	2.21

Subsidiary stock option and appreciation plans

The Company has stock option plans at certain of its subsidiaries. The impact of potential dilution from these plans is reflected in the Company's diluted earnings per share (note 15).

The Company also has stock value appreciation plans at certain of its subsidiaries that provide for cash payments to be made to subsidiary employees based on the long-term appreciation of the stock value of subsidiaries. The Company's accounting policy is to record the intrinsic value of these awards as accrued liabilities. If an award is subject to a vesting condition, then graded attribution is applied to the intrinsic value. The related compensation expense is recorded in the consolidated statement of earnings. Since these plans are settled in cash, no dilutive effect has been reflected in the Company's diluted earnings per share.

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:

	2008	2007	2006
Income tax expense using combined statutory rate of approximately 35% (2007 - 36%; 2006 – 36%)	**$ 22,956**	$ 25,317	$ 19,728
Permanent differences	**435**	1,270	(917)
Adjustments in tax liabilities of prior years	**522**	(1,788)	-
Effects of changes in enacted tax rates	**(420)**	(451)	-
Changes in provisions for uncertain tax positions	**1,733**	-	-
Stock-based compensation	**(1,290)**	1,353	834
Foreign tax rate reduction	**(9,019)**	(5,440)	(3,561)
Withholding taxes	**1,278**	-	-
Provision for income taxes as reported	**$ 16,195**	$ 20,261	$ 16,084

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

	2008	2007	2006
Canada	**$ 15,515**	$ 3,340	$ 1,075
United States	**27,490**	45,372	41,401
Foreign	**21,716**	21,380	12,143
Total	**$ 64,721**	$ 70,092	$ 54,619

The provision for income taxes comprises the following:

	2008	2007	2006
Current			
Canada	**$ 8,839**	$ (1,494)	$ 328
United States	**17,251**	20,260	14,936
Foreign	**12,743**	7,343	4,482
	38,833	26,109	19,746
Deferred			
Canada	**(10,829)**	(711)	(1,235)
United States	**(8,420)**	(3,550)	(2,146)
Foreign	**(3,389)**	(1,587)	(281)
	(22,638)	(5,848)	(3,662)
Total	**$ 16,195**	$ 20,261	$ 16,084

The significant components of deferred income taxes are as follows:

	2008	2007
Deferred income tax assets		
Loss carry-forwards	**$ 24,106**	$ 4,819
Expenses not currently deductible	**5,043**	8,568
Stock-based compensation	**3,284**	-
Provision for doubtful accounts	**1,092**	649
Inventory and other reserves	**97**	41
	33,622	14,077
Deferred income tax liabilities		
Depreciation and amortization	**34,172**	28,365
Unrealized foreign exchange gains	**4,582**	1,010
Investments	**2,717**	2,397
Prepaid and other expenses deducted for tax purposes	**448**	458
Financing fees	**110**	172
	42,029	32,402
Net deferred income tax liability	**$ (8,407)**	$ (18,325)

As at March 31, 2008, the Company had Canadian net operating loss carry-forward balances of approximately $41,432 (2007 - $15,515) prior to a valuation allowance of $3,950 (2007 - $3,950). These amounts are available to reduce future federal and provincial income taxes. Net operating loss carry-forward balances attributable to Canada and the United States expire over the next 20 years. The Company also had foreign net operating loss carry-forward balances of approximately $43,582 (2007 - $17,619), prior to a valuation allowance of $19,062 (2007 - $15,416). Foreign capital loss carry-forward balances amounted to $9,870 (2007 - $9,870) as at March 31, 2008 prior to a valuation allowance of $9,870 (2007 - $9,870). Additional net operating loss and capital loss carry-forward balances of $15,416 (2007 - $15,416) and $9,870 (2007 - $9,870) respectively relate to losses acquired in the 2004 CMN acquisition. Any benefit realized with respect to these losses would be recorded as a reduction in goodwill.

Cumulative unremitted earnings of US and foreign subsidiaries approximated $141,674 as at March 31, 2008 (2007 - $109,928).

The cumulative effect of the adoption of FIN 48 was an increase in tax provisions of $3,800, including $700 of accrued interest, which was accounted for as a reduction to retained earnings as at April 1, 2007 of $4,200 and a reduction in goodwill of $400. The liability for income taxes associated with uncertain tax positions was $4,735 as at April 1, 2007 and $10,671 as at March 31, 2008.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefit is as follows:

Balance, April 1, 2007	**$ 4,735**
Increases based on tax positions related to the current year	**445**
Increases for tax positions of prior years	**1,470**
Decreases for tax positions of prior years	**(490)**
Increases from acquisitions	**4,511**
Balance, March 31, 2008	**$ 10,671**

Of the $10,671 in gross unrecognized tax benefits, $5,330 would affect the Company's effective tax rate if recognized. Interest and penalties related to provisions for income taxes are recorded in income tax expense. As at March 31, 2008 and April 1, 2007, the Company had accrued $777 and $700, respectively for potential income-tax related interest and penalties.

The number of years with open tax audits varies depending on the tax jurisdictions. Generally, income tax returns filed with the Canada Revenue Agency and related provinces are open for three to four years and income tax returns filed with the U.S. Internal Revenue Service and related states are open for three to five years. Tax returns in Australia are generally open for four years. The Company's significant tax jurisdictions include the United States of America, Canada and Australia. The Company does not currently expect any material impact on earnings to result from the resolution of matters related to open taxation years; however, actual settlements may differ from amounts accrued. Currently, it is not reasonably possible to determine whether unrecognized tax benefits will increase or decrease within the next twelve months with respect to settlements of tax audits. The Company has, as part of its FIN 48 analysis, made its current estimates on facts and circumstances known to date and cannot predict subsequent or changed facts and circumstances that may affect its current estimates.

15. Earnings per share

The following table reconciles the numerator used to calculate diluted earnings per share:

	2008	2007	2006
Net earnings from continuing operations	**$ 33,065**	$ 34,032	$ 26,757
Dilution of net earnings resulting from assumed exercise of stock options in subsidiaries	**(1,473)**	(2,228)	(1,253)
Net earnings from continuing operations for diluted earnings per share calculation purposes	**$ 31,592**	$ 31,804	$ 25,504
Net earnings	**$ 34,399**	$ 34,863	$ 69,497
Dilution of net earnings resulting from assumed exercise of stock options in subsidiaries	**(1,473)**	(2,228)	(1,253)
Net earnings for diluted earnings per share calculation purposes	**$ 32,926**	$ 32,635	$ 68,244

The Preferred Shares are anti-dilutive and thus not included in the denominator for diluted earnings per share calculations. The following table reconciles the denominator used to calculate earnings per share:

	2008	2007	2006
Shares issued and outstanding at beginning of year	**29,922,888**	30,055,788	30,192,788
Weighted average number of shares:			
Issued during the year	**106,139**	210,843	137,943
Repurchased during the year	**(124,371)**	(364,101)	(160,040)
Weighted average number of shares used in computing basic earnings per share	**29,904,656**	29,902,530	30,170,691
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	**642,310**	451,774	725,286
Number of shares used in computing diluted earnings per share	**30,546,966**	30,354,304	30,895,977

16. Other supplemental information

	2008	2007	2006
Franchised operations			
Revenues	**$ 99,351**	$ 95,354	$ 88,531
Operating earnings	**26,199**	21,163	16,728
Initial franchise fee revenues	**5,606**	5,571	3,482
Cash payments made during the year			
Income taxes	**$ 45,288**	$ 25,764	$ 25,179
Interest	**19,268**	16,276	12,481
Non-cash financing activities			
Increases in capital lease obligations	**$ 4,115**	$ 1,502	$ 3,284
Other expenses			
Rent expense	**$ 47,910**	$ 32,836	$ 26,762

17. Financial instruments

Concentration of credit risk

The Company is subject to credit risk with respect to its cash and cash equivalents, accounts receivable and other receivables. 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 various countries.

