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 period ended **December 31, 2011**

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:

5,622,634 7% Cumulative Preference Shares, Series 1
28,615,560 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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

[ ] 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 year ended December 31, 2011, 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 December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009, 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 of results of operations and financial condition for the year ended December 31, 2011, 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 Registrant. 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 six entities acquired by the Registrant during the last fiscal period from its assessment of internal control over financial reporting as at December 31, 2011. The total assets and total revenues of the six individually insignificant controlled entities of the Registrant represent 3.3% and 0.9%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2011.

Management has assessed the effectiveness of the Registrant's internal control over financial reporting as at December 31, 2011, 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 December 31, 2011, the Registrant's internal control over financial reporting was effective.

The effectiveness of the Registrant's internal control over financial reporting as at December 31, 2011, has been audited by PricewaterhouseCoopers LLP, the Registrant's independent registered public accounting firm. The attestation report of PricewaterhouseCoopers LLP is included in PricewaterhouseCoopers LLP's report to the shareholders of the Registrant dated March 1, 2012, which accompanies the Registrant's audited consolidated financial statements for the year ended December 31, 2011, filed as Exhibit 2 to this Annual Report on Form 40-F.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year ended December 31, 2011, 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 year ended December 31, 2011 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).

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 Registrant 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.

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 periods ended December 31, 2011 and 2010. During these periods, PricewaterhouseCoopers LLP was the Registrant's only external auditor.

(in thousands of C$)	Year ended December 31, 2011	Year ended December 31, 2010
Audit fees (note 1)	$ 1,550	$ 1,545
Audit-related fees (note 2)	325	218
Tax fees (note 3)	145	177
All other fees (note 4)	5	10
	$ 2,025	$ 1,950

Notes:

1. Refers to the aggregate fees billed by the Registrant's external auditor for audit services relating to the audit of the Registrant.
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 amounts 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; statutory audits required by subsidiaries, 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 licensing and subscriptions to accounting and tax research tools.

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: March 1, 2012

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 December 31, 2011.
2.	Consolidated audited financial statements of the Registrant as at December 31, 2011 and 2010 and for years ended December 31, 2011, 2010 and 2009, 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 for the year ended December 31, 2011.
23.	Consent of PricewaterhouseCoopers LLP.
31.	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Rule 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 December 31, 2011

March 1, 2012

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Forward-looking statements

This Annual Information Form contains "forward looking statements" which reflect the current expectations, estimates, forecasts and projections of management regarding our future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may," "would," "could, " "will," "anticipate," "believe," "plan," "expect," "intend," "estimate," "aim," "endeavour" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section of this Annual Information Form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this Annual Information Form. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Annual Information Form are based upon what management currently believes to be reasonable assumptions, we cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Annual Information Form and we do not intend, and do not assume any obligation, to update or revise these forward-looking statements.

FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM
March 1, 2012

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 December 31, 2011 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 Global Select Market ("NASDAQ") (symbol: FSRV). Our Preferred Shares trade in US$ on the TSX (symbol: FSV.PR.U). Our 6.50% Convertible Unsecured Subordinated Debentures due December 31, 2014 (the "Convertible Debentures") trade in US$ on the TSX (symbol: FSV.DB.U). Our head and registered office is located at 1140 Bay Street, Suite 4000, Toronto, Ontario, M5S 2B4.

Our fiscal year-end is December 31. On May 14, 2008, our Board of Directors approved a change in year-end to December 31, effective December 31, 2008. Our previous fiscal year-end was March 31.

The following chart sets out the significant subsidiaries of the Company as of December 31, 2011. 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 or formation
American Pool Enterprises, Inc.	96.4%	Delaware
The Continental Group, Inc.	97.6%	Florida
Field Asset Services, LLC	100.0%	Delaware
FirstService Commercial Real Estate Services Inc.	93.5%	Ontario
FirstService Delaware, LLC	100.0%	Delaware
FirstService Delaware, LP	100.0%	Delaware
FirstService Residential Management Canada Inc.	100.0%	Ontario
FirstService Residential Management, Inc.	97.6%	Delaware
FirstService (USA), Inc.	100.0%	Delaware
FS Brands, Inc.	95.7%	Delaware
The Wentworth Group, Inc.	88.1%	Pennsylvania

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 Voting Shares and Multiple Voting Shares (together the "Common Shares").

In August 2007, we issued a stock dividend of Preferred Shares to holders of 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 Share dividend obligation for 2011 was $10.0 million, paid quarterly on or about the last day of each quarter.

From 1994 to present, we completed numerous acquisitions and selected divestitures, developing, growing and focusing the real estate services provided 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, most recently on March 1, 2012 when the facility was increased to $350 million for a five year term. 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; as of December 31, 2011, this obligation had been fully repaid. In October 2003, $50 million of 6.40% Senior Notes due September 30, 2015 was issued; as of December 31, 2011, $50 million remained outstanding under this obligation. In April 2005, we completed a further private placement of $100 million of 5.44% Senior Notes due April 1, 2015; as of December 31, 2011, $80 million remained outstanding under this obligation.

In November 2004, we established a new commercial real estate services division under the "Colliers International" brand with the acquisition of Colliers Macaulay Nicolls Inc. ("CMN"). CMN's real estate services offerings include brokerage (sale and leasing), property management, valuation and advisory services.

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

In July 2008, we disposed our Integrated Security Services division, which included Intercon Security in Canada and SST in the United States, for gross cash proceeds of approximately $187.5 million. The proceeds were used to pay down debt and intensify our focus on global diversified real estate services.

In November 2009, we completed a public offering in Canada of $77 million principal amount of Convertible Debentures. The Convertible Debentures are convertible into Subordinated Voting Shares at the option of the holder at any time prior to the earlier of December 31, 2014 or the date specified by the Company for redemption, at a conversion price of $28.00 per Subordinate Voting Share, subject to adjustment in certain events.

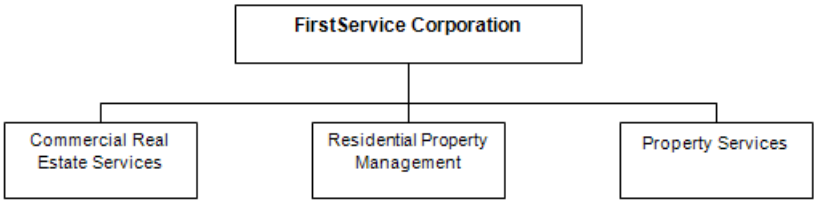
In 2011, we completed a strategic review and reorganization of our Property Services division. After being approached by parties interested in acquiring the division’s franchise networks operations, we engaged financial advisors to investigate strategic alternatives. After exploring the alternatives, we concluded it was not in the best interests of shareholders to sell these operations. However, the key outcomes of the review were to transition managerial oversight of the division to the executive team at FirstService and to acquire the balance of the shares of the division that were not already owned, to reduce administrative costs and the non-controlling interest share of earnings going forward.

Business description

FirstService is a global leader in the rapidly growing real estate services sector, providing a variety of services in commercial real estate, residential property management and property services. As one of the largest property managers in the world, FirstService manages more than 2.3 billion square feet of residential and commercial properties through its three industry-leading service platforms: Colliers International, one of the largest global players in commercial real estate services; FirstService Residential Management, the largest manager of residential communities in North America; and Property Services, including Field Asset Services, one of America's largest providers of property preservation and distressed asset management through contractor networks and FS Brands, one of North America's largest providers of property services through franchise networks.

Each service line provides near-essential services, generates a significant percentage of recurring revenues, has significant operating cash flow, generates substantial returns on invested capital and can be leveraged through margin enhancement, cross-selling or consolidation.

Our business is conducted through three operating segments:



Revenues by operating segment	Year ended December 31			Nine months ended December 31	Year ended March 31
(in thousands of US$)	2011	2010	2009	2008	2008
Commercial Real Estate Services	$ 994,579	$ 861,917	$ 622,996	$ 578,192	$ 787,467
Residential Property Management	760,501	662,033	645,251	475,251	544,926
Property Services	468,903	462,141	434,838	269,114	216,972
Corporate	188	180	137	123	348
Total	$2,224,171	$1,986,271	$1,703,222	$ 1,322,680	$ 1,549,713

Commercial Real Estate Services

FirstService, operating under the Colliers International brand name, is one of the world's largest commercial real estate services providers offering a full range of commercial real estate services in the United States, Canada, Australia, and several other countries in Asia, Europe and Latin America. In 2011, operations in the United States and Canada generated 61% of total revenues for this segment, while the Asia-Pacific region generated 31% and Europe and Latin America generated 8%. We provide services to owners, investors and tenants, including brokerage (sale, leasing, and mortgage), property management and maintenance, valuation, project management 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. Our brokerage activities focus primarily on office, industrial, retail and multi-unit residential properties. Brokerage activities represent approximately 65% of segment revenues and provide opportunities for cross selling other real estate services. In 2011, through a network of approximately 2,500 brokers in 213 offices in 34 countries, we executed transactions 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 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.

Our international corporate solutions group partners with large corporations in managing their overall real estate portfolio and transactions. Professional staff combines proprietary technology with high level strategic planning, portfolio management, lease administration and facilities and project management. Fees in corporate solutions 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. Our revenues in this segment are weighted more heavily to the latter half of the calendar year, with approximately 60% of transactions occurring in fiscal quarters ending in September and December.

We are the largest member and controlling shareholder of Colliers International Property Consultants ("CIPC"), the owner of the global "Colliers International" commercial real estate services brand and trademarks. Each member of CIPC is entitled to use the "Colliers International" brand and trademarks exclusively within a designated country (or region in the case of the United States of America). Colliers International is recognized (in The Lipsey Company's 2011 Top 25 Commercial Real Estate Brands Survey) as the number 2 commercial real estate services organization worldwide with a network of 532 offices in 62 countries. Colliers International provides FirstService with a global brand name and local market intelligence to serve the international community of investors, owners and users of real estate. In addition to the "Colliers International" brand, we also own and control the following commercial real estate brands: PKF Hotel and Hospitality Consulting and MHPM Project Leaders.

Commercial real estate firms can be segmented into two tiers: (i) large global full-service firms with international service capabilities; and (ii) regional and niche firms with strengths in their respective local markets. Recent industry trends have seen an increase in outsourcing by multi-national clients with global needs creating an opportunity for full-service global players like FirstService. 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.

Our growth strategy in this segment is to expand the suite of complementary service offerings and the geographical markets where services are offered. This will continue to be achieved both organically and through selective acquisitions. We also plan to enhance our brand and service delivery through increased broker training and continued development of proprietary market tools and research resources.

Residential Property Management

We are a manager of private residential communities in North America. Private residential communities include condominiums, cooperatives, gated communities, homeowner associations and a variety of other residential developments governed by common interest or multi-unit residential community associations (collectively referred to as "community associations"). In total, we manage 1.4 million residential units in 5,600 community associations in 18 American states and 3 Canadian provinces. We operate under the umbrella brand name FirstService Residential Management, along with regional brands. In the Southeast, we operate primarily under the Continental brand in Florida and in Georgia, we operate under the Community One brand. In the Northeast and mid-Atlantic, we operate primarily under the Wentworth, Cooper Square, Planned Companies and American Pool brands. In the Southwest, we operate as Rossmar & Graham in Arizona, as RMI in Nevada and as Merit in California. In the Midwest, we operate as Wolin-Levin in Illinois and as Premier and AMI in Texas. In Canada, we operate as Crosby, Condominium First and Simerra. For rental properties that are often managed as national or regional accounts for owners of real estate, we operate under the FirstService Residential Realty brand.

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 on behalf of their community association clients, such as advising homeowner boards on a wide variety of matters relating to the operation of their communities, collecting monthly 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 comprehensive contract.

We are a full-service property manager and in many markets provide a full range of ancillary services, including facility maintenance, landscaping, swimming pool management, home service contracts, energy usage benchmarking and retrofit consulting, real estate sales and leasing, heating, air conditioning, and concierge services. In most of our major markets, we also provide rental management and maintenance services to: (i) property owners; and (ii) individual investors or owners of single or multiple residential units, many of which are within the communities we manage. Finally, in most markets we also provide advisory services with respect to financial services (primarily cash management and other transaction-related services, collections, specialized property insurance brokerage and energy retrofit financing) utilizing the scale of our operations to economically benefit clients.

The aggregate budget of all the community associations in the United States is estimated by the Community Associations Institute (a national U.S. organization dedicated to fostering community associations) to be approximately US$40 billion. The aggregate budget of the community associations managed by FirstService is estimated at approximately US$6 billion. Currently, we estimate that we access in the range of 12-15% of the aggregate budget of our communities through the various services that we offer. Our strategy is to continue to add communities under management while striving to earn a greater percentage of the aggregate budget by introducing additional value-added services and products, thereby offering clients a single point of accountability and leveraging our scale and purchasing power to the benefit of the community associations.

Based on 2011 U.S. industry data compiled by the Community Associations Institute, the Company estimates that: (i) approximately 62.3 million Americans, representing 25.1 million households, live in condominiums, cooperatives, planned communities and other residential developments governed by common interest or 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; and (iii) there are approximately 314,200 community associations in the United States. The market is currently growing at a rate of approximately 2% per year as a result of the 4,000 to 8,000 new community associations formed each year. In addition, the growing trend from self-management to professional management is believed to increase the effective growth rate for professional property management companies. Similar growth rates are expected in Canada.

Typically, owners of private residential units are required to pay quarterly or monthly fees to cover the expenses of managing the community association's business activities and maintaining the common areas of the property. 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 a full-service manager of private residential communities in the United States and Canada, managing over 4% of the units in community associations in North America. We enjoy a competitive advantage because of our size, depth of financial and management resources, and operating expertise.

Our business in this segment is subject to regulation by the U.S. states and Canadian provinces in which we operate. In many regions, 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 and provinces in which we operate.

Property Services

In our Property Services division, we provide a variety of residential and commercial services in North America through three service delivery channels: contractor network, franchise networks and branchises. The principal brands in this division include Field Asset Services ("FAS"), California Closet Company ("California Closets"), Paul Davis Restoration, CertaPro Painters, College Pro Painters ("College Pro"), Pillar to Post Home Inspection, Handyman Connection and Floorcoverings International.

Contractor network

FAS, headquartered in Austin, Texas, is one of America's largest residential property preservation and distressed asset management companies. FAS provides comprehensive property preservation, maintenance, repair and inspection services to some of the largest residential mortgage lenders and servicers in America for residential properties in the delinquency and foreclosure process. FAS processes client requests through the use of information technology systems to manage clients' portfolios of properties. All inspection, 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 US$9 billion in client assets representing approximately 60,000 residential properties.

Franchise networks

We own and operate seven franchise networks as follows:

(i) Paul Davis Restoration is a Jacksonville, Florida based franchisor of residential and commercial restoration services serving the insurance restoration industry in the United States through 294 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' gross revenues.

(ii) CertaPro Painters is a residential and commercial painting franchise system with 320 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 gross revenues or a fixed monthly fee, plus administrative fees for various ancillary services.

(iii) California Closets is a provider of installed closet and home storage systems in North America. Headquartered in San Rafael, California, California Closets has 74 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' gross revenues.

(iv) College Pro is a seasonal exterior residential painting and window cleaning franchise system operating in 29 U.S. states and across Canada with 677 franchises. It recruits students and trains them to operate the business, including price estimating, marketing, operating procedures, hiring, customer service and safety. College Pro receives a royalty from each franchisee based on a percentage of revenue. College Pro's 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.

(v) Handyman Connection is a leading North American home repair and remodeling service franchiser. Services are provided by a network of 67 franchises operating throughout the United States. Handyman Connection earns royalties from its franchisees based on a percentage of franchisee gross revenues.

(vi) Pillar to Post is one of North America's largest home inspection service providers. Services are provided through a network of 298 franchises. Pillar to Post earns royalties from its franchisees based on a percentage of franchisee gross revenues.

(vii) Floorcoverings International is a residential floor coverings design and installation franchise system operating in North America with 105 franchises. Floorcoverings International earns royalties from its franchisees based on a percentage of franchisee gross revenues.

Franchise agreements are for terms of five or ten years, with the exception of College Pro where the agreements are for a term of one year. All franchise agreements contain renewal provisions that can be invoked by FirstService at little or no cost.

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.

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 franchises meet or exceed regulatory standards.

Branchises

We own and operate nine California Closets franchises located in major population centers in the United States and Canada. 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.

Business strategy

We operate in the real estate services sector. 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.

Over the course of time, and as we have grown, our management style and way of doing business has been refined and enhanced into an approach we call "The FirstService Way". Built on seven strategic pillars, it has guided our growth and attracted strong management teams with visions for the future success of their businesses. The seven principles of our business strategy are defined below:

1. Partnership philosophy. We believe equity ownership by our management teams is essential. Our partners enjoy total authority over front-line operating decisions, while equity ownership allows direct participation in the financial outcomes of their decisions. With significant equity interests in the businesses they operate, management's interests are aligned with our shareholders in building long-term value. These interests are in the form of a non-transferable direct minority equity ownership position, stock options or in equity-like notional value appreciation plans. In all cases, we have the right to purchase ("call") the minority interest at a formula price based on a multiple of trailing Adjusted EBITDA[1]. Minority shareholders have the right to require us to purchase their shares at the same price, generally in tranches over a two or three year period.

2. Focus on internal growth. We have a keen focus on operational excellence. We set high internal growth targets and leverage our scale, competitive advantages, and sales channels by enhancing and broadening our service offerings. These differentiate us from competitors and support strong internal growth. Our performance-based compensation plan is structured to reward internal growth.

3. Performance-based compensation. Successful management teams are well compensated for driving growth. Aligning our key operating managers with our shareholders through generous performance-based compensation programs ensures that they have the incentive needed to continue growing the business. In general, senior managers receive bonuses that are based on a percentage of the amount by which their results exceed prior year Adjusted EBITDA on a "same-store" basis. Lower level managers' incentives are also aligned with business unit Adjusted EBITDA targets, but may include other measures deemed important for growing their business. We believe these programs are effective incentives to operating management to deliver internal growth and consistent, high-quality service in a cost-effective manner.

4. Acquisition strategy. Our disciplined approach to acquisitions ensures we invest in high-potential, well-managed businesses, at a fair price. New acquisitions are selected to augment our internal growth strategies and also to support the growth of the Company as a whole. The acquisition strategy entails the systematic acquisition of established, well managed, and profitable real estate service companies operating in fragmented industries that: (i) 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 (ii) provide a return on invested capital that exceeds our weighted average cost of capital. 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
   - 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.

5. People development process. Retaining and promoting key operating managers is one of our most important practices. Each year, the key people within our businesses are evaluated in a consistent manner; strength, weaknesses and internal career opportunities are discussed, as are opportunities for advancement with other FirstService business units.

6. Management and review process. We have a rigorous process of oversight and operational review to maximize cash flows, increase margins, manage operational risk and monitor performance indicators. Sharing of best practices is proactively incorporated into our management and review process to ensure that each business benefits from the experience of others.

7. Strategic planning process. We utilize a consistent strategic planning process to determine the major issues facing our operating units. Short-term and long-term goals are reviewed and agreed upon, barriers are discussed and solutions are developed. Progress in achieving goals is monitored to ensure that we successfully execute our strategy and adapt to changes in our markets.

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[1] Adjusted EBITDA is a financial measure that is not calculated in accordance with GAAP. For a reconciliation of this and other non-GAAP financial measures, see "Reconciliation of non-GAAP financial measures" in this AIF.

Seasonality

Certain segments of the Company's operations are subject to seasonal variations. The seasonality of the service lines noted below results in variations in quarterly revenues and operating margins. Variations can also be caused by acquisitions or dispositions, which alter the consolidated service mix.

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 comprised approximately 29% of 2011 consolidated revenues.

Trademarks

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

In our Property Services unit, four franchise systems – California Closets, 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 the respective property 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.

Employees

We have approximately 23,000 employees.

Non-controlling interests

We own a majority interest in substantially all of our operations, 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 businesses. In all cases, we have the right to "call" management's shares, usually payable at our option with any combination of Subordinate Voting Shares or cash. We may also be obligated to acquire certain of these non-controlling interests in the event of death, disability or cessation of employment or if the shares are "put" by the holder, subject to annual limitations on these puts imposed by the relevant shareholder agreements. These arrangements provide significant flexibility to us in connection with management succession planning and shareholder liquidity matters.

Dividends and dividend policy

Our Preferred Shares 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 generally on or about the fifteenth day of the last month in each quarter, subject to declaration by the Board of Directors of the Company. The Preferred Shares were initially issued on August 1, 2007 and since such date, dividends of US$0.4375 per Preferred Share have been declared and paid quarterly up to and including December 31, 2011.

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. The Company has not paid any cash dividends on the Common Shares during the last three fiscal years.

Under the terms of the Company's amended and restated credit facility, the Company is not permitted to pay dividends, whether in cash or *in specie*, in the circumstances of an event of default thereunder occurring and continuing or an event of default occurring as a consequence thereof. See "Material contracts" below.

Capital structure

Share capital

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. As of March 1, 2012, there were 28,615,560 Subordinate Voting Shares, 1,325,694 Multiple Voting Shares and 5,622,634 Preferred Shares issued and outstanding.

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, in whole or in part, 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.

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") to be filed in connection with the Company's annual and special meeting of shareholders to be held on April 11, 2012, which section is incorporated herein by reference.

Convertible Debentures

The Convertible Debentures were issued pursuant to a trust indenture (the "Indenture") between FirstService and Equity Financial Trust Company (f/k/a Equity Transfer & Trust Company), as trustee (the "Debenture Trustee"), dated November 10, 2009. The Convertible Debentures are governed by the Indenture. FirstService can issue additional debentures under the Indenture from time to time. The Indenture does not restrict the Company from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its real or personal property to secure any indebtedness.

