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

FORM 40-F

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

or

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

For the fiscal year ended March 31, 2006

Commission file number 0-24762

FirstService Corporation

(Exact name of Registrant as specified in its charter)

Ontario
(Province or other jurisdiction of incorporation or organization)

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

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

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

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

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

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

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:

28,730,094 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares

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

oYes x No

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

oYes x No

DISCLOSURE CONTROLS AND PROCEDURES

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

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

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

AUDIT COMMITTEE FINANCIAL EXPERT

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

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

CODE OF ETHICS

The Registrant has adopted a Code of Ethics and Conduct that applies to all directors, officers and employees of the Registrant and its subsidiaries, and a Financial Management Code of Ethics, which applies to senior management and senior financial and accounting personnel of the Registrant and its subsidiaries. A copy of the Code of Ethics and Conduct and the Financial Management Code of Ethics can be obtained, free of charge, on the Registrant's website (www.firstservice.com) or by contacting the Registrant at (416) 960-9500.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets out the fees billed to the Registrant by PricewaterhouseCoopers LLP and its affiliates for professional services rendered in each of the fiscal years ended March 31, 2006 and 2005. During these years, PricewaterhouseCoopers LLP was the Registrant's only external auditor.

(in US$)

Year ended March 31	2006	2005
Audit fees (note 1)	$ 1,477,900	$ 913,000
Audit-related fees (note 2)	131,500	345,600
Tax fees (note 3)	322,000	259,800
All other fees (note 4)	4,600	3,300
	$ 1,936,000	**$ 1,521,700**

Notes:

1. Refers to the aggregate fees billed by the Registrant's external auditor for audit services, including statutory and subsidiary audits. In 2006, audit fees included audits of Resolve Corporation and issuance of comfort letters in relation to the sale of Resolve Corporation.
2. Refers to the aggregate fees billed for assurance and related services by the Registrant's external auditor that are reasonably related to the performance of the audit or review of the Registrant's financial statements and are not reported under (1) above, including professional services rendered by the Registrant's external auditor for accounting consultations on proposed transactions and consultations related to accounting and reporting standards. Such fees included fees incurred in respect of: compliance with the *Sarbanes-Oxley Act*; due diligence and other work related to the disposition and acquisition of businesses, such work being unrelated to the audit of the Registrant's financial statements; accounting consultations with respect to proposed transactions; as well as other audit-related services.
3. Refers to the aggregate fees billed for professional services rendered by the Registrant's external auditor for tax compliance, tax advice and tax planning.
4. Refers to fees for software product licensing billed by the Registrant's external auditor.

AUDIT COMMITTEE'S PRE-APPROVAL POLICIES AND PROCEDURES

The Registrant's Audit Committee pre-approves all audit services and permitted non-audit services provided to the Registrant by PricewaterhouseCoopers LLP. The Audit Committee has delegated to the 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 effect on the Registrant's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

CONTRACTUAL OBLIGATIONS

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

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Messrs. Bernard I. Ghert - Chair, Peter F. Cohen and Brendan Calder.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

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

B. Consent to Service of Process

The Registrant has previously filed with the SEC a written irrevocable consent and power of attorney on Form F-X in connection with the Subordinate Voting Shares.

SIGNATURE

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

FIRSTSERVICE CORPORATION

Date: May 26, 2006

By: */s/ John B. Friedrichsen*

Name: John B. Friedrichsen

Title: Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

No.	Document
1.	Annual Information Form of the Registrant for the year ended March 31, 2006
2.	Consolidated audited financial statements of the Registrant as at March 31, 2006 and 2005 and for the three years ended on March 31, 2006, in accordance with generally accepted accounting principles in the United States
3.	Management's discussion and analysis of financial condition and results of operations of the Registrant
4.	Consent of PricewaterhouseCoopers LLP
31.	Officers' Certifications Required by Rule 13a-14(a) or Rule 15d-14(a).
32.	Officers' Certifications Required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code

EXHIBIT 1

FirstService Corporation

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED
MARCH 31, 2006

MAY 16, 2006

TABLE OF CONTENTS

Corporate structure	1
General development of the business	1
Business description	2
Business strategy	8
Seasonality	10
Trademarks	10
Employees	10
Minority interests	11
Dividend policy	11
Capital structure	11
Market for securities	11
Transfer agents and registrars	12
Directors and officers	12
Legal proceedings	13
Properties	14
Selected consolidated financial information	14
Risk and uncertainties	16
Management's discussion and analysis	16
Interest of management and others in material transactions	16
Material contracts	16
Cease trade orders, bankruptcies, penalties or sanctions	17
Conflicts of interest	17
Experts	17
Audit Committee	17
Additional information	19
Forward-looking statements	20

FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM

MAY 16, 2006

All amounts referred to in this Annual Information Form ("AIF") are in United States dollars unless otherwise indicated. All financial and statistical data in this AIF is presented as at March 31, 2006 unless otherwise indicated.

Corporate structure

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

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

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

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

Name of subsidiary	Percentage of voting securities owned by FirstService	Jurisdiction of incorporation
American Pool Enterprises, Inc.	88.21%	Delaware
BLW, Inc. (d/b/a Security Services and Technologies ("SST"))	82.90%	Pennsylvania
CMN Holdco Inc. (d/b/a "Colliers International")	83.10%	Ontario
FirstService (USA), Inc.	100.00%	Delaware
FirstService Delaware, LLC	100.00%	Delaware
FirstService Delaware, LP	100.00%	Delaware
Intercon Security Ltd.	100.00%	Ontario
Prime Management Group, Inc.	93.78%	Florida
The Continental Group, Inc.	85.85%	Florida
The Franchise Company, Inc.	82.50%	Ontario
The Wentworth Group, Inc.	84.35%	Pennsylvania

General development of the business

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

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

In 1996, we obtained a revolving credit facility from a syndicate of banks, which has been amended and restated at various times to the present. In 2001, we completed a private placement of $100 million of 8.06% Senior Notes due June 29, 2011 with a group of US institutional investors. In October 2003, $50 million of 6.40% Senior Notes due September 30, 2015 was issued. In April 2005, we completed a further private placement of $100 million of 5.44% Senior Notes due April 1, 2015.

In November 2004, we established a new commercial real estate services division under the “Colliers International” brand with the acquisition of CMN International Inc. (“CMN”). Generating revenues of $285 million in the year prior to acquisition and with 80 offices in twenty countries, CMN is the largest affiliate of the Colliers International commercial real estate services network. CMN’s real estate services offerings include brokerage (sale and leasing), property management, valuation and advisory services. A Business Acquisition Report filed with applicable Canadian securities regulatory authorities on February 11, 2005 in respect of the acquisition of CMN is hereby incorporated by reference herein.

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

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

Business description

FirstService is a leader in the rapidly growing property services sector, providing services in the following areas: residential property management; commercial real estate; integrated commercial security and property improvement. Market-leading brands include Continental, Wentworth and Prime Management in residential property management; Colliers International in commercial real estate; Intercon Security and SST in integrated security; and California Closets, Paul Davis Restoration, Pillar to Post Home Inspection, and CertaPro and College Pro Painters in property improvement.

