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

FORM 40-F

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

For the fiscal year ended **December 31, 2015**

Commission file number **001-36897**

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:

34,613,317 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares

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).

[**x**] Yes [ ] No

PRINCIPAL DOCUMENTS

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

A. Annual Information Form

For the Registrant's Annual Information Form for the year ended December 31, 2015, see Exhibit 1 of this Annual Report on Form 40-F.

B. Audited Annual Financial Statements

For the Registrant's audited consolidated financial statements as at December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013, see Exhibit 2 of this Annual Report on Form 40-F.

C. Management's Discussion and Analysis

For the Registrant's management's discussion and analysis for the year ended December 31, 2015, 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 nine individually insignificant entities acquired by the Registrant during the last fiscal period from its assessment of internal control over financial reporting as at December 31, 2015. The total assets and total revenues of the nine majority-owned entities represent 0.7% and 2.2%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2015.

Management has assessed the effectiveness of the Registrant's internal control over financial reporting as at December 31, 2015, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2015, 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, 2015 has been audited by PricewaterhouseCoopers LLP, the Registrant's independent registered public accounting firm, as stated in their report filed in Exhibit 2 of this Annual Report on Form 40-F.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year ended December 31, 2015, 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, 2015 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. Bernard I. Ghert 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. 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 the Lead Director of the Board of the Registrant, Chairman of the Independent Review Committee of Middlefield Fund Management Limited, President of the B.I. Ghert Family Foundation, President of Coppi Holdings Ltd., a Director on Sinai Health System's Board and Past Chair of the Mount Sinai Hospital Board of Directors.

The SEC has indicated that the designation of Mr. Bernard I. Ghert 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 for professional services rendered for the fiscal period ended December 31, 2015. During this period, PricewaterhouseCoopers LLP was the Registrant's only external auditor. As further discussed in the Registrant's Annual Information Form for the year ended December 31, 2015, the Company began independent operations on June 1, 2015. Accordingly, no fees were incurred by the Company from any auditor or accounting firm in the year ended December 31, 2014.

(in thousands of US$)	Year ended December 31, 2015
Audit fees (note 1)	$ 697
Audit-related fees (note 2)	28
Tax fees (note 3)	-
All other fees (note 4)	94
	$ 819

Notes:

1. Refers to the aggregate fees billed by the Registrant's external auditor for audit services relating to the audit of the Registrant and statutory audits required by subsidiaries.
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, 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, as well as administration and out-of-pocket expenses.

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 performance or financial condition other than the payments which may be required to be made under the sale of control arrangement contained in the restated management services agreement with the Registrant, Jayset Management FSV Inc. and Jay S. Hennick. A description of the sale of control arrangement is set out in Note 10 to the consolidated financial statements included as Exhibit 2 to this Annual Report on Form 40-F, and is incorporated herein by reference.

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 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), Michael Stein, and Erin J. Wallace.

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 registered pursuant to Form 40-F; 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: February 23, 2016

By: */s/ Jeremy Rakusin*

Name: Jeremy Rakusin
Title: Chief Financial Officer

EXHIBIT INDEX

No.	Document
1.	Annual Information Form of the Registrant for the year ended December 31, 2015.
2.	Audited consolidated financial statements of the Registrant as at December 31, 2015 and 2014 and for years ended December 31, 2015, 2014 and 2013, in accordance with generally accepted accounting principles in the United States.
3.	Management's discussion and analysis of the Registrant for the year ended December 31, 2015.
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.
101.	Interactive Data File.

EXHIBIT 1



FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM

For the year ended December 31, 2015

February 23, 2016

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NOTICE TO READER

This is the annual information form of FirstService Corporation for the year ended December 31, 2015 (the "AIF"). In this AIF, unless otherwise specified or the context otherwise requires, reference to "we", "us", "our", "Company" or "FirstService" includes reference to the subsidiaries of, and other equity interests held by, FirstService Corporation and its subsidiaries on and after June 1, 2015. On June 1, 2015, former FirstService Corporation ("Old FSV") completed a plan of arrangement (the "Spin-off") which separated Old FSV into two independent publicly traded companies – Colliers International Group Inc. ("Colliers"), a global leader in commercial real estate services, and new FirstService, the North American leader in residential property management and other essential property services to residential and commercial customers. The Spin-off is described in Old FSV's Management Information Circular dated March 16, 2015 (the "Spin-off Circular"), which is available under Colliers' SEDAR profile at www.sedar.com.

We commenced independent operations on June 1, 2015 following the completion of the Spin-off. The description of our business, recent significant developments, the presentation of financial statements and other information throughout this AIF in respect of periods prior to June 1, 2015 is based on information with respect to the businesses comprising the FirstService Residential (formerly Residential Real Estate Services) and FirstService Brands (formerly Property Services) divisions of Old FSV, and the assets and liabilities referable thereto, as operated by Old FSV prior to June 1, 2015. See "General development of the business - The Spin-off" for further information on the Spin-off. Such financial information has been derived from the historical consolidated financial statements of Old FSV for each of the relevant periods on a carve-out basis from such historical consolidated financial statements of Old FSV for the relevant period and should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2015 and the carve-out combined financial statements in relation to New FirstService for the year ended December 31, 2014 and the management's discussion and analysis thereon, each as set out in Appendix "K" to the Spin-off Circular, and the unaudited carve-out combined financial statements in relation to New FirstService for the three months ended March 31, 2015 and the management's discussion and analysis thereon which are available under Colliers' SEDAR profile at www.sedar.com and have been filed with the U.S. Securities and Exchange Commission and are available via EDGAR at www.sec.gov.

Certain historical information contained in this AIF has been provided by, or derived from information provided by, certain third parties, including Colliers. Although we have no knowledge that would indicate that any such information is untrue or incomplete, we assume no responsibility for the completeness or accuracy of such information or the failure by such third parties to disclose events which may have occurred or may affect the completeness or accuracy of such information, but which are unknown to us.

"New FirstService" represents the historical operations, assets, liabilities and cash flows of the FirstService Residential and FirstService Brands divisions of Old FSV (prior to the completion of the Spin-off), as well as a portion of the corporate functions of Old FSV (prior to the completion of the Spin-off). As a result, comparative historical financial results may not be indicative of those that would have resulted had we existed as a stand-alone entity during those periods. See "Risk Factors".

PRESENTATION OF INFORMATION

Unless otherwise specified, all dollar amounts referred to in this AIF are expressed in United States dollars and all references to "US$" are to United States dollars and all references to "C$" are to Canadian dollars. Unless otherwise indicated, all financial statements and information included in, or incorporated by reference into, this AIF is determined using generally accepted accounting principles as in effect in the United States ("GAAP") and presented as at December 31, 2015.

FORWARD-LOOKING STATEMENTS

This AIF contains, and incorporates by reference, "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 AIF. 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 AIF. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in, or incorporated by reference into, this AIF are based upon what management currently believes to be reasonable assumptions, we cannot assure readers 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 AIF and we do not intend, and do not assume any obligation, to update or revise these forward-looking statements.

FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM
(February 23, 2016)

Corporate structure

FirstService Corporation was formed on October 6, 2014 under the *Business Corporations Act* (Ontario) as "*New FSV Corporation*". Pursuant to the Spin-off, on June 1, 2015, our name was changed to "*FirstService Corporation*" and we began operations independent from Old FSV. Our head and registered office is located at 1140 Bay Street, Suite 4000, Toronto, Ontario, M5S 2B4. Our fiscal year-end is December 31. Prior to completion of the Spin-off, New FSV Corporation did not carry on any active business and did not issue any shares.

For a further description of the Spin-off, see "General development of the business – Spin-off".

Intercorporate Relationships

We have the following principal subsidiaries which have total assets or revenues which exceed 10% of our total consolidated assets or revenues as at and for the year ended December 31, 2015:

Name of subsidiary	Percentage of voting securities owned	Jurisdiction of incorporation, continuance, formation or organization
American Pool Enterprises, Inc.	96.4%	Delaware
FirstService CAM Holdings, Inc.	100.0%	Delaware
FirstService International Holdings s.a.r.l.	100.0%	Luxembourg
FirstService Residential, Inc.	97.6%	Delaware
FirstService Residential Florida, Inc.	100.0%	Florida
FirstService Residential Management Canada Inc.	100.0%	Ontario
FS Brands, Inc.	95.7%	Delaware

The voting securities of the above noted subsidiaries not controlled by FirstService are those owned by operating management of each respective subsidiary. The above table does not include all of the subsidiaries of FirstService. The assets and revenues of our unnamed subsidiaries did not exceed 20% of our total consolidated assets or total consolidated revenues as at and for the year ended December 31, 2015.

General development of the business

FirstService is the North American leader in residential property management and other essential property services to residential and commercial customers. We began independent operations on June 1, 2015 following the completion of the Spin-off, which included, among other things, the transfer to us of the FirstService Residential and FirstService Brands divisions of Old FSV, and the assets and liabilities referable thereto, as operated by Old FSV prior to June 1, 2015. Although we are a new company, we have operated a number of our businesses for decades.

The Spin-off

The division of Old FSV into two focused and independent publicly traded services companies was completed on June 1, 2015. It resulted in, among other things, the establishment of our company as a North American leader in residential property management and other essential property services to residential and commercial customers.

Under the Spin-off, Old FSV shareholders received one Colliers share and one FirstService share of the same class as each Old FSV share previously held, Old FSV changed its name to Colliers and FirstService adopted the name "*FirstService Corporation*". As result of the Spin-off, FirstService initially became a public company on June 1, 2015, and, on June 2, 2015, the subordinate voting shares of FirstService (the "Subordinate Voting Shares") commenced trading on the Toronto Stock Exchange ("TSX") and The NASDAQ Global Select Market ("NASDAQ"), in each case, under the symbol "FSV". On June 1, 2015, 34,644,911 Subordinate Voting Shares and 1,325,694 multiple voting shares of FirstService (the "Multiple Voting Shares", and together with the Subordinate Voting Shares, the "Common Shares") were issued to the former holders of Old FSV shares.

At the meeting of the shareholders of Old FSV held on April 21, 2015 to approve the Spin-off and related matters, the Old FSV shareholders approved the FirstService Stock Option Plan (the "Option Plan"), which became effective on June 1, 2015. This approval was deemed to satisfy the approval of the shareholders of FirstService required by the TSX for the Option Plan as well as the options thereunder issued in connection with the Spin-off. On June 1, 2015, options exercisable for 1,656,250 Subordinate Voting Shares were issued to the former holders of Old FSV options under the Spin-off.

In connection with the completion of the Spin-off, in order to provide ongoing liquidity, including working capital requirements, we obtained from a syndicate of banks a US$200 million multi-currency five-year revolving credit facility (the "Credit Facility"). At any time during the term, the Company has the right to increase the Credit Facility by up to US$50 million, on the same terms and conditions as the original Credit Facility. The term of the Credit Facility commenced on June 1, 2015 and, on that date, US$58 million was drawn on the Credit Facility. In addition, under the Spin-off, we assumed Old FSV's senior secured notes in the principal amount of US$150 million pursuant to a new note and guarantee agreement, which notes mature on January 16, 2025 (with equal annual principal repayments beginning on January 16, 2021), initially bearing interest at the rate of 4.84% per annum (with the interest rate subject to being lowered to 3.84% in the event that certain financial covenant targets are met by FirstService). As of December 31, 2015, the current interest rate is 3.84% based on those financial covenant targets being met.

We have filed a business acquisition report in Form 51-102F4 in respect of the Spin-off. The business acquisition report is accessible under our profile on SEDAR at www.sedar.com.

History

The businesses lines which now form part of FirstService were part of the foundation of our predecessor company, Old FSV, originally launched in 1989 by Jay S. Hennick, our Founder and Chairman, with a Toronto-based commercial swimming pool and recreational facility management business which he founded as a teenager in 1972. Over the past 25 years, the businesses of FirstService have grown their operations "one step at a time" both through internal growth and acquisitions. In addition to the Spin-off, the following chart summarizes key milestones in the evolution of the Company:

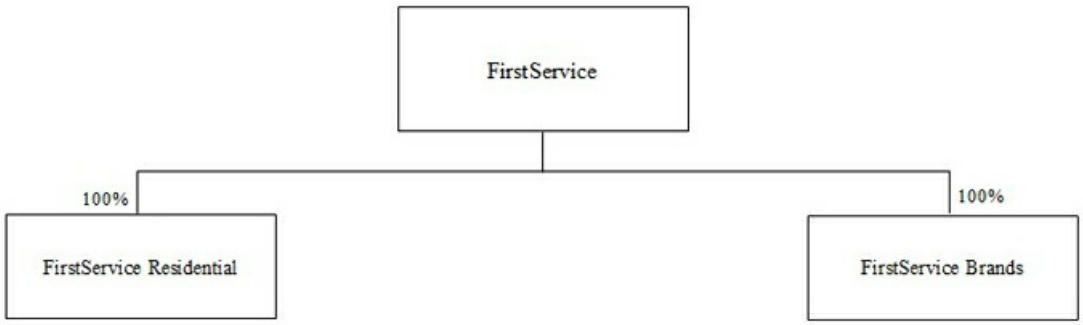
Year	Event
1989	Jay S. Hennick established Old FSV with a Toronto-based swimming pool management company Old FSV acquired College Pro Painters franchise system and established FirstService Brands
1994	D. Scott Patterson joined Old FSV as Vice President, Corporate Development and soon thereafter became Chief Financial Officer
1996	Old FSV established the FirstService Residential platform by acquiring two Florida-based property management firms, with follow-on acquisitions in the New York City and Northeast U.S. regions shortly thereafter
1997	FirstService Brands acquired Paul Davis Restoration
1997	FirstService Financial was established as part of the FirstService Residential platform service offering
1998	FirstService Brands acquired California Closets
2005	FirstService Brands exceeded 1,000 franchises
2007	FirstService Brands exceeded $1 billion in system-wide sales
2008	FirstService adopted Net Promoter System (NPS) across all of its businesses
2009	FS Energy was launched to add to FirstService Residential's comprehensive services
2010	FirstService Residential expanded into Canada Charles E. Chase was promoted to President and Chief Executive Officer of FirstService Brands
2013	Charles M. Fallon was named Chief Executive Officer of FirstService Residential *FirstService Residential* national brand was established from the re-branding of 18 regional brands

Business description

FirstService is a leading provider of branded essential property services comprised of two operating divisions: (i) FirstService Residential, the largest provider of residential property management services in North America; and (ii) FirstService Brands, a leading provider of essential property services to residential and commercial customers through both franchise systems and company-owned operations.

FirstService Residential and FirstService Brands both rely on the same operational foundations for success – a core competency in managing and growing market-leading, value-added outsourced property services businesses; significant economies of scale that are leveraged wherever possible to create more value for clients; a focus on client service excellence; and a strong brand recognition. These pillars provide our businesses with competitive advantages that are difficult to replicate. Our two business lines also have similar highly attractive financial profiles, including a high proportion of recurring revenue streams, low capital expenditure and working capital requirements, high free cash flow generation, and significant financial strength to grow both organically and through consolidation of highly fragmented industries.

We conduct our business and report our financial performance through two operating segments as shown below:



The following charts summarize the revenues and adjusted EBITDA of our two operating segments over the past five fiscal years.

Revenues by operating segment	**Year ended December 31**				
(in thousands of US$)	**2015**	**2014**	**2013**	**2012**	**2011**
FirstService Residential	1,017,506	919,545	844,952	768,994	691,344
FirstService Brands	246,571	12,457	193,135	170,827	165,857
Total	$ 1,264,077	$ 1,132,002	$ 1,038,087	$ 939,821	$ 857,201

Adjusted EBITDA[1] by operating segment	Year ended December 31				
(in thousands of US$)	**2015**	**2014**	**2013**	**2012**	**2011**
FirstService Residential	68,853	45,611	52,749	56,214	53,974
FirstService Brands	42,961	37,759	33,521	28,717	23,805
Corporate	(8,776)	(8,373)	(7,356)	(5,999)	(7,214)
Total	$ 103,038	$ 74,997	$ 78,914	$ 78,932	$ 70,565

FirstService Residential

FirstService Residential is North America's largest manager of private residential communities, offering a full range of services across multiple geographies to a wide variety of clients, including condominiums (high, medium and low-rise), co-operatives, homeowner associations, master-planned communities, active adult and lifestyle communities, and a variety of other residential developments governed by common interest or multi-unit residential community associations. Our more than 14,000 employees in over 100 offices across 21 U.S. states and three Canadian provinces manage approximately 7,400 communities, representing more than 3 million residents in over 1.6 million residential units. Our operational and client coverage footprint is extensive, with a presence in major markets that constitute over 70% of the North American population.