Currently, there is US$77.0 million aggregate principal amount of Convertible Debentures issued and outstanding. The Convertible Debentures are direct, unsecured obligations of FirstService, subordinated to other indebtedness of FirstService for borrowed money and rank equally with all other unsecured subordinated indebtedness. The Convertible Debentures mature on December 31, 2014 and accrue interest at the rate of 6.50% per annum payable semi-annually in arrears on June 30 and December 31 in each year, commencing June 30, 2010. At the holder's option, the Convertible Debentures may be converted into Subordinate Voting Shares at any time prior to the close of business on the earlier of the business day immediately preceding either the maturity date and the date specified by FirstService for redemption of the Convertible Debentures. The conversion price is US$28.00 for each Subordinate Voting Share, subject to adjustment in certain circumstances.

The Convertible Debentures will not be redeemable before December 31, 2012. On and after December 31, 2012 and prior to December 31, 2013, the Convertible Debentures may be redeemed in whole or in part from time to time at FirstService's option, provided that the volume weighted average trading price of the Subordinate Voting Shares on the TSX (converted into a US dollar equivalent) during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On and after December 31, 2013 and prior to the maturity date, FirstService may, at its option, redeem the Convertible Debentures, in whole or in part, from time to time at par plus accrued and unpaid interest.

Subject to specified conditions, FirstService has the right to repay the outstanding principal amount of the Convertible Debentures, on maturity or redemption, through the issuance of Subordinate Voting Shares. FirstService also has the option to satisfy its obligation to pay interest through the issuance and sale of Subordinate Voting Shares.

The Indenture provides that an event of default ("Event of Default") in respect of the Convertible Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to the Convertible Debentures: (i) failure for 15 days to pay interest on the Convertible Debentures when due; (ii) failure to pay principal or premium, if any, on the Convertible Debentures, when due whether at maturity, upon redemption, by declaration or otherwise; (iii) default in the observance or performance of any material covenant or condition of the Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee to the Company specifying such default and requiring the Company to rectify the same; or (iv) certain events of bankruptcy, insolvency or reorganization of the Company under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon request of holders of not less than 25% in principal amount of the Convertible Debentures, declare the principal of and interest on all outstanding Convertible Debentures to be immediately due and payable. In certain cases, the holders of a majority of the principal amount of Convertible Debentures then outstanding may, on behalf of the holders of all Convertible Debentures, waive any Event of Default and/or cancel any such declaration upon such terms as such holders shall prescribe.

A summary of additional terms of the Convertible Debentures is set out in the section entitled "Description of the Securities Being Distributed" contained in the Company's (final) prospectus dated November 3, 2009 qualifying the distribution of the Convertible Debentures, which section is incorporated herein by reference.

Market for securities

The Company's Subordinate Voting Shares are listed for trading on the TSX and NASDAQ. The Company's Preferred Shares and Convertible Debentures are each 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 tables 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 and Convertible Debentures on the TSX in US dollars, in each case, on a monthly basis, during the year ended December 31, 2011:

	Subordinate Voting Shares					
	NASDAQ			**TSX**		
Month	**High Price (US$)**	**Low Price (US$)**	**Volume Traded**	**High Price (C$)**	**Low Price (C$)**	**Volume Traded**
January 2011	30.88	28.50	302,001	30.85	28.49	317,417
February 2011	32.00	28.26	324,282	31.13	28.14	1,094,381
March 2011	38.31	31.30	652,934	37.13	30.41	3,163,404
April 2011	40.57	37.36	573,295	39.09	36.00	2,662,881
May 2011	38.23	35.27	579,739	37.00	34.57	1,388,397
June 2011	37.75	32.50	623,357	36.73	32.2	1,829,639
July 2011	36.30	32.20	1,207,563	34.68	31.04	1,696,465
August 2011	36.57	29.89	916,384	34.74	30.59	562,816
September 2011	31.79	25.25	496,520	31.06	26.32	1,088,161
October 2011	28.48	24.48	621,884	28.29	25.90	879,092
November 2011	28.05	23.93	532,715	28.39	24.71	1,340,465
December 2011	27.10	23.95	749,417	27.60	24.66	775,481

	Preferred Shares			*Convertible Debentures*		
	TSX			**TSX**		
Month	**High Price (US$)**	**Low Price (US$)**	**Volume Traded**	**High Price (US$)**	**Low Price (US$)**	**Volume Traded**
January 2011	25.37	24.50	85,035	125.00	120.00	17,700
February 2011	25.50	24.80	27,033	128.50	120.50	11,020
March 2011	25.50	24.74	188,533	146.00	127.00	60,110
April 2011	25.20	24.80	85,361	154.50	146.75	232,140
May 2011	25.65	24.90	109,452	147.00	141.00	7,140
June 2011	25.99	24.90	51,236	144.50	130.50	189,620
July 2011	25.88	24.95	107,719	138.00	128.50	78,650
August 2011	25.65	24.75	169,003	137.00	123.00	17,310
September 2011	25.10	24.60	29,546	124.52	109.00	4,710
October 2011	25.25	24.75	22,361	115.00	108.00	36,330
November 2011	25.50	24.85	95,399	114.50	107.00	1,670
December 2011	25.35	24.76	12,647	113.00	106.25	870

Transfer agents and registrars

The transfer agent and registrar for the Subordinate Voting Shares, Preferred Shares and Convertible Debentures is Equity Financial Trust Company, 200 University Ave., Suite 400, 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 March 1, 2012:

Name and province/country of residence	Age	Present position and tenure	Principal occupation during last five years
David R. Beatty [1,2,3] *Ontario, Canada*	70	Director since May 15, 2001	Corporate Director; Chair and CEO, Beatinvest Limited (an investment company); formerly the Managing Director of the Canadian Coalition for Good Governance; Director of the Institute of Corporate Directors; Director of the Clarkson Centre for Business Ethics and Board Effectiveness and Professor of Strategic Management at The Rotman School of Management, University of Toronto
Brendan Calder [2,3] *Ontario, Canada*	65	Director since June 14, 1996	Corporate Director; Effective Executive in Residence & Adjunct Professor of Strategic Management at the Rotman School of Management, University of Toronto; Chair of Rotman's Desautels Centre for Integrative Thinking; formerly the founding Chair of the Rotman International Centre for Pension Management
Peter F. Cohen [1,3] *Ontario, Canada*	59	Director since March 30, 1990; Chair of the Board since May 2005	President, Dawsco Group (an Ontario-based real estate and investment company)
Bernard I. Ghert [1] *Ontario, Canada*	72	Director since June 23, 2004	Corporate Director; Chairman of the Independent Review Committee of the Middlefield Group of Funds; President of the B.I. Ghert Family Foundation
Jay S. Hennick *Ontario, Canada*	55	Chief Executive Officer and Director since May 30, 1988	Founder and Chief Executive Officer of the Company
Steven S. Rogers *Ontario, Canada*	55	Director since August 30, 1989	President, Four Box Holdings Inc. (an investment holding company) Prior to July 2011 - President and Chief Executive Officer, Property Services division of the Company
Michael D. Harris [2] *Ontario, Canada*	67	Director since June 26, 2006	Senior Business Advisor, Cassels Brock & Blackwell LP; Senior Business Advisor, Goodmans LLP; President of own consulting firm, Steane Consulting Ltd.; 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 of the Company or until the election or appointment of his successor, unless he resigns, his office becomes vacant or he becomes disqualified to act as a director. 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 March 1, 2012:

Name and province/country of residence	Age	Present position with the Company	First became an officer
Jay S. Hennick *Ontario, Canada*	55	Founder and Chief Executive Officer	1988
D. Scott Patterson *Ontario, Canada*	51	President and Chief Operating Officer	1995
John B. Friedrichsen *Ontario, Canada*	50	Senior Vice President and Chief Financial Officer	1998
Elias Mulamoottil *Ontario, Canada*	42	Senior Vice President, Strategy and Corporate Development	2007
Douglas G. Cooke *Ontario, Canada*	52	Vice President, Corporate Controller and Corporate Secretary	1995
Christian Mayer *Ontario, Canada*	39	Vice President, Finance	2010
Neil Chander *Ontario, Canada*	39	Vice President, Tax	2010

The directors and executive officers of the Company, as a group, own or control 3,118,774 Subordinate Voting Shares, which represents 10.9% of the total Subordinate Voting Shares outstanding. The directors and officers, as a group, control 57.4% 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.

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.

Properties

The following chart provides a summary of the properties occupied by the Company and its subsidiaries as at December 31, 2011:

(square feet)	United States (leased)	United States (owned)	Canada (leased)	Canada (owned)	International (leased)	International (owned)
Commercial Real Estate Services	632,000	-	282,000	-	461,000	-
Residential Property Management	935,000	133,000	60,000	2,000	-	-
Property Services	355,000	-	34,000	-	-	-
Corporate	-	-	-	20,000	-	-

Quarterly results – years ended December 31, 2011 and 2010
(in thousands of US$, except per share amounts)

	Q1	Q2	Q3	Q4	Year
Year ended December 31, 2011					
Revenues	$ 478,382	$ 565,472	$ 585,424	$ 594,893	$2,224,171
Operating earnings	8,623	28,140	32,466	28,832	98,061
Net (loss) earnings	(1,290)	10,932	13,774	78,327	101,743
Net (loss) earnings attributable to common shareholders	(9,877)	3,360	5,061	65,595	64,139
Net (loss) earnings per common share:					
Basic	(0.33)	0.11	0.17	2.19	2.13
Diluted	(0.33)	0.11	0.17	2.01	2.03
Year ended December 31, 2010					
Revenues	$ 402,391	$ 501,372	$ 530,418	$ 552,090	$1,986,271
Operating earnings	12,132	31,707	32,234	21,459	97,532
Net earnings	6,637	14,674	14,366	12,223	47,900
Net (loss) earnings attributable to common shareholders	(526)	2,294	5,370	(3,675)	3,463
Net (loss) earnings per common share:					
Basic	(0.02)	0.08	0.18	(0.12)	0.12
Diluted	(0.02)	0.08	0.18	(0.12)	0.11
Other data					
Adjusted EBITDA - 2011	$ 22,631	$ 46,812	$ 47,633	$ 44,485	$ 161,561
Adjusted EBITDA - 2010	20,066	44,578	45,668	36,996	147,308

Selected annual information – last five fiscal periods
(in thousands of US$, except share and per share amounts)

	Year ended December 31				Nine months ended December 31	Year ended March 31
	2011	**2010**	**2009**	**2008**	**2008**	**2008**
Operations						
Revenues	$2,224,171	$1,986,271	$1,703,222	$1,691,811	$ 1,322,680	$1,549,713
Operating earnings	98,061	97,532	38,181	71,327	83,130	78,122
Net earnings (loss) from continuing operations	101,743	47,900	(7,279)	19,837	26,027	52,277
Net (loss) earnings from discontinued operations	-	-	(576)	45,297	48,840	(2,829)
Net earnings (loss)	101,743	47,900	(7,855)	65,134	74,867	49,448
Financial position						
Total assets	$1,233,718	$1,129,541	$1,009,530	$ 990,637	$ 990,637	$1,089,343
Long-term debt	316,415	240,740	235,994	266,369	266,369	356,030
Convertible debentures	77,000	77,000	77,000	-	-	-
Non-controlling interests	141,404	174,358	164,168	196,765	196,765	232,600
Shareholders' equity	243,619	199,248	166,034	199,141	199,141	131,553
Common share data						
Net earnings (loss) per common share:						
Basic						
Continuing operations	$ 2.13	$ 0.12	$ (1.85)	$ (0.19)	$ 0.12	$ 0.95
Discontinued operations	-	-	(0.02)	1.60	1.71	(0.03)
	2.13	0.12	(1.87)	1.41	1.83	0.92
Diluted						
Continuing operations	$ 2.03	$ 0.11	$ (1.85)	$ (0.19)	$ 0.11	$ 0.89
Discontinued operations	-	-	(0.02)	1.60	1.70	(0.04)
	2.03	0.11	(1.87)	1.41	1.81	0.85
Weighted average common shares outstanding (thousands)						
Basic	30,094	30,081	29,438	29,684	29,584	29,905
Diluted	33,301	30,367	29,516	29,914	29,755	30,547
Preferred share data						
Number outstanding (thousands)	5,623	5,772	5,772	5,772	5,772	5,979
Cash dividends per preferred share	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.31	$ 1.16
Other data						
Adjusted EBITDA	$ 161,561	$ 147,308	$ 133,067	$ 124,745	$ 124,361	$ 123,614
Adjusted earnings per common share	1.81	1.61	1.42	1.37	1.55	1.32

Reconciliation of non-GAAP financial measures

In this AIF, we make reference to "Adjusted EBITDA" "and "Adjusted earnings per common share," which are financial measures that are not calculated in accordance with GAAP.

Adjusted EBITDA is defined as net earnings, adjusted to exclude: (i) income tax; (ii) other expense (income); (iii) interest expense; (iv) depreciation and amortization; (v) goodwill impairment charges; (vi) acquisition-related items; (vii) stock-based compensation expense; (viii) reorganization charges and (ix) cost containment charges. The Company uses Adjusted EBITDA to evaluate its own operating performance and its ability to service debt, as well as an integral part of its planning and reporting systems. Additionally, this measure is used in conjunction with discounted cash flow models to determine the Company's overall enterprise valuation and to evaluate acquisition targets. Adjusted EBITDA is presented as a supplemental measure because the Company believes such measure is useful to investors as a reasonable indicator of operating performance because of the low capital intensity of its service operations. The Company believes this measure is a financial metric used by many investors to compare companies, especially in the services industry. This measure 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 flow from operating activities, as determined in accordance with GAAP. The Company's method of calculating Adjusted EBITDA may differ from other issuers and accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of net earnings to Adjusted EBITDA appears below.

(in thousands of US$)	Year ended December 31		
	2011	2010	2009
Net earnings (loss) from continuing operations	**$ 101,743**	$ 47,900	$ (7,279)
Income tax	**(26,807)**	29,228	39,066
Other expense (income)	**6,317**	3,007	(6,112)
Interest expense, net	**16,808**	17,397	12,506
Operating earnings	**98,061**	97,532	38,181
Depreciation and amortization	**50,926**	47,886	46,383
Goodwill impairment charge	**-**	-	29,583
Acquisition-related items	**4,649**	(871)	-
Stock-based compensation expense	**2,335**	2,761	5,424
Reorganization charge	**5,590**	-	-
Cost containment	**-**	-	13,496
Adjusted EBITDA	**$ 161,561**	$ 147,308	$ 133,067

Adjusted earnings per common share is defined as diluted net earnings (loss) per common share, adjusted for the effect, after income tax, of: (i) the non-controlling interest redemption increment; (ii) acquisition-related items; (iii) amortization of intangible assets recognized in connection with acquisitions; (iv) goodwill impairment charges; (v) stock-based compensation expense; (vi) cost containment charges; (vii) realized gain on available-for-sale securities; (viii) impairment loss on equity investments; (ix) reorganization charges; and (x) deferred income tax asset valuation allowances related to tax loss carry-forwards. The Company believes this measure is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company and enhances the comparability of operating results from period to period. Adjusted earnings per common share is not a recognized measure of financial performance under GAAP, and should not be considered as a substitute for diluted net earnings per common share, as determined in accordance with GAAP. The Company's method of calculating this non-GAAP measure may differ from other issuers and, accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of diluted net earnings (loss) per common share to Adjusted earnings per common share appears below.

(in thousands of US$)	Year ended December 31		
	2011	2010	2009
Diluted net earnings (loss) per common share from continuing operations	**$ 2.03**	$ 0.11	$ (1.85)
Non-controlling interest redemption increment	**0.42**	0.62	1.10
Acquisition-related items	**0.14**	0.03	-
Amortization of intangible assets, net of tax	**0.41**	0.40	0.39
Goodwill impairment charge	**-**	-	0.93
Stock-based compensation expense, net of tax	**0.05**	0.06	0.11
Cost containment, net of tax	**-**	-	0.30
Realized gain on available-for-sale securities, net of tax	**-**	-	(0.10)
Impairment loss on equity investment	**0.10**	-	-
Reorganization charge	**0.12**	-	-
Deferred income tax asset valuation allowance	**(1.46)**	0.39	0.54
Adjusted earnings per common share	**$ 1.81**	$ 1.61	$ 1.42

We believe that the presentation of Adjusted EBITDA and Adjusted earnings per common share, which are non-GAAP financial measures, provides important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. We use these non-GAAP financial measures when evaluating operating performance because we believe that the inclusion or exclusion of the items described above, for which the amounts are non-cash or non-recurring in nature, provides a supplemental measure of our operating results that facilitates comparability of our operating performance from period to period, against our business model objectives, and against other companies in our industry. We have chosen to provide this information to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our core business and the valuation of the Company. Adjusted EBITDA and Adjusted earnings per common share are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs or benefits associated with the operations of our business as determined in accordance with GAAP. As a result, investors should not consider these measures in isolation or as a substitute for analysis of our results as reported under GAAP.

Risk factors

Investors in the Company's securities should carefully consider the following risks, as well as the other information contained in this AIF and Management's discussion and analysis of results of operations and financial condition for the year ended December 31, 2011. If any of the following risks actually occurs, the Company's business could be materially harmed. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties, including those of which the Company is currently unaware or the Company currently deems immaterial, may also adversely affect the Company's business.

Economic conditions, especially as they relate to credit conditions and consumer spending

During periods of economic slowdown or contraction, our business is impacted directly. Credit conditions affect commercial real estate transactions, which reduces the demand for our services. Consumer spending directly impacts our franchising and branchising businesses because as consumers spend less on property services, our revenues decline. These factors could also negatively impact the timing or the ultimate collection of accounts receivable, which would negatively impact our operating revenues, profitability and cash flow.

Commercial real estate property values, vacancy rates and general conditions of financial liquidity for real estate transactions
Since our Commercial Real Estate segment accounted for 45% of our revenues in 2011, factors affecting the commercial real estate industry have a direct impact on our operations. Property values have a direct impact on the commissions earned on sales transactions. Vacancy rates affect the market lease rates that are the basis of leasing commissions earned. Both property values and vacancy rates can influence the number of sales transactions that occur.

Extreme weather conditions impact demand for our services or our ability to perform those services
Natural disasters, such as hurricanes, can have a direct impact in our Property Services and Residential Property Management segments. These events damage property, which require various services that our companies offer such as restoration and large-scale landscaping. They may also harm our employees, facilities and franchisees, resulting in an inability to serve clients and generate revenues.

Economic deterioration impacts our ability to recover goodwill and other intangible assets
Expectations of future earnings drive the recoverability of goodwill and other intangible assets, which are tested, at least, on an annual basis. During the year ended December 31, 2009, we recorded a $29.6 million impairment charge to our Commercial Real Estate segment's goodwill. A future deterioration of operating performance may necessitate additional non-cash impairment charges.

Ability to generate cash from our businesses to fund future acquisitions and meet our debt obligations
We rely on our businesses to generate the necessary cash to service our financial obligations. As at December 31, 2011, including convertible debentures of $77.0 million, we have $393.4 million of debt outstanding ($295.6 million net of cash) that will be required to be refinanced or repaid over the next five years. We also have $60.9 million of available un-drawn credit at December 31, 2011. To date, we have been able to meet all of our debt obligations, however with a decline in performance in some of our businesses, surplus cash may not be available to be remitted which may result in the inability to meet a debt repayment.

An important component of our growth strategy is strategic and selective acquisitions, which we tend to complete with cash. Although we have a revolving credit facility available to us as noted above, we also rely on surplus cash on hand to fund acquisitions. If cash on hand is not available and the credit facility is fully utilized, then future acquisitions may not be possible.

The effects of changes in foreign exchange rates in relation to the US dollar on our Canadian dollar, Australian dollar and Euro denominated revenues and expenses
We generate approximately 31% of our revenues outside of the United States. Consequently, our consolidated results are impacted directly by fluctuations in the relative strength of the US dollar versus the Canadian dollar, Australian dollar and Euro currencies.

In the future, in our Commercial Real Estate segment, we expect to acquire additional international operations. As a consequence, the impact of foreign currency exchange rate fluctuations may increase.

Competition in the markets served by the Company
We operate in highly competitive markets. Changes in the source and intensity of competition in the markets served by us impact the demand for our services and may result in additional pricing pressures. The relatively low capital cost of entry to certain of our businesses has led to strong competitive markets, including regional and local owner-operated companies. Regional and local competitors operating in a limited geographic area may have lower labour, benefits and overhead costs. The principal methods of competition in our businesses include name recognition, quality and speed of service, pricing, customer satisfaction and reputation. No assurance can be given that we will be able to compete successfully against current or future competitors and that the competitive pressures that we face will not result in reduced market share or negatively impact our financial performance.

Labour shortages or increases in wage and benefit costs
As a services company, our primary asset is the human capital that comprises our workforce. In particular, we rely on property managers, real estate brokers, franchisees and other skilled staff to generate revenues. A shortage, or increase in wage and benefit costs, of this human capital could reduce our revenues and profitability.

The effects of changes in interest rates on our cost of borrowing
As at December 31, 2011, we had $186.4 million of debt at variable interest rates. As a result, changes in base rates such as LIBOR affect our interest expense as these base rates fluctuate. On our fixed rate debt, we have from time-to-time entered into fixed-for-floating interest rate swaps, where advantageous, to convert the fixed interest payments to floating. These swaps are intended to manage interest rate sensitivity and reduce overall interest costs.