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

Our operations are conducted through four operating segments:

Revenues by operating segment	Year ended March 31				
(in thousands of US$)	2006	2005	2004	2003	2002
Residential Property Management	$ 346,133	$ 275,229	$ 228,790	$ 203,515	$ 196,298
Commercial Real Estate Services	438,434	120,535	-	-	-
Integrated Security Services	149,063	143,160	122,748	107,548	95,507
Property Improvement Services	134,136	111,779	89,361	70,850	64,826
Corporate	368	673	434	389	364
Total	$ 1,068,134	$ 651,376	$ 441,333	$ 382,302	$ 356,995

Residential Property Management

FirstService is the largest manager of private residential communities in North America. Private residential communities include condominiums, cooperatives, gated communities and a variety of other residential developments governed by multi-unit residential community associations (collectively referred to as "community associations"). In total, we manage more than 550,000 residential units in 3,000 community associations in the states of Arizona, Delaware, Florida, Georgia, Illinois, Maryland, Nevada, New Jersey, New York, North Carolina Pennsylvania, Texas, Virginia and the District of Columbia.

In Florida, we operate under the Continental, Prime and Sterling brands. In the mid-Atlantic region, we operate under the Wentworth, Armstrong, Cooper Square, Arco Wentworth and American Pool brands. In Arizona, we operate as Rossmar & Graham, while in Illinois we operate as Wolin-Levin. In Nevada and Texas we operate as RMI.

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

FirstService is a full-service property manager and in many markets provides a full range of services including grounds maintenance, landscaping, painting, pest control, irrigation, real estate sales and leasing, heating, air conditioning, plumbing and swimming pool management and maintenance. Operations are somewhat seasonal in nature, as the majority of swimming pool and grounds maintenance revenues, outside the "sunbelt" states, are earned in the first and second fiscal quarters.

The aggregate budget of the community associations managed by FirstService is approximately $2 billion. The aggregate budget of all the community associations in the United States is estimated to be $35 billion. Currently, FirstService accesses approximately 20% of the aggregate budget of its communities through the various services that it offers. Our strategy is to continue to add communities under management while striving to earn a greater percentage of the aggregate budget by introducing additional services and products, thereby offering our clients a single point of accountability.

Based on recent industry data compiled by the Community Associations Institute, we estimate that: (i) more than 54 million Americans, representing approximately 22 million households, live in condominiums, cooperatives, planned communities and other residential developments governed by multiple unit residential community associations; (ii) more than 50% of new homes currently being built in and around major metropolitan areas in the United States are within these categories; (iii) there are approximately 274,000 community associations in the United States; and (iv) the total annual operating expenses for these community associations are estimated to be $35 billion. The market is growing at a rate of approximately 3% per year as a

result of the 6,000-8,000 new community associations formed each year. In addition, the growing trend from self-management to professional management, currently almost 50% of the market, is believed to at least double the effective growth rate for professional property management companies.

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

The residential property management industry is extremely fragmented and dominated by numerous local and regional management companies. Only a small number of such companies, however, have the expertise and capital to provide both traditional property management services as well as the other support services provided by full-service property managers. FirstService is the largest full-service manager of private residential communities in the United States, managing approximately 2.5% of the nation's approximately 22 million units in community associations. We enjoy a competitive advantage because of our size, depth of financial and management resources, and operating expertise.

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

Commercial Real Estate Services

FirstService is a leading international commercial real estate services provider offering a full range of commercial real estate services in the United States, Canada, Australia, New Zealand and several other countries. Operations in the United States and Canada generate approximately 65% of total revenues, while Australia and New Zealand generate approximately 22%. We provide services to owners, investors and tenants, including brokerage (sale and leasing), property management and maintenance services, valuation and corporate advisory services.

Commercial real estate brokers match buyers and sellers of real estate (investors, developers or owners-users) as well as owners and tenants of space for lease in return for a commission generally based on the value of the transaction. CMN's brokerage activities focus primarily on office, industrial, retail and multi-unit residential properties. Brokerage activities represent 75% to 80% of CMN's revenues and provide opportunities for cross selling other real estate services. In calendar year 2005, through a network of 1,500 brokers across 100 offices, CMN executed transactions valued at more than $20 billion across a diverse client base, including corporations, financial institutions, governments and individuals. Typically, brokers earn a direct commission on individual transactions, which results in a highly variable cost structure.

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

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

Commercial real estate brokerage is cyclical and seasonal in nature, affected by external factors, including interest rates, investor and consumer confidence and other macroeconomic

factors and political risk in any specific region. CMN's revenues are somewhat seasonal in nature, with approximately 70% of transactions occurring in our second and third fiscal quarters (July through December).

CMN is the largest affiliate within the Colliers International Property Consultants ("CIPC") alliance. Each member of the CIPC alliance licenses the right to use the "Colliers International" brand in an exclusive territory. Colliers International is recognized as one of the top 3 commercial real estate services organizations worldwide with a network of 241 offices generating over $1.4 billion in revenues in 54 countries. Membership in CIPC provides us with a global brand name and local market intelligence throughout the world to assist the international community of investors, owners and users of real estate. Members of CIPC are required, except in certain limited circumstances, to direct referrals for other regions to member firms.

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

There has also been a recent trend amongst larger firms to further improve their market position through consolidation. However, the commercial real estate competitive landscape market remains highly fragmented with the top five real estate organizations combining for only about 10% of the estimated $90 billion global market.

CMN's growth strategy is to expand the suite of complementary service offerings and geography where services are offered. This will be achieved both organically and through selective acquisitions. CMN also plans to enhance its brand and service delivery through increased broker training and continued development of its proprietary market tools and research resources.

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

Integrated Security Services

FirstService is one of North America's largest providers of integrated security services, primarily to the commercial market, with operations in 25 branches in 13 US states and 7 Canadian provinces. Under the FirstService Security umbrella, we operate two security brands, Intercon in Canada and Security Services and Technologies ("SST") in the United States. The FirstService Security management team is responsible for the combined North American operations, with the goal of enhancing customer service and realizing operating efficiencies.

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

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

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

According to industry sources, the US security systems integration is a $4 billion industry growing at an annual rate of approximately 10%. Factors driving growth include:

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

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

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

The security systems integration industry is highly fragmented but undergoing consolidation. The market is comprised of many small and medium-sized, and a few very large competitors. FirstService Security is the sixth largest integrated security services provider in North America.

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

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

Property Improvement Services

In Property Improvement Services, we provide a variety of residential and commercial services through our network of approximately 1,750 franchised and 11 Company-owned locations across North America. The principal brands in this division include California Closets, Paul Davis Restoration, CertaPro Painters, College Pro Painters, Pillar to Post Home Inspection and Floorcoverings International. During the years ended March 31, 2006 and 2005, we sold our Company-owned and franchised lawn care operations and our decorative glass treatments franchise system.

California Closets is the largest provider of installed closet and home storage systems in North America. Headquartered in San Rafael, California, California Closets has 95 franchises in the United States and Canada as well as master franchises in other countries around the world. California Closets receives royalties from franchisees based on a percentage of the franchisees' revenues.

Paul Davis Restoration is a Florida-based franchiser of residential and commercial restoration services serving the insurance restoration industry in the United States through 220 franchises. This company provides restoration services for property damaged by natural or man-made disasters. Paul Davis Restoration receives royalties from franchisees based on a percentage of the franchisees' revenues.

CertaPro Painters is a residential and commercial painting franchise system with 251 franchises operating in major markets across the United States and Canada as well as master franchises in other countries around the world. CertaPro Painters focuses on high-end residential and commercial painting and decorating work and other programs for property managers who have portfolios of condominium and commercial properties. Franchisees pay CertaPro Painters either a royalty based on a percentage of revenues or a fixed monthly fee, plus administrative fees for various ancillary services.