Interest rate risk

The Company maintains an interest rate risk management strategy that uses interest rate hedging contracts from time to time. 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 affect the fair value of the hedging contracts as their value depends on the prevailing market interest rate. Hedging contracts are monitored on a monthly basis.

As at March 31, 2008 and 2007, except as disclosed in note 4, the Company had no interest rate swaps. In May 2005, the Company settled a swap on $20,000 of principal on the 6.40% Notes for a net loss of $48. In December 2005, the Company settled swaps on $85,714 of principal on the 8.06% Notes for a net gain of $120.

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. The following are estimates of the fair values for other financial instruments:

	2008		2007	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Other receivables	**$ 3,419**	**$ 3,419**	$ 7,215	$ 7,215
Available-for-sale securities	**17,291**	**17,291**	17,419	17,419
Long-term debt	**354,654**	**392,429**	235,149	261,009

18. Commitments and contingencies

(a) Lease commitments

Minimum operating lease payments are as follows:

Year ending March 31	
2009	$ 39,763
2010	33,284
2011	27,919
2012	23,130
2013	18,664
Thereafter	32,719

(b) Minority shareholder agreements

The Company has shareholder agreements with the minority owners of its subsidiaries. These agreements allow the Company to "call" the minority position at fair value determined with the use of a formula price, which is usually equal to a multiple of average net earnings before extraordinary items, minority interest share of earnings, income taxes, interest, depreciation, and amortization for a defined period. 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 in cash or in Subordinate Voting Shares. Acquisitions of these minority interests, if any, would be accounted for using the purchase method. The total obligation if all call or put options were exercised as at March 31, 2008 was approximately $233,000 (2007 - $154,000).

(c) Contingencies

In the normal course of operations, the Company is subject to routine claims and litigation incidental to its business. Litigation currently pending or threatened against the Company includes disputes with former employees and commercial liability claims related to services provided by the Company. The Company believes resolution of such proceedings, combined with amounts recorded, will not have a material impact on the Company's financial condition or the results of operations.

19. Related party transactions

During the year, the Company paid $2,579 (2007 - $826; 2006 - $775) in rent to entities controlled by minority shareholders of subsidiaries. In addition, $1,168 (2007 - $388; 2006 - $335) of service revenues were earned from entities controlled by minority shareholders of subsidiaries and $493 (2007 - $66; 2006 - $62) of expenses were paid to entities controlled by minority shareholders of subsidiaries. The transactions were completed at market rates. During the year, the Company received $1,644 of cash payments from officers and directors on account of adjustments to exercise prices of previously exercised options.

20. Segmented information

Operating segments

The Company has three 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. Commercial Real Estate Services provides commercial property brokerage and other advisory services to clients in North America and in various other countries around the world. Residential Property Management provides property management and related property services to residential communities in the United States. Property Services (previously referred to as Property Improvement Services) provides franchised and Company-owned property services to customers in the United States and Canada. Corporate includes the costs of operating the Company's corporate head office.

Included in total assets of the Commercial Real Estate Services segment at March 31, 2008 is $3,342 (2007 - $4,667; 2006 - $4,608) of investments in subsidiaries accounted for under the equity method.

2008	Commercial Real Estate Services	Residential Property Management	Property Services	Corporate	Consolidated
Revenues	$ 810,969	$ 544,926	$ 216,972	$ 348	$ 1,573,215
Depreciation and amortization	22,025	10,450	5,654	350	38,479
Operating earnings	17,008	39,790	32,745	(15,967)	73,576
Other income, net					4,647
Interest expense, net					(13,502)
Income taxes					(16,195)
Minority interest					(15,461)
Net earnings from continuing operations					33,065
Net earnings from discontinued operations					1,334
Net earnings					$ 34,399
Total assets	$ 426,858	$ 290,692	$ 191,553	$ 48,475	$ 957,578
Discontinued operations					131,765
					$ 1,089,343
Total additions to long-lived assets	79,873	64,471	53,560	364	198,268

2007	Commercial Real Estate Services	Residential Property Management	Property Services	Corporate	Consolidated
Revenues	$ 605,845	$ 423,797	$ 150,794	$ 554	$ 1,180,990
Depreciation and amortization	16,215	7,644	4,653	223	28,735
Operating earnings	32,363	32,622	25,911	(14,778)	76,118
Other income, net					1,709
Interest expense, net					(7,735)
Income taxes					(20,261)
Minority interest					(15,799)
Net earnings from continuing operations					34,032
Net earnings from discontinued operations					2,184
Cumulative effect of change in accounting principle					(1,353)
Net earnings					$ 34,863
Total assets	$ 315,503	$ 206,977	$ 123,832	$ 66,023	$ 712,335
Discontinued operations					104,663
					816,998
Total additions to long-lived assets	89,484	27,917	10,165	331	127,897

2006	Commercial Real Estate Services	Residential Property Management	Property Services	Corporate	Consolidated
Revenues	$ 438,032	$ 346,133	$ 134,136	$ 367	$ 918,668
Depreciation and amortization	11,386	5,618	3,749	168	20,921
Operating earnings	25,940	25,767	22,016	(12,636)	61,087
Other income, net					3,766
Interest expense, net					(10,234)
Income taxes					(16,084)
Minority interest					(11,778)
Net earnings from continuing operations					26,757
Net earnings from discontinued operations					42,740
Net earnings					$ 69,497
Total assets	$ 204,042	$ 150,641	$ 114,188	$ 149,375	$ 618,246
Discontinued operations					92,758
					711,004
Total additions to long-lived assets	36,799	10,400	9,909	546	57,654

Geographic information

Revenues in each geographic segment are reported by customer location. Amounts reported in geographic regions other than the United States, Canada and Australia are primarily denominated in US dollars.

	2008	2007	2006
United States			
Revenues	**$ 1,002,370**	$ 788,535	$ 621,548
Total long-lived assets	**408,591**	267,760	211,853
Canada			
Revenues	**$ 227,249**	$ 177,940	$ 148,249
Total long-lived assets	**75,181**	67,268	37,130
Australia			
Revenues	**$ 156,812**	$ 117,794	$ 78,011
Total long-lived assets	**32,629**	29,514	15,273
Other			
Revenues	**$ 186,784**	$ 96,721	$ 70,860
Total long-lived assets	**52,604**	12,737	13,874
Consolidated			
Revenues	**$ 1,573,215**	$ 1,180,990	$ 918,668
Total long-lived assets	**$ 569,005**	$ 377,279	$ 278,130

21. Application of Staff Accounting Bulletin No. 108

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108 *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"). SAB 108 was issued in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements. Traditionally, the impacts of misstatements were evaluated under either an earnings-based ("rollover") approach or a balance sheet-based ("iron curtain") approach. The rollover approach focuses on the impact of misstatements on the statement of earnings, including the reversing impact of prior year misstatements, but its use can lead to the accumulation of misstatements on the balance sheet. The iron curtain approach focuses on the effect of correcting the period-end balance sheet with less emphasis on the reversing effects of prior years' errors on the statement of earnings. Prior to the application of SAB 108, the Company used the rollover approach for quantifying financial statement misstatements.

In SAB 108, the SEC staff established an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the Company's financial statements and the related financial statement disclosures. This model is commonly referred to as a "dual approach" because it requires quantification of errors under both the rollover and iron curtain approaches.