Continued compliance with the financial covenants under our debt agreements, or our ability to negotiate a waiver of certain covenants with our lenders
Although we have always been in compliance with our financial covenants, a prolonged decline in our earnings performance could result in a non-compliance with one or more financial covenants. While we maintain good relationships with our lenders, the current economic climate may test our relationships especially if a covenant is breached. If the Company fails to meet its payment or other obligations under its amended and restated credit facility, the lenders will be entitled to demand immediate repayment of all amounts owing and thereafter, if unpaid, exercise their secured creditor rights.

Unexpected increases in operating costs, such as insurance, workers' compensation, health care and fuel prices
As a services company, the costs of providing services to our customers can fluctuate. Certain operating costs, such as fuel prices, are based on market rates which we cannot control and, absent an offsetting price increase in our services, have a direct impact on our operating margins.

Changes in the frequency or severity of insurance incidents relative to our historical experience
Adverse changes in claims experience could increase our insurance costs and/or increase the risk of being unable to renew insurance coverage at our operations. In our Residential Property Management and Property Services segments, we effectively self-insure certain risks, with a layer of third-party insurance for catastrophic claims. An increase in the frequency or severity of claims in these areas could materially affect our financial position and results of operations. There can be no assurance that we will be able to obtain insurance coverage on favourable economic terms in the future.

Our ability to make acquisitions at reasonable prices and successfully integrate acquired operations
As an acquisitive organization, we actively pursue acquisitions to expand our global footprint and services offerings as well as supplement existing businesses. Not only does our acquisition strategy depend on the continued availability of suitable targets, it also depends on the ability to negotiate favorable terms and conditions. Another risk with acquisitions is the ability to integrate the acquired business into an existing service line.

Declaration of dividends on the Preferred Shares
Future dividends on the Preferred Shares will depend on the Company's results of operations, financial condition, capital requirements, general business conditions and other factors that the Company's Board of Directors may deem relevant. Additionally, under the Company's amended and restated credit facility, the Company is not permitted to pay dividends, whether in cash or *in specie*, in the circumstances of an event of default thereunder occurring and continuing or an event of default occurring as a consequence thereof.

Risks arising from any regulatory review and litigation
While management is not currently aware of any formal regulatory reviews or investigations, the commencement of any such reviews or investigations may result in the diversion of significant management attention and resources and, if the securities regulators determine that a violation of securities or other laws may have occurred, or has occurred, the Company or its officers and directors may receive notices regarding potential enforcement action or prosecution and could be subject to civil or criminal penalties or other remedies. For example, the Company or its officers could be required to pay substantial damages, fines or other penalties, the regulators could seek an injunction against the Company or seek to ban an officer or director of the Company from acting as such, any of which actions would have a material adverse effect on the Company.

Intellectual property and other proprietary rights that are material to our business
Our ability to compete effectively depends in part on our rights to service marks, trademarks, trade names and other intellectual property rights we own or license (including "Colliers International"). We have not sought to register every one of our marks in every country in which they are used. Furthermore, because of the differences in foreign trademark, patent and other intellectual property or proprietary rights laws, we may not receive the same protection in other countries as we would in Canada or the United States. If we are unable to protect our proprietary information and brand names, we could suffer a material adverse effect on our business, financial condition or results of operations. Litigation may be necessary to enforce our intellectual property rights and protect our proprietary information, or to defend against claims by third parties that our products or services infringe their intellectual property rights. Any litigation or claims brought by or against us could result in substantial costs and diversion of our resources. A successful claim of trademark, patent or other intellectual property infringement against us, or any other successful challenge to the use of our intellectual property, could subject us to damages or prevent us from providing certain services under our recognized brand names, which could have a material adverse effect on our business, financial condition or results of operations.

Disruptions or security failures in our information technology systems
Our information technology systems facilitate our ability to monitor, operate and control our operations. While we have disaster recovery plans in place, any disruption in these plans or the failure of our information technology systems to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results by limiting, among other things, our capacity to monitor, operate and control our operations effectively. In addition, because our systems contain information about individuals and businesses, our failure to maintain the security of the data we hold, whether the result of our own error or the malfeasance or errors of others, could harm our reputation or give rise to legal liabilities relating to violations of privacy laws or otherwise, which may lead to lower revenues, increased costs and other material adverse effects on our results of operations.

Colliers International
A key area of competitive advantage for the Commercial Real Estate Services unit is derived from its membership in CIPC. In the event that the Commercial Real Estate Services unit were to lose the license for Colliers International, its prospects could be adversely affected. However, as the Commercial Real Estate Services unit is currently the largest member and controlling shareholder of CIPC, we believe that this is unlikely.

Multiple voting shares and a change of control
The existence of the Multiple Voting Shares results in various impediments on the ability or desire of a third party to acquire control of the Company. This may discourage, delay or prevent a change of control of the Company or an acquisition of the Company at a price that shareholders may find attractive. The existence of the Multiple Voting Shares also may discourage proxy contests and make it difficult or impossible for the Company's holders of Subordinate Voting Shares to elect directors and take other corporate actions.

Blank cheque preference shares
The Company has the right to issue so-called "blank cheque" preference shares which may affect the voting and liquidation rights of holders of Common Shares. The Company's Board of Directors is authorized, without any further shareholder approval, to issue one or more additional series of preference shares in an unlimited number and to set the rights, privileges, restrictions and conditions attached thereto.

Ownership of Convertible Debentures
Risks relating to the ownership of Convertible Debentures are set out in the section entitled "Risk Factors – Risk Factors Relating to the Ownership of Convertible Debentures" contained in the Company's (final) prospectus dated November 3, 2009 qualifying the distribution of the Convertible Debentures, which section is incorporated herein by reference.

Political conditions, including any outbreak or escalation of terrorism or hostilities and the impact thereof on our business
Political events and situations can have an effect on our Company because of our global operations. Events could occur that may hamper our ability to manage operations, extract cash and implement FirstService policies in certain regions, particularly in developing countries that have had a recent history of political and economic instability.

Changes in government policies at the federal, state/provincial or local level that may adversely impact our businesses
As a multinational company, changes in laws and regulation at the different jurisdictional levels can have direct effect on our operations. It is difficult to predict the future impact of the legislative and regulatory requirements affecting our businesses. The laws and regulations applicable to our businesses will likely change in the future and affect our operations and financial performance. In addition, if we were to fail to comply with any applicable law or regulation, we could be subject to substantial fines or damages, be involved in litigation, suffer losses to our reputation and suffer the loss of licenses or penalties that may affect how our business is operated, which, in turn, would have a material adverse effect on our business, financial condition and results of operations.

Management's discussion and analysis
The section entitled "Management's discussion and analysis of results of operations and financial condition" within the Company's December 31, 2011 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 is reasonably expected to 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 section entitled "Executive Compensation – Management Contract" contained in the Circular, which section is incorporated herein by reference.

The Company entered into a: (i) Note and Guarantee Agreement dated as of April 1, 2005 among the Company, FirstService Delaware, LP and others in respect of the Company's 5.44% Guaranteed Senior Secured Notes due 2015; and (ii) Note and Guarantee Agreement dated as of September 29, 2003 among the Company, FirstService Delaware, LP and others in respect of the Company's 6.40% Guaranteed Secured Notes due 2015. The foregoing Note and Guarantee Agreements were entered into in connection with the Company's issuance of guaranteed senior secured notes on the dates indicated. The Note and Guarantee Agreements, and subsequent amendments, are available on SEDAR.

On November 10, 2009, the Company completed a public offering in Canada of Convertible Debentures. The Convertible Debentures were issued pursuant to the Indenture. See "Capital structure – Convertible Debentures" above for a summary of the material terms of the Convertible Debentures and the Indenture. The Indenture is available on SEDAR.

On March 1, 2012, the Company entered into a revised credit agreement (the “New Credit Agreement”) with a syndicate of lenders. The New Credit Agreement increases the committed senior revolving credit facility to $350 million from $275 million and includes an uncommitted accordion provision allowing for an additional $100 million of borrowing capacity under certain circumstances. The New Credit Agreement has a five year term ending March 1, 2017 and bears interest at 1.25% to 3.00% over floating reference rates, depending on certain leverage ratios. The remaining terms were substantially unchanged from the prior credit agreement. The New Credit Agreement will be made available on SEDAR.

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: (i) 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; (ii) Michael D. Harris who (A) is a director of Grant Forest Products Inc., an Ontario corporation, which, among others, filed for and obtained protection under the *Companies' Creditors Arrangement Act* on June 25, 2009 and (B) was a director of Naturade, Inc., a company publicly traded in the United States, from December 2005 until August 2006, which company, within a year after Mr. Harris' resignation as a director, filed for reorganization under Chapter 11 of the US Bankruptcy Code; and (iii) Brendan Calder, who is a director of Coventree Inc. ("Coventree"). In 2009, staff of the Ontario Securities Commission ("OSC") commenced proceedings against Coventree with respect to alleged breaches of Ontario securities laws relating to Coventree's continuous disclosure obligations. In September 2011, the OSC released its decision and concluded that Coventree breached sections 75(1) and 75(2) of the *Securities Act* (Ontario) by (a) failing to file a news release and material change report in respect of the decision of Dominion Bond Rating Service in January of 2007 to change its credit rating methodology; and (b) failing to file a news release and a material change report with respect to liquidity and liquidity-related events and the risk of a market disruption in the days leading up to the ABCP market disruption that occurred on August 13, 2007. In a decision released on November 9, 2011, the OSC ordered Coventree to pay an administrative penalty of $1 million and to pay $250,000 of the costs incurred by OSC staff in connection with the hearing. The OSC also ordered that trading in any securities by Coventree cease and that any Ontario securities law exemptions not apply to Coventree until its winding up is completed, provided that these orders will not prevent the winding up of Coventree or trades in securities reasonably related to that winding up. Mr. Calder was a director of Coventree in 2007 during the period of time to which the OSC proceedings relate, however no proceedings were brought against Mr. Calder in his individual capacity with respect to these matters.

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 registered public accounting firm is PricewaterhouseCoopers LLP, who has issued an independent auditors' report dated March 1, 2012 in respect of the Company's consolidated financial statements as of December 31, 2011 and 2010 and for each of the years in the three year period ended December 31, 2011 and on the effectiveness of the Company's internal control over financial reporting as at December 31, 2011. 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 U.S. Securities and Exchange Commission.

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 December 31, 2011 were Messrs. Ghert, Beatty and Cohen. Mr. Ghert was appointed Chair of the Audit Committee in May 2005. 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. All reports made to the Company's ethics hotline are reviewed by the Audit Committee at its next meeting. The Board has adopted an Audit Committee mandate, a copy of which is annexed as Exhibit "A" to this AIF. 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 currently 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), Director of the Institute of Corporate Directors, Director of the Clarkson Centre for Business Ethics and Board Effectiveness and Professor of Strategic Management at The Rotman School of Management, University of Toronto. Mr. Beatty was previously the founding Managing Director of the Canadian Coalition for Good Governance, 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. in Economics.

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 periods:

(in thousands of C$)	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Audit fees (note 1)	$ 1,550	$ 1,545
Audit-related fees (note 2)	325	218
Tax fees (note 3)	145	177
All other fees (note 4)	5	10
	$ 2,025	**$ 1,950**

Notes:

1. Refers to the aggregate fees billed by the Company's external auditor for audit services relating to the audit of FirstService Corporation.
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 amounts 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; statutory audits required by subsidiaries, 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 licensing and subscriptions to accounting and tax research tools.

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 financial statements and Management's discussion and analysis of results of operations and financial condition for the year ended December 31, 2011.

Upon request, the Corporate 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 pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities:
   (i) one copy of the current 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 consolidated financial statements of the Company for its most recently completed financial year for which financial statements have been filed together with the accompanying reports of the auditors and one copy of the most recent interim consolidated financial statements of the Company that have been filed, if any, for any period after the end of its most recently completed financial year;
   (iii) one copy of the 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 that 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 (i) to (iii) above.

(b) at any other time, one copy of any document referred to in (a)(i), (ii) and (iii) above, 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.

EXHIBIT "A"

AUDIT COMMITTEE MANDATE

Purpose

The Audit Committee (the "Committee") is appointed by and shall assist the Board of Directors (the "Board") of FirstService Corporation (the "Company") in fulfilling its oversight responsibilities in the following principal areas: (i) accounting policies and practices, (ii) the financial reporting process, (iii) financial statements provided by the Company to the public, (iv) risk management including systems of accounting and financial controls, (v) appointing, overseeing and evaluating the work and independence of the external auditors, and (vi) compliance with applicable legal and regulatory requirements. In addition to the responsibilities specifically enumerated in this Mandate, the Board may refer to the Committee such matters and questions relating to the financial position and operations of the Company and its subsidiaries as the Board may from time to time see fit.

Membership

The Committee shall consist of at least three directors appointed annually by the Board and selected based upon the following, in accordance with applicable laws, rules and regulations:

Independence. Each member shall be independent in accordance with applicable legal and regulatory requirements and in such regard shall have no direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

Financially Literate. Each member shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee. For these purposes, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Commitment. In addition to being a member of the Committee, if a member is also on the audit committee or board of directors of other public companies or organizations, the Board shall determine that such simultaneous service does not impair the ability of such member to serve effectively on the Committee.

Chair and Secretary

The Chair of the Committee shall be selected by the Board. If the Chair is not present, the members of the Committee may designate a Chair for the meeting by majority vote of the members present. The Secretary of the Company shall be the Secretary of the Committee, provided that if the Secretary is not present, the Chair of the meeting may appoint a secretary for the meeting with the consent of the other Committee members who are present.

Meetings

The times and locations of meetings of the Committee and the calling of and procedures at such meetings, shall be determined from time to time by the Chair of the Committee, in consultation with management when necessary, provided that there shall be a minimum of four meetings per year. The Committee shall have sufficient notice in order to prepare for each meeting. Notice of each meeting shall also be given to the external auditors of the Company, and meetings shall be convened whenever requested by the external auditors or any member of the Committee in accordance with applicable law.

Meeting Agendas

Agendas for meetings of the Committee shall be developed by the Chair of the Committee in consultation with management and the corporate secretary, and shall be circulated to the Committee members prior to any meetings.

Resources and Authority
The Committee shall have the resources and the authority to discharge its responsibilities, including the authority to engage, at the expense of the Company, outside consultants, independent legal counsel and other advisors as it determines necessary to carry out its duties, without seeking approval of the Board or management.

The Committee shall have the authority to conduct any investigation necessary and appropriate to fulfilling its responsibilities, and has direct access and authority to communicate directly with the external auditors, legal counsel and officers and employees of the Company.

The members of the Committee have the right, for the purpose of performing their duties, to inspect the books and records of the Company and to discuss such accounts and records and any matters relating to the financial position, risk management and internal controls of the Company with the officers and external auditors of the Company.

Responsibilities
The Company's management is responsible for preparing the Company's financial statements while the external auditors are responsible for auditing those financial statements. The Committee is responsible for overseeing the conduct of those activities by the Company's management and external auditors, and overseeing the activities of any internal audit initiatives. The Company's external auditors are accountable to the Committee as representatives of the Company's shareholders.

It is recognized that members of the Committee are not full-time employees of the Company and do not represent themselves to be accountants or auditors by profession or experts in the fields of accounting or auditing or the preparation of financial statements. It is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from whom it receives information, and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary.

The specific responsibilities of the Committee are as follows:

Financial Reporting Process and Financial Statements
In consultation with the external auditors and management, review the integrity of the Company's financial reporting process, both internal and external, and any major issues as to the adequacy of the internal controls and any special audit procedures adopted in light of any material control deficiencies; Review all material transactions and contracts entered into by the Company with any insider or related party of the Company, other than director, officer or employee compensation which is approved by the Compensation Committee; Review with management and the external auditors the Company's annual audited consolidated financial statements and discuss with the external auditors all matters required to be discussed by generally accepted auditing standards (GAAS) in Canada and the Public Company Accounting Oversight Board (United States). This would include reviewing the annual audit committee report prepared by the external auditors describing: (i) all critical accounting policies used by the Company, (ii) any material alternative accounting treatments within generally accepted accounting principles (GAAP) that have been discussed with management of the Company, including the ramifications of the use of such alternative treatments and disclosures, and (iii) any other material written communications between the external auditors and management; Following completion of the annual audit, review with management and the external auditors any significant issues, concerns or difficulties encountered and resolve any disagreements between management and the external auditors; Review the interim quarterly and annual financial statements and annual and interim press releases prior to the release of earnings information, including earnings guidance provided to analysts; Review and be satisfied that adequate procedures are in place for the review of the public disclosure of financial information by the Company extracted or derived from the Company's financial statements, other than as referred to in (f), and periodically assess the adequacy of those procedures; and Meet separately with management and with the external auditors, including at the time of the annual audit plan review with management and the external auditors.

External Auditors
The Committee shall require the external auditor to report directly to it and is responsible for the selection, nomination, compensation, retention, termination and oversight of the work of the external auditors engaged for the purpose of issuing an auditor's report or performing other audit, review or attest services for the Company, and in such regard recommend to the Board the external auditors to be nominated for approval by the shareholders; Pre-approve all audit engagements and the provision by the external auditors of all non-audit services, including fees and terms for all audit and non-audit engagements, and in such regard the Committee may establish the types of non-audit services the external auditors shall be prohibited from providing and shall establish the types of audit, audit related and non-audit services for which the Committee will retain the external auditors. The Committee may delegate the responsibility to pre-approve non-audit services to one of its members and any such delegated pre-approvals shall be presented to the Committee at its next scheduled meeting ; Review and approve the Company's policies for the hiring of partners and employees and former partners and employees of the external auditing firm; Consider, assess and report to the Board with regard to the independence and performance of the external auditors; and Request and review annually a report by the external auditors regarding the auditing firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the past five years.

Internal Controls and Risk Management
Oversee management's design, implementation and evaluation of the Company's internal controls over financial reporting, including compliance with the requirements of the Sarbanes-Oxley Act. Receive and review reports from management and the external auditors with regard to the reliability and effective operation of the Company's accounting systems and internal controls; Discuss with management the Company's approach to risk assessment and management, controls over fraud and assessment of the need for internal auditing; Establish policies and procedures for the confidential, anonymous submission by employees of the Company of any concerns regarding questionable accounting or other acts and for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters.

Legal and Regulatory Requirements
Receive and review timely analysis by management of significant issues relating to public disclosure and reporting, including, prior to finalization, the Management's Discussion and Analysis and Annual Information Form; Prepare the report of the Committee required to be included with the Company's periodic filings; and Assist the Board in the oversight of compliance with legal and regulatory matters.

Additional Responsibilities
Report regularly to the Board, including on matters such as the quality and integrity of the Company's financial statements, compliance with legal and regulatory requirements, the results of any internal audit initiatives, including evaluation of internal controls over financial reporting for purposes of compliance with Sarbanes-Oxley, and the performance and independence of the external auditors; and Reassess annually the adequacy of the Committee's Mandate and prepare and review with the Board an annual performance evaluation of the Committee.

EXHIBIT 2

FIRSTSERVICE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

Year ended

December 31, 2011

FIRSTSERVICE CORPORATION

MANAGEMENT'S REPORT
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 registered public accounting firm of the Company by the shareholders. Their report outlines the scope of their examination and 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 six individually insignificant entities acquired by the Company during the last fiscal period from its assessment of internal control over financial reporting as at December 31, 2011. The total assets and total revenues of the six individually insignificant controlled entities represent 3.3% and 0.9%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2011.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2011, 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 December 31, 2011, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as at December 31, 2011, has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm as stated in their report which appears herein.