College Pro Painters is a seasonal exterior residential painting franchise system operating in 25 states and across Canada with approximately 750 franchises. It recruits students and trains them to operate the business, including price estimating, marketing, operating procedures, hiring, customer service and safety. College Pro Painters receives a royalty from each franchisee based on a percentage of revenue. College Pro Painters' operations are seasonal with significant revenue and earnings in the Company's first and second quarters followed by losses in the third and fourth quarters.

Pillar to Post is North America's largest home inspection service provider. Services are provided through a network of 352 franchises. Pillar to Post earns royalties from its franchisees based on a percentage of revenues.

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

We currently own and operate 11 California Closets franchises located in Boston, Seattle, Chicago, Jacksonville, San Francisco, Toronto, Dallas, Phoenix, Hartford, Sacramento and Fresno. These operations are referred to as "branchises". The purpose of branchising is to reacquire well-established and profitable franchises located in large territories to accelerate growth in these territories in partnership with operating management. We intend to make several more branchising acquisitions as opportunities arise.

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

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

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

Business strategy

Operating strategy

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

Senior management commitment: We strongly believe that management ownership at each of our primary operating units has contributed significantly to our ability to grow our businesses. As a result, we expect to continue our practice of encouraging strong operators of newly acquired platform businesses to retain or acquire a significant equity stake in the businesses they operate, generally in the form of a non-transferable direct equity ownership position. In all cases, we retain the right to purchase the minority interest at a pre-determined formula price based on a multiple of trailing EBITDA[1]. These minority interests average approximately 20%. Management believes that its strategy of aligning the ownership interests of operating management with those of the Company provides a powerful incentive to deliver superior financial performance.

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

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

Marketing penetration and joint marketing: We capitalize on the complementary nature of our businesses by introducing new or additional services to customers with which we already have long-term contractual relationships. The complementary nature of our property services businesses also provides certain advantages when introducing a new service in a market where we have existing operations. These advantages include significant market knowledge,

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

demographic information and the ability to share the established overhead of existing operations. Because we provide a number of property services, we are able to effectively utilize marketing data that is accumulated to conduct cost-efficient customer referral across our businesses.

Acquisition strategy

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

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

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

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

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

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

In executing acquisitions, our acquisition team works closely with operating management of our service lines to identify, negotiate and complete acquisitions. A majority of acquisitions are negotiated on an exclusive basis, without the imposition of an intermediary-controlled auction process, thereby facilitating a focused effort by FirstService to build a relationship with its prospective partner and emphasize the appropriate balance of financial and non-financial, as well as long-term and short-term attributes of the acquisition to the vendor. Notwithstanding the varied acquisition opportunities available to FirstService, management remains committed to a disciplined approach to acquisitions, including a rigorous adherence to our strict acquisition

criteria and transaction structure. As well, we only allocate our financial and human resources to existing service lines for acquisitions if the management team has the capacity to integrate the acquisition and the performance of current operations is meeting or exceeding expectations.

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

Seasonality

Certain segments of the Company's operations are subject to seasonal variations. The demand for exterior painting (Property Improvement Services segment) and swimming pool management in the northern United States (Residential Property Management segment) is highest during late spring, summer and early fall and very low during winter. These operations generate most of their annual revenues and earnings between April and September and comprise approximately 9% of consolidated revenues.

The Commercial Real Estate Services operation generates peak revenues and earnings in the month of December followed by a low in January and February as a result of the timing of closings on commercial real estate brokerage transactions. Revenues and earnings during the balance of the year are relatively even. These brokerage operations comprise approximately 30% of annualized consolidated revenues.

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

Trademarks

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

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

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

Employees

We employ approximately 12,000 full-time non-unionized employees, rising to a total of approximately 14,000 with seasonal employees in the spring and summer months.

Minority interests

FirstService owns a majority interest (on average 80% of the equity) in all of its subsidiaries, while operating management of each subsidiary owns the remaining shares. This structure was designed to maintain control at FirstService while providing significant risks and rewards of equity ownership to management at the operating companies. In all cases, the Company has the right to “call” management’s shares, usually payable at the Company’s option with any combination of FirstService shares or cash. FirstService may also be obligated to acquire certain of these minority interests in the event of death, disability or cessation of employment of the employee or if the shares are “put” by the employee. These arrangements provide significant flexibility to FirstService in connection with management succession planning and shareholder liquidity matters.

Dividend policy

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

Capital structure

The authorized capital of the Company consists of an unlimited number of preference shares, issuable in series, an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. The holders of Subordinate Voting Shares are entitled to one (1) vote in respect of each Subordinate Voting Share held at all meetings of the shareholders of the Company. The holders of convertible Multiple Voting Shares are entitled to twenty (20) votes in respect of each Multiple Voting Share held at all meetings of the shareholders of the Company. Effective December 15, 2004, a stock dividend was declared, effectively achieving a 2-for-1 stock split for all outstanding Subordinate and Multiple Voting Shares. As of May 16, 2006, there were 28,790,094 Subordinate Voting Shares, 1,325,694 Multiple Voting Shares and no preference shares issued and outstanding.

A summary of certain rights attaching to the Company’s Subordinate Voting Shares is set out in the section entitled “Certain Rights of Holders of Subordinate Voting Shares” contained in the Company’s Management Information Circular (the "Circular") dated May 16, 2006 filed in connection with the Company’s annual and special meeting of shareholders to be held on June 26, 2006, which section is hereby incorporated herein by reference.

Market for securities

The Company’s Subordinate Voting Shares are listed for trading on the TSX and NASDAQ. The Company’s Multiple Voting Shares are not listed and do not trade on any public market or quotation system.

The table below details the price ranges and volumes traded of Subordinate Voting Shares on the NASDAQ in US dollars, and the TSX in Canadian dollars on a monthly basis during fiscal 2006:

	NASDAQ			TSX		
Month	High price (US$)	Low price (US$)	Volume traded	High price (C$)	Low price (C$)	Volume traded
April 2005	20.60	19.02	617,200	25.00	23.65	583,378
May 2005	19.50	18.14	430,300	24.25	22.78	625,005
June 2005	21.15	17.85	432,500	26.00	22.43	690,108
July 2005	24.05	20.44	195,600	29.54	25.20	684,403
August 2005	24.68	22.60	414,700	30.00	26.91	707,955
September 2005	22.95	22.15	230,000	27.25	26.01	777,913
October 2005	23.39	20.80	336,900	27.50	24.50	924,276
November 2005	24.79	23.09	282,200	29.41	27.21	564,574
December 2005	25.69	23.60	389,200	30.01	27.55	1,385,494
January 2006	26.73	24.70	357,800	30.51	28.24	699,805
February 2006	26.96	24.99	438,800	31.00	28.50	564,105
March 2006	26.19	23.76	836,200	30.43	27.25	1,281,688

Transfer agents and registrars

The transfer agent and registrar for the Subordinate Voting Shares is Equity Transfer Services Inc., 120 Adelaide Street West, Suite 420, Toronto, Ontario, M5H 4C3. The transfer agent and registrar for the Multiple Voting Shares is the Company at 1140 Bay Street, Suite 4000, Toronto, Ontario, M5S 2B4.