The Company adopted the provisions of SAB 108 in connection with the annual consolidated financial statements for the year ended March 31, 2007. The provisions of SAB 108 may be applied by either (i) restating prior financial statements as if the dual approach had always been applied, or (ii) recording the cumulative effect of initially applying the dual approach as adjustments to the carrying values of assets and liabilities as of April 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings. The Company elected to record the effects of applying SAB 108 using the cumulative effect transition method (method (ii)). The following summarizes the effects of applying SAB 108 to errors previously considered immaterial under the rollover approach:

(a) In the Company's Commercial Real Estates Services operations, broker and management compensation vary during the calendar year based on exceeding pre-determined production or earnings thresholds. Since the time this segment was acquired in November 2004, the Company recorded compensation expense incrementally as thresholds were exceeded, but should have recorded compensation expense systematically on a basis approximating the expected average commission rate for the calendar year. As a result, the accrued compensation liability as of April 1, 2006 was understated by $7,951. The Company recorded a $7,951 increase in the liability as of April 1, 2006 with a corresponding reduction in retained earnings to correct this misstatement.
(b) In the Company's Residential Property Management operations, certain subsidiaries did not accrue vacation pay since the time they were acquired in 1996 and 1997. As a result, accrued vacation pay liability as of April 1, 2006 was understated by $1,607. The Company recorded a $1,607 increase in the liability as of April 1, 2006 with a corresponding reduction in retained earnings to correct this misstatement.
(c) In the Company's Residential Property Management operations, certain prepaid insurance expenses were not eliminated on consolidation. As a result, prepaid insurance as of April 1, 2006 was overstated by $467. The Company recorded a $467 decrease in the prepaid insurance as of April 1, 2006 with a corresponding reduction in retained earnings to correct this misstatement.

As a result of the misstatements described above, the provision for income taxes was cumulatively overstated by $3,599 as at April 1, 2006. The Company recorded an increase in deferred income tax asset in the amount of $3,599 with a corresponding increase in retained earnings to correct this misstatement. The Company also recorded a reduction in minority interest in the amount of $1,049 with a corresponding increase to retained earnings. Accordingly, the net reduction to retained earnings recorded as of April 1, 2006 to record the initial application of SAB 108 was $5,377.

22. Impact of recently issued accounting standards

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements and is effective for the Company's fiscal year commencing on April 1, 2008. FASB Staff Position FAS 157-2, *Effective Date of SFAS 157,* permits for the deferred effective date of SFAS 157 for non-financial assets and liabilities to fiscal year beginning after November 15, 2008. The Company elected this deferral option for its non-financial assets and liabilities. The Company has evaluated the impact of the adoption of SFAS 157 and does not expect a material effect on results of operations or financial position.

In February 2007, the FASB issued SFAS No. 159, The *Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of SFAS No. 115* ("SFAS 159"). SFAS 159 permits the Company to measure certain financial instruments, assets and liabilities at fair value on an instrument-by-instrument basis under a fair value option. The standard is effective for the Company as of April 1, 2008. The Company has evaluated the impact of the adoption of SFAS 159 and does not expect to make use of the fair value option.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* ("SFAS 141R"). SFAS 141R changes the method of accounting for business acquisitions at the acquisition date and in subsequent periods. This standard is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is in the process of evaluating the impact of the adoption of SFAS 141R. The following changes in practice will be required for acquisitions completed under SFAS 141R: (i) transaction costs will be expensed, resulting in increases to selling, general and administrative expenses; (ii) contingent consideration will be recognized at the acquisition date, resulting in increases to goodwill and accrued liabilities; and (iii) the fair value of contingent consideration will be re-measured quarterly, resulting in increased volatility in earnings.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* ("SFAS 160"). SFAS 160 changes the accounting and reporting for minority interests. This standard is effective for fiscal years beginning on or after December 15, 2008. The Company is in the process of evaluating the impact of the adoption of SFAS 160. The following change in practice will be required under SFAS 160: non-controlling interest will be presented within shareholders' equity rather than the "mezzanine" section of the balance sheet.

23. Subsequent event

The Company agreed to sell its Integrated Security Services segment on April 14, 2008 for gross proceeds of $187,500, subject to working capital adjustments (see note 4). The closing of the sale is conditional upon receipt of regulatory approvals.

EXHIBIT 3

Management's Discussion and Analysis of Results of Operations and Financial Condition
(in US dollars)
May 21, 2008

The following discussion should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended March 31, 2008 prepared in accordance with accounting principles generally accepted in the United States of America.

Consolidated review
Fiscal 2008 was a year of growth, opportunity and change for FirstService Corporation (the "Company" or "FirstService"), marked by the highest level of business acquisition activity in our history and the disposal of our Integrated Security Services segment, announced just after year-end. Revenue growth, primarily from acquisitions, was 33%. Challenging economic conditions in the second half of our fiscal year contributed to a decline in adjusted diluted earnings per share from continuing operations[1] of 3%.

We completed fifteen business acquisitions during the year. The aggregate purchase price for these acquisitions was $145.6 million, funded from cash on hand and borrowings on our revolving credit facility. The most significant acquisition occurred on October 1, 2007 in our Property Services segment, where we acquired an 80% stake in Field Asset Services, Inc., a Texas-based provider of property services to foreclosed residential properties on behalf of its financial institution clients. We added a total of eight Commercial Real Estate Services businesses in the United States, Eastern Europe and Australia providing real estate brokerage, valuation, consulting and advisory services. Five acquisitions were completed in the Residential Property Management segment, including regional platforms in California and Texas. In Property Services, one California Closets "branchise", located in Berkeley, California, was also acquired.

[1] Adjusted diluted earnings per share from continuing operations is defined as diluted net earnings per share from continuing operations plus the effect, after income taxes, of: (i) amortization of short-lived intangible assets acquired in connection with recent Commercial Real Estate Services acquisitions; (ii) the impairment loss on available-for-sale securities and (iii) incremental stock option expense from the stock option review recorded in December 2007. The Company believes this measure is useful because (i) it isolates the impact of non-recurring acquisition-related amortization expense; (ii) it eliminates the effect of a non-cash impairment of securities obtained in connection with the disposal of a business and (iii) it eliminates the effect of a non-cash adjustment to historical stock option expense. This is not a recognized measure of financial performance under generally accepted accounting principles ("GAAP") in the United States of America, and should not be considered as a substitute for diluted net earnings per share from continuing operations, as determined in accordance with GAAP. The Company's method of calculating this measure may differ from other issuers and, accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation appears below.

(in US$)	Year ended March 31		
	2008	2007	2006
Diluted net earnings per common share from continuing operations	**$ 0.81**	$ 1.05	$ 0.83
Pro forma impact of dividends on preferred shares	**-**	(0.23)	(0.23)
Amortization of brokerage backlog, net of taxes	**0.10**	0.15	0.14
Impairment loss on available-for-sale securities, net of taxes	**-**	0.08	-
Incremental stock option expense from stock option review	**0.11**	-	-
Adjusted diluted net earnings per common share from continuing operations	**$ 1.02**	$ 1.05	$ 0.74

On April 14, 2008, we announced the divesture of our Integrated Security Services segment. This divestiture intensifies our strategic focus on real estate services and provides us with proceeds to fund our growth. The gross sale proceeds are expected to be $187 million. The transaction is expected to close upon receipt of regulatory approvals. These operations have been classified as discontinued operations for all periods presented.

On January 29, 2008, we announced the wind down of our Canadian commercial mortgage securitization operation ("CCMS"), which is complete as of the current date except for the disposal of remaining mortgage loans receivable. The mortgage assets are expected to be sold as soon as practicable. This operation has been classified as a discontinued operation for all periods presented.

On August 1, 2007, we issued a stock dividend in the form of 7% Cumulative Preference Shares, Series 1 (the "Preferred Shares") to holders of Subordinate Voting Shares and Multiple Voting Shares (together the "Common Shares"). One Preferred Share was issued for every five outstanding Common Shares. The stock dividend resulted in the issuance of 5,979,074 Preferred Shares, with an aggregate par value of $149.5 million. The annual preferred dividend obligation is $10.5 million, payable quarterly on or about the last day of each quarter.