/s/ Jay S. Hennick
Chief Executive Officer
March 1, 2012

/s/ John B. Friedrichsen
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of FirstService Corporation

We have audited the accompanying consolidated balance sheets of FirstService Corporation as of December 31, 2011 and December 31, 2010, and the related consolidated statements of earnings (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2011. We also have audited FirstService Corporation's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management is responsible for these consolidated financial statements, 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 these consolidated financial statements and an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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 six entities acquired by the Company from its assessment of internal control over financial reporting as at December 31, 2011 because these entities were acquired by the Company in purchase business combinations during the year ended December 31, 2011. We have also excluded these entities acquired by the company during the year ended December 31, 2011 from our audit of internal control over financial reporting. The total assets and total revenues of these majority owned entities represent 3.3% and 0.9%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2011.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FirstService Corporation as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, FirstService Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by COSO.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
March 1, 2012

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

Years ended December 31	**2011**	2010	2009
Revenues	**$ 2,224,171**	$1,986,271	$1,703,222
Cost of revenues (exclusive of depreciation and amortization shown below)	**1,436,214**	1,221,323	1,062,406
Selling, general and administrative expenses	**634,321**	620,401	526,669
Depreciation	**30,661**	28,280	26,833
Amortization of intangible assets	**20,265**	19,606	19,550
Goodwill impairment charge (note 11)	**-**	-	29,583
Acquisition-related items (note 5)	**4,649**	(871)	-
Operating earnings	**98,061**	97,532	38,181
Interest expense	**17,975**	18,347	13,923
Interest income	**(1,167)**	(950)	(1,417)
Other expense (income), net (note 6)	**6,317**	3,007	(6,112)
Earnings before income tax	**74,936**	77,128	31,787
Income tax (note 16)	**(26,807)**	29,228	39,066
Net earnings (loss) from continuing operations	**101,743**	47,900	(7,279)
Net loss from discontinued operations, net of income tax (note 4)	**-**	-	(576)
Net earnings (loss)	**101,743**	47,900	(7,855)
Non-controlling interest share of earnings (note 13)	**14,692**	15,420	4,397
Non-controlling interest redemption increment (note 13)	**12,941**	18,916	32,602
Net earnings (loss) attributable to Company (note 17)	**74,110**	13,564	(44,854)
Preferred share dividends	**9,971**	10,101	10,101
Net earnings (loss) attributable to common shareholders	**$ 64,139**	$ 3,463	$ (54,955)
Net earnings (loss) per common share (note 18)			
Basic			
Continuing operations	**$ 2.13**	$ 0.12	$ (1.85)
Discontinued operations	**-**	-	(0.02)
	$ 2.13	$ 0.12	$ (1.87)
Diluted			
Continuing operations	**$ 2.03**	$ 0.11	$ (1.85)
Discontinued operations	**-**	-	(0.02)
	$ 2.03	$ 0.11	$ (1.87)

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

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

As at December 31	2011	2010
Assets		
Current assets		
Cash and cash equivalents	**$ 97,799**	$ 100,359
Restricted cash	**4,493**	4,337
Accounts receivable, net of allowance of $19,700 (December 31, 2010 - $18,752)	**286,019**	262,654
Income tax recoverable	**9,661**	7,211
Inventories (note 7)	**11,831**	9,140
Prepaid expenses and other current assets	**23,874**	23,036
Deferred income tax (note 16)	**16,527**	12,893
	450,204	419,630
Other receivables	**6,684**	8,452
Other assets (note 8)	**10,344**	19,352
Fixed assets (note 9)	**94,150**	86,134
Deferred income tax (note 16)	**87,940**	22,922
Intangible assets (note 10)	**188,909**	193,194
Goodwill (note 11)	**395,487**	379,857
	783,514	709,911
	$1,233,718	$1,129,541
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	**$ 82,114**	$ 72,263
Accrued liabilities (note 7)	**272,106**	273,894
Income tax payable	**3,214**	3,261
Unearned revenues	**19,448**	22,143
Long-term debt - current (note 12)	**216,373**	39,249
Deferred income tax (note 16)	**995**	1,094
	594,250	411,904
Long-term debt - non-current (note 12)	**100,042**	201,491
Convertible debentures (note 12)	**77,000**	77,000
Contingent acquisition consideration	**10,166**	12,088
Other liabilities	**29,077**	20,277
Deferred income tax (note 16)	**38,160**	33,175
	254,445	344,031
Non-controlling interests (note 13)	**141,404**	174,358
Shareholders' equity		
Preferred shares (note 14)	**140,561**	144,307
Common shares (note 14)	**110,821**	106,473
Contributed surplus	**27,970**	26,782
Deficit	**(63,958)**	(110,553)
Accumulated other comprehensive earnings	**28,225**	32,239
	243,619	199,248
	$1,233,718	$1,129,541

Commitments and contingencies (notes 14 and 21)

The accompanying notes are an integral part of these 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 information)

	Preferred shares		Common shares				Accumulated other comprehensive earnings	Total shareholders' equity
	Issued and outstanding shares	Amount	Issued and outstanding shares	Amount	Contributed surplus	Deficit		
Balance, December 31, 2008	5,772,274	$144,307	29,333,484	$ 86,913	$ 25,899	$ (59,061)	$ 1,083	$ 199,141
Comprehensive earnings:								
Net earnings	-	-	-	-	-	(7,855)	-	(7,855)
Foreign currency translation adjustments	-	-	-	-	-	-	18,339	18,339
Less: amount attributable to NCI	-	-	-	-	-	-	(701)	(701)
Comprehensive earnings								9,783
NCI share of earnings	-	-	-	-	-	(4,397)	-	(4,397)
NCI redemption increment	-	-	-	-	-	(32,602)	-	(32,602)
Subsidiaries' equity transactions	-	-	-	-	(773)	-	-	(773)
Subordinate Voting Shares:								
Stock option expense	-	-	-	-	1,833	-	-	1,833
Stock options exercised	-	-	246,755	3,645	(1,119)	-	-	2,526
Tax benefit on options exercised	-	-	-	-	188	-	-	188
Issued for purchase of NCI	-	-	44,671	436	-	-	-	436
Preferred Shares:								
Dividends (note 14)	-	-	-	-	-	(10,101)	-	(10,101)
Balance, December 31, 2009	5,772,274	144,307	29,624,910	90,994	26,028	(114,016)	18,721	166,034
Comprehensive earnings:								
Net loss	-	-	-	-	-	47,900	-	47,900
Foreign currency translation adjustments	-	-	-	-	-	-	14,360	14,360
Less: amount attributable to NCI	-	-	-	-	-	-	(842)	(842)
Comprehensive earnings								61,418
NCI share of earnings	-	-	-	-	-	(15,420)	-	(15,420)
NCI redemption increment	-	-	-	-	-	(18,916)	-	(18,916)
Subsidiaries' equity transactions	-	-	-	-	(31)	-	-	(31)
Subordinate Voting Shares:								
Stock option expense	-	-	-	-	2,575	-	-	2,575
Stock options exercised	-	-	311,950	6,404	(1,853)	-	-	4,551
Tax benefit on options exercised	-	-	-	-	63	-	-	63
Issued for purchase of NCI	-	-	381,414	9,075	-	-	-	9,075
Preferred Shares:								
Dividends (note 14)	-	-	-	-	-	(10,101)	-	(10,101)
Balance, December 31, 2010	5,772,274	$144,307	30,318,274	$106,473	$ 26,782	$(110,553)	$ 32,239	$ 199,248

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

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

	Preferred shares		Common shares				Accumulated other	
	Issued and outstanding shares	Amount	Issued and outstanding shares	Amount	Contributed surplus	Deficit	comprehensive earnings	Total shareholders' equity
Balance, December 31, 2010	5,772,274	$ 144,307	30,318,274	$ 106,473	$ 26,782	$(110,553)	$ 32,239	$ 199,248
Comprehensive earnings:								
Net earnings	-	-	-	-	-	101,743	-	101,743
Foreign currency translation adjustments	-	-	-	-	-	-	(4,185)	(4,185)
Less: amount attributable to NCI	-	-	-	-	-	-	171	171
Comprehensive earnings								97,729
NCI share of earnings	-	-	-	-	-	(14,692)	-	(14,692)
NCI redemption increment	-	-	-	-	-	(12,941)	-	(12,941)
Subsidiaries' equity transactions	-	-	-	-	310	-	-	310
Subordinate Voting Shares:								
Stock option expense	-	-	-	-	2,335	-	-	2,335
Stock options exercised	-	-	262,750	7,112	(1,922)	-	-	5,190
Tax benefit on options exercised	-	-	-	-	465	-	-	465
Purchased for cancellation	-	-	(639,770)	(2,764)	-	(17,544)	-	(20,308)
Preferred Shares:								
Purchased for cancellation	(149,640)	(3,746)	-	-	-	-	-	(3,746)
Dividends (note 14)	-	-	-	-	-	(9,971)	-	(9,971)
Balance, December 31, 2011	**5,622,634**	**$ 140,561**	**29,941,254**	**$ 110,821**	**$ 27,970**	**$ (63,958)**	**$ 28,225**	**$ 243,619**

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

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

Years ended December 31	**2011**	2010	2009
Cash provided by (used in)			
Operating activities			
Net earnings (loss)	**$ 101,743**	$ 47,900	$ (7,855)
Net loss from discontinued operations	**-**	-	576
Items not affecting cash:			
Depreciation and amortization	**50,926**	47,886	46,383
Goodwill impairment charge	**-**	-	29,583
Deferred income tax	**(64,512)**	(7,440)	(3,178)
Loss (earnings) from equity method investments	**3,475**	4,046	(1,548)
Stock option expense	**2,335**	2,761	2,649
Other	**7,611**	(3,927)	1,635
Incremental tax benefit on stock options exercised	**(465)**	(63)	(188)
Changes in non-cash working capital:			
Accounts receivable	**(22,452)**	(39,078)	(38,301)
Inventories	**(2,359)**	299	1,114
Prepaid expenses and other current assets	**(1,796)**	1,348	(2,614)
Accounts payable	**10,956**	4,603	3,383
Accrued liabilities	**(7,325)**	66,184	49,063
Income tax payable	**(1,383)**	(3,331)	3,271
Unearned revenues	**(2,946)**	764	(6,203)
Other liabilities	**6,406**	(6,901)	5,527
Discontinued operations	**-**	-	(2,248)
Net cash provided by operating activities	**80,214**	115,051	81,049
Investing activities			
Acquisitions of businesses, net of cash acquired (note 3)	**(22,975)**	(34,710)	(16,831)
Investment in equity securities (note 8)	**-**	-	(13,955)
Purchases of fixed assets	**(37,400)**	(32,460)	(24,234)
Changes in restricted cash	**(156)**	702	5,201
Other investing activities	**1,685**	343	2,925
Discontinued operations	**-**	-	1,343
Net cash used in investing activities	**(58,846)**	(66,125)	(45,551)
Financing activities			
Increase in long-term debt	**207,816**	86,540	110,162
Repayment of long-term debt	**(133,854)**	(84,793)	(143,965)
Issuance of convertible debentures	**-**	-	77,000
Financing fees paid	**-**	(128)	(3,801)
Purchases of non-controlling interests	**(56,621)**	(39,058)	(42,602)
Sale of interests in subsidiaries to non-controlling interests	**1,014**	848	356
Contingent acquisition consideration paid	**(1,623)**	(318)	-
Proceeds received on exercise of stock options	**5,190**	4,551	2,526
Incremental tax benefit on stock options exercised	**465**	63	188
Dividends paid to preferred shareholders	**(9,971)**	(10,101)	(10,101)
Distributions paid to non-controlling interests	**(10,617)**	(8,654)	(13,293)
Repurchases of Subordinate Voting Shares	**(20,308)**	-	-
Repurchases of Preferred Shares	**(3,746)**	-	-
Net cash used in financing activities	**(22,255)**	(51,050)	(23,530)
Effect of exchange rate changes on cash	**(1,673)**	2,705	7,761
(Decrease) increase in cash and cash equivalents	**(2,560)**	581	19,729
Cash and cash equivalents, beginning of year	**100,359**	99,778	79,642
Amounts held by discontinued operations, beginning of year	**-**	-	407
	100,359	99,778	80,049
Cash and cash equivalents, end of year	**$ 97,799**	$ 100,359	$ 99,778

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

1. Description of the business

FirstService Corporation (the "Company") is a provider of real estate-related services to the commercial, institutional and residential markets in North America and various countries around the world. The Company's operations are conducted in three segments: Commercial Real Estate ("CRE") Services, Residential Property Management and Property Services. The Company operates as Colliers International within CRE; FirstService Residential Management, American Pool Enterprises and various regional brands within Residential Property Management; and Field Asset Services and several franchise brands within Property Services.

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 determination of fair values of assets acquired and liabilities assumed in business combinations, recoverability of goodwill and intangible assets, estimated fair value of contingent consideration related to acquisitions, recoverability of deferred income tax assets, quantification of uncertain tax positions and the collectability of accounts receivable. Actual results could be materially different from these estimates.

Significant accounting policies are summarized as follows:

Basis of consolidation
The consolidated financial statements include the accounts of the Company, 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 has the intent and ability to 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 short-term interest-bearing securities, which are readily convertible into cash and have original maturities at the date of purchase of three months or less.

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

Inventories
Inventories are carried at the lower of cost and market. Cost is determined using the weighted average method.

Fixed assets
Fixed assets are carried at cost less accumulated depreciation. The costs of additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. Fixed assets are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset group may not be recoverable. An impairment loss is recorded to the extent the carrying amount exceeds the estimated fair value of an asset group. 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 under the caption “other assets”. Investments in equity securities are accounted for using the equity method or cost method. The equity method is utilized where the Company has the ability to exercise significant influence on the investee. Realized gains or losses and equity earnings or losses are recorded in other income (expense). Equity securities, including marketable equity securities as well as those accounted for under the equity method and cost method, are regularly reviewed for impairment based on both quantitative and qualitative criteria that include the extent to which cost exceeds fair value, the duration of the market decline, the Company’s intent and ability to hold until forecasted recovery, and the financial health and prospects for the issuer. Other-than-temporary impairment losses on equity securities are recorded in earnings.

Financial instruments and derivatives
Derivative financial instruments are recorded on the consolidated balance sheets as other assets or other liabilities and carried at fair value. From time to time, the Company may use interest rate swaps to hedge a portion of its interest rate exposure on long term debt. Hedge accounting has been applied and the swaps are carried at fair value on the consolidated balance sheets, with gains or losses recognized in earnings. The carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged interest rate risk; the associated gain or loss is recognized currently in earnings. If swaps are terminated and the underlying item is not, the resulting gain or loss is deferred and recognized over the remaining life of the underlying item using the effective interest method.

Fair value
The Company uses the fair value measurements framework for financial assets and liabilities and for non-financial assets and liabilities that are recognized or disclosed at fair value on a non-recurring basis. The framework defines fair value, gives guidance for measurement and disclosure, and establishes a three-level hierarchy for observable and unobservable inputs used to measure fair value. An asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities
Level 3 – Unobservable inputs for which there is little or no market data, which requires the Company to develop its own assumptions

Financing fees
Financing fees related to the revolving credit facility, Senior Notes and Convertible Debentures are deferred and 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 assets acquired and liabilities assumed in a business combination and is not subject to amortization.

Intangible assets are recorded at fair value on the date they are acquired. Indefinite life intangible assets are not subject to amortization. Where lives are finite, they are amortized over their estimated useful lives as follows:

Customer lists and relationships	straight-line over 4 to 20 years
Franchise rights	by pattern of use, currently estimated at 2.5% to 15% per year
Trademarks and trade names:	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 group 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 group, an impairment loss is recognized. Measurement of the impairment loss is based on the excess of the carrying amount of the asset group over the fair value calculated using discounted expected future cash flows.

Goodwill and indefinite life intangible assets are tested for impairment annually, on August 1, 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.

On July 1, 2011, the Company adopted new guidance on testing goodwill for impairment (see note 24). Impairment of goodwill is tested at the reporting unit level. The Company has eight reporting units determined with reference to business segment, customer type, service delivery model and geography. Impairment is tested by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Where it is determined to be more likely than not that its fair value is greater than its carrying amount, then no further testing is required. Where it is determined to be more likely than not that the carrying amount exceeds the fair value then a two-step goodwill impairment test is performed. In the first step, the reporting unit's carrying amount, including goodwill, is compared to the estimated fair value of the reporting unit. The fair values of the reporting units are estimated using a discounted cash flow approach. The fair value measurement is classified within Level 3 of the fair value hierarchy. 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. Certain assumptions are used to determine the fair value of the reporting units, the most sensitive of which are estimated future cash flows and the discount rate applied to future cash flows. Changes in these assumptions could result in a materially different fair value.

Impairment of indefinite life intangible assets is tested by comparing the carrying amount to the estimated fair value on an individual intangible asset basis.

Convertible debentures

The Company issued Convertible Debentures in November 2009 (see note 12). The Convertible Debentures are accounted for entirely as debt as no portion of the proceeds is required to be accounted for as attributable to the conversion feature. Interest on the Convertible Debentures is recorded as interest expense. The earnings per share impact of the Convertible Debentures is calculated using the "if-converted" method, if dilutive, where coupon interest expense, net of tax, is added to the numerator and the number of potentially issuable common shares is added to the denominator.

Non-controlling interests

Non-controlling interests ("NCI") are redeemable securities and accordingly, the NCI is recorded at the greater of (i) the redemption amount or (ii) the amount initially recorded as NCI at the date of inception of the minority equity position. This amount is recorded in the "mezzanine" section of the balance sheet, outside of shareholders' equity. Changes in the NCI amount are recognized immediately as they occur.

Revenue recognition and unearned revenues

(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 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, contingent on occupancy, is deferred until all contingencies are satisfied.

(b) Franchisor 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.

(c) Service operations other than real estate brokerage and franchisor operations
Revenues are recognized at the time the service is rendered. Certain services including but not limited to real estate project management and appraisal projects in process, are recognized on the percentage of completion method, 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 revenues when received.

Stock-based compensation
For equity classified awards, compensation cost is measured at the grant date based on the estimated fair value of the award. The related stock option compensation expense is allocated using the graded attribution method. For liability classified awards, the fair value of the award is measured each period it is outstanding and changes in fair value are recorded as compensation expense.

Notional value appreciation plans
Under these plans, subsidiary employees are compensated if the notional value of the subsidiary increases. Awards under these plans generally have a term of up to ten years and a vesting period of five years. The increase in notional value is calculated with reference to growth in earnings relative to a fixed threshold amount plus or minus changes in indebtedness relative to a fixed opening amount. The calculation is designed to motivate and reward employees to grow earnings and repay indebtedness and is not measured by or linked to the growth in value of the subsidiary's stock. 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 selling, general and administrative expenses and the liability is recorded in accrued liabilities.

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 accumulated 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 tax
Income tax has been provided using the 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 reverse, 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 based on available evidence.

The Company recognizes uncertainty in tax positions taken or expected to be taken in a tax return by recording a liability for unrecognized tax benefits on its balance sheet. Uncertainties are quantified by applying a prescribed recognition threshold and measurement attribute.

Income tax is 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.

The Company classifies interest and penalties associated with income tax positions in income tax expense.

Business combinations
All business combinations are accounted for using the purchase method of accounting. Transaction costs are expensed as incurred.

The fair value of the contingent consideration is recorded on the balance sheet at the acquisition date and is re-measured at fair value at the end of each period until the end of the contingency period, with fair value adjustments recognized in earnings. However, if the contingent consideration includes an element of compensation to the vendors (i.e. it is tied to continuing employment or it is not linked to the business valuation), then the portion of contingent consideration related to such element is treated as compensation expense over the expected employment period.

3. Acquisitions

2011 acquisitions:
The Company completed six individually insignificant acquisitions, five in the Residential Property Management segment and one in the CRE segment. In Residential Property Management, the acquired firms operate in North and South Carolina, Vancouver, Las Vegas, Toronto and Minneapolis. The CRE business operates in California. The acquisitions expand the Company's geographic presence to new and existing markets.

Details of these acquisitions are as follows:

	Aggregate Acquisitions
Current assets	**$ 1,819**
Long term assets	**1,277**
Current liabilities	**(4,235)**
Long-term liabilities	**(1,779)**
Non-controlling interests	**(7,238)**
	$ **(10,156)**
Cash consideration	**$ 22,975**
Acquisition date fair value of contingent consideration	**3,482**
Total purchase consideration	**$ 26,457**
Acquired intangible assets	**$ 16,586**
Goodwill	**$ 20,027**

2010 acquisitions:
The Company completed ten individually insignificant acquisitions, five in the CRE segment and five in the Residential Property Management segment. In Residential Property Management, the acquired firms operate in New York City, Nevada, Houston, Calgary and Vancouver. Four of the CRE businesses operate in the US Midwest and one in the Netherlands. Several of these acquisitions expand the Company's geographic presence to new markets.

Details of these acquisitions are as follows:

	Aggregate Acquisitions
Current assets	$ 10,308
Long term assets	2,707
Current liabilities	(10,582)
Long-term liabilities	(7,430)
Non-controlling interests	(30,146)
	$ (35,143)
Note consideration	$ 475
Cash consideration	31,928
Acquisition date fair value of contingent consideration	11,672
Total purchase consideration	$ 44,075
Acquired intangible assets	$ 46,751
Goodwill	$ 32,467

In connection with the acquisition of a Netherlands-based commercial real estate firm completed in November 2010, a long-term liability of $375 related to a defined benefit pension plan was assumed. The plan assets comprise an insurance contract. As of December 31, 2011, the estimated fair value of plan assets and the projected benefit obligation were $3,648 and $3,974, respectively. The assumptions used in determining the projected benefit obligation included a discount rate of 4.5% and salary growth of 2.0%.

2009 acquisitions:
The Company completed three individually insignificant acquisitions in the Residential Property Management and Property Services operating segments during the year ended December 31, 2009. Details of these acquisitions are as follows:

	Aggregate Acquisitions
Current assets	$ 253
Long term assets	357
Current liabilities	(543)
Long-term liabilities	(472)
Non-controlling interests	(318)
	$ (723)
Note consideration	$ 420
Cash consideration	4,467
Acquisition date fair value of contingent consideration	949
Total purchase consideration	$ 5,836
Acquired intangible assets	$ 3,448
Goodwill	$ 3,111

Acquisition-related transaction costs for the year ended December 31, 2011 totaled $861 (2010 - $1,158; 2009 - $54) and were recorded as expense under the caption “acquisition-related items”.

In all years presented, the fair values of non-controlling interests were determined using an income approach with reference to a discounted fair cash flow model using the same assumptions implied in determining the purchase consideration.

The purchase price allocations 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 December 31, 2011, goodwill in the amount of $11,441 is deductible for income tax purposes (2010 - $15,067; 2009 - $1,929).

The Company typically structures its business acquisitions to include contingent consideration. Certain vendors, at the time of acquisition, are entitled to receive a contingent consideration payment if the acquired businesses achieve specified earnings levels during the one- to four-year periods following the dates of acquisition. The ultimate amount of payment is determined based on a formula, the key inputs to which are (i) a contractually agreed maximum payment; (ii) a contractually specified earnings level and (iii) the actual earnings for the contingency period. If the acquired business does not achieve the specified earnings level, the maximum payment is reduced for any shortfall, potentially to nil.