Directors and officers

Directors - The following are the directors of the Company as at May 16, 2006:

Name and municipality of residence	Age	Present position and tenure	Business experience during Last five years
David R. Beatty[2,3] *Toronto, Ontario*	64	Director since May 2001	Corporate Director; Chair and CEO, Beatinvest Limited (an investment company), Managing Director of the Canadian Coalition for Good Governance and Professor of Strategy and the Director of Clarkson Center for Business Ethics and Board Effectiveness and Professor of Strategic Management, Rotman School of Management, University of Toronto
Brendan Calder[1,2,3] *Toronto, Ontario*	59	Director since June 1996	Corporate Director; Professor, Rotman School of Management, University of Toronto
Peter F. Cohen[1,2,3] *Toronto, Ontario*	53	Director since March 1990; Chair of the Board since May 2005	President, Dawsco Capital Corp. (Ontario-based real estate and investment company)
Bernard I. Ghert[1] *Toronto, Ontario*	66	Director since June 2004	Corporate Director
Jay S. Hennick *Toronto, Ontario*	49	Chief Executive Officer and Director since May 1988	Chief Executive Officer of the Company
Steven S. Rogers *Mississauga, Ontario*	50	Director since August 1989	President and Chief Executive Officer, The Franchise Company, Inc. (subsidiary of the Company)

1. Member of Audit Committee
2. Member of Executive Compensation Committee
3. Member of Nominating and Corporate Governance Committee

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

Further background information regarding the directors of the Company is set out in the sections entitled "Particulars of Matters to be Acted Upon at the Meeting - Election of Directors" and "Statement of Corporate Governance Practices" contained in the Circular, which sections are hereby incorporated herein by reference.

Officers - The following are the executive officers of the Company as at May 16, 2006:

Name and municipality of residence	Age	Present position with the Company	First became an officer
Jay S. Hennick *Toronto, Ontario*	49	Chief Executive Officer	1988
D. Scott Patterson *Toronto, Ontario*	45	President and Chief Operating Officer	1995
John B. Friedrichsen *Toronto, Ontario*	44	Senior Vice President and Chief Financial Officer	1998
Roman Kocur *Toronto, Ontario*	45	Vice President, Acquisitions	2003
Michael Natale *Toronto, Ontario*	46	Vice President, Performance & Risk Management	2005
Douglas G. Cooke *Toronto, Ontario*	46	Vice President and Corporate Controller	1995

The directors and executive officers of the Company, as a group, own or control 2,519,182 Subordinate Voting Shares (including vested stock options), which represents 8.5% of the total Subordinate Voting Shares outstanding (including vested stock options). The directors and officers, as a group, control 54.9% of the total voting rights when all Multiple Voting Shares, Subordinate Voting Shares and vested stock options are considered. Pursuant to the deferred share unit plan of the Company, certain directors of the Company also hold an aggregate of 3,941 deferred share units. Mr. Hennick controls all of the Company's Multiple Voting Shares.

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

Legal proceedings

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

Properties

The following chart provides a summary of the properties occupied by the Company and its subsidiaries as at March 31, 2006:

(square feet)	United States (leased)	United States (owned)	Canada (leased)	Canada (owned)	International (leased)	International (owned)
Residential Property Management	366,000	73,000	5,000	-	-	-
Commercial Real Estate Services	235,000	-	148,000	-	194,000	-
Integrated Security Services	58,000	-	56,000	-	-	-
Property Improvement Services	167,000	-	35,000	-	-	-
Corporate	-	-	-	20,000	-	-

Selected consolidated financial information

Last five fiscal years

(in thousands of US$, except per share amounts) - in accordance with generally accepted accounting principles in the United States

Year ended March 31	2006	2005	2004	2003	2002
OPERATIONS					
Revenues	$ 1,068,134	$ 651,376	$ 441,333	$ 382,302	$ 356,995
Operating earnings	65,226	35,306	27,633	23,278	25,859
Net earnings from continuing operations	28,034	15,390	14,649	11,446	11,066
Net earnings from discontinued operations, net of income taxes	41,463	7,817	4,375	6,994	5,963
Net earnings	69,497	23,207	19,024	18,440	17,029
FINANCIAL POSITION					
Total assets	$ 711,004	$ 626,728	$ 437,553	$ 389,031	$ 365,929
Long-term debt	248,686	220,015	163,888	164,919	165,611
Shareholders' equity	237,752	185,871	155,101	123,406	99,221
Book value per share	7.91	6.15	5.26	4.36	3.60
OTHER DATA					
EBITDA (note 1)	$ 88,804	$ 56,413	$ 36,219	30,815	32,727
Diluted earnings per share from continuing operations adjusted for brokerage backlog amortization (note 2)	1.01	0.67	0.50	0.40	0.38
SHARE DATA					
Net earnings per share					
Basic					
Continuing operations	$ 0.93	$ 0.52	$ 0.51	$ 0.41	$ 0.41
Discontinued operations	1.37	0.26	0.16	0.25	0.22
	2.30	0.78	0.67	0.66	0.63
Diluted					
Continuing operations	0.87	0.49	0.50	0.40	0.38
Discontinued operations	1.34	0.25	0.15	0.24	0.20
	2.21	0.74	0.65	0.64	0.58
Weighted average shares (thousands)					
Basic	30,171	29,777	28,570	27,842	27,130
Diluted	30,896	30,467	29,192	28,995	29,200
Cash dividends per share	-	-	-	-	-

Last eight quarters
(in thousands of US$, except per share amounts) - in accordance with generally accepted accounting principles in the United States

Period	Q1	Q2	Q3	Q4	Year
FISCAL 2006					
Revenues	$ 251,216	$ 272,320	$ 296,651	$ 247,947	$ 1,068,134
Operating earnings	24,903	24,430	12,930	2,963	65,226
Net earnings from continuing operations	10,964	11,228	5,371	471	28,034
Net earnings from discontinued operations	156	2,564	2,782	35,961	41,463
Net earnings	11,120	13,792	8,153	36,432	69,497
Net earnings per share:					
Basic	0.37	0.46	0.27	1.21	2.30
Diluted	0.35	0.44	0.26	1.18	2.21
FISCAL 2005					
Revenues	$ 131,623	$ 142,717	$ 176,926	$ 200,110	$ 651,376
Operating earnings	12,416	15,384	10,344	(2,838)	35,306
Net earnings from continuing operations	6,536	8,462	3,266	(2,874)	15,390
Net earnings from discontinued operations	2,856	1,066	1,676	2,219	7,817
Net earnings	9,392	9,528	4,942	(655)	23,207
Net earnings per share:					
Basic	0.32	0.32	0.17	(0.02)	0.78
Diluted	0.31	0.32	0.16	(0.04)	0.74
OTHER DATA					
EBITDA - Fiscal 2006 (note 1)	29,343	28,679	20,663	10,119	88,804
EBITDA - Fiscal 2005 (note 1)	14,757	17,955	18,364	5,337	56,413

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

(in thousands of US$)

Year ended March 31	2006	2005	2004	2003	2002
EBITDA	**$ 88,804**	$ 56,413	$ 36,219	$ 30,815	$ 32,727
Depreciation and amortization	**(23,578)**	(21,107)	(8,586)	(7,537)	(6,868)
Operating earnings	**$ 65,226**	$ 35,306	$ 27,633	$ 23,278	$ 25,859

2. Adjusted diluted net earnings per share from continuing operations is defined as diluted net earnings per share from continuing operations plus the effect, after income taxes, of the amortization of short-lived intangible assets acquired in connection with recent commercial real estate services acquisitions. The Company believes this measure is useful because it isolates the impact of material non-recurring acquisition-related amortization expense. This is not a recognized measure of financial performance under GAAP in the United States, and should not be considered as a substitute for diluted net earnings per share from continuing operations, as determined in accordance with GAAP. The Company's method of calculating this measure may differ from other issuers and accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of annual amounts appears below.