Typically, owners of residential units within these communities are required to pay monthly or quarterly fees to cover all expenses to operate and maintain the common areas of the communities. Resident owners elect volunteer homeowners to serve on a board of directors to oversee the operations of the community association. Historically, decision-making for the day-to-day operations of the communities was delegated to these volunteer board members, although, increasingly, these boards outsource this responsibility to professional property management companies like FirstService Residential.

There are two types of professional property management companies within the industry – traditional or full-service:

- *Traditional property management:* Traditional property managers focus principally on administrative and governance property management functions on behalf of community association clients, including advising homeowner boards on matters relating to the operation of their communities, collection of monthly maintenance fees, sourcing and payments to suppliers, financial statement preparation, and outsourcing of support services.

- *Full service property management:* Full service property managers provide all of the traditional functions, plus a range of ancillary services including, among other things, on-site staffing (in areas such as building engineering and maintenance, full-service amenity management, security and concierge/front desk), banking and insurance products, energy conservation and management solutions, and resale processing services.

Only a small number of industry participants have the expertise and capital to provide full-service property management services comparable to FirstService Residential. We have the scale, highly recognized brand, geographic footprint, resources, operating expertise and innovation to deliver a full-service offering. We combine our advantages of size and national presence with a local touch and dedication focusing on service excellence, which solidifies our client relationships and market-leading reputation. The annual aggregate budget of the community associations managed by FirstService Residential exceeds US$7 billion.

As a full-service property manager, FirstService Residential provides a full range of ancillary services, including on-site staffing for building engineering and maintenance, full-service swimming pool and amenity management, security and concierge/front desk, and landscaping. In most markets, we provide financial services (cash management, other banking transaction-related services, and specialized property insurance brokerage), energy management solutions and advisory services, and resale processing services, utilizing the scale of our operations to economically benefit clients.

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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.

We generally provide residential property management and recurring ancillary services under contract, with a fixed monthly fee. These contracts typically range in duration from one to three years, yet are generally cancellable by either party with 30 to 90 days' notice. Historically, a significant proportion of our revenue is recurring due to the nature of our contracts, which have a 95%+ retention rate and therefore have a long-term tenure.

FirstService Brands

FirstService Brands is a leading North American operator and provider of essential property services to residential and commercial customers. The principal brands in this division include Paul Davis Restoration, CertaPro Painters, California Closets, Pillar to Post Home Inspectors, Floor Coverings International, College Pro Painters and Service America.

Franchised Operations

We own and operate six franchise networks as follows:

(i) Paul Davis Restoration is a franchisor of residential and commercial restoration services serving the insurance industry in the United States and Canada through 368 franchises. Paul Davis provides full service water, fire and mold cleanup, construction rebuild and restoration services for property damaged by natural or man-made disasters. Royalties are earned from franchisees based on a percentage of franchisee gross revenues.

(ii) CertaPro Painters is the largest provider of residential and commercial painting services in North America. CertaPro has 345 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. CertaPro completes more than 80,000 projects in a typical year. Royalties are earned based on a percentage of franchisee gross revenues or a fixed monthly fee, plus administrative fees for various ancillary services.

(iii) California Closets is North America's largest provider of custom-designed and installed closet and home storage solutions. California Closets has 86 franchises in the United States and Canada as well as master franchises in other countries around the world. There are currently approximately 120 branded California Closets retail showrooms in operation in North America which are used by franchisees to demonstrate and sell the product. California Closets franchise and corporate locations install more than 50,000 systems annually across North America. Royalties are earned based on a percentage of franchisee gross revenues.

(iv) Pillar to Post Home Inspectors is one of North America's largest home inspection service providers. Services are provided through a network of nearly 700 home inspectors in 460 franchises. Through its proprietary inspection model, Pillar to Post can assess up to 1,600 categories or items inside and outside the home as part of its evaluation process. Pillar to Post inspects more than US$25 billion in residential real estate each year. Royalties are earned on a percentage of franchisee gross revenues.

(v) Floor Coverings International is a residential and commercial floor coverings design and installation franchise system operating in North America with 107 franchises. Royalties are earned based on a percentage of franchisee gross revenues.

(vi) College Pro Painters is a seasonal exterior residential painting and window cleaning franchise system operating in most U.S. states and across Canada with 566 franchises. It recruits students and trains them to operate the business, including price estimating, marketing, operating procedures, hiring, customer service and safety. Royalties are earned based on a percentage of franchisee gross revenues. College Pro Painters' operations are seasonal with revenue and earnings generated in the June and September quarters followed by losses in the December and March quarters.

The aggregate system-wide revenues of our 1,932 franchisees were $1.5 billion for 2015. Franchise agreements are for terms of five or ten years, with the exception of College Pro Painters where the agreements are for a term of one year. Royalties are reported and paid to us monthly in arrears. All franchise agreements contain renewal provisions that can be invoked by FirstService at little or no cost.

The franchised property 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 U.S. Federal Trade Commission regulations and state and provincial laws that regulate the offering and sale of franchises. Presently, the Company is authorized to sell franchises in 50 U.S. 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.

Company Owned Operations

FirstService owns and operates 12 California Closets locations and one Paul Davis Restoration location in major metropolitan markets in the United States and Canada. These operations were acquired from franchisees with the goal of accelerating revenue growth and realizing operating margin expansion potential. We also own and operate Service America, a Florida-based provider of heating, ventilation and air conditioning services and related service contracts to residential and commercial customers.

Seasonality

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

Trademarks

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.

Our FirstService Residential operating division adopted the FirstService Residential trademark in June 2013, replacing 18 legacy regional brands. The adoption of common branding was designed to create a unified North American market presence signifying our market leadership, to showcase our commitment to service excellence and to leverage our strengths to the benefit of current and future clients. No value has been ascribed to the FirstService Residential trademark in our consolidated financial statements.

In our FirstService Brands division, three franchise systems – California Closets, Paul Davis Restoration, and Pillar to Post Home Inspectors – have trademarks to which value has been ascribed in our consolidated financial statements. 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.

Growth strategy

We maintain a leadership position in the residential property management and services industry, offering a full complement of services to a wide range of customers. We have an established track record of expanding our business through both organic and acquisition growth. Our growth plan involves five primary drivers: (i) capitalizing on our scale advantages to win new business; (ii) continuing to emphasize retention of our existing customer base, and leveraging referrals from past and existing customers; (iii) continuing to expand our ancillary services; (iv) realizing operational efficiencies; and (v) selectively pursuing strategic acquisitions.

Competition

We compete in the essential property services industry as one of the largest providers of such services to residential and commercial customers in North America.

FirstService Residential is the North American leader in residential property management with an estimated 5% market share. We operate in a highly fragmented market, with an estimated 8,000 local and regional management companies across North America. Only a relatively small number of our competitors are able to deliver the expertise and investment capital to compete broadly on a professional platform. Our primary competitors are smaller independent regional players, with only one other company having a North American presence. Our competitive position varies across geographies, property types, and services provided.

The essential property services industry in which FirstService Brands participates is highly fragmented and consists predominantly of small "mom & pop" businesses. Each of our service lines within FirstService Brands has professionalized its business category, and has the #1 or #2 market position within each market served. FirstService Brands competes primarily with local, regional and family-owned and operated enterprises or franchise businesses. There are several diversified property services franchise competitors including ServiceMaster, The Dwyer Group and Clockwork Services, which offer a variety of franchise service models for residential and commercial customers. Other facility and property services franchisors such as Jani-King, Jan-Pro, Roto-Rooter, Rooter-Man, and Servpro are single-concept franchise models, many of which are focused on janitorial cleaning services, and do not compete directly with FirstService Brands.

Employees

We have approximately 16,000 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 almost 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

Dividend policy

Following the completion of the Spin-off, our Board of Directors adopted a dividend policy pursuant to which we make quarterly cash dividends to holders of Common Shares of record at the close of business on the last business day of each calendar quarter. The quarterly dividend was initially set at US$0.10 per Common Share (a rate of US$0.40 per annum). We commenced paying the quarterly Common Share dividend under the dividend policy effective for the quarter ended June 30, 2015. In February 2016, our Board of Directors determined that, commencing with the quarter ended March 31, 2016, the quarterly dividend will be US$0.11 per Common Share (a rate of US$0.44 per annum). Each quarterly dividend is paid within 30 days after the record date. For the purposes of the *Income Tax Act* (Canada) and any similar provincial legislation, all dividends on the Common Shares will be eligible dividends unless indicated otherwise.

The terms of the Common Share dividend policy remain, among other things, at the discretion of our Board of Directors. Future dividends on the Common Shares, if any, will depend on the results of FirstService's operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other relevant factors. Under the terms of the 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.

Dividend history

The aggregate cash dividends declared per Common Share in respect of the post-Spin-off portion of the year ended December 31, 2015 was US$0.30.

Capital structure

Share capital

The authorized capital of the Company consists of an unlimited number of preference shares (the "Preference Shares"), issuable in series, an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. As of February 23, 2016 , there were 34,673,317 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares issued and outstanding.

Common Shares

The Common Shares rank junior to the Preference Shares or series thereof ranking in priority with respect to the payment of dividends, return of capital and distribution of assets in the event of liquidation, dissolution or any distribution of the assets of FirstService for the purpose of winding-up its affairs. The holders of outstanding Common Shares are entitled to receive dividends and other distributions on a share-for-share basis (or, in the discretion of the directors, in a greater amount per Subordinate Voting Share than per Multiple Voting Share) out of the assets legally available therefor at such times and in such amounts as our Board of Directors may determine, but without preference or distinction between the Multiple Voting Shares and the Subordinate Voting Shares. The Subordinate Voting Shares carry one vote per share and the Multiple Voting Shares carry 20 votes per share. The holders of Subordinate Voting Shares and the holders of Multiple Voting Shares are entitled to receive notice of any meeting of shareholders and to attend and vote thereat as a single class on all matters to be voted on by the shareholders, except at meetings where the holders of shares of one class or of a particular series of shares are entitled to vote separately.

The rights, privileges, conditions and restrictions attaching to the Subordinate Voting Shares and the Multiple Voting Shares may be respectively modified if the amendment is authorized by at least two-thirds of the votes cast at a meeting of the holders of Subordinate Voting Shares and the holders of Multiple Voting Shares duly held for that purpose. However, if the holders of Subordinate Voting Shares, as a class, or the holders of Multiple Voting Shares, as a class, are to be affected in a manner different from the other classes of shares, such amendment must, in addition, be authorized by at least two-thirds of the votes cast at a meeting of the holders of the class of shares which is affected differently.

Each outstanding Multiple Voting Share is convertible at any time, at the option of the holder, into one Subordinate Voting Share. The Subordinate Voting Shares are not convertible into any other class of shares. No subdivision, consolidation, reclassification or other change of the Multiple Voting Shares or the Subordinate Voting Shares may be made without, concurrently, having the Multiple Voting Shares or Subordinate Voting Shares, as the case may be, subdivided, consolidated, reclassified or other change made under the same conditions. The Common Shares are not redeemable nor retractable but are able to be purchased for cancelation by FirstService in the open market, by private contract or otherwise. Upon the liquidation, dissolution or any distribution of the assets of FirstService for the purpose of winding-up its affairs, the holders of Common Shares are entitled to participate equally, on a share-for-share basis, in the remaining property and assets of FirstService available for distribution to such holders.

Preference Shares

The Preference Shares are issuable, from time to time, in one or more series, as determined by our Board of Directors. Our Board of Directors will determine, before the issue of any series of Preference Shares, the designation, preferences, rights, restrictions, conditions, limitations, priorities as to payment of dividends and/or distribution on liquidation, dissolution or winding-up, or prohibitions attaching to such series. The Preference Shares, if issued, will rank prior to the Common Shares with respect to the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of FirstService or any other distribution of assets of FirstService among its shareholders for the purpose of winding-up its affairs, and may also be given such other preferences over the Common Shares as may be determined with respect to the respective series authorized and issued. Except as required by law, the Preference Shares will not carry voting rights.

Certain Rights of Holders of Subordinate Voting Shares

A summary of the rights attaching to the Subordinate Voting Shares in the event that a take-over bid is made for Multiple Voting Shares is set out in the section entitled "Certain Rights of Holders of Subordinate Voting Shares" contained in our Management Information Circular to be filed in connection with our upcoming meeting of shareholders to be held on April 14, 2016 (the "Meeting Circular"), which is incorporated by reference herein and will be available under our SEDAR profile at www.sedar.com. Reference should be made to our articles for the full text of these provisions.

Stock Option Plan

FirstService has a stock option plan (the "Option Plan") pursuant to which options to acquire Subordinate Voting Shares are granted to directors, officers and full-time employees of FirstService or its subsidiaries (other than Jay S. Hennick). A summary of the terms of the Option Plan is set out in the section entitled "Executive Compensation – Incentive Award Plans of FirstService – FirstService Stock Option Plan" contained in the Meeting Circular, which is incorporated by reference herein and will be available under our SEDAR profile at www.sedar.com. The maximum number of Subordinate Voting Shares subject to grants of options under the Option Plan is limited to 2,263,500, of which: (i) options exercisable for 1,474,750 Subordinate Voting Shares have been granted and are outstanding as at the date hereof; and (ii) options which were exercisable for 540,000 Subordinate Voting Shares have been exercised or expired as at the date hereof, leaving options available for grant for 248,750 Subordinate Voting Shares.

Under the Spin-off, each holder of Old FSV stock options exchanged such options for an equivalent number of Colliers stock options and FirstService stock options, and the exercise price of the Old FSV stock options exchanged was apportioned between the Colliers stock options (as to 58.6%) and FirstService stock options (as to 41.4%). The vesting schedule and expiration dates for these post-Spin-off stock options remained the same as the Old FSV stock options for which they were exchanged. The Colliers and FirstService stock options issued in connection with the Spin-off were deemed to be a continuation of the earlier granted Old FSV stock options for which they were exchanged, as opposed to a new grant of options. The Option Plan provides that a former holder of Old FSV stock options exchanged for FirstService stock options, but who is no longer a director, officer and/or full-time employee of FirstService or its subsidiaries, may remain a participant in the Option Plan and hold and exercise their FirstService stock options for so long as such holder remains a director, officer and/or full-time employee, as applicable, of Colliers or its subsidiaries.

Market for securities

The outstanding Subordinate Voting Shares are listed for trading on the TSX and NASDAQ, in each case, under the symbol "FSV". The Multiple Voting Shares are not listed and do not trade on any public market or quotation system.

The following table sets forth the reported high and low trading prices and the aggregate volume of trading of the Subordinate Voting Shares on NASDAQ (in United States dollars) and on the TSX (in Canadian dollars) for each month during the period commencing June 2, 2015 and ending December 31, 2015 (being the period following the Spin-off during which the Subordinate Voting Shares have traded on NASDAQ and the TSX).

	Nasdaq			TSX		
Month	High Price (US$)	Low Price (US$)	Volume Traded	High Price (C$)	Low Price (C$)	Volume Traded
June 2 to 30, 2015	28.98	22.048	1,325,153	35.61	30.15	2,064,774
July 2015	30.97	26.89	575,842	40.30	34.35	729,115
August 2015	34.31	29.822	639,975	44.80	39.39	1,413,618
September 2015	34.29	31.18	753,053	47.11	41.00	1,107,486
October 2015	35.83	31.56	555,746	46.85	41.52	990,071
November 2015	41.34	34.95	316,337	55.02	45.82	1,237,708
December 2015	42.31	37.83	653,735	58.36	51.33	1,304,585

Transfer agents and registrars

The transfer agent and registrar for the Subordinate Voting Shares is TMX Equity Transfer Services, 200 University Ave., Suite 300, 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 executive officers

Directors

Our Board of Directors is currently comprised of seven members, six of which became directors of FirstService in connection with the completion of the Spin-off and one of which, Erin J. Wallace, was appointed as a director in October 2015. The following information is provided with respect to the directors of the Company as at February 23, 2016:

Name and municipality of residence	Age	Present position and tenure	Principal occupation during last five years
Brendan Calder [2,3] *Ontario, Canada*	69	Director since June 1, 2015	Mr. Calder has been an Adjunct Professor and an Entrepreneur in Residence at the Rotman School of Management, University of Toronto since 2001 (currently conducting the MBA course, GettingItDone), is Chair of Rotman's Desautels Centre for Integrative Thinking, was the founding Chair of the Rotman International Centre for Pension Management and is a Senior Fellow at Massey College. Mr. Calder was with CIBC Mortgages, Inc. and served as that company's Chair, President and CEO from 1995 to 2000. Mr. Calder is also past Chair of the Peter F. Drucker Canadian Foundation and The Toronto International Film Festival Group and was a director of various public entities. He is a director of EllisDon Corporation and Equity Financial Holdings Inc.
Bernard I. Ghert [1,2,] *Ontario, Canada*	76	Director and Lead Director since June 1, 2015	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 Middlefield Fund Management Limited, President of the B.I. Ghert Family Foundation, President of Coppi Holdings Ltd., a Director on Sinai Health System's Board and Past Chair of the Mount Sinai Hospital Board of Directors.
Jay S. Hennick [3] *Ontario, Canada*	59	Director and Founder and Chairman of the Board since June 1, 2015	Mr. Hennick is the Founder and Chairman of FirstService. In June 2015, Mr. Hennick became the Chairman and CEO of Colliers International Group Inc. Pre-Spin-off, Mr. Hennick was the CEO of Old FSV from 1988 to 2015. In 1998, Mr. Hennick was awarded Canada's Entrepreneur of the Year, in 2001 he was named Canada's CEO of the Year by Canadian Business Magazine and in 2011, received an honorary Doctorate of Laws from York University and the University of Ottawa. Mr. Hennick currently serves as Chairman of the Board of Directors of the Sinai Health System, in Toronto and is the immediate past Chair of The Mount Sinai Hospital Board of Directors. In addition, Mr. Hennick has endowed the Jay S. Hennick JD-MBA Program at the Faculty of Law and School of Management at the University of Ottawa Law School, his alma mater, and The Hennick Centre for Business and Law, a joint program of the Osgoode Hall Law School and the Schulich School of Business at York University.
Michael Stein [1,2,] *Ontario, Canada*	65	Director since June 1, 2015	Mr. Stein is the founder, Chairman and CEO of the MPI Group, a property development and investment group with a track record in incubating, investing in, and managing successful companies. Between 1978 and 1987, Mr. Stein held progressively senior positions with the Mortgage Insurance Company of Canada, ultimately holding the position of Executive Vice-President responsible for operations. Mr. Stein is a founder of CAPREIT, Canada's first TSX listed apartment REIT, where he continues to serve as chairman. He is a director of City Financial Investment Company Limited, a United Kingdom FCA regulated asset management company. He currently serves as a director of McEwen Mining Inc. (NYSE/TSX), chairman of Cliffside Capital Ltd. (TSX-V) and previously served as a director of Goldcorp Inc.