On March 17, 2006, we completed the divestiture of Resolve Corporation ("Resolve"), our Business Services operation, through the initial public offering of trust units by Resolve Business Outsourcing Income Fund (the "RBO Fund"). Proceeds from the sale were $110.5 million of cash and a 7.3% retained interest in RBO Fund initially valued at $20.4 million. Resolve is classified as a discontinued operation for all periods presented. As at March 31, 2008 and the current date, we continue to hold our retained interest in RBO Fund. The market value of the retained interest was $17.3 million as at March 31, 2008.

Results of operations – year ended March 31, 2008

FirstService reported revenues from continuing operations of $1.57 billion for the year ended March 31, 2008, an increase of 33% relative to the prior year. The increase was comprised of internal growth of 9%, acquisitions of 21% and the impact of foreign exchange of 3%.

Operating earnings decreased 3% relative to the prior year, to $73.6 million. EBITDA[2] increased 9% to $119.9 million. The gap between the operating earnings decline relative to revenue and EBITDA growth is primarily the result of: (i) an increase in stock-based compensation expense and (ii) the rapid amortization of brokerage backlog intangibles related to

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[2] EBITDA is defined as net earnings before extraordinary items, discontinued operations, minority interest share of earnings, income taxes, interest, other income, depreciation and amortization, and stock-based compensation expense. The Company uses EBITDA to evaluate operating performance. EBITDA is an integral part of the Company's planning and reporting systems. Additionally, the Company uses multiples of current and projected EBITDA in conjunction with discounted cash flow models to determine its overall enterprise valuation and to evaluate acquisition targets. The Company believes EBITDA is a reasonable measure of operating performance because of the low capital intensity of its especially in the services industry, on the basis of operating results and the ability to incur and service debt. EBITDA is not a recognized measure of financial performance under GAAP, and should not be considered as a substitute for operating earnings, net earnings or cash flows from operating activities, as determined in accordance with GAAP. The Company's method of calculating EBITDA may differ from other issuers and, accordingly, EBITDA may not be comparable to measures used by other issuers. A reconciliation appears below.

(in thousands of US$)	Year ended March 31		
	2008	2007	2006
Operating earnings	**$ 73,576**	$ 76,118	$ 61,087
Depreciation and amortization	**38,479**	28,735	20,921
	112,055	104,853	82,008
Stock-based compensation expense	**7,819**	4,956	2,311
EBITDA	**$ 119,874**	$ 109,809	$ 84,319

recent acquisitions in Commercial Real Estate Services, which has a significant impact on the first year after acquisition. Depreciation and amortization expense was $38.5 million relative to $28.7 million in the prior year. With regard to the recent Commercial Real Estate Services acquisitions, we recorded a short-lived intangible asset relating to the backlog of pending brokerage transactions that existed at the acquisition dates. The intangible is being amortized to coincide with the expected completion dates of the underlying brokerage transactions. As of March 31, 2008, the net book value of unamortized backlog was $2.4 million. The balance of the increase in depreciation and amortization is the result of: (i) intangible assets recognized upon acquisitions during the past two years and (ii) increases in fixed assets resulting from capital expenditures and acquisitions.

Interest expense increased to $17.8 million from $14.1 million in the prior year. Our weighted average interest rate increased slightly to 7.1% from 6.9% in the prior year. The $4.3 million of interest income earned during the year was attributable to cash on hand.

Other income for fiscal 2008 includes distributions received on our investment in RBO Fund and earnings from investments accounted for under the equity method in Commercial Real Estate Services.

Our consolidated income tax rate for fiscal 2008 was 25% versus 29% in the prior year. The current year's tax rate reflected the continuing benefit of cross-border financing structures first implemented in fiscal 2000. The Canadian government has enacted measures to curtail the tax benefits of cross-border financing structures in future years, after a transition period ending in 2010. Our income tax expense after the transition period could rise materially. On January 1, 2008 we recognized a $2.3 million deferred tax asset relating to the deductibility, for tax purposes, of stock option expense. We had previously not recognized this tax benefit.

Net earnings from continuing operations were $33.1 million, a decrease of 3% relative to fiscal 2007. Increases in our Property Services and Residential Property Management segments were offset by declines in our Commercial Real Estate Services segment coupled with increased costs at Corporate, resulting in the decrease in net earnings.

The Commercial Real Estate Services segment reported revenues of $811.0 million during fiscal 2008, up 34% relative to $605.8 million in the prior year. Internal growth was 8%, foreign exchange contributed 5% and the balance was attributable to acquisitions in several markets including Eastern Europe, Boston and Hawaii. EBITDA was $39.0 million, at a margin of 4.8%, versus the prior year's EBITDA of $48.6 million at a margin of 8.0%. The margin decline was primarily a result of the following factors: (i) operating losses at our US capital markets operations during the second half of the fiscal year due to sharply reduced mortgage brokerage transaction volumes resulting from credit market conditions; (ii) operating losses at certain US brokerage offices due to declines in investment and sales brokerage volumes; and (iii) lower margins at our Australian operations relative to the prior year. Margins in Canada, Eastern Europe, Asia and Latin America were generally consistent with those experienced in the prior year.

In Residential Property Management, revenues increased 29% to $545.0 million. Internal growth, resulting from property management contract wins, was 9%, while acquisitions in California, Texas and the Northeast accounted for the balance of the growth. Residential Property Management reported EBITDA of $50.2 million or 9.2% of revenues, up from $40.3 million or 9.5% of revenues in the prior year. The decrease in margin was primarily the result of a decrease in higher margin ancillary services.

The Property Services operations reported revenues of $217.0 million, an increase of 44% versus the prior year. Of the increase, 34% was attributable to acquisitions, particularly Field Asset Services, while internal growth was 9% and foreign exchange had an impact of 1%.

Internal growth was led by increases in royalty revenues primarily at our CertaPro system. EBITDA for the year was $38.4 million, 26% higher than the prior year, and the EBITDA margin decreased from 20.3% to 17.7%. The margin decrease was attributable to: (i) the impact of Field Asset Services, which operates at a lower margin than the rest of the segment and (ii) unusually low expenses in the comparative year, due to bad debt recoveries and the deferral of a franchisees' conference.

Corporate costs rose to $15.6 million from $14.6 million in fiscal 2007. Included in the current year is a charge of $3.3 million related to additional stock-based compensation expense as a result of the stock option review completed in the third quarter. No senior management bonuses were accrued in fiscal 2008 under our performance-based incentive compensation plan.

Discontinued operations included: (i) the Integrated Security Services segment; (ii) CCMS, formerly included in the Commercial Real Estate Services segment; and (iii) the former Business Services segment, disposed in March 2006. Revenues from discontinued operations were $199.4 million and EBITDA was $3.9 million. Integrated Security Services revenues were $208.4 million, an increase of 18% relative to the prior year, which was attributable to internal growth of 12% in US and Canadian systems installation revenues and foreign exchange of 6%. Integrated Security Services EBITDA was $15.0 million, or 7.2% of revenues, a 120 basis point improvement relative to the prior year. The margin increase was attributable to significant improvements in realized gross margins on US systems projects. CCMS revenues were $(9.1) million, primarily comprised of the mark-to-market loss on hedging instruments, versus $2.2 million in the prior year. CCMS EBITDA was a loss of $12.9 million, primarily comprised of a mark-to-market loss on hedging instruments. The Company realized a gain of $2.3 million in August 2007 on the settlement of a liability in connection with the March 2006 disposal of our Business Services operations. Net earnings from discontinued operations were $1.3 million.

Results of operations – year ended March 31, 2007

FirstService reported revenues from continuing operations of $1.18 billion for the year ended March 31, 2007, an increase of 29% relative to the prior year. The increase was comprised of internal growth of 12%, acquisitions of 16% and the impact of foreign exchange of 1%.