(in thousands of US$)

Year ended March 31	2006	2005	2004	2003	2002
Adjusted diluted net earnings per share from continuing operations	**$ 1.01**	$ 0.67	$ 0.50	$ 0.40	$ 0.38
Amortization of brokerage backlog, net of deferred income taxes	**(0.14)**	(0.18)	-	-	-
Diluted net earnings per share from continuing operations	**$ 0.87**	$ 0.49	$ 0.50	$ 0.40	$ 0.38

Risk and uncertainties

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

- Economic conditions, especially as they relate to consumer spending.
- Commercial real estate property values, vacancy rates and general conditions of financial liquidity for real estate transactions.
- Extreme weather conditions impacting demand for our services or our ability to perform those services.
- Political conditions, including any outbreak or escalation of terrorism or hostilities and the impact thereof on our business.
- Competition in the markets served by the Company.
- Labor shortages or increases in wage and benefit costs.
- The effects of changes in interest rates on our cost of borrowing.
- Unexpected increases in operating costs, such as insurance, workers' compensation, health care and fuel prices.
- Changes in the frequency or severity of insurance incidents relative to our historical experience.
- The effects of changes in the Canadian dollar foreign exchange rate in relation to the US dollar on the Company's Canadian dollar denominated revenues and expenses.
- Our ability to make acquisitions at reasonable prices and successfully integrate acquired operations.
- Changes in government policies at the federal, state/provincial or local level that may adversely impact our businesses.

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

Management's discussion and analysis

The section entitled "Management's Discussion and Analysis of Results of Operations and Financial Condition" within the Company's 2006 annual report is incorporated herein by reference.

Interest of management and others in material transactions

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

Material contracts

On February 1, 2004, the Company, upon the review, report and recommendation of the Executive Compensation Committee of the Board of Directors of the Company, entered into a management services agreement (the "Management Services Agreement") with Jayset Capital Corp. ("Jayset") and Jay S. Hennick. Mr. Hennick is the sole officer, director and shareholder of

Jayset. The particulars of the Management Services Agreement are set out in the sections entitled "Executive Compensation - Management Contract" and "Sale of Control Agreement" contained in the Circular, which sections are hereby incorporated herein by reference.

Cease trade orders, bankruptcies, penalties or sanctions

No director or executive officer of the Company or shareholder holding a sufficient number of securities to materially affect the control the Company is, or within the ten years prior to the date hereof has been, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or (iii) 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, other than David R. Beatty who was a director of Thistle Mining Inc. ("Thistle") when Thistle announced on December 21, 2004 that it intended to undertake a restructuring under the *Companies' Creditors Arrangement Act*. While Thistle completed its restructuring on June 30, 2005, its common shares were suspended from trading on public markets due to the restructuring until Thistle delisted in February 2006. Mr. Beatty is no longer a director of Thistle.

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

Conflicts of interest

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

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

Experts

The financial statements for the financial year ended March 31, 2006 have been audited by PricewaterhouseCoopers LLP, the Company's external auditors.

Audit Committee

The Audit Committee is comprised of three members who are each "independent" and "financially literate" as required by Multilateral Instrument 52-110 *Audit Committees* (the "Audit Committee Rule"). The members of the Audit Committee during the year ended March 31, 2006 were Messrs. Ghert - Chair, Calder and Cohen. Mr. Ghert was appointed Chair of the Audit Committee in May 2005. The Audit Committee has the authority to conduct any investigation

appropriate to fulfilling its responsibilities, and it has direct access to the external auditors as well as to anyone in the Company. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. The Audit Committee meets at least four times annually, or more frequently as circumstances dictate.

The Audit Committee reviews the annual and interim financial statements intended for circulation among shareholders and reports upon these to the Board of Directors of the Company (the "Board") prior to their approval by the full Board. The Audit Committee is also responsible for the integrity of the Company's internal accounting and control systems. The Audit Committee communicates directly with the Company's external auditors in order to discuss audit and related matters whenever appropriate. In addition, the Board may defer to the Audit Committee on other matters and questions relating to the financial position of the Company and its affiliates. The Board has adopted an Audit Committee mandate, a copy of which is published on the Company's website (www.firstservice.com) and is annexed to as Schedule "B" to the management information circular of the Company dated May 18, 2005, which schedule is hereby incorporated herein by reference.

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

Bernard I. Ghert (Chair) - Mr. Ghert has a Masters degree in Business Administration (MBA). Mr. Ghert was 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, Canada Deposit Insurance Corporation, and has served as President of the Canadian Institute of Public Real Estate Companies. He is currently a director of several Middlefield Funds and is on the Advisory Board of the Office of the Superintendent of Financial Institutions. Mr. Ghert currently serves as President of the B.I. Ghert Family Foundation and as the Immediate Past Chair of the Mount Sinai Hospital Board of Directors.

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

Brendan Calder - Mr. Calder has been the Effective Executive in Residence & Adjunct Professor of Strategic Management at the Rotman School of Management, University of Toronto, since 2001. Between 1998 and 2000, Mr. Calder was Chair of The Board of CIBC Mortgages, Inc., the mortgage banking subsidiary of a Canadian chartered bank, and he served as that company's President, Chief Executive Officer, and director from 1995 to 1998. Mr. Calder is also past Chair of the Peter F. Drucker Canadian Foundation and is a director of Filogix Inc., Custom Direct Income Fund, and the Toronto International Film Festival Group.

The Audit Committee Rule requires the Company to disclose whether its Audit Committee has adopted specific policies and procedures for the engagement of non-audit services and to prepare a summary of these policies and procedures. The mandate of the Audit Committee provides that it is such committee's responsibility to: (a) approve the appointment and,

when circumstances warrant, discharge of the external auditor and monitor its qualifications, performance and independence; (b) approve and oversee the disclosure of all audit services provided by the external auditor to the Company or any of its subsidiaries, determining which non-audit services the external auditor are prohibited from providing and, exceptionally, pre-approve and oversee the disclosure of permitted non-audit services to be performed by the external auditor, in accordance with applicable laws and regulations; and (c) approve the basis and amount of the external auditor's fees and other significant compensation. The Audit Committee has adopted a pre-approval policy pursuant to which the Company may not engage the Company's external auditor to carry out certain non-audit services that are deemed inconsistent with the independence of auditors under US and Canadian applicable laws. The Audit Committee must pre-approve all audit services as well as permitted non-audit services. The Audit Committee has delegated to the Chair of the Audit Committee, who is independent, the authority to act on behalf of the Audit Committee with respect to the pre-approval of all audit and permitted non-audit services provided by its external auditors from time to time. Any approvals by the Chair are reported to the full Audit Committee at its next meeting.