Name and municipality of residence	Age	Present position and tenure	Principal occupation during last five years
Frederick F. Reichheld[3] *Massachusetts, USA*	64	Director since June 1, 2015	Since 1977, Mr. Reichheld has been employed at Bain & Company, Inc., a global business consulting firm, and was elected to the partnership at Bain in 1982. Mr. Reichheld is the creator of the Net Promoter® system of management and founded Bain's Loyalty practice, which helps clients achieve superior results through improvements in customer, employee, partner and investor loyalty and has also served in a variety of other roles, including as a member of Bain & Company's Worldwide Management, Nominating, and Compensation Committees. In January 1999, he was elected by the firm to become the first Bain Fellow. Mr. Reichheld is a frequent speaker to major business forums and groups of CEOs and senior executives worldwide and has authored several books, including The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value (Harvard Business School Press, 1996), The Loyalty Rules!: How Today's Leaders Build Lasting Relationships (Harvard Business School Press 2003), The Ultimate Question (Harvard Business School Press, 2006) and The Ultimate Question 2.0 (Harvard Business School Press 2011).
D. Scott Patterson *Ontario, Canada*	55	Director and Chief Executive Officer since June 1, 2015	Mr. Patterson is the CEO of FirstService. Pre-Spin-off, Mr. Patterson was the President and Chief Operating Officer of Old FSV from 2003 to 2015. He joined Old FSV in 1994 as Vice President Corporate Development, and was the Chief Financial Officer of Old FSV from February 1995 until September 2003. Prior to joining Old FSV, Mr. Patterson was an investment banker at Bankers Trust. Mr. Patterson qualified as a Chartered Accountant in 1985 and began his career at PricewaterhouseCoopers.
Erin J. Wallace[1] *Michigan, USA*	56	Director since October 8, 2015	Ms. Wallace is Chief Operating Officer of Learning Care Group, Inc., a role she has held since February 2015. Before joining Learning Care Group, Inc., Ms. Wallace was Executive Vice President of Operations Strategy, Planning and Revenue Management for Walt Disney Parks and Resorts since 2009, working with all of Disney Parks' domestic and international sites. After joining Disney as an industrial engineer in 1985, Ms. Wallace held a variety of managerial roles within Walt Disney Parks and Resorts, contributing to 30 years of leadership at The Walt Disney Company. Ms. Wallace's previous roles include Senior Vice President of Walt Disney World Operations – where she oversaw the largest and most popular resort destination in the world. She has also served as Vice President of Walt Disney World's Magic Kingdom® and general manager for Disney's Animal Kingdom® and Disney's All-Star Resort.

Notes:

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 or her successor, unless he or she resigns, his or her office becomes vacant or he or she 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 will be set out in the Meeting Circular, the relevant sections of which are incorporated by reference herein and which will be available under our SEDAR profile at www.sedar.com.

Officers

The following information is provided with respect to the executive officers of the Company as at February 23, 2016:

Name and municipality of residence	Age	Present position and tenure	Principal occupation during last five years
D. Scott Patterson *Ontario, Canada*	55	Chief Executive Officer since June 2015	See description above under "Directors".
Jeremy Rakusin *Ontario, Canada*	47	Chief Financial Officer since June 2015	Mr. Rakusin is the CFO of FirstService, and he is responsible for the overall financial management of FirstService, including external and internal financial reporting, budgeting, and sourcing and allocation of capital. Mr. Rakusin is also responsible for managing shareholder and lender relationships, as well as being closely involved with all corporate communications. In this role, Mr. Rakusin was responsible for sourcing and executing Old FSV's global acquisition strategy, as well as leading other corporate strategic and growth initiatives. Prior to joining Old FSV, Mr. Rakusin was Mergers & Acquisitions Head at Raymond James Ltd. with responsibility for leading the firm's domestic and cross-border M&A practice. Mr. Rakusin's investment banking and corporate finance experience also includes more than 10 years in the Mergers & Acquisitions Groups of Merrill Lynch (now Bank of America) and TD Securities. Other career experience includes positions as a portfolio manager at a Toronto-based discretionary investment firm and as a securities and corporate lawyer at Toronto-based Goodmans LLP. Mr. Rakusin earned his joint MBA and JD/Law degrees from the University of Toronto. He also received his Chartered Financial Analyst designation.
Douglas G. Cooke *Ontario, Canada*	56	Vice President, Corporate Controller and Corporate Secretary since June 2015	Mr. Cooke is the Vice President, Corporate Controller and Corporate Secretary of FirstService, and he is responsible for FirstService's external and internal corporate reporting and cash management functions. Mr. Cooke joined Old FSV in 1995 as Controller, later assuming the position of Corporate Controller and Treasurer and, in 2005, Mr. Cooke was appointed Vice President of Old FSV. Mr. Cooke continued on with FirstService post-Spin-off. Prior to joining Old FSV, Mr. Cooke was Senior Internal Auditor for Unilever Canada, a subsidiary of Unilever PLC, one of the world's largest consumer product companies. Previously, Mr. Cooke has held senior financial reporting positions within the retail and financial sectors. Doug is both a Chartered Professional Accountant and Chartered Financial Analyst, beginning his career with KPMG.
Alex Nguyen *Ontario, Canada*	33	Vice President, Strategy and Corporate Development, since June 2015	Mr. Nguyen is the Vice President, Strategy and Corporate Development, of FirstService, and he is responsible for driving acquisition growth across all of FirstService's business platforms. Mr. Nguyen is also involved with the planning and implementation of the Company's corporate strategy as well as its capital markets initiatives. Mr. Nguyen joined Old FSV in 2008 and continued on with FirstService post-Spin-off. Prior to Old FSV, Mr. Nguyen worked at the Ontario Teachers' Pension Plan, one of the largest institutional investors in the world, where he was responsible for the sourcing and execution of private equity investments across a wide range of industries. Formerly, Mr. Nguyen worked at RBC Capital Markets and CIT Group.
Chuck M. Fallon *Florida, USA*	53	Chief Executive Officer, FirstService Residential, since April 2013	Mr. Fallon is the CEO of FirstService Residential. He is a seasoned veteran of the customer service industry known for his leadership on client service excellence and a strong track record of driving growth for globally recognized Fortune 500 companies. Having joined as CEO in 2013, Mr. Fallon is responsible for identifying acquisitions, recruiting key employees, conceptualizing business initiatives and directing the company's overall expansion. Drawing on his extensive background in business strategy, operations, sales, marketing and network development, Mr. Fallon maintains the pillars of superior customer service, innovation and technology to continuously build on FirstService Residential's legacy of going the extra mile every day to make a difference for each resident and client served. Prior to FirstService Residential, he served as President of Terminix International from 2011 to 2013 and President, North America at Burger King Holdings from 2006 to 2011. Prior to that, Mr. Fallon led sales, marketing and revenue management at AvisBudget Group and began his career as an investment banker in New York and London.
Charlie E. Chase *Pennsylvania, USA*	55	President and Chief Executive Officer, FirstService Brands, since 2010	Mr. Chase is the President and CEO of FirstService Brands. Prior to his role as CEO, Mr. Chase served as the President of the Consumer Franchises of The Franchise Company and prior to that he was CEO of CertaPro Group. Throughout his 30 years with FirstService Brands he has held numerous roles, starting as a Franchise owner in 1982 at College Pro Painters. Believing that there was an opportunity to create a successful and significant full time painting company, in 1992 he became the founding President/CEO of CertaPro Painters.

Ownership

As of February 23, 2016, the directors and executive officers of the Company, as a group, owned, or controlled or directed, directly or indirectly, 3,300,121 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares, which represent 9.5% of the total Subordinate Voting Shares and 100% of the total Multiple Voting Shares, in each case, outstanding on such date. The directors and executive officers, as a group, controlled 51.3% of the total voting rights as of such date when all Multiple Voting Shares and Subordinate Voting Shares are considered. Mr. Hennick controls all of the Multiple Voting Shares.

Legal proceedings and regulatory actions

There are no legal proceedings to which FirstService is a party to, or in respect of which, any of the property of FirstService is the subject of, which is or was material to FirstService during 2015, and FirstService is not aware of any such legal proceedings that are contemplated. In the normal course of operations, FirstService is subject to routine immaterial claims and litigation incidental to its business. Litigation currently pending or threatened against FirstService includes disputes with former employees and commercial liability claims related to services provided by FirstService. FirstService 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.

Since incorporation, there have not been any penalties or sanctions imposed against FirstService by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against FirstService, and FirstService has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

Properties

The following chart provides a summary of the properties occupied by the Company and its subsidiaries as at December 31, 2015:

(square feet)	United States (leased)	United States (owned)	Canada (leased)	Canada (owned)	International (leased)	International (owned)
						-
FirstService Residential	989,000	74,000	68,000	-	-	-
FirstService Brands	414,000	38,000	49,000	-	-	-
Corporate	-	-	20,000	-	-	-

Reconciliation of non-GAAP financial measures

In this AIF, we make reference to "adjusted EBITDA" and "adjusted EPS," 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) acquisition-related items; (vi) stock-based compensation expense; and (vii) spin-off transaction costs. 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 from continuing operations 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 from continuing operations to adjusted EBITDA appears below.

(in thousands of US$)	Year ended December 31		
	2015	2014	2013
Net earnings	**$ 38,198**	$ 26,192	$ 18,452
Income tax	**23,412**	12,242	5,785
Other expense (income)	**60**	255	20
Interest expense, net	**9,077**	6,932	12,826
Operating earnings	**70,747**	45,621	37,083
Depreciation and amortization	**28,984**	26,474	39,316
Acquisition-related items	**408**	1,183	655
Stock-based compensation expense	**2,159**	1,719	1,860
Spin-off transaction costs	**740**	-	-
Adjusted EBITDA	**$ 103,038**	$ 74,997	$ 78,914

Adjusted EPS is defined as diluted net earnings (loss) per 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) stock-based compensation expense; (v) spin-off transaction costs; and (vi) a spin-off tax charge. 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 EPS 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 from continuing operations, 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 from continuing operations to adjusted EPS appears below.

(in US$)	Year ended December 31		
	2015	2014	2013
Diluted net earnings per share	**$ 0.59**	$ 0.36	$ 0.09
Non-controlling interest redemption increment	**0.33**	0.28	0.38
Acquisition-related items	**0.01**	0.03	0.02
Amortization of intangible assets, net of tax	**0.16**	0.14	0.44
Stock-based compensation expense, net of tax	**0.04**	0.03	0.03
Spin-off transaction costs, net of tax	**0.02**	-	-
Spin-off tax charge	**0.05**	-	-
Adjusted EPS	**$ 1.20**	$ 0.84	$ 0.96

We believe that the presentation of adjusted EBITDA and adjusted EPS, 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 EPS 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

Readers should carefully consider the following risks, as well as the other information contained in this AIF and our management's discussion and analysis for the year ended December 31, 2015. If any of the following risks actually occurs, our business could be materially harmed. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those of which we are currently unaware or we currently deem immaterial, may also adversely affect our business.

Risks Relating to the Spinoff

The historical financial information of our assets may not be representative of our results as an independent entity, and, therefore, may not be reliable as an indicator of our historical or future results

Our assets were integrated within the business units of Old FSV for five of the 12 months of 2015; consequently, our financial information has been derived, in substantial part, from the consolidated financial statements and accounting records of Old FSV (now Colliers) and reflect certain assumptions and allocations. Our financial position, results of operations and cash flows could differ from those that would have resulted had we operated autonomously or as an entity independent of Old FSV for all of fiscal 2015.

Our separate operating history as a stand-alone entity

We became an independent public company on June 1, 2015. The operating history of Old FSV (now Colliers) in respect of our assets cannot be regarded as our operating history. Our ability to raise capital, satisfy our obligations and provide a return to our shareholders will be dependent upon our future performance. We will not be able to rely on the capital resources and cash flows of Colliers. Our future operating results and performance may be materially different than those we would have achieved had we been operating as part of Colliers.

Transitional Services and Separation Agreement

FirstService could be exposed to substantial tax liabilities if certain requirements of the "butterfly" rules in section 55 of the *Income Tax Act* (Canada) are not complied with. Failure to comply with these requirements could also cause the Spinoff to be taxable to Colliers in circumstances where FirstService would be required to indemnify Colliers for the resulting tax. See "Material Contracts – Transitional Services and Separation Agreement".

Risks relating to our 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. Consumer spending directly impacts our FirstService Brands operations 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.

Residential real estate property values, resale rates and general conditions of financial liquidity for real estate transactions
We provide various services at residential properties in our FirstService Residential and FirstService Brands operating divisions. Property values and consumer confidence are strongly correlated with demand for our services, including painting, closet installation, general maintenance, collections and resale processing.

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 FirstService Residential and FirstService Brands operations. 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. 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, 2015, we have $201.2 million of debt outstanding ($155.6 million net of cash) that will be required to be refinanced or repaid over the next ten years. We also have $144.6 million of available un-drawn credit at December 31, 2015. 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 the Credit Facility available to us as noted elsewhere in this AIF, 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 U.S. dollar on our Canadian dollar denominated revenues and expenses
We generate less than 10% of our revenues outside the United States. Consequently, a portion of our consolidated results are impacted directly by fluctuations in the relative strength of the U.S. dollar versus the Canadian dollar currency. In the future, we may acquire additional international operations. In such event, 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, 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, 2015, we had $49.5 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
A prolonged decline in our earnings performance could result in a non-compliance with one or more financial covenants. If the Company fails to meet its payment or other obligations under its debt agreements, 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 expenses 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 each of our operating 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 North American 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 Common Shares
Future dividends on the Common 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 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 securities or other 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. 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.

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.

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 the Company's operations. Events could occur that may hamper our ability to manage operations, extract cash and implement FirstService policies in certain regions.

Changes in government policies at the federal, state/provincial or local level that may adversely impact our businesses
Changes in laws and regulation at the different jurisdictional levels can have a direct effect on our operations. It is difficult to predict the future impact of a change in 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.

Interest of management and others in material transactions

Except as described below or elsewhere in this AIF, no director of FirstService, executive officer of FirstService, or person or company that beneficially owns, or controls or directs more than 10% of any class or series of voting securities of FirstService, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years, or during the current year, that has materially affected or is reasonably expected to materially affect FirstService or any of its subsidiaries.

Under the Spin-off, Old FSV was separated into two independent publicly traded companies – Colliers and FirstService. Pursuant to the Spin-off, Old FSV shareholders received one Colliers share and one FirstService share of the same class as each Old FSV share previously held. As a result, Jay S. Hennick received, directly or indirectly, 2,273,526 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares, representing on the date hereof 6.6% of the total outstanding number of Subordinate Voting Shares and 100.0% of the total outstanding number of Multiple Voting Shares (10.0% of total outstanding number of Common Shares; 47.1% of total votes of all Common Shares). Furthermore, as part of the Spin-off, each of the Transitional Services and Separation Agreement, the Standstill Agreement and the New FSV MSA (as such terms are defined in the Spin-off Circular) were entered into with, among others, Jay S. Hennick and/or entities controlled by Mr. Hennick. Further details of such agreements are described in (and incorporated by reference from) the Spin-off Circular under the headings "The Arrangement – Transitional Services and Separation Agreement", "The Arrangement – Standstill Agreement" and "Executive Compensation – New FSV MSA" of Appendix "I", respectively. Additional information concerning the Spin-off is set out in the Spin-off Circular, which is available under Colliers' SEDAR profile at www.sedar.com.