Operating earnings increased 25% relative to the prior year, to $76.1 million. EBITDA increased 30% to $109.8 million. The gap between operating earnings growth relative to revenue and EBITDA growth is primarily the result of: (i) an increase in stock-based compensation expense and (ii) the rapid amortization of brokerage backlog intangibles related to recent acquisitions in Commercial Real Estate Services, which has a significant impact on the first year after acquisition.

Depreciation and amortization expense was $28.7 million relative to $20.9 million in the prior year. With regard to the recent commercial real estate services acquisitions, we recorded a short-lived intangible asset relating to the backlog of pending brokerage transactions that existed at the acquisition dates. The intangible is being amortized to coincide with the expected completion dates of the underlying brokerage transactions. The balance of the increase in depreciation and amortization is the result of: (i) intangible assets recognized upon acquisitions during the past two years and (ii) increases in fixed assets resulting from capital expenditures and acquisitions.

Interest expense increased to $14.1 million from $11.3 million in the prior year. Our weighted average interest rate increased to 6.9% versus 6.6% in the prior year as substantially all of our debt was at fixed interest rates during the year, versus a mix of fixed and floating in the prior year. The $6.4 million of interest income earned during the year was attributable to surplus cash on hand, including the $110.5 million received upon the sale of Resolve.

Other income for fiscal 2007 primarily includes distributions received on our investment in RBO Fund and earnings from investments accounted for under the equity method in commercial real estate services.

Our consolidated income tax rate for fiscal 2007 was 29% versus 29% in the prior year. The current and prior year's tax rate reflected the continuing benefit of cross-border financing structures first implemented in fiscal 2000. We also realized the benefit of a $1.8 million reduction in tax liability during the year related to resolution of tax matters from prior years.

Net earnings from continuing operations were $34.0 million, an increase of 27% relative to fiscal 2006. All of the Company's continuing operations contributed to the increase in net earnings.

The Commercial Real Estate Services segment reported revenues of $605.8 million during fiscal 2007, up 38% relative to $438.0 million in the prior year. Internal growth was 11%, foreign exchange contributed 1% and the balance of growth was the result of acquisitions completed during the past two years. EBITDA was $48.6 million, at a margin of 8.0%, versus the prior year's EBITDA of $37.3 million at a margin of 8.5%.

In Residential Property Management, revenues increased 22% to $423.8 million. After considering the 6% impact of acquisitions, internal growth was 16% and was attributable to significant property management contract wins and an increase in ancillary service revenues. Residential Property Management reported EBITDA of $40.3 million or 9.5% of revenues, up from $31.4 million or 9.1% of revenues in the prior year. The increase in margin was primarily the result of operating leverage.

The Property Services operations reported revenues of $150.8 million, an increase of 12% versus the prior year. Of the increase, 9% was attributable to internal growth, 2% to acquisitions and 1% to foreign exchange. Internal growth was led by increases in royalty revenues at our major franchise systems. EBITDA for the year was $30.6 million, 19% higher than the prior year, and the EBITDA margin increased 110 basis points to 20.3%. The margin increase was attributable to California Closets and Paul Davis Restoration, where revenue growth was coupled with reduced expenses, including the recovery of bad debts and the deferral of a franchisees' conference.

Corporate costs rose to $14.6 million from $12.5 million in fiscal 2006. Professional fees and performance-based incentive compensation were higher than the previous year. Also included in Corporate is $1.9 million in non-cash stock option expense, an increase of $0.5 million relative to the prior year.

Discontinued operations included: (i) the Integrated Security Services segment: (ii) CCMS, formerly included in the Commercial Real Estate Services segment; and (iii) the former Business Services segment, disposed in March 2006. Revenues from discontinued operations were $178.7 million and EBITDA was $9.7 million. Integrated Security Services revenues were $176.5 million, an increase of 18% relative to the prior year, which was attributable to internal growth of 15% in US and Canadian systems installation revenues and foreign exchange of 3%. Segment EBITDA was $10.6 million, or 6.0% of revenues, a 90 basis point improvement relative to the prior year. The margin increase was attributable to significant improvements in realized gross margins on US systems projects. CCMS revenues were $2.2 million, primarily comprised of the three securitizations closed in the year, versus $0.4 million in the prior year. CCMS EBITDA was a loss of $0.9 million, primarily comprised of startup operating losses. The Company also recorded a loss of $0.7 million related to indemnity and warranty costs in connection with the March 2006 disposal of our Business Services operations. Net earnings from discontinued operations were $2.2 million.

Change in year-end

The Company historically had a March 31 year-end primarily due to weather-related seasonality in its operations. Over the years, the Company's operations have changed such that weather-related seasonality is no longer material. In addition, two of the Company's three remaining segments currently operate on a calendar year basis. As a result, on May 14, 2008, the Company's Board of Directors approved a change in the year-end of the Company to December 31, effective December 31, 2008, pending receipt of consents from relevant tax authorities.

The proposed change in year-end will not cause any change in quarter-ends, will bring the Company's year-end into alignment with its peers in the market, and is expected to generate cost savings due to the elimination of duplication of audits at the two segments that already have calendar year-ends.

Canadian commercial mortgage securitization operations

We entered the CCMS business in fiscal 2006 and enjoyed early success generating considerable transaction flow from the Colliers real estate broker channel as well as other borrowers requiring mortgage financing. The nature of this business was to underwrite pools of conventional first mortgages, using capital provided primarily by co-lenders, and then securitize and sell them to investors in the form of mortgage-backed securities. Due to credit market conditions, there was very limited liquidity for commercial mortgage-backed securities during the second half of fiscal 2008. After the end of the third quarter, we decided to wind down these operations; the wind down was complete as of March 31, 2008 except for the disposal of remaining mortgage loans receivable.

These operations, including the earnings impacts of interest rate hedges, are classified as discontinued operations for all periods presented. We expect to dispose the mortgage loans receivable, along with the related hedging contracts, as soon as practicable. The mortgage assets are carried at the lower of cost and fair value less cost to sell and the hedging contracts are carried at fair value.

As of March 31, 2008, we had $20.8 million (2007 - $13.7 million) of mortgage loans receivable and a right to purchase $151.9 million (2007 - $189.4 million) of mortgages from our co-lenders. As at March 31, 2008, we had interest rate hedges to convert $143.5 million of fixed-rate mortgage loans receivable to floating rates (2007 - $167.8 million) with a fair value loss of $11.7 million (2007 - gain of $0.4 million). The hedging contracts have maturity dates ranging from June 2012 to June 2017. Because the contracts do not qualify as accounting hedges, changes in fair value are recognized in earnings from discontinued operations.

Review of historical stock option grants

Following receipt of an inquiry from our primary securities regulator, our senior management and Board of Directors (the "Board") conducted a comprehensive review of historical stock option granting processes and the related accounting for the 13-year period from 1995 to 2007. In this regard, the Board established a Special Committee of independent directors to complete the review and make recommendations to the Board. The Special Committee was assisted in its review by independent legal and accounting advisors in both Canada and the United States.

Our stock option plans require that the exercise price of stock option grants to be no less than the closing market price of our shares on the Toronto Stock Exchange ("TSX") on the effective date of the grant, and also contain a self-amending mechanism should any term of a stock option grant be found not to be in compliance. Management's historical practice was to grant stock options using as the effective date the date which was the lowest monthly trading price on either the TSX or the NASDAQ in the month immediately preceding the date of the grant. The Special Committee determined that this practice was the result of a misapprehension by management as to the scope of permissible grant dates

under our stock option plans and that the practice did not meet the requirements of the TSX Company Manual. The Special Committee concluded that this practice was applied consistently throughout the relevant period and was not used selectively to benefit any one group or individual. The Special Committee also concluded that it did not find any intentional or other wrongdoing on the part of any of our directors, senior officers or employees.