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

(in US$)

Year ended March 31	**2006**	**2005**
Audit fees (note 1)	$ 1,477,900	$ 913,000
Audit-related fees (note 2)	131,500	345,600
Tax fees (note 3)	322,000	259,800
All other fees (note 4)	4,600	3,300
	$ 1,936,000	**$ 1,521,700**

Notes:

1. Refers to the aggregate fees billed by the Company's external auditor for audit services, including statutory and subsidiary audits. In 2006, audit fees included audits of Resolve Corporation and issuance of comfort letters in relation to the sale of Resolve Corporation.
2. Refers to the aggregate fees billed for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under (1) above, including professional services rendered by the Company's external auditor for accounting consultations on proposed transactions and consultations related to accounting and reporting standards. Such fees included fees incurred in respect of: compliance with the *Sarbanes-Oxley Act*; due diligence and other work related to the disposition and acquisition of businesses, such work being unrelated to the audit of the Company's financial statements; accounting consultations with respect to proposed transactions; as well as other audit-related services.
3. Refers to the aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.
4. Refers to fees for software product licensing billed by the Company's external auditor.

Additional information

Additional information, including the directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities, where applicable, is contained in the Circular.

Copies of publicly filed documents of the Company, including those incorporated herein by reference, can be found through the SEDAR web site at www.sedar.com. Additional financial information is provided in the Company's consolidated comparative financial statements and Management's Discussion and Analysis for the year ended March 31, 2006.

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

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

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

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

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

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

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

Forward-looking statements

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

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

REPORT OF MANAGEMENT

To the shareholders of FirstService Corporation:

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

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

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

/s/ John B. Friedrichsen
John B. Friedrichsen
Chief Financial Officer

May 16, 2006

AUDITORS' REPORT

To the shareholders of FirstService Corporation:

We have audited the consolidated balance sheets of FirstService Corporation as at March 31, 2006 and 2005 and the consolidated statements of earnings, shareholders' equity and cash flows for each year in the three-year period ended March 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and 2005 and the results of its operations and its cash flows for each year in the three-year period ended March 31, 2006 in accordance with generally accepted accounting principles in the United States.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants

Toronto, Canada
May 16, 2006 (except as to note 21, which is as of May 19, 2006)

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands of US dollars, except per share amounts) - in accordance with generally accepted accounting principles in the United States

For the years ended March 31		**2006**		2005		2004
Revenues	**$**	**1,068,134**	$	651,376	$	441,333
Cost of revenues (exclusive of depreciation shown below)		**684,280**		422,784		316,259
Selling, general and administrative expenses		**295,050**		172,179		88,855
Depreciation		**12,340**		9,603		6,837
Amortization of intangibles other than brokerage backlog		**3,684**		2,769		1,749
Amortization of brokerage backlog		**7,554**		8,735		-
		65,226		35,306		27,633
Interest expense		**13,128**		7,192		4,139
Interest income		**(1,249)**		-		-
Other income, net (note 5)		**(3,776)**		(375)		(1,116)
Earnings before income taxes and minority interest		**57,123**		28,489		24,610
Income taxes (note 13)		**17,208**		7,014		7,184
Earnings before minority interest		**39,915**		21,475		17,426
Minority interest share of earnings		**11,881**		6,085		2,777
Net earnings from continuing operations		**28,034**		15,390		14,649
Net earnings from discontinued operations, net of income taxes (note 4)		**41,463**		7,817		4,375
Net earnings	**$**	**69,497**	$	23,207	$	19,024
Net earnings per share (note 14)						
Basic						
Continuing operations	**$**	**0.93**	$	0.52	$	0.51
Discontinued operations		**1.37**		0.26		0.16
	$	**2.30**	$	0.78	$	0.67
Diluted						
Continuing operations	**$**	**0.87**	$	0.49	$	0.50
Discontinued operations		**1.34**		0.25		0.15
	$	**2.21**	$	0.74	$	0.65

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

FIRSTSERVICE CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands of US dollars) - in accordance with generally accepted accounting principles in the United States

As at March 31		2006		2005
Assets				
Current assets				
Cash and cash equivalents	**$**	**167,938**	$	37,458
Accounts receivable, net of an allowance of $7,482 (2005 - $8,471)		**128,276**		168,927
Mortgage loans receivable		**6,874**		-
Income taxes recoverable		**6,665**		2,498
Inventories (note 6)		**27,267**		20,878
Prepaids and other (note 6)		**12,858**		12,591
Deferred income taxes (note 13)		**5,531**		6,418
		355,409		248,770
Other receivables (note 7)		**8,311**		7,077
Fixed assets (note 8)		**48,733**		57,241
Other assets (note 8)		**26,908**		6,685
Deferred income taxes (note 13)		**4,381**		8,992
Intangible assets (note 9)		**70,775**		61,423
Goodwill (note 10)		**196,487**		236,540
		355,595		377,958
	$	**711,004**	$	626,728
Liabilities				
Current liabilities				
Accounts payable	**$**	**41,790**	$	41,905
Accrued liabilities (note 6)		**108,085**		113,524
Income taxes payable		**5,726**		3,673
Unearned revenues		**5,349**		5,154
Long-term debt - current (note 11)		**18,646**		18,206
Deferred income taxes (note 13)		**5,112**		320
		184,708		182,782
Long-term debt - non-current (note 11)		**230,040**		201,809
Deferred income taxes (note 13)		**30,041**		29,802
Minority interest		**28,463**		26,464
		288,544		258,075
Shareholders' equity				
Capital stock (note 12)		**75,687**		73,542
Issued and outstanding: 28,730,094 (2005 - 28,867,094) Subordinate Voting Shares and 1,325,694 (2005 - 1,325,694) convertible Multiple Voting Shares				
Contributed surplus (note 12)		**2,163**		805
Receivables pursuant to share purchase plan (note 12)		**(1,635)**		(2,148)
Retained earnings		**160,392**		103,011
Cumulative other comprehensive earnings		**1,145**		10,661
		237,752		185,871
	$	**711,004**	$	626,728
Commitments and contingencies (notes 12 and 17)				

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

On behalf of the Board,

/s/ Peter F. Cohen
Director

/s/ Jay S. Hennick
Director

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of US dollars) - in accordance with generally accepted accounting principles in the United States

	Issued and outstanding shares (note 12)	Capital stock	Contributed surplus	Receivables pursuant to share purchase plan	Retained earnings	Cumulative other comprehensive earnings (loss)	Total shareholders' equity
Balance, March 31, 2003	28,328,380	$ 60,571	$ -	$ (2,434)	$ 62,948	$ 2,321	$ 123,406
Comprehensive earnings:							
Net earnings	-	-	-	-	19,024	-	19,024
Foreign currency translation adjustments	-	-	-	-	-	4,216	4,216
Comprehensive earnings							23,240
Subordinate Voting Shares:							
Stock option expense	-	-	322	-	-	-	322
Stock options exercised	1,171,350	7,986	(139)	-	-	-	7,847
Cash payments on share purchase plan	-	-	-	286	-	-	286
Balance, March 31, 2004	29,499,730	68,557	183	(2,148)	81,972	6,537	155,101
Comprehensive earnings:							
Net earnings	-	-	-	-	23,207	-	23,207
Foreign currency translation adjustments	-	-	-	-	-	4,124	4,124
Comprehensive earnings							27,331
Subordinate Voting Shares:							
Stock option expense	-	-	622	-	-	-	622
Stock options exercised	911,130	5,515	-	-	-	-	5,515
Purchased for cancellation	(218,072)	(530)	-	-	(2,168)	-	(2,698)
Balance, March 31, 2005	30,192,788	73,542	805	(2,148)	103,011	10,661	185,871
Comprehensive earnings:							
Net earnings	-	-	-	-	69,497	-	69,497
Foreign currency translation adjustments	-	-	-	-	-	(7,988)	(7,988)
Unrealized loss on available-for-sale equity securities, net of taxes		-	-	-	-	(1,528)	(1,528)
Comprehensive earnings							59,981
Subordinate Voting Shares:							
Stock option expense	-	-	1,380	-	-	-	1,380
Stock options exercised	434,650	3,740	(22)	-	-	-	3,718
Purchased for cancellation	(571,650)	(1,595)	-	-	(12,116)	-	(13,711)
Cash payments on share purchase plan	-	-	-	513	-	-	513
Balance, March 31, 2006	**30,055,788**	**$ 75,687**	**$ 2,163**	**$ (1,635)**	**$ 160,392**	**$ 1,145**	**$ 237,752**