For acquisitions made after December 31, 2008, unless it contains an element of compensation, contingent consideration is recorded at fair value each reporting period. The fair value recorded on the consolidated balance sheet as at December 31, 2011 was $12,844 (see note 20). The estimated range of outcomes (undiscounted) for these contingent consideration arrangements is determined based on the formula price and the likelihood of achieving specified earnings levels over the contingency period, and ranges from $14,800 to a maximum of $17,400. The compensation element is recorded on a straight line basis over the contingency period and, as at December 31, 2011 totaled $3,900 (2010 - $1,532), and was recorded in “Other liabilities” on the balance sheet. The estimated range of outcomes related to the compensation element is $9,400 to a maximum of $11,100. These contingencies will expire during the period extending to December 2013. During the year ended December 31, 2011, $1,806 was paid with reference to such contingent consideration (2010 - $318; 2009 - nil). In addition, as at December 31, 2011, the Company had recorded in “Accrued liabilities” $3,109 of consideration payable related to acquisitions where all contingencies had been resolved (2010 - nil).

The contingent consideration on acquisitions completed before January 1, 2009 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 as additional costs of the acquired businesses. The total contingent consideration recognized for the year ended December 31, 2011 was $60 (2010 - $350; 2009 - $10,513). Contingent consideration paid during the year ended December 31, 2011 was $60 (2010 - $2,782; 2009 - $12,364) and the amount payable as at December 31, 2011 was nil (2010 - nil). As at December 31, 2011, there was no contingent consideration outstanding (2010 - $8,400) in respect of pre-January 1, 2009 acquisitions.

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 consideration for the acquisitions during the year ended December 31, 2011 was financed from borrowings on the Company’s revolving credit facility and cash on hand.

The amounts of revenues and earnings contributed from the date of acquisition and included in the Company’s consolidated results for the year ended December 31, 2011, and the supplemental pro forma revenues and earnings of the combined entity had the acquisition date been January 1, 2010, are as follows:

	Revenues	Net earnings
Actual from acquired entities for 2011	$ 21,098	$ 1,569
Supplemental pro forma for 2011 (unaudited)	2,252,521	65,237
Supplemental pro forma for 2010 (unaudited)	2,096,049	8,342

Supplemental pro forma results were not adjusted for any non-recurring items.

4. Dispositions

In July 2008, the Company completed the sale of the businesses comprising its Integrated Security Services ("ISS") segment. Included in discontinued operations for the year ended December 31, 2009 was an after-tax gain of $791 on the final settlement of ISS working capital.

In December 2008, the Company decided to sell its Chicago-based US mortgage brokerage and servicing operation ("USMB") due to adverse credit market conditions. USMB was previously reported within the Commercial Real Estate Services segment. The Company wrote the net assets of USMB down to fair value less cost to sell as of December 31, 2008, with a loss in the amount of $11,021, which included a deferred income tax valuation allowance of $1,501. In May 2009, the Company completed the sale of USMB and received aggregate consideration of $2,000. The after-tax loss on the disposal for 2009 was $367 (net of income taxes of nil). USMB has been reported as discontinued operations.

In January 2008, the Company decided to exit 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 exit was complete as of March 31, 2008 except for the disposal of the remaining mortgage loans receivable. The last remaining mortgage assets were disposed of in 2009. This operation has been reported as discontinued operations.

Operating results	2009
Revenues	
USMB	$ 4,438
CCMS	623
	5,061
Operating (loss) earnings before income taxes	
USMB	$ (831)
CCMS	580
	(251)
Provision for income taxes	749
Net operating loss from discontinued operations	(1,000)
Net gain on disposal of ISS (after tax)	791
Net loss on disposal of USMB (after tax)	(367)
Net loss from discontinued operations	(576)
Net loss per common share from discontinued operations	
Basic	$ (0.02)
Diluted	(0.02)

5. Acquisition-related items

Acquisition-related expense (income) is comprised of the following:

	2011	2010	2009
Settlement of acquisition-related liability	**$ -**	$ (4,496)	$ -
Contingent consideration compensation expense	**2,819**	1,532	-
Contingent consideration fair value adjustments	**969**	935	-
Transaction costs	**861**	1,158	-
	$ 4,649	$ (871)	$ -

The settlement of the acquisition-related liability was related to a potential sales tax liability of an acquired entity over which the statute of limitations lapsed during the year ended December 31, 2010.

6. Other expense (income)

	2011	2010	2009
Loss (earnings) from equity method investments	**$ 3,475**	$ 4,046	$ (1,548)
Other-than-temporary impairment of investment	**3,092**	-	-
Gain on sale of investment	**-**	-	(4,488)
Other	**(250)**	(1,039)	(76)
	$ 6,317	$ 3,007	$ (6,112)

During the year ended December 31 2011, as a result of a sustained decline in the market price of the shares of the Company's investment in Colliers International UK plc (see note 8), an other-than-temporary impairment charge of $3,092 was recorded in the statement of earnings.

During the year ended December 31, 2009, the Company sold its investment in Resolve Business Outsourcing Income Fund, realizing a gain of $4,488.

7. Components of working capital accounts

	December 31, 2011	December 31, 2010
Inventories		
Work-in-progress	**$ 5,497**	$ 2,860
Finished goods	**2,119**	2,079
Supplies and other	**4,215**	4,201
	$ 11,831	$ 9,140
Accrued liabilities		
Accrued payroll, commission and benefits	**$ 184,493**	$ 193,823
Accrued interest	**1,888**	2,160
Customer advances	**4,246**	3,178
Contingent acquisition consideration	**2,678**	1,224
Other	**78,801**	73,509
	$ 272,106	$ 273,894

8. Other assets

	December 31, 2011	December 31, 2010
Equity method investments	**$ 3,441**	$ 13,222
Financing fees, net of accumulated amortization of $6,419 (December 31, 2010 - $5,308)	**2,635**	3,824
Other	**4,268**	2,306
	$ 10,344	$ 19,352

The Company holds 29.5% of the shares of Colliers International UK plc, a publicly traded commercial real estate business in the United Kingdom which it acquired in October 2009 at a cost of $13,955. The shares are accounted for under the equity method. The carrying value of the shares as at December 31, 2011 was nil (2010 - $8,993) (see notes 6 and 20).

9. Fixed assets

December 31, 2011	Cost	Accumulated depreciation	**Net**
Land	$ 3,093	$ -	**$ 3,093**
Buildings	14,442	4,455	**9,987**
Vehicles	26,030	19,827	**6,203**
Furniture and equipment	63,504	44,305	**19,199**
Computer equipment and software	98,535	66,123	**32,412**
Leasehold improvements	47,414	24,158	**23,256**
	$ 253,018	$ 158,868	**$ 94,150**

December 31, 2010	Cost	Accumulated depreciation	Net
Land	$ 3,070	$ -	$ 3,070
Buildings	13,790	3,984	9,806
Vehicles	24,586	18,021	6,565
Furniture and equipment	59,806	38,668	21,138
Computer equipment and software	83,487	51,743	31,744
Leasehold improvements	38,261	24,450	13,811
	$ 223,000	$ 136,866	$ 86,134

Included in fixed assets are vehicles, office and computer equipment under capital lease at a cost of $5,466 (2010 - $6,984) and net book value of $2,948 (2010 - $3,240).

10. Intangible assets

December 31, 2011	Gross carrying amount	Accumulated amortization	**Net**
Customer lists and relationships	$ 152,824	$ 48,683	**$ 104,141**
Franchise rights	37,246	12,648	**24,598**
Trademarks and trade names:			
Indefinite life	20,702	-	**20,702**
Finite life	40,176	9,179	**30,997**
Management contracts and other	20,010	11,548	**8,462**
Brokerage backlog	2,240	2,231	**9**
	$ 273,198	$ 84,289	**$ 188,909**

December 31, 2010	Gross carrying amount	Accumulated amortization	Net
Customer lists and relationships	$ 148,408	$ 41,321	$ 107,087
Franchise rights	37,899	10,995	26,904
Trademarks and trade names:			
Indefinite life	20,758	-	20,758
Finite life	38,857	8,828	30,029
Management contracts and other	17,541	9,509	8,032
Brokerage backlog	3,981	3,597	384
	$ 267,444	$ 74,250	$ 193,194

During the year ended December 31, 2011, the Company acquired the following intangible assets:

	Amount	Estimated weighted average amortization period (years)
Customer lists and relationships	$ 13,015	10.0
Franchise rights	97	9.4
Trademarks and trade names	3,060	19.6
Management contracts and other	998	6.7
	17,170	11.5

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

2012	$ 19,310
2013	16,551
2014	14,847
2015	14,402
2016	13,868

11. Goodwill

	Commercial Real Estate Services	Residential Property Management	Property Services	Consolidated
Balance, December 31, 2009	$ 125,502	$ 128,071	$ 86,654	$ 340,227
Goodwill arising from contingent acquisition consideration	-	626	-	626
Goodwill acquired during the period	18,776	13,691	-	32,467
Other items	-	(1,723)	(757)	(2,480)
Foreign exchange	8,540	227	250	9,017
Balance, December 31, 2010	152,818	140,892	86,147	379,857
Goodwill acquired during the period	279	19,748	-	20,027
Other items	(289)	(787)	(215)	(1,291)
Foreign exchange	(2,093)	(911)	(102)	(3,106)
Balance, December 31, 2011	**150,715**	**158,942**	**85,830**	**395,487**
Goodwill	180,298	158,942	85,830	425,070
Accumulated impairment loss	(29,583)	-	-	(29,583)
	$ 150,715	**$ 158,942**	**$ 85,830**	**$ 395,487**

A test for goodwill impairment is required to be completed annually, in the Company's case as of August 1, or more frequently if events or changes in circumstances indicate the asset might be impaired. No goodwill impairments were identified in 2011 or 2010.

In 2009, the Company was required to perform goodwill impairment tests due to a continuing deterioration of economic conditions negatively impacting the performance of the Commercial Real Estate segment. The Company determined that there were impairments in the North America and Central Europe & Latin America reporting units within the reportable segment driven by adverse economic conditions and sharply reduced brokerage activity. The fair values of the reporting units were determined using discounted cash flow models, which fell within Level 3 of the fair value hierarchy and were based on management's forecast and current economic trends. The amount of the impairment loss related to the two reporting units was $29,583 (net of income tax of nil).

12. Long-term debt and convertible debentures

	December 31, 2011	December 31, 2010
Revolving credit facility	**$ 180,057**	$ 68,600
8.06% Senior Notes	**-**	14,284
6.40% Senior Notes	**50,000**	50,000
5.44% Senior Notes	**80,000**	100,000
Unamortized gain on settlement of interest rate swaps	**386**	563
Adjustment to senior notes resulting from interest rate swap	**332**	(377)
Capital leases maturing at various dates through 2013	**2,337**	2,530
Other long-term debt maturing at various dates up to and beyond 2016	**3,303**	5,140
	316,415	240,740
Less: current portion	**216,373**	39,249
Long-term debt - non-current	**$ 100,042**	$ 201,491
Convertible Debentures	**77,000**	77,000
	$ 177,042	$ 278,491

On September 6, 2007, the Company entered into an amended and restated credit agreement with a syndicate of banks to provide a $225,000 committed revolving credit facility with a five-year term ending September 7, 2012 (see note 25). During the year ended December 31, 2011, the Company accessed an accordion feature within the credit agreement to expand the amount of the revolving credit facility by $50,000 to a total of $275,000. The amended revolving credit facility bears interest at 0.75% to 1.30% over floating reference rates, depending on certain leverage ratios determined quarterly. The weighted average interest rate for 2011 was 1.1% (2010 - 1.1%). The revolving credit facility had $60,851 of available un-drawn credit as at December 31, 2011 ($120,389 was un-drawn at December 31, 2010). As of December 31, 2011, letters of credit in the amount of $11,592 were outstanding ($13,511 as at December 31, 2010). The revolving credit facility requires a commitment fee of 0.25% to 0.50% of the unused portion, depending on certain leverage ratios.

The Company 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 $80,000 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 which began on April 1, 2011.

The Company has indemnified the holders of the 6.40% Notes and 5.44% Notes (collectively, the “Notes”) from all withholding tax that is or may become applicable to any payments made by the Company on the Notes. The Company believes this exposure is not material as of December 31, 2011.

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 Company’s shares of its subsidiaries; an assignment of material contracts; and an assignment of the Company’s “call” rights with respect to shares of the subsidiaries held by non-controlling interests.

The covenants of the revolving credit facility and the Notes agreements 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 Company has issued and outstanding $77,000 principal amount of 6.50% Convertible Unsecured Subordinate Debentures ("Convertible Debentures") with a maturity date of December 31, 2014. At the holder's option, the Convertible Debentures may be converted at any time prior to maturity into Subordinate Voting Shares based on an initial conversion rate of approximately 35.7143 common shares per $1,000 principal amount of Convertible Debentures (which represents an initial conversion price of $28.00 per share). The Company may also, at its option, redeem the Convertible Debentures at any time on or after December 31, 2012. Subject to specified conditions, the Company has the right to repay the outstanding principal amount of the Convertible Debentures, on maturity or redemption, through the issuance of Subordinate Voting Shares. The Company also has the option to satisfy its obligation to pay interest through the issuance and sale of Subordinate Voting Shares. The Convertible Debentures are unsecured and contain no financial ratio covenants.

The effective interest rate on the Company's long-term debt and Convertible Debentures for the year ended December 31, 2011 was 4.8% (2010 - 5.8%). The estimated aggregate amount of principal repayments on long-term debt required in each of the next five years ending December 31 and thereafter to meet the retirement provisions are as follows:

2012	**$**	216,373
2013		33,841
2014		110,396
2015		32,525
2016 and thereafter		280

13. Non-controlling interests

The minority equity positions in the Company's subsidiaries are referred to as non-controlling interests ("NCI"). The NCI are considered to be redeemable securities. Accordingly, the NCI is recorded at the greater of (i) the redemption amount or (ii) the amount initially recorded as NCI at the date of inception of the minority equity position. This amount is recorded in the "mezzanine" section of the balance sheet, outside of shareholders' equity. Changes in the NCI amount are recognized immediately as they occur. The following table provides a reconciliation of the beginning and ending NCI amounts:

	2011	2010
Balance, January 1	**$ 174,358**	$ 164,168
NCI share of earnings	**14,692**	15,420
NCI share of other comprehensive earnings	**(171)**	842
NCI redemption increment	**12,941**	18,916
Distributions paid to NCI	**(10,617)**	(8,654)
Purchases of interests from NCI, net	**(57,037)**	(46,480)
NCI recognized on business acquisitions	**7,238**	30,146
Balance, December 31	**$ 141,404**	$ 174,358

The Company has shareholders' agreements in place at each of its non-wholly owned subsidiaries. These agreements allow the Company to "call" the non-controlling interest at a price determined with the use of a formula price, which is usually equal to a fixed multiple of average annual net earnings before extraordinary items, income taxes, interest, depreciation, and amortization. The agreements also have redemption features which allow the owners of the NCI to "put" their equity to the Company at the same price subject to certain limitations. The formula price is referred to as the redemption amount and may be paid in cash or in Subordinate Voting Shares. The redemption amount as of December 31, 2011 was $127,018 (2010 - $160,425). The redemption amount is lower than that recorded on the balance sheet as the formula price of certain NCI are lower than the amount initially recorded at the inception of the minority equity position. If all put or call options were settled with Subordinate Voting Shares as at December 31, 2011, approximately 4,900,000 (2010 - 5,600,000) such shares would be issued.

14. 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, December 31, 2010	5,772,274	$144,307	28,992,580	$ 106,100	1,325,694	$ 373	30,318,274	$106,473
Balance, December 31, 2011	5,622,634	$140,561	28,615,560	$ 110,448	1,325,694	$ 373	29,941,254	$110,821

Each 7% Cumulative Preference Share, Series 1 (a "Preferred Share") has a stated amount of $25.00. Preferred Share dividends are payable quarterly on or about the last day of each quarter. The Company may redeem each Preferred Share for $25.00 payable in cash, or alternatively the Company may convert each Preferred Share into Subordinate Voting Shares based on a price of $25.00. Holders of the Preferred Shares have no redemption or conversion rights.

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. Assuming an arm's length sale of control of the Company took place on December 31, 2011, the amount required to be paid to the CEO would be $58,188.

15. Stock-based compensation

The Company incurred stock-based compensation expense of $2,335 during the year ended December 31, 2011 (2010 - $2,761; 2009 - $5,424).

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, expires five years from the date granted and allows for the purchase of one Subordinate Voting Share. All Subordinate Voting Shares issued are new shares. As at December 31, 2011, there were 517,750 options available for future grants.

Grants under the Company's stock option plan are equity-classified awards. Stock option activity for the years ended December 31, 2011, 2010 and 2009 was as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Shares issuable under options - December 31, 2008	1,580,755	$ 18.24		
Granted	321,000	11.85		
Exercised	(246,755)	10.11		
Shares issuable under options - December 31, 2009	1,655,000	$ 18.22		
Granted	520,000	19.15		
Exercised	(311,950)	14.59		
Forfeited	(12,750)	16.23		
Shares issuable under options - December 31, 2010	1,850,300	$ 19.03		
Granted	308,000	30.78		
Exercised	(262,750)	19.87		
Shares issuable under options - December 31, 2011	1,895,550	$ 20.83	2.26	$ 13,048
Options exercisable - End of period	951,350	$ 20.66	1.41	$ 6,672

As at December 31, 2011, the range of option exercise prices was $11.74 to $33.25 per share. Also as at December 31, 2011, the aggregate intrinsic value and weighted average remaining contractual life for in-the-money options vested and expected to vest were $13,048 and 2.0 years, respectively.

The following table summarizes information about option exercises during years ended December 31, 2011, 2010 and 2009:

	2011	2010	2009
Number of options exercised	**262,750**	311,950	246,755
Aggregate fair value	**$ 8,510**	$ 6,741	$ 4,070
Intrinsic value	**3,320**	2,190	1,544
Amount of cash received	**5,190**	4,551	2,526
Tax benefit recognized	**$ 1,119**	$ 699	$ 536

As at December 31, 2011, there was $3,632 of unrecognized compensation cost related to non-vested awards which is expected to be recognized over the next 4 years. During the year ended December 31, 2011, the fair value of options vested was $2,606 (2010 - $2,434; 2009 - $2,140).

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:

	2011	2010	2009
Risk free rate	**1.0%**	1.4%	1.3%
Expected life in years	**4.75**	4.75	4.75
Expected volatility	**39.4%**	39.8%	38.8%
Dividend yield	**0.0%**	0.0%	0.0%
Weighted average fair value per option granted	**$ 10.73**	$ 6.85	$ 4.14

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 life in years represents the estimated period of time until exercise and is based on historical experience. The expected volatility is based on the historical prices of the Company's shares over the previous four years. The dividend yield assumption is based on the Company's present intention to retain all earnings in respect of the Common Shares.

Subsidiary stock option plans

The Company has stock option plans at its Commercial Real Estate subsidiary entitling the holders to acquire up to a 16.1% interest in the subsidiary. Grants under the subsidiary stock option plans are liability classified awards because the underlying stock is also classified as a liability (see note 13). The fair value of the liability relating to these awards is calculated each period using the Black-Scholes option pricing model. The fair value of the liability related to these awards as at December 31, 2011 was nil (2010 – nil) and compensation expense recognized related to the awards for the year ended December 31, 2011 was nil (2010 – nil).

16. Income tax

Income tax differs from the amounts that would be obtained by applying the statutory rate to the respective year's earnings before tax. These differences result from the following items:

	2011	2010	2009
Income tax expense using combined statutory rate of 28% (2010 - 31%, 2009 - 33%)	**$ 21,158**	$ 23,909	$ 10,489
Permanent differences	**4,554**	2,933	1,942
Tax effect of flow through entities	**(3,462)**	(2,768)	(796)
Goodwill or other investment impairment charge	**874**	-	9,643
Impact of changes in foreign exchange rates	**(679)**	(1,426)	4,718
Adjustments to tax liabilities for prior periods	**940**	1,499	(2,600)
Effects of changes in enacted tax rates	**52**	2,049	(854)
Changes in liability for unrecognized tax benefits	**(342)**	(5,881)	1,418
Stock-based compensation	**(386)**	(39)	(37)
Foreign state and provincial tax rate differential	**(1,763)**	(3,829)	(2,795)
Withholding tax	**486**	396	517
Other taxes	**901**	678	453
Loss (earnings) from equity method investments	**605**	1,348	(321)
Non-taxable income	**-**	(1,398)	-
Change in valuation allowances	**(49,745)**	11,757	17,289
Provision for (recovery of) income taxes as reported	**$ (26,807)**	$ 29,228	$ 39,066

Earnings before income tax by jurisdiction comprise the following:

	2011	2010	2009
Canada	**$ 33,331**	$ 22,446	$ 30,112
United States	**21,172**	32,508	5,680
Australia	**21,791**	21,698	11,443
Foreign	**(1,358)**	476	(15,448)
Total	**$ 74,936**	$ 77,128	$ 31,787

The provision for (recovery of) income tax comprises the following:

	2011	2010	2009
Current			
Canada	**$ 4,630**	$ 4,758	$ 2,244
United States	**21,625**	24,667	32,247
Australia	**7,206**	6,795	3,365
Foreign	**3,708**	448	1,795
	37,169	36,668	39,651
Deferred			
Canada	**(275)**	(5,441)	878
United States	**(63,049)**	29	(576)
Australia	**(729)**	(1,418)	269
Foreign	**77**	(610)	(1,156)
	(63,976)	(7,440)	(585)
Total	**$ (26,807)**	$ 29,228	$ 39,066

The significant components of deferred income tax are as follows:

	2011	2010
Deferred income tax assets		
Loss carry-forwards	**$ 76,422**	$ 68,074
Expenses not currently deductible	**15,179**	12,966
Stock-based compensation	**4,084**	3,940
Basis differences of partnerships and other entities	**11,316**	1,093
Allowance for doubtful accounts	**4,752**	4,751
Inventory and other reserves	**853**	615
	112,606	91,439
Less: Valuation allowance	**(8,139)**	(55,624)
	104,467	35,815
Deferred income tax liabilities		
Depreciation and amortization	**37,880**	33,293
Unrealized foreign exchange gains	**168**	518
Prepaid and other expenses deducted for tax purposes	**995**	189
Financing fees	**112**	269
	39,155	34,269
Net deferred income tax asset	**$ 65,312**	$ 1,546

Since 2008, the Company has recognized valuation allowances with respect to deferred income tax assets in its Commercial Real Estate operations, primarily in the United States, due to a history of operating losses. During the fourth quarter of 2011, the Company completed a reorganization of certain operations in the United States to improve administrative efficiency and achieve other benefits. This reorganization was previously not considered prudent or feasible as the acquisitions and/or consents of significant non-controlling interests were required to complete the reorganization, which acquisitions and consents were not completed until the fourth quarter of 2011. The reorganization provided objective evidence of projected future taxable income and pro forma historical taxable income that outweighs the negative evidence of historical operating losses. In addition, the projection of future taxable income results in the utilization of net operating losses well before the 20-year loss carry-forward limitation. As a result, a valuation allowance in the amount of $48,351 related to the United States Commercial Real Estate operations was reversed as of December 31, 2011.