Material contracts

The only contracts that can reasonably be regarded as material to us, other than contracts entered into in the ordinary course of business, are as follows:

(a) *Arrangement Agreement*: The Arrangement Agreement (as such term is defined in the Spin-off Circular) provided for the implementation of the Spin-off pursuant to Section 182 of the *Business Corporations Act* (Ontario) and, among other things, certain representations, warranties and covenants of the parties and certain indemnities among FirstService and Colliers. Further details of the Arrangement Agreement are described in (and incorporated by reference from) the Spin-off Circular under the heading "The Arrangement – Arrangement Agreement";

(b) *Transitional Services and Separation Agreement* : In connection with the Spin-off, we entered into the Transitional Services and Separation Agreement (as such term is defined in the Spin-off Circular) to, among other things, complete the transfer of the FirstService Residential and FirstService Brands businesses to us. The Transitional Services and Separation Agreement also sets forth the agreement of the parties with respect to certain transitional arrangements governing the relationship between Colliers and us, the responsibility and liability for outstanding legal actions, responsibility for taxes, access to books and records, confidentiality, insurance and dispute resolution. Under the terms of the Transitional Services and Separation Agreement, we have generally agreed to indemnify Colliers and its subsidiaries from and against any liabilities associated with, among other things, the FirstService Residential and FirstService Brands businesses and assets, whether relating to the period, or arising, prior to or after the Spin-off. The Transitional Services and Separation Agreement contains a reciprocal indemnity under which Colliers generally agrees to indemnify us and our subsidiaries from and against any liabilities relating to, among other things, the businesses and assets retained by Colliers. FirstService and Colliers will indemnify each other with respect to non-performance of our respective obligations under the Transitional Services and Separation Agreement. Further details of the Transitional Services and Separation Agreement are described in (and incorporated by reference from) the Spin-off Circular under the heading "The Arrangement – Transitional Services and Separation Agreement";

(c) *Credit Facility*: On June 1, 2015, the Company entered into the Credit Facility with a syndicate of banks providing for a committed multi-currency revolving credit facility of US$200 million. The Credit Facility has a five-year term ending June 1, 2020 and bears interest at 0.25% to 2.50% over floating preference rates, depending on certain leverage ratios. The Credit Facility requires a commitment fee of 0.25% to 0.50% of the unused portion, depending on certain leverage ratios. At any time during the term, the Company has the right to increase the Credit Facility by up to US$50 million, on the same terms and conditions as the original Credit Facility. The Credit Facility is available to fund working capital requirements and other general corporate purposes; and

(d) *Note Agreement*: In connection with the Spin-off, we entered into an Amended and Restated Note and Guarantee Agreement pursuant to which the Company assumed from Old FSV US$150 million of senior secured notes (the "Senior Notes") bearing interest at a rate of 3.84% to 4.84%, depending on leverage ratios. The Senior Notes are due on January 16, 2025, with five annual equal repayments beginning on January 16, 2021.

Copies of the above material contracts are available on FirstService's SEDAR profile at www.sedar.com.

Promoter

Under applicable Canadian securities laws, Colliers (formerly Old FSV) may have been considered a promoter of FirstService in that it took the initiative of founding FirstService for the purpose of implementing the Spin-off. As of the date hereof, Colliers does not beneficially own, or control or direct, directly or indirectly, any voting or equity securities of FirstService or any of our subsidiaries.

FirstService is independent of Colliers to the greatest extent practicable. Certain ongoing contractual arrangements between FirstService and Colliers are generally limited to our mutual obligations under, among others, the Arrangement Agreement and the Transitional Services and Separation Agreement, including indemnification in certain circumstances, confidentiality and access to records necessary to comply with, among other things, continuous disclosure requirements, the lease of our head office space from Colliers and the ability to require Colliers to provide us with certain services on a transitional basis. Further details of such agreements are described in (and incorporated by reference from) the Spin-off Circular under the headings "The Arrangement – Arrangement Agreement" and "The Arrangement – Transitional Services and Separation Agreement ", respectively.

Cease trade orders, bankruptcies, penalties or sanctions

To the best of the knowledge of the Company:

(1) none of the directors or executive officers of the Company is, as at the date of this AIF, or was 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 a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days (collectively, 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;

(2) 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 of 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 Brendan Calder, who was 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. Mr. Calder is no longer a director of Coventree.

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 or officer has an interest in a contract or proposed contract or agreement, the director or officer shall disclose his or her interest in such contract or agreement and, in the case of directors, shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the *Business Corporations Act* (Ontario). To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the *Business Corporations Act* (Ontario).

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

Experts

The Company's independent auditors are PricewaterhouseCoopers LLP, who has issued an independent auditors' report dated February 23, 2016 in respect of the Company's consolidated financial statements as of December 31, 2015 and 2014 and for each of the years in the three year period ended December 31, 2015 and on the effectiveness of the Company's internal control over financial reporting as at December 31, 2015. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional 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 are Mr. Ghert (Chair), Mr. Stein and Ms. Wallace. The Audit Committee has the resources and the authority to discharge its responsibilities, including the authority to engage, at the expense of FirstService, outside consultants, independent legal counsel and other advisors as it determines necessary to carry out its duties, without seeking approval of our Board of Directors or management. The Audit Committee also has 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 FirstService. 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 our Board of Directors prior to their approval by the full Board. The Audit Committee is also responsible for reviewing the integrity of FirstService'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. The Audit Committee communicates directly with FirstService's external auditors in order to discuss audit and related matters whenever appropriate. In addition, the Board may refer to the Audit Committee such matters and questions relating to the financial position and operations of FirstService and its subsidiaries. All reports made to FirstService's ethics hotline are reviewed by the Chair of the Audit Committee and then by the entire Audit Committee at its next meeting. Our Board of Directors 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 holds a Master of Business Administration degree. 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 and President of the B.I. Ghert Family Foundation. Mr. Ghert is a past Chair of the Mount Sinai Hospital Board of Directors.

Michael Stein – Mr. Stein is the Chairman and Founder of Canadian Apartment Properties Real Estate Investment Trust (CAPREIT), a publicly traded residential landlord, has served as a Director on its Board of Trustees of since 1997. He has been Chairman and Chief Executive Officer of MPI Group Inc., a company engaged in real estate investment and development, since 1994. Between 2000 and 2006, Mr. Stein served on the Board of Directors of Goldcorp Inc., a public natural resource company. Mr. Stein is a graduate engineer and holds a Master of Business Administration degree from Columbia University in New York.

Erin J. Wallace – Ms. Wallace is Chief Operating Office of Learning Care Group, an international leader in early education and childcare services. Prior to joining Learning Care Group, Ms. Wallace held several senior positions including Executive Vice President of Operations Strategy, Planning and Management for Walt Disney Parks and Resorts; Senior Vice President of Walt Disney World Operations; Vice President of Walt Disney World's Magic Kingdon and general manager for Disney's Animal Kingdom and Disney's All-Star Resort. Ms. Wallace holds a Master of Business Administration degree from Rollins College Crummer School of Business.

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 U.S. 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 during the post-Spin-off period of 2015. Prior to the Spin-off, all fees had been billed to Old FSV.

(in thousands of US$)	Year ended December 31, 2015
Audit fees (note 1)	$ 697,000
Audit-related fees (note 2)	28,000
Tax fees (note 3)	0
All other fees (note 4)	6,000
Admin and disbursements	88,000
	$ 819,000

Notes:

1. Refers to the aggregate fees billed by the Company's external auditor for audit services relating to the audit of FirstService and statutory audits required by subsidiaries.
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, 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, as well as administration and out-of-pocket expenses.

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 Meeting 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 and also via EDGAR at www.sec.gov. Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2015.

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:

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 Company's 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 the standards of the Public Company Accounting Oversight Board (United States). This would include reviewing an annual report prepared by the external auditors describing: (i) all critical accounting policies used by the Company, (ii) any material alternative accounting treatments within U.S. generally accepted accounting principles 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 any 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 the foregoing item, 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 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 of 2002*. 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 the *Sarbanes-Oxley Act of 2002*, 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, 2015

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 nine 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, 2015. The total assets and total revenues of the nine majority-owned entities represent 0.7% and 2.2%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2015.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2015, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2015, 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, 2015, has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm as stated in their report which appears herein.

/s/ D. Scott Patterson
Chief Executive Officer
February 23, 2016

/s/ Jeremy Rakusin
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of FirstService Corporation

We have audited the accompanying consolidated and carve-out combined balance sheets of FirstService Corporation and its subsidiaries as of December 31, 2015 and 2014 and the related consolidated and carve-out combined statements of earnings, consolidated and carve-out combined statements of comprehensive earnings, consolidated and carve-out combined statements of shareholders' equity and consolidated and carve-out combined statement of cash flows for each of the years in the three-year period ended December 31, 2015 (the financial statements). We also have audited FirstService Corporation and its subsidiaries' internal control over financial reporting as at December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management is responsible for these 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 financial statements and an opinion on the company's internal control over financial reporting based on our integrated 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 audit to obtain reasonable assurance about whether the 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 financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall 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 nine entities from its assessment of internal control over financial reporting as of December 31, 2015 because these entities were acquired by the company in purchase business combinations during 2015. We have also excluded nine entities acquired from our audit of internal control over financial reporting. Total assets and total revenues of these majority owned entities represent 0.7% and 2.2%, respectively, of the related financial statement amounts as of and for the year ended December 31, 2015.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FirstService Corporation and its subsidiaries as of December 31, 2015 and December 31, 2014 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, FirstService Corporation and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

/s/ PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 23, 2016

FIRSTSERVICE CORPORATION
CONSOLIDATED AND CARVE-OUT COMBINED STATEMENTS OF EARNINGS
(in thousands of US dollars, except per share amounts)

Years ended December 31	**2015**	2014	2013
Revenues	**$ 1,264,077**	$ 1,132,002	$ 1,038,087
Cost of revenues (exclusive of depreciation and amortization shown below)	**883,963**	800,046	731,204
Selling, general and administrative expenses	**279,235**	258,678	229,829
Depreciation	**18,836**	17,730	15,710
Amortization of intangible assets	**10,148**	8,744	12,422
Accelerated amortization of intangible assets	**-**	-	11,184
Acquisition-related items	**408**	1,183	655
Spin-off transaction costs	**740**	-	-
Operating earnings	**70,747**	45,621	37,083
Interest expense, net	**9,077**	6,932	12,826
Other expense, net	**60**	255	20
Earnings before income tax	**61,610**	38,434	24,237
Income tax (note 12)	**23,412**	12,242	5,785
Net earnings	**38,198**	26,192	18,452
Non-controlling interest share of earnings	**4,560**	3,105	1,253
Non-controlling interest redemption increment (note 9)	**12,243**	10,117	14,004
Net earnings attributable to Company	**$ 21,395**	$ 12,970	$ 3,195
Net earnings per common share (note 13)			
Basic	**$ 0.59**	$ 0.36	$ 0.09
Diluted	**$ 0.59**	$ 0.36	$ 0.09

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

FIRSTSERVICE CORPORATION
CONSOLIDATED AND CARVE-OUT COMBINED STATEMENTS OF COMPREHENSIVE EARNINGS
(in thousands of US dollars)

Years ended December 31		**2015**		2014		2013
Net earnings	**$**	**38,198**	$	26,192	$	18,452
Foreign currency translation (loss) gain		**(4,124)**		24		2,174
Comprehensive earnings		**34,074**		26,216		20,626
Less: Comprehensive earnings attributable to non-controlling shareholders		**16,803**		13,222		15,257
Comprehensive earnings attributable to Company	**$**	**17,271**	$	12,994	$	5,369

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

FIRSTSERVICE CORPORATION
CONSOLIDATED AND CARVE-OUT COMBINED BALANCE SHEETS
(in thousands of US dollars)

As at December 31		**2015**		2014
Assets				
Current assets				
Cash and cash equivalents	**$**	**45,560**	$	66,790
Restricted cash		**3,769**		3,657
Accounts receivable, net of allowance of $7,182 (December 31, 2014 - $9,581)		**114,521**		115,143
Income tax recoverable		**9,628**		16,262
Inventories (note 4)		**16,155**		9,489
Prepaid expenses and other current assets		**21,749**		20,715
Deferred income tax (note 12)		**18,840**		18,667
		230,222		250,723
Other receivables		**3,833**		4,581
Other assets		**2,176**		155
Fixed assets (note 5)		**57,575**		55,203
Deferred income tax (note 12)		**6,553**		4,572
Intangible assets (note 6)		**79,478**		82,877
Goodwill (note 7)		**220,646**		217,433
		370,261		364,821
	$	**600,483**	$	615,544
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable	**$**	**24,143**	$	24,687
Accrued liabilities (note 4)		**77,900**		55,563
Income tax payable		**1,553**		5,650
Unearned revenues		**18,474**		16,079
Long-term debt - current (note 8)		**4,041**		17,725
Contingent acquisition consideration - current (note 15)		**2,206**		4,586
Deferred income tax (note 12)		**1,782**		1,804
		130,099		126,094
Long-term debt - non-current (note 8)		**197,158**		221,632
Contingent acquisition consideration (note 15)		**1,110**		1,509
Other liabilities		**13,560**		12,398
Deferred income tax (note 12)		**13,971**		14,236
		225,799		249,775
Redeemable non-controlling interests (note 9)		**77,559**		80,926
Shareholders' equity		**167,026**		158,749
	$	**600,483**	$	615,544

Commitments and contingencies (notes 10 and 16)
The accompanying notes are an integral part of these financial statements.
On behalf of the Board of Directors,

/s/ Bernard I. Ghert — Director
/s/ D. Scott Patterson — Director

FIRSTSERVICE CORPORATION
CONSOLIDATED AND CARVE-OUT COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of US dollars)

	FirstService's net investment	Accumulated other comprehensive earnings (loss)	Total net investment
Balance, December 31, 2012	175,781	(947)	174,834
Net distributions to FirstService	(13,403)	-	(13,403)
Stock option expense	1,860	-	1,860
Net earnings attributable to New FSV	3,195	-	3,195
Other comprehensive earnings	-	2,174	2,174
Balance, December 31, 2013	167,433	1,227	168,660
Net distributions to FirstService	(24,624)	-	(24,624)
Stock option expense	1,719	-	1,719
Net earnings attributable to New FSV	12,970	-	12,970
Other comprehensive earnings	-	24	24
Balance, December 31, 2014	**$ 157,498**	**$ 1,251**	**$ 158,749**

The accompanying notes are an integral part of these carve-out combined financial statements.