The Special Committee found that the practice followed by us was not accounted for correctly and recommended that we revise the measurement dates of certain option grants for accounting purposes. With regard to options granted from 1995 to 2006, we revised the measurement dates and recorded a one-time, non-material and non-cash incremental compensation expense in the amount of $3.3 million during the third quarter. Since the amount was not material to the current year or any prior year, we determined that restatement of prior year financial statements was not required. In August 2006, in connection with our documentation and testing of internal controls, we changed our process with regard to stock option grants. The Special Committee did not identify any practices of the nature described above occurring after that date.

The following table shows the impact of the errors on prior periods:

(in thousands of US$)	**Total**	**2008**	**2007**	**2006**	**2005**	**1995 to 2004**
Intrinsic value of options issued prior to April 1, 2003	$ 2,340	$ -	$ 5	$ 25	$ 186	$ 2,124
Incremental Black-Scholes compensation cost for options issued after March 31, 2003	938	69	240	366	206	57
Increase to compensation expense	3,278	69	245	391	392	2,181
Income tax	-	-	-	-	-	-
Decrease to net earnings	**$ 3,278**	**$ 69**	**$ 245**	**$ 391**	**$ 392**	**$ 2,181**

As a result of the review, the Special Committee recommended, and the Board subsequently approved, the following remedial actions, among others:

- A total of $3.0 million to be obtained by adjustments to: (i) exercised options ($1.6 million was received during the quarter ended March 31, 2008 and recorded as contributed surplus) and (ii) unexercised options ($1.4 million assuming all such options are ultimately exercised) in accordance with our option plans;
- A revised grant process ensuring that the Board approve all option grants, and option plan amendments to expressly incorporate the process changes;
- Improvements to governance and processes at both the Board and management levels; and
- Oversight by the Board's Audit Committee for a period of two years to ensure that the governance and process changes are implemented.

We have responded to the information requests of our primary securities regulator, the Ontario Securities Commission, and the TSX with respect to the Special Committee's review and the measures taken in response. We will continue to cooperate with the Ontario Securities Commission and the TSX, and any further information requests in connection with the inquiry. Until further notified by the TSX, all grants of stock options by us require the prior consent of the TSX.

Stock-based compensation expense

One of our key operating principles is for senior management to have a significant long-term equity stake in the businesses they operate. The equity owned by senior management takes the form of stock, stock options or stock value appreciation plans, the latter two of which require the recognition of compensation expense under GAAP. The amount of expense recognized with respect to Company stock options is

determined by allocating the grant-date fair value of each option over the expected term of the option. The amount of expense recognized with respect to subsidiary stock options and subsidiary stock value appreciation plans is re-measured quarterly and is directly related to the fair value of the respective subsidiaries' shares. The following table sets out the annual expense related to stock-based compensation:

(in thousands of US$) **Year ended March 31**	**2008**	**2007**	**2006**	**2005**	**2004**
Stock option expense – Company	$ 5,938	$ 1,916	$ 1,380	$ 622	$ 322
Stock option expense – subsidiaries	1,508	1,791	552	177	-
Stock value appreciation plans	373	1,249	379	889	-
Total stock-based compensation expense	$ 7,819	$ 4,956	$ 2,311	$ 1,688	$ 322

Selected annual information - last five fiscal years
(in thousands of US$, except per share amounts)

Year ended March 31	**2008**	**2007**	**2006**	**2005**	**2004**
OPERATIONS					
Revenues	$ 1,573,215	$ 1,180,990	$ 918,668	$ 508,115	$ 318,585
Operating earnings	73,576	76,118	61,087	27,838	21,392
Net earnings from continuing operations	33,065	34,032	26,757	12,172	11,776
Net earnings from discontinued operations	1,334	2,184	42,740	11,035	7,248
Net earnings	34,399	34,863	69,497	23,207	19,024
FINANCIAL POSITION					
Total assets	$ 1,089,343	$ 816,998	$ 711,004	$ 626,728	$ 437,553
Long-term debt	356,030	235,131	248,686	220,015	163,888
Shareholders' equity	305,685	264,875	237,752	185,871	155,101
Book value per common share	5.19	8.85	7.91	6.15	5.26
COMMON SHARE DATA					
Net earnings per common share:					
Basic					
Continuing operations	$ 0.87	$ 1.14	$ 0.89	$ 0.41	$ 0.41
Discontinued operations	0.05	0.07	1.41	0.37	0.26
Cumulative effect adjustment	-	(0.04)	-	-	-
	0.92	1.17	2.30	0.78	0.67
Diluted					
Continuing operations	0.81	1.05	0.83	0.38	0.40
Discontinued operations	0.04	0.07	1.38	0.36	0.25
Cumulative effect adjustment	-	(0.04)	-	-	-
	0.85	1.08	2.21	0.74	0.65
Weighted average common shares (thousands)					
Basic	29,905	29,903	30,171	29,777	28,570
Diluted	30,547	30,354	30,896	30,467	29,192
Cash dividends per common share	-	-	-	-	-
PREFERRED SHARE DATA					
Number outstanding (thousands)	5,979	-	-	-	-
Cash dividends per preferred share	$ 1.16	-	-	-	-
OTHER DATA					
EBITDA (see reconciliation)	$ 119,874	$ 109,809	$ 84,319	$ 47,814	$ 28,352
Adjusted diluted earnings per share from continuing operations	1.02	1.05	0.74	0.34	0.18

Seasonality and quarterly fluctuations

Certain segments of the Company's operations are subject to seasonal variations. The demand for exterior painting (Property Services segment) and swimming pool management in the northern United States and Canada (Residential Property Management segment) is highest during late spring, summer and early fall and very low during winter. These operations generate most of their annual revenues and earnings between April and September and comprise approximately 5% of consolidated revenues.

The Commercial Real Estate Services segment generates peak revenues and earnings in the month of December followed by a low in January to March as a result of the timing of closings on commercial real estate brokerage transactions. Revenues and earnings during the balance of the year are relatively even. These brokerage operations comprise approximately 36% of consolidated revenues.

The seasonality of these service lines results in variations in quarterly revenues and operating margins. Variations can also be caused by acquisitions or dispositions, which alter the consolidated service mix.

Quarterly results – fiscal years ended March 31, 2008 and 2007
(in thousands of US$, except per share amounts)

Period	Q1	Q2	Q3	Q4	Year
FISCAL 2008					
Revenues	$ 370,494	$ 379,935	$ 451,100	$ 371,686	$ 1,573,215
Operating earnings (loss)	34,483	31,770	21,162	(13,839)	73,576
Net earnings (loss) from continuing operations	15,685	15,859	9,683	(8,162)	33,065
Net earnings (loss) from discontinued operations	2,397	1,834	(1,698)	(1,199)	1,334
Net earnings (loss)	18,082	17,693	7,985	(9,361)	34,399
Net earnings (loss) per common share:					
Basic	0.61	0.53	0.18	(0.40)	0.92
Diluted	0.56	0.50	0.15	(0.40)	0.85
FISCAL 2007					
Revenues	$ 281,780	$ 296,908	$ 326,611	$ 275,691	$ 1,180,990
Operating earnings	27,701	23,957	14,577	9,883	76,118
Net earnings from continuing operations	12,925	11,848	6,673	2,586	34,032
Net earnings (loss) from discontinued operations	1,208	125	1,084	(233)	2,184
Net earnings	12,780	11,973	7,757	2,353	34,863
Net earnings per common share:					
Basic	0.43	0.40	0.26	0.08	1.17
Diluted	0.39	0.38	0.25	0.06	1.08
OTHER DATA					
EBITDA - fiscal 2008	$ 42,739	$ 41,894	$ 36,684	$ (1,443)	$ 119,874
EBITDA - fiscal 2007	34,787	31,103	23,837	20,082	109,809

Discussion of fourth quarter results

We reported an operating loss and a net loss in the fourth quarter ended March 31, 2008 relative to a profitable fourth quarter in the previous year. Our Commercial Real Estate Services segment experienced sharply reduced transaction volumes in the US and Asia Pacific regions during the fourth quarter relative to the prior year quarter. As a result, significant operating losses were incurred in our US commercial mortgage brokerage operations and certain US brokerage offices. In addition, the Commercial Real Estate operation in Russia, acquired in November 2007, negatively impacted profitability due to investment spending and seasonal factors impacting transaction volumes.