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

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of US dollars) - in accordance with generally accepted accounting principles in the United States

For the years ended March 31	2006	2005	2004
Cash provided by (used in)			
Operating activities			
Net earnings from continuing operations	**$ 28,034**	$ 15,390	$ 14,649
Items not affecting cash:			
Depreciation and amortization	**23,578**	21,107	8,586
Deferred income taxes	**(4,901)**	473	(787)
Minority interest share of earnings	**11,881**	6,085	2,777
Stock option expense	**1,380**	622	322
Other	**1,268**	343	(504)
Changes in operating assets and liabilities:			
Accounts receivable	**(8,483)**	(3,171)	13,095
Mortgage loans receivable	**(6,874)**	-	-
Inventories	**(8,622)**	(6,678)	2,030
Prepaids and other	**(2,585)**	2,319	(1,441)
Accounts payable	**9,640**	(8,337)	(5,637)
Accrued liabilities	**12,612**	5,387	(3,452)
Income taxes	**(4,846)**	(3,051)	(517)
Unearned revenues	**166**	1,386	605
Discontinued operations	**7,101**	4,566	5,925
Net cash provided by operating activities	**59,349**	36,441	35,651
Investing activities			
Acquisitions of businesses, net of cash acquired	**(14,105)**	(56,830)	(15,677)
Purchases of minority shareholders' interests	**(11,998)**	(2,148)	(1,098)
Purchases of fixed assets	**(18,837)**	(12,499)	(6,763)
Decrease (increase) in other assets	**109**	1,236	(38)
(Increase) decrease in other receivables	**(600)**	1,928	1,987
Proceeds on sale of Resolve Corporation	**110,476**	-	-
Discontinued operations	**(8,563)**	(142)	(8,990)
Net cash provided by (used in) investing activities	**56,482**	(68,455)	(30,579)
Financing activities			
Increase in long-term debt	**102,614**	59,586	60,522
Repayment of long-term debt	**(74,100)**	(10,956)	(62,559)
Financing fees paid	**(1,396)**	(124)	(525)
Proceeds received on exercise of stock options	**3,740**	5,515	7,847
Repurchase of Subordinate Voting Shares	**(13,711)**	(2,698)	-
Collection of receivables pursuant to share purchase plan	**513**	-	286
Dividends paid to minority shareholders of subsidiaries	**(1,939)**	(606)	(510)
Discontinued operations	**-**	-	584
Net cash provided by financing activities	**15,721**	50,717	5,645
Effect of exchange rate changes on cash	**(1,072)**	3,135	(475)
Increase in cash and cash equivalents during the year	**130,480**	21,838	10,242
Cash and cash equivalents, beginning of year	**37,458**	15,620	5,378
Cash and cash equivalents, end of year	**$ 167,938**	$ 37,458	$ 15,620

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

1. Description of the business

FirstService Corporation (the "Company") is a provider of property services to commercial, institutional and residential customers in the United States, Canada and several other countries. The Company's operations are conducted through four segments: Residential Property Management, Commercial Real Estate Services, Integrated Security Services and Property Improvement Services. The Company disposed of its Business Services segment in March 2006 as disclosed in note 4.

2. Summary of significant accounting policies

The preparation of the financial statements in accordance with generally accepted accounting principles in the United States ("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 fair values of goodwill and intangible assets, the collectibility of accounts receivable and income taxes. Actual results could be materially different from these estimates. Significant accounting policies are summarized as follows:

Basis of consolidation
The consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and those variable interest entities where the Company is the primary beneficiary. Where the Company does not have a controlling interest but does exert significant influence, the equity method is used. Intercompany transactions and accounts are eliminated on consolidation.

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

Mortgage loans receivable
The Company writes fixed-rate commercial mortgages. The mortgages are promptly sold through syndications through which the Company does not retain an interest and accordingly the mortgages are removed from the accounting records at the time of sale. Mortgages identified for sale are carried at the lower of cost or net realizable value.

Inventories
Inventories are carried at the lower of cost and net realizable value. Cost is determined by the weighted average or first-in, first-out methods. The weighted average and the first-in, first-out methods represent approximately 55% and 45% (2005 - 35% and 65%) of total inventories, respectively. Finished goods and work-in-progress include the cost of materials, direct labor and manufacturing overhead costs.

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

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

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

Financial instruments and derivatives
The Company may use interest rate swaps to hedge a portion of its interest rate exposure on long term debt. The Company enters into interest rate swaps on its mortgage loan receivables, which effectively convert the fixed rate mortgages to floating rate. Hedge accounting has been applied and the swaps are carried at fair value on the consolidated balance sheets, with gains or losses recognized in earnings. The carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged interest rate risk; the associated gain or loss is recognized currently in earnings. If swaps are terminated, the resulting gain or loss is deferred and recognized over the remaining life of the underlying item.

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

Goodwill and intangible assets
Goodwill represents the excess of purchase price over the fair value of identifiable assets acquired in a business combination and is not subject to amortization.

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

Brokerage backlog	as underlying brokerage transactions are completed
Management contracts and other	straight-line over life of contract ranging from 2 to 15 years
Customer lists and relationships	straight-line over 1 to 25 years
Trademarks and trade names:	
Indefinite life	not amortized
Amortized	straight-line over 25 to 35 years
Franchise rights	by pattern of use, currently estimated at 2.5% to 15% per year

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

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

Revenue recognition and unearned revenue

(a) Real estate brokerage operations

Revenues from brokerage transactions are recognized when the related transaction is completed, normally the earlier of the closing date or occupancy, unless future contingencies exist. If contingencies exist, revenue recognition is deferred until the contingencies are satisfied.

(b) Service operations other than real estate brokerage

Revenues are recognized at the time the service is rendered or the product is shipped. Revenues from security systems installations or similar contracts in process are recognized on the percentage of completion method, generally in the ratio of actual costs to total estimated contract costs, unless the Company cannot reasonably estimate its gross margins in which case the completed contract method is used. Amounts received from customers in advance of services being provided are recorded as unearned revenue when received.

(c) Franchise operations

The Company operates several franchise systems within its Property Improvement Services segment. Initial franchise fees are recognized when all material services or conditions related to the sale of the franchise have been performed. Royalty revenues are recognized based on a 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.

Foreign currency translation

Assets, liabilities and operations of foreign subsidiaries are recorded based on the functional currency of each entity. For certain self-sustaining foreign operations, the functional currency is the local currency, in which case the assets, liabilities and operations are translated, for consolidation purposes, at current exchange rates from the local currency to the reporting currency, the US dollar. The resulting unrealized gains or losses are reported as a component of cumulative other comprehensive earnings.