As at December 31, 2011, the Company had gross operating loss carry-forward balances in the United States, primarily in the Commercial Real Estate segment, of approximately $143,875 (2010 - $112,115) prior to a valuation allowance of $4,092 (2010 - $110,342). Also in the United States, the Company also had gross capital loss carry-forward balances which amounted to $692 (2010 - $10,446) as at December 31, 2011 prior to a valuation allowance of $692 (2010 - $10,446).

As at December 31, 2011, the Company had gross Canadian operating loss carry-forward balances of approximately $52,353 (2010 - $55,246) prior to a valuation allowance of $2,857 (2010 - $1,145). These amounts are available to reduce future federal and provincial income taxes.

Net operating loss carry-forward balances attributable to the United States and Canada expire over the next 14 to 20 years.

The Company had gross foreign operating loss carry-forward balances as at December 31, 2011 of approximately $29,442 (2010 - $27,901), prior to a valuation allowance of $26,784 (2010 - $26,641).

Foreign gross capital loss carry-forward balances in Australia amounted to $9,389 (2010 - $9,634) as at December 31, 2011 prior to a valuation allowance of $9,389 (2010 - $9,634).

Cumulative unremitted earnings of US and foreign subsidiaries approximated $158,308 as at December 31, 2011 (2010 - $146,947).

A reconciliation of the beginning and ending amounts of the liability for unrecognized tax benefits is as follows:

Balance, December 31, 2009	$ 14,390
Increases based on tax positions related to the current period	944
Reduction for lapses in applicable statutes of limitations	(7,614)
Balance, December 31, 2010	7,720
Increases based on tax positions related to the current period	1,903
Decreases for tax positions of prior periods	(659)
Reduction for lapses in applicable statutes of limitations	(1,362)
Balance, December 31, 2011	$ 7,602

Of the $7,602 (2010 - $7,720) in gross unrecognized tax benefits, $7,602, (2010 - $7,720) would affect the Company's effective tax rate if recognized. For the year ended December 31, 2011, a recovery of $238 in interest and penalties related to provisions for income tax was recorded in income tax expense (2010 - recovery of $994; 2009 - expense of $125). As at December 31, 2011, the Company had accrued $160 (2010 - $398) for potential income tax related interest and penalties.

Within the next twelve months, the Company believes it is reasonably possible that $438 of unrecognized tax benefits associated with uncertain tax positions may be reduced due to lapses in statutes of limitations.

The Company's significant tax jurisdictions include the United States, Canada and Australia. 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 does not currently expect any other material impact on earnings to result from the resolution of matters related to open taxation years, other than noted above. Actual settlements may differ from the amounts accrued. The Company has, as part of its analysis, made its current estimates based on facts and circumstances known to date and cannot predict changes in facts and circumstances that may affect its current estimates.

17. Net earnings (loss) attributable to Company

The following table sets out the net earnings (loss) attributable to the Company's common shareholders:

	2011	2010	2009
Amounts attributable to the Company:			
Net earnings (loss) from continuing operations	**$ 74,110**	$ 13,564	$ (44,373)
Net loss from discontinued operations	**-**	-	(481)
Net earnings (loss)	**74,110**	13,564	(44,854)
Preferred share dividends	**9,971**	10,101	10,101
Net earnings (loss) attributable to common shareholders	**$ 64,139**	$ 3,463	$ (54,955)

18. Net earnings (loss) per common share

Earnings per share calculations cannot be anti-dilutive, therefore diluted shares are not used in the denominator when the numerator is in a loss position. The following table reconciles the numerator used to calculate earnings per common share:

	2011	2010	2009
Net earnings (loss) attributable to common shareholders	**$ 64,139**	$ 3,463	$ (54,955)
Assumed interest savings on conversion of dilutive Convertible Debentures, net of tax	**3,604**	-	-
Net earnings (loss) for diluted earnings per share calculation purposes	**$ 67,743**	$ 3,463	$ (54,955)

The Convertible Debentures were dilutive in 2011, but anti-dilutive in all other periods presented. The following table reconciles the denominator used to calculate earnings per common share:

	2011	2010	2009
Shares issued and outstanding at beginning of period	**30,318,274**	29,624,910	29,333,484
Weighted average number of shares:			
Issued during the period	**218,418**	455,708	104,091
Repurchased during the period	**(443,081)**	-	-
Weighted average number of shares used in computing basic earnings per share	**30,093,611**	30,080,618	29,437,575
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	**457,404**	286,193	78,580
Assumed conversion of dilutive Convertible Debentures	**2,750,000**	-	-
Number of shares used in computing diluted earnings per share	**33,301,015**	30,366,811	29,516,155

19. Other supplemental information

	2011	2010	2009
Franchisor operations			
Revenues	**$ 74,429**	$ 69,382	$ 66,966
Operating earnings	**16,110**	10,334	8,641
Initial franchise fee revenues	**5,857**	4,677	5,662
Cash payments made during the period			
Income taxes	**$ 43,897**	$ 43,809	$ 33,270
Interest	**16,240**	18,301	13,470
Non-cash financing activities			
Increases in capital lease obligations	**$ 1,540**	$ 1,240	$ 1,722
Other expenses			
Rent expense	**$ 65,992**	$ 57,600	$ 48,957

20. 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 of December 31, 2011, the Company was party to an interest rate swap agreement to exchange the fixed rate on a portion of its debt to a floating rate. On the 5.44% Senior Notes, an interest rate swap exchanges the fixed rate on $40,000 of principal for LIBOR (6 month in arrears) + 387 basis points. The terms of the swap match the term of the 5.44% Senior Notes with a maturity of April 1, 2015.

The interest rate swap is being accounted for as a fair value hedge. The swap is carried at fair value on the balance sheet, with gains or losses recognized in earnings. The carrying value of the hedged debt is adjusted for changes in fair value attributable to the hedged interest rate risk; the associated gain or loss is recognized concurrently in earnings. So long as the hedge is considered highly effective, the net impact on earnings is nil.

The following tables provide fair value information of the hedging instrument and the effect of the hedging instrument during the period:

	2011	
Derivative designated as hedging instrument	Balance sheet location	Fair Value
Interest rate swaps	Other assets (non-current)	$ 332

During 2010, the Company settled two interest rate swap agreements for a cash gain in the amount of $669. This gain is amortized over the remaining life of the underlying debt which has a final maturity of April 1, 2015.

Fair values of financial instruments

The following table provides the financial assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2011:

	Carrying value at December 31, 2011	Fair value measurements Level 1	Level 2	Level 3
Interest rate swap asset	$ 332	$ -	$ 332	$ -
Contingent consideration liability	12,844	-	-	12,844

The fair value of the interest rate swap liability was determined using widely accepted valuation techniques. The inputs to the measurement of the fair value of contingent consideration related to acquisitions made after December 31, 2008 are Level 3 inputs. The fair value measurements were made using a discounted cash flows approach; significant model inputs were expected future operating cash flows and discount rates. Changes in the fair value of the contingent consideration liability are comprised of the following:

Balance, December 31, 2010	$ 13,312
Amounts recognized on acquisitions	3,482
Fair value adjustments (note 5)	969
Resolved and settled in cash	(1,806)
Resolved and recorded in "Accrued liabilities"	(3,109)
Foreign exchange	(4)
Balance, December 31, 2011	$ 12,844
Less: current portion	$ 2,678
Non-current portion	$ 10,166

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:

	2011		2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Other receivables	**$ 6,684**	**$ 6,684**	$ 8,452	$ 8,452
Investment in Colliers International UK plc	**-**	**-**	8,993	12,677
Long-term debt	**316,415**	**332,918**	240,740	258,930
Convertible debentures	**77,000**	**83,930**	77,000	95,865

Other receivables include notes receivable from minority shareholders and other non-current receivables. The investment in Colliers International UK plc is included under the balance sheet caption “Other assets”.

21. Commitments and contingencies

(a) Lease commitments

Minimum operating lease payments are as follows:

Year ended December 31		
2012	**$**	63,182
2013		53,684
2014		38,996
2015		27,732
2016		18,977
Thereafter		50,769

(b) 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 set aside, will not have a material impact on the Company's financial condition or the results of operations.

22. Related party transactions

During the year ended December 31, 2011, the Company paid $3,363 (2010 - $2,812; 2009 - $2,556) in rent to entities controlled by minority shareholders of subsidiaries. In addition, $15,821 (2010 - $16,036; 2009 - $5,925) of service revenues were earned from entities controlled by minority shareholders of subsidiaries and $370 (2010 - $169; 2009 - $1,030) of expenses were paid to entities controlled by minority shareholders of subsidiaries.

As at December 31, 2011, the Company had $3,954 of loans receivable from minority shareholders (2010 - $6,004) and $2,720 of loans payable to minority shareholders (2010 - $2,950).

23. Segmented information

Operating segments

The Company has three reportable operating segments. The segments are grouped with reference to the nature 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. CRE 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 North America. Property Services provides franchised and Company-owned property services to customers in North America. Corporate includes the costs of operating the Company's corporate head office.

Included in total assets of the CRE segment at December 31, 2011 is $3,072 (2010 - $12,360) of investments in subsidiaries accounted for under the equity method. The reportable segment information excludes intersegment transactions.

2011	Commercial Real Estate Services	Residential Property Management	Property Services	Corporate	Consolidated
Revenues	$ 994,579	$ 760,501	$ 468,903	$ 188	$ 2,224,171
Depreciation and amortization	22,073	18,022	10,692	139	50,926
Operating earnings (loss)	22,379	47,202	45,421	(16,941)	98,061
Other expense, net					(6,317)
Interest expense, net					(16,808)
Income taxes					26,807
Net earnings					101,743
Total assets	$ 576,268	$ 423,328	$ 210,898	$ 23,224	$ 1,233,718
Total additions to long lived assets	14,997	49,071	6,441	68	70,577

2010	Commercial Real Estate Services	Residential Property Management	Property Services	Corporate	Consolidated
Revenues	$ 861,917	$ 662,033	$ 462,141	$ 180	$ 1,986,271
Depreciation and amortization	23,362	14,605	9,544	375	47,886
Operating earnings (loss)	14,694	46,670	58,671	(22,503)	97,532
Other expense, net					(3,007)
Interest expense, net					(17,397)
Income taxes					(29,228)
Net earnings					$ 47,900
Total assets	$ 514,060	$ 359,247	$ 217,692	$ 38,542	$ 1,129,541
Total additions to long lived assets	78,068	41,182	6,650	273	126,173

2009	Commercial Real Estate Services	Residential Property Management	Property Services	Corporate	Consolidated
Revenues	$ 622,996	$ 645,251	$ 434,838	$ 137	$ 1,703,222
Depreciation and amortization	25,031	11,561	9,447	344	46,383
Operating earnings (loss)	(61,665)	49,399	62,028	(11,581)	38,181
Other expense, net					6,112
Interest expense, net					(12,506)
Income taxes					(39,066)
Net earnings from continuing operations					(7,279)
Net earnings from discontinued operations					(576)
Net earnings					$ (7,855)
Total assets	$ 389,703	$ 350,025	$ 204,769	$ 65,033	$ 1,009,530
Total additions to long lived assets	15,281	24,941	13,595	438	54,255

Geographic information

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

	2011	2010	2009
United States			
Revenues	**$ 1,523,912**	$1,406,713	$1,282,129
Total long-lived assets	**476,530**	469,465	427,217
Canada			
Revenues	**$ 310,912**	$ 246,809	$ 178,587
Total long-lived assets	**91,821**	76,502	56,460
Australia			
Revenues	**$ 171,873**	$ 164,486	$ 112,369
Total long-lived assets	**54,701**	55,291	40,341
Other			
Revenues	**$ 217,474**	$ 168,263	$ 130,137
Total long-lived assets	**55,494**	57,927	56,740
Consolidated			
Revenues	**$ 2,224,171**	$1,986,271	$1,703,222
Total long-lived assets	**678,546**	659,185	580,758

24. Impact of recently issued accounting standards

On January 1, 2011, the Company adopted a consensus of the Emerging Issues Task Force ("EITF") on multiple-deliverable revenue arrangements (ASU 2009-13). This consensus provides amendments to the existing criteria for separating consideration in multiple-deliverable revenue arrangements, and is expected to result in more separation of revenue elements than under existing accounting guidance. The consensus also requires enhanced disclosures of the nature and terms of an entity's multiple-deliverable arrangements, significant estimates, timing of delivery or performance and the general timing of revenue recognition. The adoption of this consensus did not have a material effect on the Company's results of operations, financial position or disclosure.

Effective January 1, 2011, the Company adopted an EITF consensus on the disclosure of supplementary pro forma information for business combinations (ASU 2010-29). The consensus specifies that when an entity completes a business combination, the entity should disclose revenue and earnings of the combined entity as though the business combination occurred as of the beginning of the comparable prior annual reporting period. The consensus also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, non-recurring pro forma adjustments directly attributable to the business combination included in the pro forma revenue and earnings. The adoption of this consensus impacted the Company's pro forma disclosures on acquisitions.

Effective July 1, 2011, the Company adopted updated Financial Accounting Standards Board ("FASB") guidance on testing goodwill for impairment (ASU 2011-08). This updated guidance simplifies the testing for goodwill impairment as it permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. The adoption of this updated guidance changed the manner in which goodwill testing is performed and did not have a material effect on the Company's results of operations, financial position or disclosure.

In May 2011, the FASB issued updated guidance to achieve common fair value measurement and disclosure in US GAAP and IFRS (ASU 2011-04). This update was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between US GAAP and IFRS. The update changes certain fair value measurement principles and enhances disclosure requirements, particularly for level 3 fair value measurements. This guidance is effective for the Company on January 1, 2012. The Company is in the process of evaluating its adoption and disclosure implications, but is not expected to have a material effect on the Company's results of operations or financial position.

In June 2011, the FASB issued updated guidance on the presentation of comprehensive income (ASU 2011-5). This guidance requires entities to present the total of comprehensive earnings, the components of net earnings, and the components of other comprehensive earnings either in a single continuous statement of comprehensive earnings or in two separate but consecutive statements. Regardless of whether an entity chooses to present comprehensive earnings in a single continuous statement or in two separate but consecutive statements, the entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive earnings to net earnings in the statement(s) where the components of net earnings and the components of other comprehensive earnings are presented. The guidance does not change the items that must be reported in other comprehensive earnings or when an item of other comprehensive earnings must be reclassified to net earnings. ASU 2011-5 will be applied retrospectively by the Company effective January 1, 2012, except for the requirement to present reclassifications from other comprehensive earnings to net earnings by item on the face of the financial statements, which has been deferred. The adoption of the guidance is expected to result in a change in disclosure of comprehensive earnings from within the statement of shareholders' equity to a separate statement of comprehensive earnings.

25. SUBSEQUENT EVENT

On March 1, 2012, the Company entered into a revised credit agreement (the "New Credit Agreement") with a syndicate of lenders. The New Credit Agreement increases the committed senior revolving credit facility to $350,000 from $275,000 and includes an uncommitted accordion provision allowing for an additional $100,000 of borrowing capacity under certain circumstances. The New Credit Agreement has a five year term ending March 1, 2017 and bears interest at 1.25% to 3.00% over floating reference rates, depending on certain leverage ratios. The remaining terms were substantially unchanged from the prior credit agreement.

EXHIBIT 3

FIRSTSERVICE CORPORATION
Management's discussion and analysis of results of operations and financial condition for the year ended December 31, 2011
(in US dollars)
March 1, 2012

The following Management's discussion and analysis of results of operations and financial condition ("MD&A") should be read together with the audited consolidated financial statements and the accompanying notes (the "Consolidated Financial Statements") of FirstService Corporation ("we," "us," "our," the "Company" or "FirstService") for the year ended December 31, 2011. The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). All financial information herein is presented in United States dollars.

The Company has prepared this MD&A with reference to National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators (the "CSA"). Under the U.S./Canada Multijurisdictional Disclosure System, the Company is permitted to prepare this MD&A in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. This MD&A provides information for the year ended December 31, 2011 and up to and including March 1, 2012.

Additional information about the Company, including the Company's Annual Information Form, which is included in FirstService's Annual Report on Form 40-F, can be found on SEDAR at www.sedar.com and on the U.S. Securities and Exchange Commission website at www.sec.gov.

This MD&A includes references to "Adjusted EBITDA" and "Adjusted earnings per common share", which are financial measures that are not calculated in accordance with GAAP. For a reconciliation of these non-GAAP measures to the most directly comparable GAAP financial measures, see "Reconciliation of non-GAAP financial measures."

Consolidated review
FirstService generated solid consolidated operating results for the year ended December 31, 2011, benefitting from a mix of internal and acquired revenue growth. Consolidated revenues for 2011 were $2.22 billion, an increase of 12% over the prior year, primarily attributable to internal revenue growth. The Commercial Real Estate Services operations, our largest operating segment in terms of revenues, led with revenue growth of 15% as well as a strong improvement in profitability relative to 2010.

Diluted net earnings per common share calculated in accordance with GAAP were $2.03 versus $0.11 in the prior year. The 2011 results included the reversal of accumulated deferred income tax asset valuation allowances related to net operating loss carry-forwards in our US Commercial Real Estate Services operations (see discussion below), which reduced income tax expense by $49.7 million. Absent this reversal, GAAP diluted net earnings per share for 2011 would have been $0.57. Our Adjusted earnings per common share were $1.81 for the year, up 12% from $1.61 in the prior year; this measure excludes the impact of income tax valuation allowances in both periods.

We acquired controlling interests in six businesses during 2011. The aggregate initial cash purchase price for these acquisitions was $23.0 million and was comprised of complementary regional operations, five in the Residential Property Management segment and one in the Commercial Real Estate segment. We also acquired non-controlling interests valued at $56.6 million, primarily in the Property Services segment. The purchase prices of these acquisitions were funded with cash on hand and borrowings on our revolving credit facility.

During the year, we completed a strategic review and reorganization of our Property Services division. After being approached by parties interested in acquiring the franchise networks operations, we engaged financial advisors to investigate strategic alternatives. Upon exploring the alternatives, we concluded it was not in the best interests of shareholders to sell these operations. However, the key outcomes of the review were to transition managerial oversight of the division to the executive team at FirstService and to acquire the balance of the shares of the division that were not already owned, to reduce administrative costs and the non-controlling interest share of earnings going forward.

Results of operations – year ended December 31, 2011
Revenues were $2.22 billion for the year ended December 31, 2011, up 12% from 2010. The increase was comprised of internal revenue growth of 6%, positive impact of acquisitions of 4% and an increase of 2% as a result of foreign exchange, as the US dollar depreciated in value relative to local currencies at many of our operations around the world.

Operating earnings increased slightly in 2011 to $98.1 million from $97.5 million, while Adjusted EBITDA rose 10% to $161.6 million. Operating earnings for 2011 were impacted by $5.6 million of reorganization costs related to the Property Services segment, including severances and professional fees, as well as $4.6 million in acquisition-related items, primarily fair value adjustments on contingent acquisition consideration.

Depreciation expense was $30.7 million in 2011 relative to $28.3 million in the prior year. The increase was attributable to current year investments in information technology systems. Amortization expense was $20.3 million in 2011, up slightly versus the prior year as a result of recent acquisitions.

Interest expense decreased to $18.0 million from $18.3 million in the prior year. Our weighted average interest rate decreased to 4.8% from 5.8% in the prior year, as a result of increased borrowings on our revolving credit facility, which had lower floating interest rates compared to the prior year, combined with repayments of fixed interest rate senior notes. We also had an interest rate swap in place during the year to exchange the fixed rate on $40 million of notional value on our Senior Notes for variable rates. The swap resulted in a modest reduction in interest expense.

Other expense for 2011 included a net loss of $3.5 million from investments accounted for under the equity method in the Commercial Real Estate segment, including our 29.5% stake in Colliers International UK plc (“Colliers UK”). In addition, as of December 31, 2011, we determined that the carrying value of this investment was other-than-temporarily impaired and recorded an impairment loss of $3.1 million.

Our consolidated income tax rate for the year ended December 31, 2011 was (36)% versus 38% in 2010. The current year’s rate was impacted by the reversal of deferred income tax valuation allowances (see discussion below), which reduced income tax expense by $49.7 million. The prior year’s tax rate was affected by the recognition of an $11.8 million valuation allowance on deferred tax assets. After considering the impact of the valuation allowances, the tax rate for 2011 was approximately 29%, compared to 28% for 2010.