FIRSTSERVICE CORPORATION
CONSOLIDATED AND CARVE-OUT COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of US dollars, except share information)

	Common shares				Accumulated other comprehensive earnings	Owner's Net Investment	Total
	Issued and outstanding shares	Amount	Contributed surplus	Deficit			
Balance, December 31, 2014	-	$ -	$ -	$ -	$ 1,251	$ 157,498	$ 158,749
Net distributions to Old FSV	-	-	-	-	-	(7,470)	(7,470)
Net earnings	-	-	-	18,187	-	3,208	21,395
Issuance of common stock in connection with the Arrangement	35,970,605	130,471	-	-	-	(130,471)	-
Settlement of owner's net investment to contributed surplus in connection with the Arrangement	-	-	33,095	-	-	(22,765)	10,330
Other comprehensive earnings	-	-	-	-	(4,124)	-	(4,124)
Subsidiaries' equity transactions	-	-	421	-	-	421	
Subordinate Voting Shares:							
Stock option expense	-	-	1,191	-	-	-	1,191
Stock options exercised	480,000	7,524	(744)	-	-	-	6,780
Tax benefit on options exercised	-	-	10,017	-	-	-	10,017
Dividends	-	-	-	(10,796)	-	-	(10,796)
Purchased for cancellation	(511,594)	(1,924)	-	(17,543)	-	-	(19,467)
Balance, December 31, 2015	**35,939,011**	**$ 136,071**	**$ 43,980**	**$ (10,152)**	**$ (2,873)**	**$ -**	**$ 167,026**

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

FIRSTSERVICE CORPORATION
CONSOLIDATED AND CARVE-OUT COMBINED STATEMENTS OF CASH FLOWS
(in thousands of US dollars)

Years ended December 31	**2015**	2014	2013
Cash provided by (used in)			
Operating activities			
Net earnings	**$ 38,198**	$ 26,192	$ 18,452
Items not affecting cash:			
Depreciation and amortization	**28,984**	26,474	39,316
Deferred income tax	**(3,535)**	(2,479)	(7,838)
Other	**1,300**	2,056	2,256
Incremental tax benefit on stock options exercised	**(10,017)**	-	-
Changes in non-cash working capital:			
Accounts receivable	**2,892**	3,231	(12,134)
Inventories	**(6,108)**	72	(1,124)
Prepaid expenses and other current assets	**(1,045)**	(3,327)	(5,243)
Accounts payable	**(1,166)**	(252)	3,969
Accrued liabilities	**21,130**	(1,743)	2,425
Income tax payable	**11,402**	(6,169)	(5,373)
Unearned revenues	**2,395**	741	(809)
Other liabilities	**3,239**	660	528
Contingent acquisition consideration paid	**(579)**	(279)	-
Net cash provided by operating activities	**87,090**	45,177	34,425
Investing activities			
Acquisitions of businesses, net of cash acquired (note 3)	**(12,340)**	(16,686)	(6,423)
Purchases of fixed assets	**(19,694)**	(22,439)	(16,744)
Changes in restricted cash	**(112)**	(776)	(1,464)
Other investing activities	**(132)**	-	72
Net cash used in investing activities	**(32,278)**	(39,901)	(24,559)
Financing activities			
Net increase (repayment) of long-term debt prior to spin-off	**(220,953)**	13,492	9,055
Debt allocated under spin-off	**208,690**	-	-
Repayment of long-term debt after spin-off	**(25,899)**	-	-
Net contributions (distributions) from/to Old FSV	**1,995**	(21,272)	(8,495)
Financing fees paid	**(1,092)**	-	-
Purchases of non-controlling interests	**(18,939)**	(11,206)	(4,978)
Sale of interests in subsidiaries to non-controlling interests	**1,122**	142	365
Contingent acquisition consideration paid	**(6,593)**	(1,774)	(350)
Proceeds received on exercise of stock options	**6,780**	-	-
Incremental tax benefit on stock options exercised	**10,017**	-	-
Dividends paid to common shareholders	**(7,196)**	-	-
Distributions paid to non-controlling interests	**(3,602)**	(4,008)	(3,037)
Repurchases of Subordinate Voting Shares	**(19,467)**	-	-
Net cash used in financing activities	**(75,137)**	(24,626)	(7,440)
Effect of exchange rate changes on cash	**(905)**	(226)	(530)
(Decrease) increase in cash and cash equivalents	**(21,230)**	(19,576)	1,896
Cash and cash equivalents, beginning of year	**66,790**	86,366	84,470
Cash and cash equivalents, end of year	**$ 45,560**	$ 66,790	$ 86,366

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

1. Description of the business

FirstService Corporation (the "Company") is a North American provider of residential property management and other essential property services to residential and commercial customers. The Company's operations are conducted in two segments: FirstService Residential and FirstService Brands. The segments are grouped with reference to the nature of services provided and the types of clients that use those services.

FirstService Residential is a full-service property manager and in many markets provides a full range of ancillary services primarily in the following areas: (i) on-site staffing, including building engineering and maintenance, full-service amenity management, security, concierge and front desk personnel, and landscaping; (ii) proprietary banking and insurance products; and (iii) energy conservation and management solutions.

FirstService Brands provides a range of essential property services to residential and commercial customers in North America through franchise networks and company-owned locations. The principal brands in this division include Paul Davis Restoration, California Closets, Certa Pro Painters, Pillar to Post Home Inspectors, Floor Coverings International, College Pro Painters and Service America.

Spin-off
FirstService Corporation (formerly named New FSV Corporation) (the "Company") was incorporated on October 6, 2014 and began independent operations on June 1, 2015, as a result of a plan of arrangement (the "spin-off") involving former FirstService Corporation ("Old FSV") whereby Old FSV was separated into two independent publicly traded companies – Colliers International Group Inc. ("Colliers"), a global commercial real estate services firm, and the Company, new FirstService Corporation, a North American provider of residential property management and other essential property services firm. Under the spin-off, Old FSV shareholders received one Colliers share and one Company share of the same class as each Old FSV share previously held. The Company's Subordinate Voting Shares began trading on a "when issued" basis on the Toronto Stock Exchange on May 27, 2015. Regular trading of the Company's Subordinate Voting Shares began on the Toronto Stock Exchange and The NASDAQ Stock Market on June 2, 2015.

On June 1, 2015, the Company entered into a transitional services and separation agreement pursuant to which, on an interim basis, Colliers (formerly Old FSV) and the Company have agreed to provide each other with certain services and facilities in order to assist in the transition to separate public companies. The transitional services and facilities include, among other things, certain information technology, accounting and tax services and the lease of a portion of certain premises, and continue for a period of 12 months after the completion of the spin-off. The transitional services and separation agreement reflect terms negotiated in anticipation of each company being a stand-alone public company, each with independent directors and management teams.

The financial statements include the carve-out combined results for the period from January 1 to May 31, 2015 prior to the spin-off with Old FSV, in addition to the consolidated results for the period from June 1 to December 31, 2015 as described below. The financial results for the periods prior to June 1, 2015 represent the financial position, results of operations and cash flows of the businesses transferred to the Company on a carve-out basis.

The historical financial information prior to June 1, 2015 has been derived from the accounting records of Old FSV using the historical results of operations and historical basis of assets and liabilities of the businesses transferred to the Company on a carve-out accounting basis.

The operating results of the Company were specifically identified based on Old FSV's divisional organization. Certain other expenses presented in the financial statements represent allocations and estimates of the costs of services incurred by Old FSV.

Salaries, benefits and incentive compensation have been reflected in the carve-out period based on employee services that were specifically identifiable with New FSV, as well as Management's best estimate to allocate shared employee costs. These costs are reflected in the Corporate segment (see note 18). Net interest has been calculated primarily using the debt balances allocated to the Company.

Income Taxes have been recorded as if the Company and its subsidiaries had been separate tax paying legal entities, each filing a separate tax return in the jurisdictions that it currently operates in. The calculation of income taxes is based on a number of assumptions, allocations and estimates, including those used to prepare the Carve-out Combined Financial Statements.

Management believes the assumptions underlying the Carve-out Combined Financial Statements are reasonable. However, the financial statements herein may not reflect the Company's financial position, results of operations, and cash flows had the Company been a standalone company during the periods presented or what the Company's operations, financial position, and cash flows will be in the future.

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, 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 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. Work-in-progress inventory relates to real estate project management projects in process and are accounted for using the percentage of completion 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

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 and Senior Notes 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 5 to 35 years
Management contracts and other	straight-line over life of contract ranging from 2 to 15 years

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 an income approach.

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.

Impairment of goodwill is tested at the reporting unit level. The Company has five 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 the qualitative analysis is not sufficient to support that the fair value exceeds the carrying amount 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 an income 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.

Redeemable non-controlling interests
Redeemable non-controlling interests ("RNCI") are recorded at the greater of (i) the redemption amount or (ii) the amount initially recorded as RNCI 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 RNCI amount are recognized immediately as they occur.

Revenue recognition and unearned revenues
(a) Franchisor operations
The Company operates several franchise systems within its FirstService Brands 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.

(b) Service operations other than franchisor operations
Revenues are recognized at the time the service is rendered. Certain services including but not limited to real estate project management 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.

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. 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 asset and liability method whereby deferred income tax assets and liabilities are recognized for the expected future income tax consequences of events that have been recognized in the consolidated financial statements or income tax returns. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to 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.

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 classified as a financial liability and 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

2015 acquisitions:
The Company acquired controlling interests in nine businesses, seven in the FirstService Residential segment and two in the FirstService Brands segment. In the FirstService Residential segment, the Company acquired controlling interests in firms operating in Texas, California, New York, Florida, Nevada and British Columbia. In the FirstService Brands segment, the Company acquired a Paul Davis Restoration franchise in Pennsylvania, as well as a California Closets franchise in Colorado, both of which will be operated as Company-owned locations.

Details of these acquisitions are as follows:

	Aggregate Acquisitions
Current assets	**$ 2,502**
Non-current assets	**2,000**
Current liabilities	**(1,689)**
Long-term liabilities	**(64)**
Redeemable non-controlling interest	**(1,696)**
	$ 1,053
Cash consideration, net of cash acquired of $175	**$ (12,340)**
Acquisition date fair value of contingent consideration	**(4,544)**
Total purchase consideration	**$ (16,884)**
Acquired intangible assets	**$ 8,891**
Goodwill	**$ 6,940**

2014 acquisitions:
The Company acquired controlling interests in eight businesses, five in the FirstService Residential segment and three in the FirstService Brands segment. In the FirstService Residential segment, the Company acquired regional firms operating in Minnesota, Texas, California and Arizona. In the FirstService Brands segment, the Company acquired a national franchisor providing restorations services in Canada, as well as two California Closets franchises in Florida and Chicago which will be operated as Company-owned locations.

Details of these acquisitions are as follows:

	Aggregate Acquisitions
Current assets	$ 644
Long-term assets	1,452
Current liabilities	(1,100)
Long-term liabilities	(216)
Redeemable non-controlling interest	(1,676)
	$ (896)
Note consideration	$ (440)
Cash consideration, net of cash acquired of $797	(16,686)
Acquisition date fair value of contingent consideration	(4,499)
Total purchase consideration	$ (21,625)
Acquired intangible assets	$ 14,377
Goodwill	$ 8,144

2013 acquisitions:
The Company completed three acquisitions in the FirstService Residential segment, acquiring firms operating in Missouri, Florida and Alberta to expand its geographic presence in these markets.

Details of these acquisitions are as follows:

	Aggregate Acquisitions
Current assets	$ 271
Long-term assets	142
Current liabilities	(704)
Long-term liabilities	-
	$ (291)
Note consideration	$ (560)
Cash consideration, net of cash acquired of $485	(6,423)
Acquisition date fair value of contingent consideration	(1,446)
Total purchase consideration	$ (8,429)
Acquired intangible assets	$ 5,427
Goodwill	$ 3,293

Acquisition-related transaction costs for the year ended December 31, 2015 totaled $408 (2014 - $1,183; 2013 - $655) 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 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, 2015, goodwill in the amount of $6,753 is deductible for income tax purposes (2014 - $7,620; 2013 - $508).

The Company typically structures its business acquisitions to include contingent consideration. 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 three-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.

The fair value of the contingent consideration liability recorded on the consolidated balance sheet as at December 31, 2015 was $3,316 (see note 15). 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 $3,005 to a maximum of $3,535. These contingencies will expire during the period extending to September 2017. During the year ended December 31, 2015, $7,172 was paid with reference to such contingent consideration (2014 - $2,053; 2013 - $350).

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, 2015 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, 2015, and the supplemental pro forma revenues and earnings of the combined entity had the acquisition date been January 1, 2014, are as follows:

	Revenues	Net earnings
Actual from acquired entities for 2015	$ 27,728	$ 567
Supplemental pro forma for 2015 (unaudited)	1,278,580	38,912
Supplemental pro forma for 2014 (unaudited)	1,188,771	28,999

Supplemental pro forma results were adjusted for non-recurring items.

4. Components of working capital accounts

	December 31, 2015	December 31, 2014
Inventories		
Work-in-progress	**$ 6,465**	$ 1,064
Finished goods	**5,489**	4,189
Supplies and other	**4,201**	4,236
	$ 16,155	$ 9,489
Accrued liabilities		
Accrued payroll and benefits	**$ 45,690**	$ 34,662
Value appreciation plans	**7,110**	5,082
Customer advances	**243**	376
Other	**24,857**	15,443
	$ 77,900	$ 55,563

5. Fixed assets

December 31, 2015

	Cost	Accumulated depreciation	**Net**
Land	$ 2,519	$ -	**$ 2,519**
Buildings	10,231	4,028	**6,203**
Vehicles	35,983	26,031	**9,952**
Furniture and equipment	43,399	29,435	**13,964**
Computer equipment and software	69,405	48,628	**20,777**
Leasehold improvements	20,737	16,577	**4,160**
	$ 182,274	$ 124,699	**$ 57,575**

December 31, 2014

	Cost	Accumulated depreciation	Net
Land	$ 2,524	$ -	$ 2,524
Buildings	10,126	3,724	6,402
Vehicles	32,253	23,564	8,689
Furniture and equipment	39,373	27,322	12,051
Computer equipment and software	62,451	44,605	17,846
Leasehold improvements	17,030	9,339	7,691
	$ 163,757	$ 108,554	$ 55,203

Included in fixed assets are vehicles, office and computer equipment under capital lease at a cost of $4,662 (2014 - $3,941) and net book value of $2,877 (2014 - $2,651).

6. Intangible assets

December 31, 2015

	Gross carrying amount	Accumulated amortization	**Net**
Customer lists and relationships	$ 75,279	$ 28,816	**$ 46,463**
Franchise rights	36,539	15,195	**21,344**
Trademarks and trade names:	22,002	11,147	**10,855**
Management contracts and other	16,648	15,832	**816**
	$ 150,468	$ 70,990	**$ 79,478**

December 31, 2014

	Gross carrying amount	Accumulated amortization	Net
Customer lists and relationships	$ 77,934	$ 30,684	$ 47,250
Franchise rights	36,785	13,706	23,079
Trademarks and trade names	22,847	10,588	12,259
Management contracts and other	12,613	12,324	289
	$ 150,179	$ 67,302	$ 82,877

During the year ended December 31, 2015, the Company acquired the following intangible assets:

	Amount	Estimated weighted average amortization period (years)
Customer lists and relationships	$ 2,580	20.0
Franchise rights	1,300	10.0
Trademarks and trade names	710	5.6
Management Contracts and other	4,301	11.5
	$ 8,891	11.5

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

2016	$ 9,547
2017	8,515
2018	8,207
2019	7,900
2020	7,649

7. Goodwill

	FirstService Residential	FirstService Brands	Consolidated
Balance, December 31, 2013	$ 162,903	$ 48,591	$ 211,494
Goodwill acquired during the year	4,288	3,856	8,144
Other items	(406)	-	(406)
Foreign exchange	(1,395)	(404)	(1,799)
Balance, December 31, 2014	165,390	52,043	217,433
Goodwill acquired during the year	4,794	2,146	6,940
Other items	157	-	157
Foreign exchange	(2,892)	(992)	(3,884)
Balance, December 31, 2015	**$ 167,449**	**$ 53,197**	**$ 220,646**

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 2015, 2014 or 2013.

8. Long-term debt

	December 31, 2015
Revolving credit facility	**$ 49,453**
3.84% Notes	**150,000**
Capital leases maturing at various dates through 2020	**1,356**
Other long-term debt maturing at various dates up to 2017	**390**
	201,199
Less: current portion	**4,041**
Long-term debt - non-current	**$ 197,158**

In conjunction with the spin-off, on June 1, 2015, the Company assumed from Old FSV $150 million of senior secured notes (the "Senior Notes") bearing interest at a rate of 3.84% to 4.84%, depending on leverage ratios. The Senior Notes are due on January 16, 2025, with five annual equal repayments beginning on January 16, 2021.

The Company has indemnified the holders of the Senior Notes from all withholding tax that is or may become applicable to any payments made by the Company on the Senior Notes. The Company believes this exposure is not material as of December 31, 2015.

On June 1, 2015, the Company entered into a credit agreement with a syndicate of banks to provide a committed multi-currency revolving credit facility (the "Facility") of $200 million. The Facility has a 5-year term ending June 1, 2020 and bears interest at 0.25% to 2.50% over floating reference rates, depending on certain leverage ratios. The weighted average interest rate for 2015 was 2.0%. The revolving credit facility had $144,628 of available un-drawn credit as at December 31, 2015. As of December 31, 2015, letters of credit in the amount of $5,918 were outstanding ($7,856 as at December 31, 2014). The Facility requires a commitment fee of 0.25% to 0.50% of the unused portion, depending on certain leverage ratios. At any time during the term, the Company has the right to increase the Facility by up to $50 million, on the same terms and conditions as the original Facility. The Facility is available to fund working capital requirements and other general corporate purposes.

The Facility and the Senior Notes rank equally in terms of seniority. The Company has granted the lenders under the Facility and holders of the Senior Notes various collateral, including an interest in all of the assets of the Company. The covenants under the Facility and the Senior Notes require the Company to maintain certain ratios, including financial leverage, interest coverage and net worth. The Company is limited from undertaking certain mergers, acquisitions and dispositions without prior approval.

Long-term debt as at December 31, 2014 was prepared on a carve-out basis from Old FSV. Interest expense prior to June 1, 2015 was allocated on a carve-out basis and amounted to $3,626; interest expense from June 1, 2015 to December 31, 2015 was $5,451.