Financial outlook

Our Company's Board of Directors carefully considered a number of factors concerning financial outlooks, including the volatility in the markets in which the Commercial Real Estate Services business operates, the volatility in foreign exchange rates, and the practices of the

Company's publicly-traded peers, who do not provide annual financial outlooks. As a result, we have decided not to provide an annual financial outlook.

We are committed to a long-term growth strategy that includes average internal revenue growth in the 8-10% range combined with acquisitions to build each of its service platforms, resulting in average percentage growth in revenues, EBITDA and earnings per share in the mid- to upper-teens or better.

Liquidity and capital resources

The Company generated cash flow from operating activities, including discontinued operations, of $57.2 million for fiscal 2008. Operating cash flow excluding the effect of discontinued operations, was $52.3 million, down 24% versus the prior year. The decrease in operating cash flow relative to earnings growth was attributable to investments in working capital, particularly accounts receivable and income taxes. The increased investment in accounts receivable reflects revenue growth, both internal and acquired, experienced during the year. The increased investment in income taxes reflects installment payments made in excess of taxes ultimately determined payable and the expected utilization of loss carry-backs, both of which are expected to result in cash tax refunds. 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, 2008 was $279.2 million, versus $132.3 million at March 31, 2007. Net indebtedness is calculated as the current and non-current portions of long-term debt less cash and cash equivalents. During the year ended March 31, 2008, we invested $152.5 million in business acquisitions, which drove the increase in net indebtedness.

We are in compliance with the covenants required of our financing agreements as at March 31, 2008 and we expect to remain in compliance with such covenants going forward. We had $70.7 million of available revolving credit as of March 31, 2008.

On September 6, 2007, we entered into an amended and restated credit agreement with a syndicate of banks to provide a $225 million committed senior revolving credit facility with a five year term to replace the existing $110 million facility. The amended facility has an accordion feature allows for an additional $50 million of borrowings. The amended facility bears interest at 0.75% to 1.30% over floating reference rates, depending on the ratio of our net debt to adjusted EBITDA. The covenants remained substantially unchanged relative to the prior credit agreement.

During fiscal 2008, we repurchased 252,500 Subordinate Voting Shares for cancellation under our stock repurchase program at a cost of $6.6 million.

Capital expenditures for the year were $32.2 million. The most significant expenditures were in the Commercial Real Estate Services segment, with additions to leaseholds, computer software, computer hardware and furniture totaling $21.8 million.

During the year, we paid $7.0 million of dividends on the Preferred Shares reflecting the eight month period from issuance to March 31, 2008. The annual Preferred Share dividend obligation is $10.5 million. We also distributed $6.9 million to minority shareholders of subsidiaries during the year (2007 - $3.5 million), primarily to facilitate the payment of income taxes on account those subsidiaries organized as flow-through entities.

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, 2008, 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 $53.6 million as at March 31, 2008 (2007 - $14.8 million). The amount of the contingent consideration is not recorded as a liability unless the outcome of the contingency is resolved and additional consideration is paid or payable. The contingent consideration is based on achieving specified earnings levels, and is paid or payable at the end of the contingency period. When the contingencies are resolved and additional consideration is payable, 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 a similar manner as stock options of the Company. In addition, the numerators for our diluted earnings per share calculations are adjusted to account for potential dilution from stock options in subsidiaries. When stock options are exercised, the minority shareholders become party to shareholders' agreements as described below.

All minority shareholders of our subsidiaries are party to shareholders' agreements. These agreements allow us to "call" the minority position at fair value determined with the use of a formula price, which is usually equal to a multiple of trailing two-year average earnings. 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 $233 million at March 31, 2008 (2007 - $154 million). Of the increase, $67 million related to the value of shares held by minority shareholders of entities acquired during fiscal 2008. The purchase price of minority interests may, at our option, be paid in Subordinate Voting Shares of FirstService. While it is not our intention to acquire outstanding minority interests, this step could materially increase net earnings. On an annual basis, we estimate the impact of the acquisition of all minority interests with cash would increase interest expense by $12 million, increase amortization expense by $7 million, reduce income taxes by $7 million and reduce minority interest share of earnings by $15.5 million, resulting in an approximate increase to net earnings of $3.5 million, all relative to the amounts reported for the year ended March 31, 2008.

The following table summarizes our contractual obligations as at March 31, 2008:

Contractual obligations	**Payments due by period**				
(in thousands of US$)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long-term debt	$ 350,441	$ 22,386	$ 29,892	$ 181,481	$ 116,682
Capital lease obligations	5,589	2,391	3,015	183	-
Operating leases	175,479	39,763	61,203	41,794	32,719
Unconditional purchase obligations	-	-	-	-	-
Other long-term obligations	-	-	-	-	-
Total contractual obligations	$ 531,509	$ 64,540	$ 94,110	$ 223,458	$ 149,401

At March 31, 2008, we had commercial commitments totaling $4.3 million comprised of letters of credit outstanding due to expire within one year. We are required to make semi-annual payments of interest on our long-term debt at a weighted average interest rate of 6.4%.

To manage our insurance costs, we take on risk in the form of high deductibles on many of our coverages. We believe this step reduces 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.

Annual goodwill impairment testing 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. The determination of what constitutes a reporting unit requires significant management judgment. 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. A 10% decline in the fair value of each reporting unit would not result in an indication of impairment.

Acquisition purchase price allocations require use of estimates and judgment on the part of management, especially in the determination of intangible assets acquired. 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. A 10% increase in the amount allocated to intangible assets during fiscal 2008 would result in an increase to annual amortization expense of $0.7 million.

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, other than short-lived brokerage backlog, would result in an increase to annual amortization expense of $1.3 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 $1.1 million.

Income taxes are calculated based on the expected treatment of transactions recorded in the consolidated financial statements. The benefits of certain net operating loss carry-forwards, which have been recognized in the financial statements, require significant management judgment regarding future realization. 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.

Recently adopted accounting standards

On April 1, 2006, the Company recorded a $1.4 million after-tax charge to recognize the cumulative effect of a change in accounting principle with respect to the adoption of SFAS No. 123(R), *Share Based Payment* (“SFAS 123R”). Upon the adoption of SFAS 123R, the Company changed its approach to accounting for stock options issued by subsidiaries of the Company to subsidiary employees, where the employees have the ability to elect to receive cash payments upon exercise. Previously, these options were recorded as liabilities at their intrinsic value. Under SFAS 123R, these options are classified as liability-classed awards with the fair value of the option, as determined using the Black-Scholes stock option valuation method, recorded as liabilities. Also upon the adoption of SFAS 123R, the Company changed its method of measuring and

recognizing compensation expense on share-based awards from recognizing forfeitures as incurred to estimating forfeitures at the date of grant.