Net earnings for 2011 were $101.7 million, compared to $47.9 million in the prior year. The increase was primarily attributable to the reversal of the deferred income tax valuation allowance.

The Commercial Real Estate segment reported revenues of $994.6 million for 2011, up 15% relative to the prior year. Internal revenue growth measured in local currency was 8%, and was comprised primarily of increased investment sale and lease brokerage, property management and project management activity. Foreign exchange resulted in a revenue increase of 4% and growth of 3% was attributable to acquisitions. Regionally, North America revenues were up 16% (9% on a local currency basis and excluding acquisitions), Asia Pacific revenues were up 11% (3% on a local currency basis), and Europe & Latin America revenues were up 37% (17% on a local currency basis and excluding acquisitions). Adjusted EBITDA for 2011 was $51.9 million, at a margin of 5.2%, versus $39.5 million at a margin of 4.6% in the prior year. The margin increase was attributable to operating leverage and greater administrative efficiency, as well as $2.7 million of Colliers International re-branding costs incurred in 2010 that did not recur in 2011.

In the Residential Property Management segment, revenues were $760.5 million for 2011, an increase of 15% compared to the prior year. Recent acquisitions accounted for most of the increase, while internal growth was 6% and was attributable to net new property management client wins. The segment reported Adjusted EBITDA of $62.3 million or 8.2% of revenues for 2011, relative to $59.1 million or 8.9% of revenues in the prior year. The decline in margin was attributable to increases in operating costs outpacing the ability to pass price increases through to clients.

Our Property Services segment reported revenues of $468.9 million for 2011, an increase of 1% versus the prior year, comprised of internal growth. Adjusted EBITDA in the segment for 2011 was $61.7 million, down 10% relative to the prior year, and the margin was 13.2% relative to 14.8%. The margin decrease was attributable to

additional costs from increases in the scope of client engagements in our property preservation and distressed asset management operations, as well as declines in property volumes during the second half of the current year.

Corporate costs for 2011 were $16.7 million relative to $22.3 million in the prior year. The current year's results were impacted by a reduction in performance-based executive compensation relative to the prior year. Performance-based compensation is based on year over year growth in Adjusted earnings per share.

Results of operations – year ended December 31, 2010

Our revenues were $1.99 billion for the year ended December 31, 2010, up 17% relative to 2009. The increase was comprised of internal revenue growth of 11%, positive impact of acquisitions of 3% and an increase of 3% as a result of foreign exchange, as the US dollar depreciated in value relative to local currencies at many of our global operations.

Operating earnings increased 155% in 2010, to $97.5 million, while Adjusted EBITDA rose 11% to $147.3 million. Operating earnings were primarily impacted by the Commercial Real Estate operations, which generated increases in revenues and reductions in rent and administrative payroll expenses on account of the cost containment efforts undertaken in 2009. In addition, prior year operating earnings were negatively impacted by $31.1 million of goodwill and intangible asset impairment charges and $13.5 million of cost containment expenses, both in our Commercial Real Estate operations. The cost containment charges related to workforce reductions and office lease terminations incurred to better match our infrastructure with expected future revenues.

Depreciation expense was $28.3 million relative to $26.8 million in the prior year. The increase was attributable to increased investments in information technology systems, primarily at our Commercial Real Estate operations.

Amortization expense was $19.6 million in 2010, the same amount as in the prior year. In the prior year, we incurred $1.5 million of accelerated amortization for intangible assets in our Commercial Real Estate segment's European operations, while in the current year we recorded additional amortization of intangibles acquired in connection with recent acquisitions.

Interest expense increased to $18.3 million from $13.9 million in the prior year. Our weighted average interest rate increased to 5.8% from 4.7% in the prior year, primarily on account of the issuance of Convertible Debentures in November 2009, which have a coupon interest rate of 6.5%, and an effective interest rate including amortization of financing fees of 7.4%. The proceeds from the Convertible Debentures were used to repay floating rate debt under our credit facility bearing interest at approximately 1.1%. We also had interest rate swaps in place during the year to exchange the fixed rate on up to $100.0 million of notional value on our Senior Notes for variable rates (as at December 31, 2010 - $50.0 million). The swaps resulted in a modest reduction in interest expense.

Other expense for the current year included a net loss of $4.0 million from investments accounted for under the equity method in the Commercial Real Estate segment, including our stake in Colliers UK, acquired in October 2009.

Our consolidated income tax rate for the year ended December 31, 2010 was 38% versus 123% in 2009. The current year's tax rate was affected by the recognition of an $11.8 million valuation allowance on deferred tax assets related primarily to operating loss carry-forwards. The 2009 rate was impacted by a non-tax deductible goodwill impairment loss as well as a valuation allowance. The most significant factor leading to the determination that a valuation allowance was necessary is uncertainty in the near-term outlook for taxable income in our US and European Commercial Real Estate operations. The tax losses have a statutory carry-forward period of up to 20 years. Excluding the impact of the valuation allowances in 2010 and 2009, and the goodwill impairment loss in 2009, the tax rate would have been 23% in 2010, relative to 35% in 2009. The remaining differences in the rates were attributable primarily to (i) taxable foreign exchange gains realized in 2009, which had the effect of increasing the 2009 tax rate and (ii) a reduction in the liability for unrecognized tax benefits in 2010 due to the expiration of statutes of limitations, which had the effect of reducing the 2010 tax rate. After considering all of the factors described above, the tax rates for both 2010 and 2009 would have been approximately 28%.

Net earnings from continuing operations were $47.9 million, compared to a loss of $7.3 million in the prior year. The increase was attributable to improvements in revenues at the Commercial Real Estate operations and the impact of the 2009 goodwill impairment charge.

The Commercial Real Estate segment reported revenues of $861.9 million for 2010, up 38% relative to the prior year. Internal revenue growth measured in local currency was 26%, and was comprised primarily of increased brokerage activity. Foreign exchange resulted in a revenue increase of 6% and growth of 6% was attributable to acquisitions. Regionally, North America revenues were up 40% (26% on a local currency basis and excluding acquisitions), Asia Pacific revenues were up 45% (33% on a local currency basis), and Europe & Latin America revenues were up 8% (6% on a local currency basis and excluding acquisitions). Acquisitions for 2010 were comprised of controlling ownership stakes in four regional operations located in the U.S. Midwest as well as a controlling interest in an operation in the Netherlands. Adjusted EBITDA was $39.5 million, at a margin of 4.6%, versus $6.4 million at a margin of 1.0% in the prior year. The margin increase was attributable to operating leverage and reductions in rent and administrative payroll expenses on account of cost containment efforts undertaken in 2009, partially offset by $2.7 million of Colliers International re-branding costs incurred in 2010.

In Residential Property Management, revenues were $662.0 million, an increase of 3% compared to the prior year. Recent business acquisitions accounted for all of the growth. Some clients made decisions to defer or cancel discretionary spending on landscaping and swimming pool restoration projects, resulting in a decline in ancillary service revenues, which was largely offset by an increase in contractual management revenues. Residential Property Management reported Adjusted EBITDA of $59.1 million or 8.9% of revenues, relative to $61.0 million or 9.4% of revenues in the prior year. The decline in margin was attributable to the reduction in ancillary service revenues which tend to be at higher profit margins than contractual management.

Our Property Services operations reported revenues of $462.1 million, an increase of 6% versus the prior year, comprised entirely of internal growth. Internal growth was attributable to royalties at our franchised operations as well as continuing strong revenues in our Field Asset Services property preservation and foreclosure services contractor network. Adjusted EBITDA for the year was $68.2 million, down 5% relative to the prior year, and the margin decreased to 14.8% from 16.4%. The margin decrease was attributable to Field Asset Services, which experienced significant operating leverage in early 2009 from a surge of new business as well as additional costs from increases in the scope of client engagements in the current year.

Corporate costs for 2010 were $22.3 million relative to $11.2 million in the prior year. The current year's cost increase was attributable to performance-based incentive compensation accruals combined with the adverse effect of foreign currency translation of Canadian dollar denominated expenses. Performance-based compensation was based on growth in full year Adjusted earnings per share less cost containment expenses, which increased 44%.

Results of operations – year ended December 31, 2009

The analysis of the results of operations for the year ended December 31, 2009 is presented compared to the twelve-month period ended December 31, 2008. References to "prior year" and "2008" are in respect of that period.

We reported revenues from continuing operations of $1.70 billion for the year ended December 31, 2009, an increase of 1% relative to 2008. The increase was comprised of an internal revenue decline of 2%, positive impact of acquisitions of 4% and a 1% decline as a result of foreign exchange, as the US dollar appreciated against local currencies at our global operations.

Operating earnings for 2009 decreased 46% relative to the prior year, to $38.2 million, while Adjusted EBITDA for 2009 was up 7% to $133.1 million. Operating earnings were negatively impacted by $31.1 million of goodwill and intangible asset impairment charges and $13.5 million of cost containment expenses in our Commercial Real Estate operations during the year ended December 31, 2009. The cost containment charges related to workforce reductions and office lease terminations incurred to better match our infrastructure with expected future revenues. The growth in Adjusted EBITDA was attributable to service mix, with strong revenue increases in the Property Services segment at higher margins than the other operating segments.

Depreciation expense was $26.8 million for 2009 relative to $24.4 million in the prior year. The increase was attributable to investments in information technology platforms in each of the three operating segments made over the past two years.

Amortization expense was $19.6 million in 2009, relative to $18.2 million in the prior year. The increase was primarily attributable to $1.5 million of accelerated amortization in our European operations within the Commercial Real Estate segment.

We recorded a goodwill impairment loss in the amount of $29.6 million during 2009. We were required to perform a goodwill impairment test during the quarter ended March 31, 2009 triggered by a deterioration of economic conditions in the Commercial Real Estate operations. In particular, we determined that there was impairment in the North American and Central Europe & Latin American reporting units within the Commercial Real Estate segment driven by (i) adverse economic conditions and sharply reduced brokerage activity which in turn reduced future expected cash flows and (ii) increased discount rates due to higher risk premiums being demanded by market participants. In relation to the valuation of the impaired reporting units for the goodwill impairment test as of March 31, 2009, discounted cash flow projections based on ten-year financial forecasts were used. The key assumptions in the forecast for the North American reporting unit were (i) a revenue decline of 8% for 2009 followed by annual increases beginning in 2010, reaching a steady state internal growth rate of 3% in 2015; (ii) the application of accumulated tax losses in the amount of $57 million against future earnings; (iii) a discount rate of 13.5% applied to future cash flows and (iv) a terminal growth rate of 2%. The key assumptions in the forecast for the Central Europe and Latin American reporting unit were (i) a revenue decline of 52% for 2009 followed by annual increases beginning in 2010, reaching a steady state internal growth rate of 5% in 2015; (ii) a discount rate of 14% applied to future cash flows and (iii) a terminal growth rate of 2%.

Interest expense for 2009 decreased to $13.9 million from $16.1 million in the prior year. Our weighted average interest rate decreased to 4.7% from 5.8% in the prior year, primarily on account of lower floating reference rates, fixed to floating interest rate swaps entered into during 2009 and ongoing annual principal repayments on our 8.06% Senior Notes.

Other income for 2009 included earnings from investments accounted for under the equity method in the Commercial Real Estate segment, including a 29.9% stake in Colliers UK plc, acquired in October 2009.

During 2009, we realized a gain of $4.5 million on the sale of our 7% stake in Resolve Business Outsourcing Income Fund (“Resolve”). In the prior year, we recorded a $14.7 million other-than-temporary impairment loss on this investment.

Our consolidated income tax rate for the year ended December 31, 2009 was 123% versus 53% in 2008. The 2009 tax rate was affected by (i) a non-tax deductible goodwill impairment loss and (ii) the recognition of a valuation allowance on deferred tax assets related primarily to operating loss carry-forwards. The most significant factor leading to the determination that a valuation allowance was necessary is uncertainty in the near-term outlook for taxable income in our US Commercial Real Estate operations, consistent with factors that led to the goodwill impairment charge. Excluding the impact of these two items, the tax rate would have been 35%, relative to 16% in the prior year. Our tax rate for both years reflects the continuing benefit of cross-border financing structures first implemented in fiscal 2000. Due to the change in yearend from March 31 to December 31 as of December 31, 2008, the benefit of the cross-border tax structure for 2008 was amplified, resulting in the unusually low tax rate of 16%.

The net loss from continuing operations was $7.3 million in 2009, relative to profit of $19.8 million in the prior year. The majority of the decrease is attributable to the goodwill impairment in our Commercial Real Estate segment. In addition, increases in operating earnings at our Property Services and Residential Property Management segments were more than offset by declines in our Commercial Real Estate segment.

The Commercial Real Estate segment reported revenues of $623.0 million for 2009, down 17% relative to the prior year. Internal revenues declined 20%, foreign exchange resulted in a revenue decline of 3% and growth of 6% was attributable to acquisitions. Adjusted EBITDA was $6.4 million, at a margin of 1.0%, versus the prior year’s Adjusted EBITDA of $30.7 million at a margin of 4.1%. The margin decline was primarily a result of significant declines in investment and sales brokerage volumes in all markets, but particularly the United States and Europe. During the year we took steps to contain costs and align our service capabilities with anticipated revenues. As a result, $13.5 million in cost containment charges were incurred relating to workforce reductions and office lease terminations.

In Residential Property Management, revenues were $645 million in 2009, an increase of 5% compared to the prior year. Internal growth was 4%, with a 6% increase in property management contract revenues offset by a modest decline in property services activity including landscape installation and painting. Recent business acquisitions accounted for 1% of the growth. Residential Property Management reported Adjusted EBITDA of $61.0 million or 9.4% of revenues, up from $54.3 million or 8.8% of revenues in the prior year.

Our Property Services operations reported revenues of $434.8 million for 2009, an increase of 32% versus the prior year, comprised entirely of internal growth. Internal growth was attributable to continuing strong volumes of residential property foreclosures at our Field Asset Services contractor network. Adjusted EBITDA for the period was $71.5 million, 59% higher than the prior period, and the margin increased to 16.4% from 13.7%. The margin increase was attributable to Field Asset Services, which experienced higher margins due to operating leverage associated with higher revenues.

Corporate costs for 2009 were $11.2 million relative to $9.2 million in the prior year. Costs in 2009 were flat in local currency terms, as a result of decisions by management to freeze salaries and discretionary expenses. Most expenses were incurred in Canadian dollars. The $2.0 million increase in US dollar terms was attributable to foreign currency translation losses in 2009 relative to gains in the prior year.

Discontinued operations included: (i) the Integrated Security Services segment, which was sold in 2008; (ii) the U.S. Mortgage Brokerage ("USMB") operation, formerly included in the Commercial Real Estate segment which was sold in 2009; and (iii) the Canadian Commercial Mortgage Securitization ("CCMS") operation, formerly included in the Commercial Real Estate segment, which was wound down in 2009. During 2009, in relation to CCMS, we sold all remaining mortgages for proceeds of $14.8 million and settled all outstanding interest rate derivative contracts for a cash payment of $10.1 million. Revenues from discontinued operations were $5.1 million and the net loss from discontinued operations was $0.6 million. As of December 31, 2009, all discontinued operations were either sold or wound down.

Reversal of deferred income tax asset valuation allowance

From 2008 to the third quarter of 2011, net operating loss carry-forwards for tax purposes accumulated in our Commercial Real Estate Services operations in the United States, giving rise to a deferred income tax asset. Our ongoing assessment of all available objective evidence, both positive and negative, supporting recoverability of these tax losses in accordance with GAAP resulted in the recognition of a full valuation allowance against the deferred income tax asset, reducing its net value to nil in each period.

Following the strategic review of our Property Services division, we reorganized the division which included significant purchases of non-controlling interests amounting to $30.0 million. Having completed this reorganization, we were able to complete a reorganization of our operations in the US during the fourth quarter. Accordingly, we evaluated whether it is more likely than not the deferred income tax assets in the US will be realized. As a result, we believe there is sufficient objective favourable evidence under GAAP to reverse the accumulated valuation allowance related to the US operations, resulting in a reduction of 2011 income tax expense in the amount of $49.7 million.

The reorganizations could not be affected without the acquisitions or consents of significant non-controlling interests, which acquisitions and consents were not fully completed until the fourth quarter of 2011. The reorganizations provided evidence of projected future taxable income and objective evidence of pro forma historical taxable income that outweighs the negative evidence of historical operating losses.

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

	Year ended December 31				Nine months ended December 31	Year ended March 31
	2011	2010	2009	2008	2008	2008
Operations						
Revenues	$2,224,171	$1,986,271	$1,703,222	$1,691,811	$ 1,322,680	$1,549,713
Operating earnings	98,061	97,532	38,181	71,327	83,130	78,122
Net earnings (loss) from continuing operations	101,743	47,900	(7,279)	19,837	26,027	52,277
Net (loss) earnings from discontinued operations	-	-	(576)	45,297	48,840	(2,829)
Net earnings (loss)	101,743	47,900	(7,855)	65,134	74,867	49,448
Financial position						
Total assets	$1,233,718	$1,129,541	$1,009,530	$ 990,637	$ 990,637	$1,089,343
Long-term debt	316,415	240,740	235,994	266,369	266,369	356,030
Convertible debentures	77,000	77,000	77,000	-	-	-
Non-controlling interests	141,404	174,358	164,168	196,765	196,765	232,600
Shareholders' equity	243,619	199,248	166,034	199,141	199,141	131,553
Common share data						
Net earnings (loss) per common share:						
Basic						
Continuing operations	$ 2.13	$ 0.12	$ (1.85)	$ (0.19)	$ 0.12	$ 0.95
Discontinued operations	-	-	(0.02)	1.60	1.71	(0.03)
	2.13	0.12	(1.87)	1.41	1.83	0.92
Diluted						
Continuing operations	$ 2.03	$ 0.11	$ (1.85)	$ (0.19)	$ 0.11	$ 0.89
Discontinued operations	-	-	(0.02)	1.60	1.70	(0.04)
	2.03	0.11	(1.87)	1.41	1.81	0.85
Weighted average common shares outstanding (thousands)						
Basic	30,094	30,081	29,438	29,684	29,584	29,905
Diluted	33,301	30,367	29,516	29,914	29,755	30,547
Preferred share data						
Number outstanding (thousands)	5,623	5,772	5,772	5,772	5,772	5,979
Cash dividends per preferred share	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.31	$ 1.16
Other data						
Adjusted EBITDA	$ 161,561	$ 147,308	$ 133,067	$ 124,745	$ 124,361	$ 123,614
Adjusted earnings per common share	1.81	1.61	1.42	1.37	1.55	1.32

Results of operations – fourth quarter ended December 31, 2011

Consolidated operating results for the fourth quarter ended December 31, 2011 improved relative to the results experienced in the comparable prior year quarter in terms of revenues, Adjusted EBITDA and operating earnings. Commercial Real Estate revenues increased 12% versus the prior year quarter due to stronger sales and leasing transaction volumes, particularly in North America. Property Services revenues were down 11% versus the prior year period, due to a decline in distressed property volumes. Both operating earnings and Adjusted EBITDA increased more strongly than revenues in the fourth quarter on account of a significant improvement in margins in our Commercial Real Estate segment, attributable to operating leverage and reductions in administrative costs.

Net earnings for the fourth quarter of 2011 were also impacted by the reversal of deferred income tax asset valuation allowance (see discussion above), which reduced fourth quarter tax expense by $63.2 million.

Quarterly results - years ended December 31, 2011 and 2010
(in thousands of US$, except per share amounts)

	Q1	Q2	Q3	Q4	Year
Year ended December 31, 2011					
Revenues	$ 478,382	$ 565,472	$ 585,424	$ 594,893	$2,224,171
Operating earnings	8,623	28,140	32,466	28,832	98,061
Net (loss) earnings	(1,290)	10,932	13,774	78,327	101,743
Net (loss) earnings attributable to common shareholders	(9,877)	3,360	5,061	65,595	64,139
Net (loss) earnings per common share:					
Basic	(0.33)	0.11	0.17	2.19	2.13
Diluted	(0.33)	0.11	0.17	2.01	2.03
Year ended December 31, 2010					
Revenues	$ 402,391	$ 501,372	$ 530,418	$ 552,090	$1,986,271
Operating earnings	12,132	31,707	32,234	21,459	97,532
Net earnings	6,637	14,674	14,366	12,223	47,900
Net (loss) earnings attributable to common shareholders	(526)	2,294	5,370	(3,675)	3,463
Net (loss) earnings per common share:					
Basic	(0.02)	0.08	0.18	(0.12)	0.12
Diluted	(0.02)	0.08	0.18	(0.12)	0.11
Other data					
Adjusted EBITDA - 2011	$ 22,631	$ 46,812	$ 47,633	$ 44,485	$ 161,561
Adjusted EBITDA - 2010	20,066	44,578	45,668	36,996	147,308

Operating outlook
We are committed to a long-term growth strategy that includes average internal revenue growth in the 5-10% range, combined with acquisitions to build each of our service platforms, resulting in targeted average annual growth in revenues, Adjusted EBITDA and Adjusted earnings per common share in excess of 15%. Economic conditions will negatively or positively impact these percentage growth rates in any given year. Given current economic conditions, for 2012 we expect revenue and earnings growth within the above range across our operating segments.

Seasonality and quarterly fluctuations
Certain segments of the Company's operations are subject to seasonal variations. The seasonality of the service lines noted below results in variations in quarterly revenues and operating margins. Variations can also be caused by acquisitions or dispositions, which alter the consolidated service mix.

The Commercial Real Estate segment 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 comprised approximately 29% of 2011 consolidated revenues.