The effective interest rate on the Company's long-term debt for the year ended December 31, 2015 was 4.1%. 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:

2016	$ 4,041
2017	359
2018	263
2019	76
2020 and thereafter	196,460

9. Redeemable non-controlling interests

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

	2015	2014
Balance, January 1	**$ 80,926**	$ 81,407
RNCI share of earnings	**4,560**	3,105
RNCI redemption increment	**12,243**	10,117
Distributions paid to RNCI	**(3,602)**	(4,008)
Purchases of interests from RNCI, net	**(17,817)**	(11,064)
RNCI recognized on business acquisitions	**1,696**	1,676
Other	**(447)**	(307)
Balance, December 31	**$ 77,559**	$ 80,926

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 RNCI 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, 2015 was $76,332 (2014 - $80,071). The redemption amount is lower than that recorded on the balance sheet as the formula price of certain RNCI 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, 2015, approximately 1,900,000 such shares would be issued, and would have resulted in an increase of $0.41 to diluted earnings per share for the year ended December 31, 2015.

10. Capital stock

The authorized capital stock of the Company is as follows:

An unlimited number of Preferred Shares;
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:

	Subordinate Voting Shares		*Multiple Voting Shares*		*Total Common Shares*	
	Number	Amount	Number	Amount	Number	Amount
Balance, December 31, 2015	34,613,317	$ 135,698	1,325,694	$ 373	35,939,011	$ 136,071

Pursuant to a restated management services agreement with the Company effective as of the 1st day of June, 2015, the Company agreed that it will make payments to a company ("FC Co") indirectly owned by its Founder and Chairman that are contingent upon an arm's length sale of control of the Company or upon a distribution of the Company's assets to its shareholders. The payment amounts will be determined with reference to the consideration per Subordinate Voting Share received or deemed received by shareholders upon an arm's length sale or upon a distribution of assets. The right to receive the payments may be transferred to person(s) who are not at arm's length to FC Co. The agreement provides for FC Co to receive 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 or distribution; and (ii) the per share consideration received or deemed received by holders of Subordinate Voting Shares minus a base price of C$2.351. The second 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 or distribution; and (ii) the per share consideration received or deemed received by holders of Subordinate Voting Shares minus a base price of C$4.578. Assuming an arm's length sale of control of the Company took place on December 31, 2015, the aggregate amount required to be paid to FC Co, based on a market price of C$55.90 (being the closing price per Subordinate Voting Share on the Toronto Stock Exchange on December 31, 2015), would be $140,742.

11. Stock-based compensation

The Company has a stock option plan for certain officers and key full-time employees of the Company and its subsidiaries. Options are granted at the market price for the underlying shares on the date of grant. Each option vests over a four-year term, 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, 2015, there were 572,250 options available for future grants.

Grants under the Company's stock option plan are equity-classified awards. Stock option activity for the year ended December 31, 2015 is follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Shares issuable under options - June 1, 2015	1,656,250	$ 16.90		
Granted	35,000	38.55		
Exercised	(480,000)	14.39		
Shares issuable under options - December 31, 2015	1,211,250	$ 18.51	2.8	$ 26,548
Options exercisable - End of period	268,400	$ 14.57	1.7	$ 6,941

The Company incurred stock-based compensation expense related to these awards of $2,159 during the year ended December 31, 2015 (2014 - $1,719; 2013 - $1,860).

In the 2015 carve-out period, $968 of the 2015 stock-based compensation expense was an allocation from Old FSV. $1,191 was the expense from the period June 1, 2015 to December 31, 2015.

As at December 31, 2015, the range of option exercise prices was $11.02 to $20.52 per share. Also as at December 31, 2015, the aggregate intrinsic value and weighted average remaining contractual life for in-the-money options vested and expected to vest were $26,548 and 2.8 years, respectively.

The following table summarizes information about option exercises during year ended December 31, 2015:

	2015
Number of options exercised	**480,000**
Aggregate fair value	**$ 27,314**
Intrinsic value	**17,369**
Amount of cash received	**9,945**
Tax benefit recognized	**$ 5,905**

As at December 31, 2015, there was $2,532 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, 2015, the fair value of options vested was $1,576 (2014 - $1,564; 2013 - $1,752).

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:

	2015
Risk free rate	**1.2%**
Expected life in years	**4.75**
Expected volatility	**31.6%**
Dividend yield	**0.8%**
Weighted average fair value per option granted	**$ 10.27**

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.

12. 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. Differences result from the following items:

	2015	2014	2013
Income tax expense using combined statutory rate of 26.5% (2013 - 26.5%, 2012 - 26.5%)	$ **16,326**	$ 10,185	$ 6,423
Permanent differences	**488**	583	446
Tax effect of flow through entities	**(230)**	(184)	(555)
Losses not previously recognized	**-**	-	(358)
Impact of changes in foreign exchange rates	**(10)**	(176)	(471)
Adjustments to tax liabilities for prior periods	**1,393**	432	(573)
Effects of changes in enacted tax rates	**(42)**	(63)	265
Changes in liability for unrecognized tax benefits	**(130)**	(229)	222
Foreign, state and provincial tax rate differential	**3,750**	1,741	(406)
Gain on disposition of preferred shares	**1,246**	-	-
Tax on preferred shares	**-**	-	518
Other taxes	**(161)**	(47)	274
Change in valuation allowances	**782**	-	-
Provision for income taxes as reported	**$ 23,412**	$ 12,242	$ 5,785

Earnings before income tax by jurisdiction comprise the following:

	2015	2014	2013
Canada	**$ 8,590**	$ 14,967	$ 5,407
United States	**53,020**	23,467	18,830
Total	**$ 61,610**	$ 38,434	$ 24,237

Income tax expense (recovery) comprises the following:

	2015	2014	2013
Current			
Canada	**$ 829**	$ 6,360	$ 3,864
United States	**10,757**	4,901	11,000
	11,586	11,261	14,864
Deferred			
Canada	**1,352**	(372)	(3,530)
United States	**10,474**	1,353	(5,549)
	11,826	981	(9,079)
Total	**$ 23,412**	$ 12,242	$ 5,785

The significant components of deferred income tax are as follows:

	2015	2014
Deferred income tax assets		
Loss carry-forwards	**$ 6,071**	$ 2,674
Expenses not currently deductible	**13,245**	11,839
Stock-based compensation	**2,420**	4,044
Basis differences of partnerships and other entities	**925**	1,251
Allowance for doubtful accounts	**2,967**	2,026
Inventory and other reserves	**548**	1,405
	26,176	23,239
Deferred income tax liabilities		
Depreciation and amortization	**13,971**	14,236
Prepaid and other expenses deducted for tax purposes	**1,782**	1,804
	15,753	16,040
Net deferred income tax asset before valuation allowance	**10,423**	7,199
Valuation allowance	**783**	-
Net deferred income tax asset	**$ 9,640**	$ 7,199

The recoverability of deferred income tax assets is dependent on generating sufficient taxable income before the 20 year loss carry-forward limitation. Although realization is not assured, the Company believes it is more likely than not that the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

The Company has gross operating loss carry-forwards as follows:

	Loss carry forward		Gross losses not recognized		Net	
	2015	2014	**2015**	2014	**2015**	2014
Canada	**$ 3,234**	$ 6,963	**$ -**	$ -	**$ 3,234**	$ 6,963
United States	**21,472**	8,874	**6,470**	-	**15,002**	8,874

The Company has gross capital loss carry-forwards as follows:

	Loss carry forward		Gross losses not recognized		Net	
	2015	2014	**2015**	2014	**2015**	2014
Canada	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -
United States	**-**	-	**-**	-	**-**	-

These amounts above are available to reduce future federal and provincial income taxes in their respective jurisdictions. Net operating loss carry-forward balances attributable to the United States and Canada expire over the next 14 to 20 years. Capital losses attributable to Canada and the United States are carried forward indefinitely.

Cumulative unremitted earnings of US and foreign subsidiaries approximated $267,899 as at December 31, 2015 (2014 - $227,061). 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.

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

Balance, December 31, 2013	$ 696
Reduction for lapses in applicable statutes of limitations	(202)
Balance, December 31, 2014	494
Increases based on tax positions related to 2015	(202)
Balance, December 31, 2015	$ 292

Of the $292 (2014 - $494) in gross unrecognized tax benefits, $292, (2014 - $494) would affect the Company's effective tax rate if recognized. For the year ended December 31, 2015, a recovery of $34 in interest and penalties related to provisions for income tax was recorded in income tax expense (2014 - recovery of $27; 2013 - recovery of $19). As at December 31, 2015, the Company had accrued $50 (2014 - $84) for potential income tax related interest and penalties.

Within the next twelve months, the Company believes it is reasonably possible that $164 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 and Canada. 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.

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.

13. Net earnings 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 denominator used to calculate earnings per common share:

	2015	2014	2013
Shares issued and outstanding at beginning of period	**35,970,605**	35,970,605	35,970,605
Weighted average number of shares:			
Issued during the period	**129,867**	-	-
Repurchased during the period	**(87,214)**	-	-
Weighted average number of shares used in computing basic earnings per share	**36,013,258**	35,970,605	35,970,605
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	**411,769**	392,326	334,586
Number of shares used in computing diluted earnings per share	**36,425,027**	36,362,931	36,305,191

14. Other supplemental information

	2015	2014	2013
Franchisor operations			
Revenues	**$ 98,376**	$ 90,684	$ 80,450
Operating earnings	**27,707**	22,071	19,435
Initial franchise fee revenues	**5,474**	5,042	5,817
Depreciation and amortization	**3,533**	3,252	6,641
Total assets	**86,982**	94,843	118,847
Cash payments made during the period			
Income taxes	**$ 3,358**	$ 21,432	$ 16,522
Interest	**4,366**	n/a	n/a
Non-cash financing activities			
Increases in capital lease obligations	**$ 1,217**	$ 1,133	$ 1,150
Other expenses			
Rent expense	**$ 20,229**	$ 19,408	$ 18,976

15. 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 cash and cash equivalents are limited by the use of multiple large and reputable banks. 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.

Foreign currency risk
Foreign currency risk is related to the portion of the Company's business transactions denominated in currencies other than U.S. dollars. A portion of revenue is generated by the Company's Canadian operations. The Company's head office expenses are incurred in Canadian dollars which is hedged by Canadian dollar denominated revenue.

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, 2015:

	Carrying value at December 31, 2015	Fair value measurements Level 1	Level 2	Level 3
Contingent consideration liability	$ 3,316	$ -	$ -	$ 3,316

The inputs to the measurement of the fair value of contingent consideration related to acquisitions are Level 3 inputs. The fair value measurements were made using a discounted cash flow model; significant model inputs were expected future operating cash flows (determined with reference to each specific acquired business) and discount rates (which range from 8% to 10%). The range of discount rates is attributable to level of risk related to economic growth factors combined with the length of the contingent payment periods; and the dispersion was driven by unique characteristics of the businesses acquired and the respective terms for these contingent payments. Within the range of discount rates, there is a data point concentration at 9%. A 2% increase in the weighted average discount rate would reduce the fair value of contingent consideration by $28.

Balance, December 31, 2014	$ 6,095
Amounts recognized on acquisitions	4,544
Fair value adjustments	39
Resolved and settled in cash	(7,172)
Other	(190)
Balance, December 31, 2015	$ 3,316
Less: current portion	$ 2,206
Non-current portion	$ 1,110

The carrying amounts for cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate fair values due to the short maturity of these instruments, unless otherwise indicated. The inputs to the measurement of the fair value of long term debt are Level 3 inputs. The fair value measurements were made using a net present value approach; significant model inputs were expected future cash outflows and discount rates (which range from 2.0% to 2.5%). The following are estimates of the fair values for other financial instruments:

	2015		2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Other receivables	**$ 3,833**	**$ 3,833**	$ 4,581	$ 4,581
Long-term debt	**201,199**	**216,788**	n/a	n/a

Other receivables include notes receivable from non-controlling shareholders and other non-current receivables.

16. Commitments and contingencies

(a) Lease commitments

Minimum operating lease payments are as follows:

Year ended December 31	
2016	$ 19,091
2017	15,152
2018	12,423
2019	10,913
2020	9,226
Thereafter	23,305

(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.

17. Related party transactions

The Company has entered into office space rental arrangements and property management contracts with senior managers of certain subsidiaries. These senior managers are usually also minority shareholders of the subsidiaries. The business purpose of the transactions is to rent office space for the Company and to generate property management revenues for the Company. The recorded amount of the rent expense for the year ended December 31, 2015 was $0.4 million (2014 - $0.4 million). These amounts are settled monthly in cash, and are priced at market rates. The rental arrangements have fixed terms of up to 10 years.

As at December 31, 2015, the Company had $2.3 million of loans receivable from minority shareholders (December 31, 2014 - $2.5 million). The business purpose of the loans receivable was to finance the sale of non-controlling interests in subsidiaries to senior managers. The loan amounts are measured based on the formula price of the underlying non-controlling interests, and interest rates are determined based on the Company's cost of borrowing plus a spread. The loans generally have terms of 5 to 10 years, but are open for repayment without penalty at any time.

In conjunction with the spin-off transaction on June 1, 2015, the Company entered into transition services agreement with Colliers which set out the terms under which certain administrative services, rent and other expenses would be allocated. During the period from the spin-off date to December 31, 2015, the Company paid $0.2 million in rent to Colliers.

18. Segmented information

Operating segments

The Company has two 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. FirstService Residential provides property management and related property services to residential communities in North America. FirstService Brands provides franchised and Company-owned property services to customers in North America. Corporate includes the costs of operating the Company's corporate head office. The reportable segment information excludes intersegment transactions.

2015	FirstService Residential	FirstService Brands	Corporate	Consolidated
Revenues	$ 1,017,506	$ 246,571	$ -	$ 1,264,077
Depreciation and amortization	21,041	7,840	103	28,984
Operating earnings (loss)	47,550	35,079	(11,882)	70,747
Other income, net				(60)
Interest expense, net				(9,077)
Income taxes				(23,412)
Net earnings				$ 38,198
Total assets	$ 349,507	$ 239,394	$ 11,582	$ 600,483
Total additions to long lived assets	22,006	8,541	53	30,600

2014	FirstService Residential	FirstService Brands	Corporate	Consolidated
Revenues	$ 919,545	$ 212,457	$ -	$ 1,132,002
Depreciation and amortization	19,644	6,734	96	26,474
Operating earnings (loss)	25,712	30,559	(10,650)	45,621
Other expense, net				(255)
Interest expense, net				(6,932)
Income taxes				(12,242)
Net earnings				$ 26,192
Total assets	$ 405,150	$ 253,225	$ (42,831)	$ 615,544
Total additions to long lived assets	23,208	16,423	-	39,631

2013	FirstService Residential	FirstService Brands	Corporate	Consolidated
Revenues	$ 844,952	$ 193,135	$ -	$ 1,038,087
Depreciation and amortization	30,655	8,557	104	39,316
Operating earnings (loss)	23,110	23,201	(9,228)	37,083
Other expense, net				(20)
Interest expense, net				(12,826)
Income taxes				(5,785)
Net earnings				$ 18,452
Total assets	$ 430,994	$ 226,649	$ (47,346)	$ 610,297
Total additions to long lived assets	22,386	291	-	22,677

Geographic information
Revenues in each geographic region are reported by customer locations.

	2015	2014	2013
United States			
Revenues	**$ 1,181,435**	$ 1,040,356	$ 950,046
Total long-lived assets	**321,279**	310,825	298,221
Canada			
Revenues	**$ 82,642**	$ 91,646	$ 88,041
Total long-lived assets	**36,420**	44,688	39,942
Consolidated			
Revenues	**$ 1,264,077**	$ 1,132,002	$ 1,038,087
Total long-lived assets	**357,699**	355,513	338,163

19. Impact of recently issued accounting standards

In May 2014, FASB the issued ASU No. 2014-09, Revenue from Contracts with Customers. This ASU clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP and is effective for the Company on January 1, 2017. The Company is currently assessing the impact of this ASU on its financial position and results of operations.

In April 2015, FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by amendments in this ASU. The ASU is effective for the Company on January 1, 2016, at which the time the guidance will be applied retrospectively.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*. This ASU simplifies the presentation of all tax assets and liabilities by no longer requiring an allocation between current and non-current. All deferred tax assets and liabilities, along with any related valuation allowance are to be classified as non-current on the balance sheet. While this change conforms to US GAAP and reduces complexity in financial reporting, it may have a significant impact on working capital and the related ratios. The guidance will be effective on January 1, 2017. The Company is currently assessing the impact of this ASU on its financial position.

EXHIBIT 3

FIRSTSERVICE CORPORATION
Management's discussion and analysis for the year ended December 31, 2015
(in US dollars)
February 23, 2016

The following management's discussion and analysis ("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, 2015 and the audited carve-out combined financial statements (the "Carve-out Combined Financial Statements") and MD&A of FirstService for the year ended December 31, 2014. This MD&A should also be read in conjunction with the Management Information Circular of former FirstService Corporation ("Old FSV") dated March 16, 2015 relating to a plan of arrangement which separated Old FSV into two independent publicly traded companies.