In September 2006, the U.S. Securities and Exchange Commission ("SEC") staff issued SEC Staff Accounting Bulletin No. 108 ("SAB 108"). SAB 108 was issued in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements. Traditionally, the impacts of misstatements were evaluated under either an earnings-based ("rollover") approach or a balance sheet-based ("iron curtain") approach. The rollover approach focuses on the impact of misstatements on the statement of earnings, including the reversing impact of prior year misstatements, but its use can lead to the accumulation of misstatements on the balance sheet. The iron curtain approach focuses on the effect of correcting the period-end balance sheet with less emphasis on the reversing effects of prior years' errors on the statement of earnings. Prior to the application of SAB 108, the Company used the rollover approach for quantifying financial statement misstatements. In SAB 108, the SEC staff established an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the Company's financial statements and the related financial statement disclosures. This model is commonly referred to as a "dual approach" because it requires quantification of errors under both the rollover and iron curtain approaches. We initially applied the provisions of SAB 108 in connection with our annual consolidated financial statements for the year ended March 31, 2007. The net reduction to retained earnings recorded as of April 1, 2006 to record the initial application of SAB 108 was $5.4 million.

On April 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of SFAS 109*, ("FIN 48") which clarifies the accounting and reporting for uncertainties in income tax law. In accordance with FIN 48, the Company classifies interest and penalties associated with income tax positions in income tax expense. As a result of adopting FIN 48, the cumulative effect was an increase in tax reserves of $3.8 million, including $0.7 million of accrued interest, and was accounted for as a reduction to retained earnings as at April 1, 2007 of $4.2 million and a reduction in goodwill of $0.4 million. Upon adoption, the liability for income taxes associated with uncertain tax positions was $4.7 million.

Impact of recently issued accounting standards

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements and is effective for the Company's fiscal year commencing on April 1, 2008. FASB Staff Position FAS 157-2, *Effective Date of SFAS 157,* permits for the deferred effective date of SFAS 157 for non-financial assets and liabilities to fiscal year beginning after November 15, 2008. The Company elected this deferral option for its non-financial assets and liabilities. The Company has evaluated the impact of the adoption of SFAS 157 and does not expect a material effect on results of operations or financial position.

In February 2007, the FASB issued SFAS No. 159, The *Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of SFAS No. 115* ("SFAS 159"). SFAS 159 permits the Company to measure certain financial instruments, assets and liabilities at fair value on an instrument-by-instrument basis under a fair value option. The standard is effective for the Company as of April 1, 2008. The Company has evaluated the impact of the adoption of SFAS 159 and does not expect to make use of the fair value option.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* ("SFAS 141R"). SFAS 141R changes the method of accounting for business acquisitions at the acquisition date and in subsequent periods. This standard is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December

15, 2008. The Company is in the process of evaluating the impact of the adoption of SFAS 141R. The following changes in practice will be required for acquisitions completed under SFAS 141R: (i) transaction costs will be expensed, resulting in increases to selling, general and administrative expenses; (ii) contingent consideration will be recognized at the acquisition date, resulting in increases to goodwill and accrued liabilities; and (iii) the fair value of contingent consideration will be re-measured quarterly, resulting in increased volatility in earnings.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* ("SFAS 160"). SFAS 160 changes the accounting and reporting for minority interests. This standard is effective for fiscal years beginning on or after December 15, 2008. The Company is in the process of evaluating the impact of the adoption of SFAS 160. The following change in practice will be required under SFAS 160: non-controlling interest will be presented within shareholders' equity rather than the "mezzanine" section of the balance sheet.

Outstanding share data

The authorized capital of the Company consists of an unlimited number of preference shares, issuable in series, of which are authorized an unlimited number of Preferred Shares, 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. The holders of the Preferred Shares are not entitled, except as otherwise provided by law or in the conditions attaching to the Preferred Shares as a class, to receive notice of, attend or vote at any meeting of the shareholders of the Company.

As of the date hereof, the Company has outstanding 28,786,893 Subordinate Voting Shares, 1,325,694 Multiple Voting Shares and 5,979,074 Preferred Shares. In addition, as at the date hereof, 1,454,000 Subordinate Voting Shares are issuable upon exercise of options granted under the Company's stock option plans.

Canadian tax treatment of preferred dividends

For the purposes of the enhanced dividend tax credit rules contained in the *Income Tax Act (Canada)* and any corresponding provincial and territorial tax legislation, all dividends (and deemed dividends) paid by us to Canadian residents on our Preferred Shares are designated as "eligible dividends". Unless stated otherwise, all dividends (and deemed dividends) paid by us hereafter are designated as "eligible dividends" for the purposes of such rules.

Disclosure controls and procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Management of the Company, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators ("CSA") and the SEC) as of March 31, 2008 and concluded that such disclosure controls and procedures were effective as at March 31, 2008 and ensure that information is recorded, processed, summarized and reported with the time periods specified under Canadian and US securities laws.

Management's annual report on internal control over financial reporting

The following report is provided by management in respect of FirstService's internal controls over financial reporting (as defined in the rules of the CSA and SEC):

1 Management is responsible for establishing and maintaining adequate internal controls over financial reporting for the Company. Internal controls over financial reporting are processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP.

2. Management has used the criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to assess the effectiveness of the Company's internal controls over financial reporting. Management believes that the COSO framework is a suitable framework for its assessment of the Company's internal controls over financial reporting because it is free from bias, permits reasonable consistent qualitative and quantitative measurements of FirstService's internal controls, is sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of the Company's internal controls are not omitted, and is relevant to an evaluation of internal controls over financial reporting.
3. Management has assessed the effectiveness of the Company's internal controls over financial reporting as at March 31, 2008, and has concluded that such internal controls over financial reporting are effective. There are no material weaknesses in FirstService's internal controls over financial reporting that have been identified by management.

Changes in internal controls over financial reporting

There have been no changes in FirstService's internal controls over financial reporting during the year ended March 31, 2008, that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Additional information

Copies of publicly filed documents of the Company, including our Annual Information Form, can be found through the SEDAR website at www.sedar.com.

Forward-looking statements

This management discussion and analysis report contains certain forward-looking statements. We intend that such forward-looking statements be subject to the safe harbors created by such legislation. Such forward-looking statements involve known and unknown risks and uncertainties and include, but are not limited to, statements regarding future events and our plans, goals and objectives. Such statements are generally accompanied by words such as "anticipate", "believe", "estimate", "expect", "intend", "may", "project", "will" or similar words and phrases. Our actual results may differ materially from such statements. Factors that could result in such differences, among others, are:

- Economic conditions, especially as they relate to consumer spending.
- Commercial real estate property values, vacancy rates and general conditions of financial liquidity for real estate transactions.
- 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 foreign exchange rates in relation to the US dollar on the Company's Canadian dollar, Australian dollar and Euro 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 businesses.

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. We disclaim any intention and assume no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the inclusion in the Annual Report on Form 40-F of FirstService Corporation (the "Company") of our report dated May 20, 2008 relating to the Company's consolidated financial statements and the effectiveness of internal control over financial reporting.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
May 20, 2008

EXHIBIT 31

CERTIFICATION
PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or cause such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with general accepted accounting principles;
    (c) 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
    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report 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.

May 21, 2008

/s/ Jay S. Hennick
Jay S. Hennick
Chief Executive Officer

CERTIFICATION
PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or cause such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with general accepted accounting principles;
    (c) 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
    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report 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.

May 21, 2008

/s/ John B. Friedrichsen
John B. Friedrichsen
Senior Vice President and Chief Financial Officer

EXHIBIT 32

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 40-F of FirstService Corporation (the "Company") for the fiscal year ended March 31, 2008 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, Jay S. Hennick, Chief Executive Officer of the Company, certify, pursuant to 18 USC. 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: May 21, 2008

/s/ Jay S. Hennick
Jay S. Hennick
Chief Executive Officer

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 40-F of FirstService Corporation (the "Company") for the fiscal year ended March 31, 2008 (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 USC. 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: May 21, 2008

/s/ John B. Friedrichsen
John B. Friedrichsen
Senior Vice President and Chief Financial Officer