Liquidity and capital resources
The Company generated cash flow from operating activities of $80.2 million for year ended December 31, 2011, relative to $115.1 million in the prior year. Despite an improvement in net earnings in 2011, operating cash flow decreased due to additional working capital usage, particularly resulting from cash payments, early in the year, of liabilities related to broker commissions and employee incentive compensation that were accrued as of December 31, 2010. We believe that cash from operations and other existing resources, including the revolving credit facility

which was renewed on March 1, 2012 (see below), will continue to be adequate to satisfy the ongoing working capital needs of the Company.

During 2011, we invested cash in acquisitions as follows: $23.0 million in new business acquisitions, $1.6 million in contingent consideration payments related to previously completed acquisitions, and $56.6 million in acquisitions of non-controlling interests ("NCI"). The most significant purchase of NCI was in the Property Services segment, which was reorganized in mid-2011 in conjunction with a strategic review of those operations. We do not anticipate any significant purchases of NCI for 2012.

In relation to acquisitions completed during the past three fiscal periods, we have outstanding contingent consideration, assuming all contingencies are satisfied and payment is due in full, totalling $28.5 million as at December 31, 2011 (December 31, 2010 - $37.5 million). The contingent consideration liability is recognized at fair value upon acquisition and is updated to fair value each quarter, unless it contains an element of compensation, in which case such element is treated as compensation expense over the contingency period. The contingent consideration is based on achieving specified earnings levels, and is paid or payable after the end of the contingency period, which extends to December 2013. We estimate that, based on current operating results, approximately 85% of the contingent consideration outstanding as of December 31, 2011 will ultimately be paid.

Capital expenditures for the year were $37.4 million, which consisted primarily of investments in productivity-enhancing information technology systems in all three operating segments as well as office leasehold improvements. For 2012, we expect to decrease our investment in capital expenditures slightly, maintaining a focus on productivity-enhancing information technology systems primarily in our Commercial Real Estate and Residential Property Management operations.

During 2011, we purchased 639,770 Subordinate Voting Shares and 149,640 Preferred Shares on the open market, at a total cost of $24.1 million. These shares were subsequently cancelled. We continuously monitor the trading prices of our shares, among other factors, and have made no decisions to purchase additional shares in the future.

Net indebtedness as at December 31, 2011 was $295.6 million, versus $217.4 million at December 31, 2010. Net indebtedness is calculated as the current and non-current portions of long-term debt less cash and cash equivalents. Excluding the Convertible Debentures, which we may elect to settle in Subordinate Voting Shares, net indebtedness as at December 31, 2011 was $218.6 million.

As of December 31, 2011, our borrowings under our revolving credit facility were recorded as current liabilities because the underlying credit agreement was set to expire in less than one year, resulting in a working capital deficiency (current liabilities exceeding current assets). We had $60.9 million of available revolving credit as of December 31, 2011. On March 1, 2012, we entered into a revised credit agreement (the "New Credit Agreement") with a syndicate of lenders. The New Credit Agreement increases the committed senior revolving credit facility to $350 million from $275 million and includes an uncommitted accordion provision allowing for an additional $100 million of borrowing capacity under certain circumstances. The New Credit Agreement has a five year term ending March 1, 2017 and bears interest at 1.25% to 3.00% over floating reference rates, depending on certain leverage ratios. The remaining terms were substantially unchanged from the prior credit agreement.

We were in compliance with the covenants required of our financing agreements as at December 31, 2011 and we expect to remain in compliance with such covenants going forward.

During the year ended December 31, 2011, we paid $10.0 million of dividends on the Preferred Shares. The annual Preferred Share dividend obligation for 2012, based on the number of Preferred Shares outstanding as of December 31, 2011, is $9.8 million. We also distributed $10.6 million to minority shareholders of subsidiaries during the same period, primarily to facilitate the payment of income taxes on account of those subsidiaries organized as flow-through entities.

The following table summarizes our contractual obligations as at December 31, 2011:

Contractual obligations (in thousands of US$)	**Payments due by period**				
	Total	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long-term debt	$ 314,078	$ 214,858	$ 66,441	$ 32,500	$ 279
Convertible debentures	77,000	-	77,000	-	-
Interest on long term debt	17,407	8,950	7,582	875	-
Interest on convertible debentures	15,015	5,005	10,010	-	-
Capital lease obligations	2,337	1,515	796	26	-
Contingent acquisition consideration	28,500	3,729	24,771	-	-
Operating leases	253,340	63,182	92,680	46,709	50,769
Total contractual obligations	$ 707,677	$ 297,239	$ 279,280	$ 80,110	$ 51,048

At December 31, 2011, we had commercial commitments totaling $11.6 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 Senior Notes and Convertible Debentures at a weighted average interest rate of 6.1%.

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.

One of our subsidiaries has issued options to purchase subsidiary shares to its management team. If and when stock options are exercised, the new minority shareholders will become party to a shareholders' agreement as described below.

In most operations where managers, employees or brokers are also minority owners, the Company is party to shareholders' agreements. These agreements allow us to "call" the minority position at a value determined with the use of a formula price, which is in most cases equal to a multiple of trailing two-year average earnings, less debt. Minority owners may also "put" their interest to the Company at the same price, with certain limitations including (i) the inability to "put" more than 50% of their holdings in any twelve-month period and (ii) the inability to "put" any holdings for at least one year after the date of our initial acquisition of the business or the date the minority shareholder acquired the stock, as the case may be. The total value of the minority shareholders' interests (the "redemption amount"), as calculated in accordance with shareholders' agreements, was as follows.

(in thousands of US$)	**December 31 2011**	December 31 2010
Commercial Real Estate	**$ 52,058**	$ 43,086
Residential Property Management	**61,322**	66,017
Property Services	**13,638**	51,322
	$ 127,018	$ 160,425

The amount recorded on our balance sheet under the caption "non-controlling interests" is the greater of (i) the redemption amount (as above) or (ii) the amount initially recorded as NCI at the date of inception of the minority equity position. As at December 31, 2011, the NCI recorded on the balance sheet was $141.4 million. The purchase prices of the NCI may be paid in cash or in Subordinate Voting Shares of FirstService.

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 six critical accounting estimates: the determination of fair values of assets acquired and liabilities assumed in business

combinations, impairment testing of the carrying value of goodwill, valuation of contingent consideration related to acquisitions, recoverability of deferred income tax assets, quantification of uncertain income tax positions, and the collectability of accounts receivable.

The determination of fair values of assets acquired and liabilities assumed in business combinations requires the use of estimates and judgment by management, particularly in determining fair values of intangible assets acquired. For example, if different assumptions were used regarding the profitability and expected attrition rates of acquired customer relationships, different amounts of intangible assets and related amortization could be reported. A 10% increase in the expected attrition rate of customer relationships acquired during the year ended December 31, 2011 would result in a decrease to intangible assets of $5.0 million and a reduction to annual amortization expense of $0.2 million.

Goodwill impairment testing involves making estimates concerning the fair values 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. We have eight reporting units determined with reference to service type, customer type, service delivery model and geography. Goodwill is attributed to the reporting units at the time of acquisition. Estimates of fair value can be impacted by sudden changes in the business environment, prolonged economic downturns or declines in the market value of the Company's own shares and therefore require significant management judgment in their determination. The determination of fair value is done with reference to a discounted cash flow model which requires management to make certain estimates. The most sensitive estimates are estimated future cash flows and the discount rate applied to future cash flows. Changes in these assumptions could result in a materially different fair value.

Contingent consideration is required to be measured at fair value at the acquisition date and at each balance sheet date until the contingency expires or is settled. The fair value at the acquisition date is a component of the purchase price; subsequent changes in fair value are reflected in earnings. Most acquisitions made by us have a contingent consideration feature, which is usually based on the acquired entity's profitability (measured in terms of Adjusted EBITDA) during a one to three year period after the acquisition date. Significant estimates are required to measure the fair value of contingent consideration, including forecasting profitability for the contingency period and the selection of an appropriate discount rate. Increasing forecasted profitability by 10% has the effect of increasing the fair value of contingent consideration outstanding as of December 31, 2011 by $1.1 million. Increasing the discount rate by 10% has the effect of reducing the fair value of the contingent consideration outstanding as of December 31, 2011 by $0.5 million.

Deferred income tax assets arise from the recognition of the benefit of certain net operating loss carry-forwards. Management must weigh the positive and negative evidence surrounding the future realization of the deferred income tax assets to determine whether a valuation allowance is required, or whether an existing valuation allowance should remain in place. These determinations require significant management judgment. Changes in judgments, in particular of US taxable earnings, could result in the recognition or derecognition of a valuation allowance which could impact income tax expense materially.

In the ordinary course of business, there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination by tax authorities based upon an evaluation of the facts and circumstances at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a tax authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

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 $2.0 million.

Reconciliation of non-GAAP financial measures

In this MD&A, we make reference to "Adjusted EBITDA" "and "Adjusted earnings per common share," which are financial measures that are not calculated in accordance with GAAP.

Adjusted EBITDA is defined as net earnings, adjusted to exclude: (i) income tax; (ii) other expense (income); (iii) interest expense; (iv) depreciation and amortization; (v) goodwill impairment charges; (vi) acquisition-related items; (vii) stock-based compensation expense; (viii) reorganization charges and (ix) cost containment charges. The Company uses Adjusted EBITDA to evaluate its own operating performance and its ability to service debt, as well as an integral part of its planning and reporting systems. Additionally, this measure is used in conjunction with discounted cash flow models to determine the Company's overall enterprise valuation and to evaluate acquisition targets. Adjusted EBITDA is presented as a supplemental measure because the Company believes such measure is useful to investors as a reasonable indicator of operating performance because of the low capital intensity of its service operations. The Company believes this measure is a financial metric used by many investors to compare companies, especially in the services industry. This measure 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 flow from operating activities, as determined in accordance with GAAP. The Company's method of calculating Adjusted EBITDA may differ from other issuers and accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of net earnings to Adjusted EBITDA appears below.

(in thousands of US$)	Year ended December 31		
	2011	2010	2009
Net earnings (loss) from continuing operations	**$ 101,743**	$ 47,900	$ (7,279)
Income tax	**(26,807)**	29,228	39,066
Other expense (income)	**6,317**	3,007	(6,112)
Interest expense, net	**16,808**	17,397	12,506
Operating earnings	**98,061**	97,532	38,181
Depreciation and amortization	**50,926**	47,886	46,383
Goodwill impairment charge	**-**	-	29,583
Acquisition-related items	**4,649**	(871)	-
Stock-based compensation expense	**2,335**	2,761	5,424
Reorganization charge	**5,590**	-	-
Cost containment	**-**	-	13,496
Adjusted EBITDA	**$ 161,561**	$ 147,308	$ 133,067

Adjusted earnings per common share is defined as diluted net earnings (loss) per common share, adjusted for the effect, after income tax, of: (i) the non-controlling interest redemption increment; (ii) acquisition-related items; (iii) amortization of intangible assets recognized in connection with acquisitions; (iv) goodwill impairment charges; (v) stock-based compensation expense; (vi) cost containment charges; (vii) realized gain on available-for-sale securities; (viii) impairment loss on equity investments; (ix) reorganization charges; and (x) deferred income tax asset valuation allowances related to tax loss carry-forwards. The Company believes this measure is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company and enhances the comparability of operating results from period to period. Adjusted earnings per common share is not a recognized measure of financial performance under GAAP, and should not be considered as a substitute for diluted net earnings per common share, as determined in accordance with GAAP. The Company's method of calculating this non-GAAP measure may differ from other issuers and, accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of diluted net earnings (loss) per common share to Adjusted earnings per common share appears below.

(in thousands of US$)	Year ended December 31		
	2011	2010	2009
Diluted net earnings (loss) per common share from continuing operations	**$ 2.03**	$ 0.11	$ (1.85)
Non-controlling interest redemption increment	**0.42**	0.62	1.10
Acquisition-related items	**0.14**	0.03	-
Amortization of intangible assets, net of tax	**0.41**	0.40	0.39
Goodwill impairment charge	**-**	-	0.93
Stock-based compensation expense, net of tax	**0.05**	0.06	0.11
Cost containment, net of tax	**-**	-	0.30
Realized gain on available-for-sale securities, net of tax	**-**	-	(0.10)
Impairment loss on equity investment	**0.10**	-	-
Reorganization charge	**0.12**	-	-
Deferred income tax asset valuation allowance	**(1.46)**	0.39	0.54
Adjusted earnings per common share	**$ 1.81**	$ 1.61	$ 1.42

We believe that the presentation of Adjusted EBITDA and Adjusted earnings per common share, which are non-GAAP financial measures, provides important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. We use these non-GAAP financial measures when evaluating operating performance because we believe that the inclusion or exclusion of the items described above, for which the amounts are non-cash or non-recurring in nature, provides a supplemental measure of our operating results that facilitates comparability of our operating performance from period to period, against our business model objectives, and against other companies in our industry. We have chosen to provide this information to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our core business and the valuation of the Company. Adjusted EBITDA and Adjusted earnings per common share are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs or benefits associated with the operations of our business as determined in accordance with GAAP. As a result, investors should not consider these measures in isolation or as a substitute for analysis of our results as reported under GAAP.

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 notional value appreciation plans, the latter two of which require the recognition of compensation expense under GAAP. The amount of expense recognized with respect to stock options is determined for the Company plan 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 operation plans and notional value appreciation plans is re-measured quarterly.

Impact of recently issued accounting standards

On January 1, 2011, the Company adopted a consensus of the Emerging Issues Task Force ("EITF") on multiple-deliverable revenue arrangements (ASU 2009-13). This consensus provides amendments to the existing criteria for separating consideration in multiple-deliverable revenue arrangements, and is expected to result in more separation of revenue elements than under existing accounting guidance. The consensus also requires enhanced disclosures of the nature and terms of an entity's multiple-deliverable arrangements, significant estimates, timing of delivery or performance and the general timing of revenue recognition. The adoption of this consensus did not have a material effect on the Company's results of operations, financial position or disclosure.

Effective January 1, 2011, the Company adopted an EITF consensus on the disclosure of supplementary pro forma information for business combinations (ASU 2010-29). The consensus specifies that when an entity completes a business combination, the entity should disclose revenue and earnings of the combined entity as though the business combination occurred as of the beginning of the comparable prior annual reporting period. The consensus also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, non-

recurring pro forma adjustments directly attributable to the business combination included in the pro forma revenue and earnings. The adoption of this consensus impacted the Company's pro forma disclosures on acquisitions.

Effective July 1, 2011, the Company adopted updated Financial Accounting Standards Board ("FASB") guidance on testing goodwill for impairment (ASU 2011-08). This updated guidance simplifies the testing for goodwill impairment as it permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. The adoption of this updated guidance changed the manner in which goodwill testing is performed and did not have a material effect on the Company's results of operations, financial position or disclosure.

In May 2011, the FASB issued updated guidance to achieve common fair value measurement and disclosure in US GAAP and IFRS (ASU 2011-04). This update was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between US GAAP and IFRS. The update changes certain fair value measurement principles and enhances disclosure requirements, particularly for level 3 fair value measurements. This guidance is effective for the Company on January 1, 2012. The Company is in the process of evaluating its adoption and disclosure implications, but is not expected to have a material effect on the Company's results of operations or financial position.

In June 2011, the FASB issued updated guidance on the presentation of comprehensive income (ASU 2011-5). This guidance requires entities to present the total of comprehensive earnings, the components of net earnings, and the components of other comprehensive earnings either in a single continuous statement of comprehensive earnings or in two separate but consecutive statements. Regardless of whether an entity chooses to present comprehensive earnings in a single continuous statement or in two separate but consecutive statements, the entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive earnings to net earnings in the statement(s) where the components of net earnings and the components of other comprehensive earnings are presented. The guidance does not change the items that must be reported in other comprehensive earnings or when an item of other comprehensive earnings must be reclassified to net earnings. ASU 2011-5 will be applied retrospectively by the Company effective January 1, 2012, except for the requirement to present reclassifications from other comprehensive earnings to net earnings by item on the face of the financial statements, which has been deferred. The adoption of the guidance is expected to result in a change in disclosure of comprehensive earnings from within the statement of shareholders' equity to a separate statement of comprehensive earnings.

Impact of IFRS
On January 1, 2011, many Canadian companies were required to adopt International Financial Reporting Standards ("IFRS"). In 2004, in accordance the rules of the CSA, the Company elected to report exclusively using U.S. GAAP. Under the rules of the CSA, the Company is permitted to continue preparing its financial statements in accordance with U.S. GAAP and, as a result, did not adopt IFRS on January 1, 2011.

Financial instruments
We use financial instruments as part of our strategy to manage the risk associated with interest rates and currency exchange rates. We do not use financial instruments for trading or speculative purposes. As at the date of this MD&A, the Company had one interest rate swap in place to exchange the fixed interest rate on $40.0 million of notional value on its Senior Notes for a floating rate.

Transactions with related parties
Please refer to note 22 to the Consolidated Financial Statements for information regarding transactions with related parties.

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. Each Multiple Voting Share is convertible into one Subordinate Voting Share at any time at the election of the holders thereof. The Preferred Shares are redeemable for cash or convertible into Subordinate Voting Shares at the option of the Company at any time as set out in the Articles of the Company.

The Company also has outstanding US$77.0 million aggregate principal amount of Convertible Debentures. The Convertible Debentures mature on December 31, 2014 and accrue interest at the rate of 6.50% per annum payable semi-annually in arrears on June 30 and December 31 in each year, commencing June 30, 2010. At the holder's option, the Convertible Debentures may be converted into Subordinate Voting Shares at any time prior to the close of business on the earlier of the business day immediately preceding either the maturity date and the date specified by FirstService for redemption of the Convertible Debentures. The conversion price is US$28.00 for each Subordinate Voting Share, subject to adjustment in certain circumstances. The Convertible Debentures will not be redeemable before December 31, 2012. On and after December 31, 2012 and prior to December 31, 2013, the Convertible Debentures may be redeemed in whole or in part from time to time at FirstService's option, provided that the volume weighted average trading price of the Subordinate Voting Shares on the Toronto Stock Exchange (converted into a US dollar equivalent) during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On and after December 31, 2013 and prior to the maturity date, FirstService may, at its option, redeem the Convertible Debentures, in whole or in part, from time to time at par plus accrued and unpaid interest. Subject to specified conditions, FirstService has the right to repay the outstanding principal amount of the Convertible Debentures, on maturity or redemption, through the issuance of Subordinate Voting Shares. FirstService also has the option to satisfy its obligation to pay interest through the issuance and sale of Subordinate Voting Shares. A summary of additional terms of the Convertible Debentures is set out in the section entitled "Description Of The Securities Being Distributed" contained in the Company's (final) prospectus dated November 3, 2009 qualifying the distribution of the Convertible Debentures, which section is incorporated herein by reference.

During 2011, the Company purchased for cancellation a total of 639,770 Subordinate Voting Shares (at an average price of $31.74 per share) and 149,640 Preferred Shares (at an average price of $25.00 per share) under an approved normal course issuer bid.

As of the date hereof, the Company has outstanding 28,615,560 Subordinate Voting Shares, 1,325,694 Multiple Voting Shares and 5,622,634 Preferred Shares. In addition, as at the date hereof: (a) 1,895,550 Subordinate Voting Shares are issuable upon exercise of options granted under the Company's stock option plan; and (b) 2,750,000 Subordinate Voting Shares are issuable upon conversion or redemption or in respect of repayment at maturity of the outstanding Convertible Debentures (using the conversion price of US$28.00 for each Subordinate Voting Share), with a maximum of 3,871,290 Subordinate Voting Shares being issuable upon conversion of the Convertible Debentures following certain "change of control" transactions.

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 Chief Executive Officer and Chief Financial Officer, with the assistance and participation of other Company management, have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Canada by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings and in the United States by Rules 13a-15(e) and 15d-15(e) of the United States Securities and Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2011 (the "Evaluation Date"). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective to give reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under Canadian securities legislation and the Exchange Act is: (i) recorded, processed, summarized and reported within the time periods

specified therein; and (ii) accumulated and communicated to management, including the Chief Executive Officer and the 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 GAAP.

Due to 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.

We have excluded six entities acquired by the Company during the last fiscal period from our assessment of internal control over financial reporting as at December 31, 2011. The total assets and total revenues of the six entities represent 3.3% and 0.9%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2011.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2011, 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 December 31, 2011, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as at December 31, 2011, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report dated March 1, 2012 which accompanies the Company's audited consolidated financial statements for the year ended December 31, 2011.

Changes in internal control over financial reporting
During the year ended December 31, 2011, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control 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 MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe," "anticipate," "estimate," "plan," "expect," "intend," "may," "project," "will," "would," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risk and uncertainties. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Factors which may cause such differences include, but are not limited to those set out below and those set out in detail in the "Risk Factors" section of the Company's Annual Information Form, which is included in the Company's Annual Report on Form 40-F:

- 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.
- Competition in the markets served by the Company.
- Labour 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.
- Political conditions, including any outbreak or escalation of terrorism or hostilities and the impact thereof on our business.
- Changes in government policies at the federal, state/provincial or local level that may adversely impact our businesses.

We caution that the foregoing list is not exhaustive of all possible factors, as other factors could adversely affect our results, performance or achievements. The reader is cautioned against undue reliance on these forward-looking statements. 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 REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Annual Report on Form 40-F for the year ended December 31, 2011 of FirstService Corporation of our report dated March 1, 2012, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting which appears in Exhibit 2 incorporated by reference in this annual report.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
March 1, 2012

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.

March 1, 2012

/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.

March 1, 2012

/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 year ended December 31, 2011 (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 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 1, 2012

/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 year ended December 31, 2011 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, John B. Friedrichsen, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 1, 2012

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