The Carve-out Combined Financial Statements were prepared in connection with the spin-off of FirstService from Old FSV (as further described below) and present the historical carve-out combined financial position, results of operations, changes in net investment and cash flows of the FirstService Residential and FirstService Brands businesses of Old FSV as they were proposed to be carved out in the spin-off and as if operated as a stand-alone entity for the periods presented. The Carve-out Combined Financial Statements were derived from the accounting records of Old FSV on a carve-out basis. The Carve-out Combined Financial Statements were prepared on a combined basis and the results do not necessarily reflect what FirstService's results of operations, financial position, or cash flows would have been had FirstService been a separate entity, nor do they reflect the future results of FirstService as it exists following completion of the spin-off. The basis of presentation is more fully described in Note 1 to the Carve-out Combined Financial Statements.

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, 2015 and up to and including February 23, 2016.

Additional information about the Company, including the Company's current 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 EDGAR at www.sec.gov.

This MD&A includes references to "adjusted EBITDA" and "adjusted EPS", 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."

FirstService's business

FirstService began independent operations on June 1, 2015, following the completion of a plan of arrangement (the "spin-off") which separated Old FSV into two independent publicly traded companies – "Colliers International Group Inc." ("Colliers"), a global leader in commercial real estate services and new "FirstService Corporation", the North American leader in residential property management and other essential property services. The spin-off was designed to enhance long-term value for shareholders by creating two independent and sustainable companies, each with the ability to pursue and achieve greater success by employing independent value creation strategies best suited to its core businesses and customers. The spin-off was effected by way of an arrangement under the Canada Business Corporations Act (Ontario), under which Old FSV shareholders received one Colliers share and one FirstService share of the same class as each Old FSV share previously held.

Although FirstService began independent operations on June 1, 2015, it has operated many of its businesses for decades. FirstService is North America's largest manager of residential communities and one of North America's largest providers of property services. FirstService has two reportable operating segments which were transferred to FirstService from Old FSV in conjunction with the spin-off: FirstService Residential and FirstService Brands. The segments are grouped with reference to the nature of services provided and the types of clients that use those services.

FirstService Residential is a full-service property manager and in many markets provides a full range of ancillary services primarily in the following areas: (i) on-site staffing, including building engineering and maintenance, full-service amenity management, security, concierge and front desk personnel, and landscaping; (ii) unique banking and insurance products; and (iii) energy conservation and management solutions. FirstService Residential is described in further detail in our Annual Information Form.

FirstService Brands provides a variety of residential and commercial services in North America through franchise networks and company-owned locations. The principal brands in this division include Paul Davis Restoration, California Closets, Certa Pro Painters, Pillar to Post Home Inspectors, Floor Coverings International, College Pro Painters and Service America. FirstService Brands is described in further detail in our Annual Information Form.

As at December 31, 2015, FirstService employed approximately 15,000 people in more than 130 locations throughout the United States and Canada.

Consolidated review

Our consolidated revenues for the year ended December 31, 2015 were $1.26 billion, an increase of 13% over the prior year measured in local currencies (12% measured in the reporting currency), attributable to a combination of internal growth and recent acquisitions. Each of our two operating segments generated strong internal revenue growth.

Our adjusted EPS (see definition and reconciliation below) was $1.20 for the year ended December 31, 2015, up 43% from $0.84 in the prior year. Our diluted net earnings per share calculated in accordance with GAAP were $0.59 in the year ended December 31, 2015 versus $0.36 in the prior year. Our 2014 earnings were negatively affected by elevated employee medical benefits costs amounting to approximately $9.0 million.

We acquired controlling interests in nine businesses in 2015, including seven in our FirstService Residential segment and two in our FirstService Brands segment. The total initial cash consideration for these acquisitions was $12.3 million. These acquisitions increase the geographic footprint of our existing service lines at FirstService Residential and are part of the execution of our strategy at FirstService Brands to acquire California Closets and Paul Davis Restoration franchises in selected key markets.

Results of operations – year ended December 31, 2015

Our revenues were $1.26 billion for 2015, up 12% relative to 2014 (13% on a local currency basis). The increase was comprised of internal revenue growth of 8% and the positive impact of acquisitions of 4%.

Operating earnings increased 55% to $70.7 million in 2015, while adjusted EBITDA rose 37% to $103.0 million. Our FirstService Residential division generated significant increases in profitability in 2015 as a result of both strong revenue growth and significant operating margin improvements. Prior year consolidated operating earnings were impacted by: (i) $9.0 million of incremental US employee medical benefits costs; and (ii) $1.9 million of non-recurring expenses related to the down-sizing of our homeowner collection business incurred during the year.

Depreciation expense was $18.8 million in 2015 relative to $17.7 million in the prior year. The increase was attributable to increased investments in office leaseholds and information technology systems in our FirstService Residential operations.

Amortization expense was $10.1 million in 2015 relative to $8.7 million in 2014. The increase was attributable to the amortization of intangible assets recognized in conjunction with recent business acquisitions.

Net interest expense increased to $9.1 million in 2015 from $6.9 million in the prior year. Our weighted average interest rate increased to 4.1% in 2015 from 3.1% in the prior year period due to: (i) no longer having an interest swap in place on our senior secured notes; and (ii) allocated interest related to the pre-spin-off period.

Our consolidated income tax rate for 2015 was 38% versus 32% in 2014. Relative to 2014, the 2015 tax rate was impacted primarily by a discrete tax charge related to the spin-off, impacting our rate by 3%. The prior year tax rate was also based on carve-out financial statements which involved a number of assumptions, allocations and estimates.

Net earnings were $38.2 million in 2015, compared to $26.2 million in the prior year. The increase was primarily attributable to strong profitability driven by revenue growth and operating margin improvements in the FirstService Residential division.

At FirstService Residential, revenues were $1.02 billion in 2015, an increase of 11% compared to the prior year. Internal growth was 8% (9% on a local currency basis) and was attributable to property management contract wins and strong new development business, while acquisitions contributed 3%. During 2015, we acquired property management businesses operating in Texas, California, New York, Florida, Nevada and British Columbia. This segment reported adjusted EBITDA of $68.9 million in 2015 or 6.8% of revenues, relative to $45.6 million or 5.0% of revenues in the prior year. The 2014 results were impacted by (i) elevated employee medical benefits costs in the US amounting to approximately $9.0 million and (ii) costs and a write off of accounts receivable totalling $1.9 million related to the downsizing of our homeowner fee collection operations.

Our FirstService Brands operations reported revenues of $246.6 million in 2015, an increase of 16% versus the prior year. Internal growth of 10% (11% on a local currency basis) was attributable to royalties from increased system-wide sales across most of our brands, as well as strong revenue growth at our California Closets company-owned operations. Acquisitions contributed 6% to our growth in 2015 and included the purchases of a Paul Davis Restoration franchise in Pennsylvania, as well as a California Closets franchise in Colorado. Adjusted EBITDA was $43.0 million in 2015, up 14% relative to the prior year, with the margin decreasing modestly to 17.4% in 2015 from 17.8% in the prior year. Our operating margin in 2015 reflected the benefit of operating leverage on royalties from increasing system-wide sales across most of our brands, offset by weather-related flat performance at Paul Davis Restoration and investments incurred in executing our centralized manufacturing strategy at our California Closets company-owned operations.

Corporate costs were $8.8 million in 2015 relative to $8.4 million in the prior year.

Results of operations – year ended December 31, 2014

Revenues were $1.13 billion in 2014, up 9% from 2013. The increase was due to internal growth of 7% and the positive impact of acquisitions of 2%.

2014 operating earnings increased 23% from the prior year to $45.6 million, while adjusted EBITDA decreased 5% to $75.0 million in 2014. Adjusted EBITDA and operating earnings for 2014 were impacted by approximately $9.0 million of incremental US employee medical costs in the FirstService Residential segment. Operating earnings for 2013 were impacted by $11.2 million of accelerated amortization of intangible assets, and $6.0 million of re-branding related costs, both related to our adoption of the “FirstService Residential” brand in the FirstService Residential segment.

Depreciation expense was $17.7 million in 2014, up 13% versus the prior year due to higher capital expenditures on leasehold improvements and information technology systems. Amortization expense was $8.7 million in 2014, down significantly as a result of accelerated amortization of intangible assets in 2013 which did not recur in 2014.

Net interest expense in 2014 decreased 46% from the prior year, to $6.9 million, primarily attributable to lower interest rates on long-term debt allocated by Old FSV to FirstService. Our weighted average interest rate decreased to 3.1% in 2014 from 4.8% in the prior year, primarily as a result of the conversion of FirstService’s 6.5% convertible subordinated debentures in late 2013.

Our combined income tax rate for 2014 was 32% versus 24% in 2013. The prior year's rate was impacted by several items, including losses not previously recognized and adjustments to tax liabilities of prior periods, which reduced the tax rate for 2013.

Net earnings for 2014 were $26.2 million, compared to $18.5 million in the prior year. The variance was primarily attributable to increased operating earnings on account of higher revenues in 2014 as well as the impact of accelerated amortization recorded in 2013.

In FirstService Residential, 2014 revenues were $919.5 million, an increase of 9% compared to the prior year. Internal growth was 7% and was attributable to property management contract wins, while acquisitions contributed 2%. During 2014, we acquired property management businesses operating in California, Texas, Minnesota and New York. This segment reported adjusted EBITDA of $45.6 million or 5.0% of revenues in 2014, relative to $53.2 million or 6.3% of revenues in the prior year. The 2014 results were impacted by (i) elevated employee medical benefits costs in the US amounting to approximately $9.0 million; and (ii) costs and a write off of accounts receivable totalling $1.9 million related to the downsizing of our homeowner fee collection operations. In mid-2013, the residential property management businesses within this segment were re-branded as "FirstService Residential". Our 2013 results were impacted by investments in re-branding and related information technology enhancements totalling $6.0 million, as well as a $2.0 million charge taken in the third quarter to down-size our homeowner fee collection operations.

Our FirstService Brands operations reported 2014 revenues of $212.5 million, an increase of 10% versus the prior year, comprised of internal growth of 8%, which was attributable to royalties from increased system-wide sales at our franchise brands, and acquisitions contributed 2% to growth. Acquisitions included a franchise system operating in Canada and California Closets stores operating in Florida and Illinois. Adjusted EBITDA was $37.8 million, up 13% relative to the prior year, with the margin increasing to 17.8% from 17.4% on account of operating leverage.

Corporate costs allocated by Old FSV for 2014 were $8.4 million relative to $7.3 million in the prior year. The 2014 results were impacted by increased insurance costs.

Results of operations – year ended December 31, 2013

Our revenues were $1.04 billion for 2013, up 11% relative to 2012. The increase was comprised of internal revenue growth of 10% and the positive impact of acquisitions of 1%.

Operating earnings were $37.1 million in 2013, down from $53.5 million in 2012, while adjusted EBITDA in 2013 was flat at $78.9 million. 2013 combined earnings were negatively impacted by $11.2 million of accelerated amortization of intangible assets and $6.0 million of re-branding related costs, both related to our adoption of the "FirstService Residential" brand in our FirstService Residential operations.

Depreciation expense was $15.7 million in 2013 relative to $13.7 million in the prior year. The increase was primarily attributable to increased investments in information technology systems in our FirstService Residential operations.

Amortization expense was $23.6 million in 2013, and included accelerated amortization on (i) $11.2 million of legacy trademarks and trade names in our FirstService Residential operations and (ii) $2.8 million of franchise rights in our FirstService Brands segment.

Net interest expense increased to $12.8 million in 2013 from $10.2 million in the prior year, primarily due to increased borrowing by Old FSV to finance acquisitions. Interest expense on debt allocated by Old FSV was calculated at Old FSV's weighted average interest rate. Our weighted average interest rate decreased to 4.8% from 4.9% in the prior year.

Our combined income tax rate for 2013 was 24% versus 29% in 2012. The 2013 tax rate was favorably impacted by losses not previously recognized and adjustments to tax liabilities for prior periods.

Net earnings were $18.5 million in 2013, compared to $30.8 million in the prior year. The change was primarily attributable to accelerated intangible asset amortization and FirstService Residential re-branding costs noted above.

In the FirstService Residential segment, revenues were $845.0 million in 2013, an increase of 10% compared to the prior year. Internal growth was 9% in 2013 and was attributable to property management contract wins, while acquisitions contributed 1%. During 2013, we acquired three property management businesses operating in Missouri, Florida and Alberta. In mid-2013, the residential property management businesses within this segment re-branded as “FirstService Residential”. This segment reported adjusted EBITDA in 2013 of $52.7 million or 6.2% of revenues, relative to $56.3 million or 7.3% of revenues in the prior year. The decline in margin in 2013 was largely attributable to investments in re-branding and related information technology enhancements totalling $6.0 million, as well as a $2.0 million charge taken in the third quarter to down-size our homeowner fee collection operations.

Our FirstService Brands operations reported revenues of $193.1 million in 2013, an increase of 13% versus the prior year, comprised entirely of internal growth, which was attributable to royalties from increased system-wide sales at our franchise brands. Adjusted EBITDA was $33.5 million in 2013, up 13% relative to the prior year, with the margin increasing to 17.4% from 16.8% on account of operating leverage.

Corporate costs allocated by Old FSV in connection with the carve-out process were $7.3 million in 2013 relative to $6.1 million in the prior year. The 2013 cost increase was attributable to performance-based incentive compensation accruals which were based on increased adjusted EPS of Old FSV, relative to the prior year.

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

	Year ended December 31				
	2015	**2014**	**2013**	**2012**	**2011**
Operations					
Revenues	$ 1,264,077	$ 1,132,002	$ 1,038,087	$ 939,821	$ 857,201
Operating earnings	70,747	45,621	37,083	53,478	38,674
Net earnings	38,198	26,192	18,452	30,765	24,157
Financial position					
Total assets	$ 600,483	$ 615,544	$ 610,297	$ 591,438	$ 566,972
Long-term debt	201,199	239,357	225,425	216,370	174,150
Redeemable non-controlling interests	77,559	80,926	81,407	74,158	76,216
Shareholders' equity	167,026	158,749	168,660	174,834	203,165
Common share data					
Net earnings (loss) per common share:					
Basic	$ 0.59	0.36	0.09		
Diluted	0.59	0.36	0.09		
Weighted average common shares outstanding (thousands)					
Basic	36,013	35,971	35,971		
Diluted	36,425	36,363	36,306		
Cash dividends per common share	$ 0.40				
Other data					
Adjusted EBITDA	$ 103,038	$ 74,997	$ 78,913	$ 78,932	$ 70,565
Adjusted EPS	1.20	0.84	0.96		

Note: Any per share amounts prior to June 1, 2015 in the table above have been calculated using Old FSV’s share balances and the terms of the spin-off.

Results of operations – fourth quarter ended December 31, 2015

Consolidated operating results for the fourth quarter ended December 31, 2015 were up significantly relative to the results experienced in the comparable prior year quarter, driven by strong top-line growth at both our FirstService Residential and FirstService Brands divisions, as well as significant operating improvements at our FirstService Residential operations. FirstService Residential revenues increased 10% in the fourth quarter ended December 31, 2015, compared to the prior year quarter, with adjusted EBITDA increasing 99% in the fourth quarter ended December 31, 2015 versus the prior year quarter as a result of continued margin expansion from regional operational improvements. The prior period quarter was impacted by a reduction in earnings at our FirstService Residential division due to higher than expected employee medical benefits costs totalling $3.0 million. Our FirstService Brands operations experienced strong revenue growth of 20% in the fourth quarter ended December 31, 2015 compared to the prior year quarter with margins increasing to 17.4% from 16.6% in the prior year quarter as a result of robust organic growth at California Closets and our smaller, faster-growing systems resulting in positive operating leverage. Consolidated net earnings, operating earnings and adjusted EBITDA increased in the fourth quarter ended December 31, 2015 as a result of strong growth in both the FirstService Residential and FirstService Brands divisions.

Summary of quarterly results - years ended December 31, 2015 and 2014
(in thousands of US$, except per share amounts)

(unaudited)	Q1	Q2	Q3	Q4	Year
Year ended December 31, 2015					
Revenues	$ 272,189	$ 326,251	$ 349,525	$ 316,112	$ 1,264,077
Operating earnings	1,407	23,936	31,417	13,987	70,747
Net earnings	(434)	11,808	18,917	7,907	38,198
Net earnings per share:					
Basic	(0.09)	0.21	0.39	0.09	0.59
Diluted	(0.09)	0.20	0.39	0.09	0.59
Year ended December 31, 2014					
Revenues	$ 245,594	$ 292,205	$ 312,029	$ 282,174	$ 1,132,002
Operating earnings	1,627	19,118	20,004	4,872	45,621
Net earnings	4	10,780	14,144	1,264	26,192
Net earnings per share:					
Basic	(0.06)	0.28	0.24	(0.10)	0.36
Diluted	(0.06)	0.28	0.24	(0.10)	0.36
Other data					
Adjusted EBITDA - 2015	$ 9,321	$ 32,312	$ 39,077	$ 22,328	$ 103,038
Adjusted EBITDA - 2014	7,934	25,362	28,310	13,391	74,997
Adjusted EPS - 2015	0.02	0.40	0.50	0.28	1.20
Adjusted EPS - 2014	0.02	0.29	0.39	0.13	0.84

Note: Any per share amounts prior to June 1, 2015 in the table above have been calculated using Old FSV's share balances and the terms of the spin-off.

Operating outlook

We are committed to a long-term growth strategy that includes average internal revenue growth in the mid-to-high single digit range, combined with acquisitions to build each of our service platforms, resulting in targeted average annual growth in revenues in the low double digit range. We are targeting adjusted EBITDA and adjusted EPS growth in excess of 15%. Economic conditions will negatively or positively impact these percentage growth rates in any given year.

In our FirstService Residential segment, revenues are expected to grow at a low double digit percentage rate in 2016 from continuing strong client retention, new business wins and tuck-under acquisitions. Operating margins for 2016 are expected to be higher than 2015 due to continued operating efficiencies.

Our FirstService Brands segment is expected to generate low double digit percentage growth in 2016 from increases in franchisee productivity, the addition of new franchisees, and continuing our company-owned acquisition strategy at California Closets and Paul Davis Restoration. Operating margins are expected to remain similar to 2015 levels.

The foregoing contains forward-looking statements, and readers should refer to “Forward-looking statements and risks” below regarding our cautions relating to these forward-looking statements and the material risk factors that could cause actual results to differ materially from these forward-looking statements. The above forward-looking statements are made on the assumption that general economic conditions and the conduct of the Company’s businesses remain as they exist on the date hereof, with none of the material risk factors (as noted under “Forward-looking statements and risks” below) occurring during 2016.

Seasonality and quarterly fluctuations

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

FirstService Residential generates peak revenues and earnings in the third quarter, as seasonal ancillary swimming pool management revenues are earned. FirstService Brands includes outdoor painting and franchise operations, which generate the majority of their revenues during the second and third quarters.

Liquidity and capital resources

On June 1, 2015, the Company entered into a credit agreement with a syndicate of banks to provide a committed multi-currency revolving credit facility (the “Facility”) of $200 million. The Facility has a 5-year term ending June 1, 2020 and bears interest at 0.25% to 2.50% over floating reference rates, depending on certain leverage ratios. The Facility requires a commitment fee of 0.25% to 0.50% of the unused portion, depending on certain leverage ratios. At any time during the term, we have the right to increase the Facility by up to $50 million, on the same terms and conditions as the original Facility. The Facility is available to fund working capital requirements and other general corporate purposes.

In conjunction with the spin-off, on June 1, 2015, the Company assumed from Old FSV $150 million of senior secured notes bearing interest at a rate of 3.84% to 4.84%, depending on leverage ratios. The senior secured notes are due on January 16, 2025, with five annual equal repayments beginning on January 16, 2021.

The Company generated cash flow from operating activities of $87.1 million for the year ended December 31, 2015, relative to $45.2 million in the prior year. Operating cash flow was favourably impacted by strong profitability at both of our divisions, particularly FirstService Residential, and an increase in accrued liabilities as of December 31, 2015. We believe that cash from operations and other existing resources, including the Facility described above, will continue to be adequate to satisfy the ongoing working capital needs of the Company.

During 2015, we invested cash in acquisitions as follows: an aggregate of $12.3 million (net of cash acquired) in 9 new business acquisitions, $7.2 million in contingent consideration payments related to previously completed acquisitions, and $17.8 million in acquisitions of redeemable non-controlling interests (“RNCI”).

In relation to acquisitions completed during the past three years, we have outstanding contingent consideration, assuming all contingencies are satisfied and payment is due in full, totalling $3.3 million as at December 31, 2015 (December 31, 2014 - $6.7 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 September 2017. We estimate that, approximately 85% of the contingent consideration outstanding as of December 31, 2015 will ultimately be paid.

Capital expenditures for the year were $19.7 million (2014 - $22.4 million), which consisted primarily of investments in productivity-enhancing information technology systems in both of our operating divisions, as well as office leasehold improvements and new vehicles in certain of our FirstService Residential operations.

Net indebtedness as at December 31, 2015 was $155.6 million, versus $172.6 million at December 31, 2014. Net indebtedness is calculated as the current and non-current portions of long-term debt less cash and cash equivalents. We were in compliance with the covenants of our agreements relating to the Facility and our senior secured notes as at December 31, 2015 and we expect to remain in compliance with such covenants going forward.

Following the completion of the spin-off, our Board of Directors adopted a dividend policy pursuant to which we make quarterly cash dividends to holders of common shares (being our Subordinate Voting Shares and Multiple Voting Shares) of record at the close of business on the last business day of each calendar quarter. The quarterly dividend was initially set at US$0.10 per common share (a rate of US$0.40 per annum). We commenced paying the quarterly common share dividend under the dividend policy effective for the quarter ended June 30, 2015. Most recently, we declared a quarterly dividend of $0.10 per share on the Subordinate Voting Shares and Multiple Voting Shares in respect of the quarter ended December 31, 2015. In February 2016, our Board of Directors determined that, commencing with the quarter ended March 31, 2016, the quarterly dividend will be US$0.11 per common share (a rate of US$0.44 per annum). Each quarterly dividend is paid within 30 days after the record date. All dividend declarations are subject to the discretion of our Board of Directors. The Company declared common share dividends totalling $0.30 per share during 2015, with $0.20 paid in cash during the year and $0.10 paid in January 2016.

During the year we distributed $3.6 million (2014 - $4.0 million) to non-controlling shareholders of subsidiaries, in part 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, 2015:

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	$ 199,843	$ 3,359	$ 31	$ 46,453	$ 150,000
Interest on long term debt	40,947	7,001	14,207	13,663	6,076
Capital lease obligations	1,356	682	590	84	-
Contingent acquisition consideration	3,316	2,206	1,110	-	-
Operating leases	90,110	19,091	27,575	20,139	23,305
Total contractual obligations	$ 335,572	$ 32,339	$ 43,513	$ 80,339	$ 179,381

At December 31, 2015, we had commercial commitments totaling $5.9 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 secured notes at a weighted average interest rate of 3.8%.

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.

In most operations where managers or employees are also non-controlling 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. Non-controlling 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 non-controlling shareholder acquired their interest, as the case may be. The total value of the RNCI (the "redemption amount"), as calculated in accordance with shareholders' agreements, was as follows.

(in thousands of US$)	**December 31 2015**	December 31 2014
FirstService Residential	**$ 53,548**	$ 59,466
FirstService Brands	**22,784**	20,605
	$ 76,332	$ 80,071

The amount recorded on our balance sheet under the caption “redeemable non-controlling interests” is the greater of (i) the redemption amount (as above) or (ii) the amount initially recorded as RNCI at the date of inception of the minority equity position. As at December 31, 2015, the RNCI recorded on the balance sheet was $77.6 million. The purchase prices of the RNCI may be paid in cash or in Subordinate Voting Shares of FirstService. If all RNCI were redeemed in cash, the pro forma estimated accretion to diluted net earnings per share from continuing operations for 2015 would be $0.40, and the accretion to adjusted EPS would be $0.07.

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 the notional value appreciation plans is re-measured quarterly.

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 three critical accounting estimates: determination of fair values of assets acquired and liabilities assumed in business combinations, impairment testing of the carrying value of goodwill, 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.

Goodwill impairment testing involves assessing whether events have occurred that would indicate potential impairment and 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 five 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. When events have occurred that which would suggest a potential decrease in fair value, 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.

Accounts receivable allowances are determined using a combination of historical experience, current information, and management judgment. Actual collections may differ from our estimates. A 10% increase in the accounts receivable allowance would increase bad debt expense by $0.7 million.

Reconciliation of non-GAAP financial measures

In this MD&A, we make reference to “adjusted EBITDA” and “adjusted EPS,” 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) acquisition-related items; (vi) stock-based compensation expense; and (vii) spin-off transaction costs. 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 from continuing operations 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 from continuing operations to adjusted EBITDA appears below.

(in thousands of US$)	Year ended December 31		
	2015	2014	2013
Net earnings	**$ 38,198**	$ 26,192	$ 18,452
Income tax	**23,412**	12,242	5,785
Other expense (income)	**60**	255	20
Interest expense, net	**9,077**	6,932	12,826
Operating earnings	**70,747**	45,621	37,083
Depreciation and amortization	**28,984**	26,474	39,316
Acquisition-related items	**408**	1,183	655
Stock-based compensation expense	**2,159**	1,719	1,860
Spin-off transaction costs	**740**	-	-
Adjusted EBITDA	**$ 103,038**	$ 74,997	$ 78,914

Adjusted EPS is defined as diluted net earnings (loss) per 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) stock-based compensation expense; (v) spin-off transaction costs; and (vi) a spin-off tax charge. 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 EPS 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 from continuing operations, 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 from continuing operations to adjusted EPS appears below.

(in US$)	Year ended December 31		
	2015	2014	2013
Diluted net earnings per share	**$ 0.59**	$ 0.36	$ 0.09
Non-controlling interest redemption increment	**0.33**	0.28	0.38
Acquisition-related items	**0.01**	0.03	0.02
Amortization of intangible assets, net of tax	**0.16**	0.14	0.44
Stock-based compensation expense, net of tax	**0.04**	0.03	0.03
Spin-off transaction costs, net of tax	**0.02**	**-**	-
Spin-off tax charge	**0.05**	-	-
Adjusted EPS	**$ 1.20**	$ 0.84	$ 0.96

We believe that the presentation of adjusted EBITDA and adjusted EPS, 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 EPS 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.

Initial adoption of, and changes in, accounting policies

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. This ASU clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP and International Financial Reporting Standards ("IFRS") and is effective for the Company on January 1, 2018. The Company is currently assessing the impact of this ASU on its financial position and results of operations.

In April 2015, FASB issued ASU No.2015-03, *Simplifying the Presentation of Debt Issuance Costs.* The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. This ASU is effective for the Company on January 1, 2016, at which time guidance will be applied retrospectively.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*. This ASU simplifies the presentation of all tax assets and liabilities by no longer requiring an allocation between current and non-current. All deferred tax assets and liabilities, along with any related valuation allowance are to be classified as non-current on the balance sheet. While this change conforms to US GAAP and IFRS and reduces complexity in financial reporting, it may have a significant impact on working capital and the related ratios. The guidance will be effective on January 1, 2017. The Company is currently assessing the impact of this ASU on its financial position.

Impact of IFRS

On January 1, 2011, many Canadian companies were required to adopt IFRS. In 2004, in accordance the rules of the CSA, Old FSV elected to report exclusively using U.S. GAAP and further elected not to adopt IFRS on January 1, 2011. Under the rules of the CSA, the Company is permitted to prepare its financial statements in accordance with U.S. GAAP going forward.

Financial instruments
Periodically 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 does not have any such financial instruments.

Off-balance sheet arrangements
The Company does not believe that it has off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial performance or financial condition other than the payments which may be required to be made by us under the sale of control arrangement contained in the restated management services agreement with FirstService, Jayset Management FSV Inc. and Jay S. Hennick, a description of which is set out in Note 10 to the Consolidated Financial Statements (which is incorporated by reference herein and available on the SEDAR website at www.sedar.com and EDGAR at www.sec.gov).

Transactions with related parties
The Company has entered into office space rental arrangements and property management contracts with senior managers of certain subsidiaries. These senior managers are usually also minority shareholders of the subsidiaries. The business purpose of the transactions is to rent office space for the Company and to generate property management revenues for the Company. The recorded amount of the rent expense for the year ended December 31, 2015 was $0.4 million (2014 - $0.4 million). These amounts are settled monthly in cash, and are priced at market rates. The rental arrangements have fixed terms of up to 10 years.

As at December 31, 2015, the Company had $2.3 million of loans receivable from minority shareholders (December 31, 2014 - $2.5 million). The business purpose of the loans receivable was to finance the sale of non-controlling interests in subsidiaries to senior managers. The loan amounts are measured based on the formula price of the underlying non-controlling interests, and interest rates are determined based on the Company's cost of borrowing plus a spread. The loans generally have terms of 5 to 10 years, but are open for repayment without penalty at any time.

In conjunction with the spin-off on June 1, 2015, the Company entered into transitional services and separation agreement with Colliers which sets out the terms under which certain administrative services, rent and other expenses will be incurred or allocated. During the period from June 1, 2015 to December 31, 2015, the Company paid $0.2 million in rent to Colliers.

Outstanding share data
The authorized capital of the Company consists of an unlimited number of preference shares, issuable in series, an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. The holders of Subordinate Voting Shares are entitled to one vote in respect of each Subordinate Voting Share held at all meetings of the shareholders of the Company. The holders of Multiple Voting Shares are entitled to twenty votes in respect of each Multiple Voting Share held at all meetings of the shareholders of the Company. Each Multiple Voting Share is convertible into one Subordinate Voting Share at any time at the election of the holders thereof.

As of the date hereof, the Company has outstanding 34,613,317 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares. In addition, as at the date hereof 1,534,750 Subordinate Voting Shares are issuable upon exercise of options granted under the Company's stock option plan.

During the year ended December 31, 2015, the Company repurchased 511,594 Subordinate Voting Shares under its Normal Course Issuer Bid ("NCIB") at an average price of $38.05 per share. All shares purchased under the NCIB were cancelled. The Company is authorized to repurchase up to an additional 2,628,406 Subordinate Voting Shares under its NCIB, which expires on August 23, 2016.

Canadian tax treatment of common share 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 Subordinate Voting Shares and Multiple Voting 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, 2015 (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 nine individually insignificant entities acquired by the Company during the last fiscal period from our assessment of internal control over financial reporting as at December 31, 2015. The total assets and total revenues of the nine majority-owned entities represent 0.7% and 2.2%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2015.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2015, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2015, 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, 2015, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report dated February 23, 2016 which accompanies the Company's audited consolidated financial statements for the year ended December 31, 2015.

Changes in internal control over financial reporting

During the year ended December 31, 2015, 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.

Legal proceedings

FirstService is involved in various legal claims associated with the normal course of operations and believes it has made adequate provision for such legal claims.

Spin-off risk

Although the spin-off is complete, the transaction exposes FirstService to certain ongoing risks. The spin-off was structured to comply with all the requirements of the public company "butterfly rules" in the *Income Tax Act* (Canada). However, there are certain requirements of these rules that depend on events occurring after the spin-off is completed or that may not be within the control of FirstService and/or Colliers. If these requirements are not met, FirstService could be exposed to significant tax liabilities which could have a material effect on the financial position of FirstService. In addition, FirstService has agreed to indemnify Colliers for certain liabilities and obligations related to its business at the time of the spin-off. These indemnification obligations could be significant. These risks are more fully described in our Annual Information Form for the year ended December 31, 2015, which is also included in the Company's Annual Report on Form 40-F available at www.sec.gov.

Forward-looking statements and risks

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 for the year ended December 31, 2015, which is also included in the Company's Annual Report on Form 40-F available on EDGAR at www.sec.gov:

- Economic conditions, especially as they relate to commercial and consumer credit conditions and consumer spending, particularly in regions where our business may be concentrated.
- Commercial real estate property values, vacancy rates and general conditions of financial liquidity for real estate transactions.
- Residential real estate property values, resale 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.
- The ability to attract new customers and to retain major customers and renew related contracts.
- The ability to retain and incentivize employees.
- 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 denominated revenues and expenses.
- Our ability to identify and make acquisitions at reasonable prices and successfully integrate acquired operations.
- The ability to execute on, and adapt to, information technology strategies and trends.
- The ability to comply with laws and regulations related to our operations, including licensure, labour and employment laws and regulations, as well as the anti-corruption laws and trade sanctions.
- Political conditions, including political instability and any outbreak or escalation of terrorism or hostilities and the impact thereof on our business.
- Changes in government laws and 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.

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 and on EDGAR at www.sec.gov.

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, 2015 of FirstService Corporation of our report dated February 23, 2016, relating to the consolidated and carve-out combined 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 Professional Accountants, Licensed Public Accountants

Toronto, Canada
February 23, 2016

EXHIBIT 31

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

I, D. Scott Patterson, 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.

February 23, 2016

/s/ D. Scott Patterson
D. Scott Patterson
Chief Executive Officer

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

I, Jeremy Rakusin, 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.

February 23, 2016

/s/ Jeremy Rakusin
Jeremy Rakusin
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, 2015 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, D. Scott Patterson, 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: February 23, 2016

/s/ D. Scott Patterson
D. Scott Patterson
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, 2015 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, Jeremy Rakusin, 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: February 23, 2016

/s/ Jeremy Rakusin
Jeremy Rakusin
Chief Financial Officer