Prior to April 1, 2005, the functional currency of the corporate head office operations, which are located in Canada, was the Canadian dollar. Due to an increase in US dollar cash flows from recent acquisitions, the completion of a US$100,000 Senior Notes financing on April 1, 2005, and a greater proportion of the Company's expenditures being in US dollars, it has been determined that as of April 1, 2005 the US dollar is the functional currency of the corporate head office operations. As a result, subsequent to April 1, 2005, realized and unrealized foreign currency gains or losses related to any Canadian dollar denominated monetary assets and liabilities in these operations are included in net earnings.

Income taxes

Income taxes have been provided using the asset and liability method whereby deferred tax assets and liabilities are recognized for the expected future income tax consequences of events that have been recognized in the financial statements or income tax returns. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred 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 when it is more likely than not that realization of a deferred income tax asset will not occur.

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

Stock-based compensation
Effective April 1, 2003, the Company began accounting for stock options as compensation expense in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of SFAS 123* ("SFAS 148") provided alternative methods of transitioning to the fair value based method of accounting for employee stock options as compensation expense. The Company used the "prospective method" of SFAS 148 and expensed the fair value of new option grants awarded subsequent to March 31, 2003. Compensation expense was allocated to reporting periods using the graded attribution approach. Forfeitures of stock options are treated as a reduction of expense in the period of forfeiture.

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

3. Acquisitions

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

Certain of the purchase price allocations for the 2006 acquisitions are preliminary pending finalization of analyses of intangible assets acquired. Details of the 2006 acquisitions are as follows:

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

The purchase prices of acquisitions resulted in the recognition of goodwill. The primary factors contributing to goodwill are assembled workforces, synergies with existing operations and future growth prospects.

2005 acquisitions:
The Company completed the acquisition of 71.8% of the shares of CMN International Inc. ("CMN") on November 30, 2004 (the Company's ownership subsequently increased to 83.1% on October 1, 2005 as a result of a purchase of minority interests). CMN is a member of the Colliers International commercial real estate services network, with operations in the United States, Canada, Australia and twenty-one other countries. CMN is headquartered in Vancouver, Canada.

The Company completed other business acquisitions in Residential Property Management and Property Improvement Services. The Company also purchased minority interests from shareholders in Property Improvement Services.

Details of the 2005 acquisitions are as follows:

	2005		
	CMN	Aggregate other acquisitions	Purchases of minority shareholders' interests
Current assets	$ 57,150	$ 1,281	$ -
Long-term assets	16,807	1,747	-
Current liabilities	(83,644)	(2,351)	-
Long-term liabilities	(15,167)	(2,604)	-
Minority interest	(3,720)	(89)	272
	(28,574)	(2,016)	272
Note consideration	$ -	$ 405	$ -
Cash consideration	$ 39,833	$ 10,512	$ 2,148
Acquired intangible assets	29,402	6,289	-
Acquired goodwill	39,005	6,644	1,876
Contingent consideration at date of acquisition	$ -	$ 3,759	$ -

2004 acquisitions:
The Company completed several small acquisitions during 2004 in Property Improvement Services, Residential Property Management and Integrated Security Services.

The Company purchased minority interests from shareholders in the Business Services segment during 2004.

Details of the 2004 acquisitions are as follows:

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

Certain vendors, at the time of acquisition, are entitled to receive contingent consideration if the acquired businesses achieve specified earnings levels during the two- to five-year periods following the dates of acquisition. Such contingent consideration is issued at the expiration of the contingency period. As at March 31, 2006, there was contingent consideration outstanding of up to $8,600 ($14,200 as at March 31, 2005). The contingencies will expire during the period extending to January 2009. The contingent consideration will be recorded when the contingencies are resolved and the consideration is issued or becomes issuable, at which time the Company will record the fair value of the consideration issued or issuable, including interest, if any, as additional costs of the acquired businesses. Contingent consideration issued or issuable during the year ended March 31, 2006 was $2,759 net of deferred income tax of $90 (2005 - $7,392, net of deferred income tax of $172).

The acquisitions referred to above were accounted for by the purchase method of accounting for business combinations. Accordingly, the accompanying consolidated statements of earnings do not include any revenues or expenses related to these acquisitions prior to their respective closing dates. The cash portions of the consideration for the acquisitions were financed through available cash and borrowings from the Company's revolving credit facility. The goodwill acquired during 2006 is not deductible for income tax purposes.

The Company recognized liabilities for exiting activities of the acquired businesses and involuntary employee terminations. If the ultimate amount expended is less than the amount recorded as a liability, the excess is applied to reduce the cost of the acquired entity. If the ultimate amount expended is greater than the amount accrued, then the difference is expensed.

Accrual as at March 31, 2005	$ 3,128
Less: cash or other payments	(2,000)
Less: amount related to disposed operation	(1,128)
Accrual as at March 31, 2006	$ -

Following are the Company's unaudited consolidated pro forma results assuming the CMN acquisition occurred on the first day of 2005, the year of acquisition. The year

immediately prior to the year of acquisition also includes the pro forma results of the CMN acquisition.

(unaudited)	2005	2004
Pro forma revenues	$ 848,043	$ 766,333
Pro forma net earnings from continuing operations	16,551	13,359
Pro forma net earnings per share from continuing operations		
Basic	$ 0.56	$ 0.47
Diluted	0.52	0.46

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

4. Dispositions

On March 17, 2006, the Company sold its 88.3% interest in Resolve Corporation (“Resolve”), its Business Services segment, to a subsidiary of Resolve Business Outsourcing Income Fund (“RBO Fund”) upon the initial public offering of RBO Fund. The Company received aggregate consideration of $137,393, comprised of $116,972 in the form of cash ($110,476 net of cash sold) and $20,421 in the form of equity securities of a subsidiary of RBO Fund which are exchangeable for publicly traded units of RBO Fund. These securities have been classified as available-for-sale (note 8). The pre-tax gain on the disposal was $44,082, before current income taxes of $4,693 and deferred income taxes of $3,570, resulting in a net gain of $35,819. The net gain on disposal includes the realization of $5,487 related to cumulative foreign currency translation on Canadian dollars. The net gain also reflects amounts set aside regarding a working capital adjustment and an indemnity granted by the Company in connection with the sale (note 6).

During the year ended March 31, 2005, the Company sold three businesses. Two of the disposed businesses were previously included in the Property Improvement Services segment and one was previously included in the Residential Property Management segment. The aggregate proceeds on the dispositions were $15,555 comprised of cash of $5,389, notes receivable of $4,644, and assumption of liabilities by the purchasers of $5,522. The pre-tax gain on disposal was $2,695, before income taxes of $1,495, resulting in a net gain of $1,200. The net gain on disposal includes a gain of $1,578 related to cumulative foreign currency translation on Canadian dollars.

For the years ended March 31, 2006, 2005 and 2004, the operating results of the disposed operations before the dates of disposal are reported as discontinued operations. The operating results and balance sheets for the discontinued operations are as follows:

Operating results for years ended March 31	**2006**	2005	2004
Revenues	**$ 160,204**	$ 174,078	$ 168,461
Operating earnings from discontinued operations before income taxes	**7,429**	10,452	6,392
Provision for income taxes	**1,785**	3,835	2,017
Net operating earnings from discontinued operations	**5,644**	6,617	4,375
Net gain on disposal	**35,819**	1,200	-
Net earnings from discontinued operations	**41,463**	7,817	4,375
Net earnings per share from discontinued operations			
Basic	**1.37**	0.26	0.16
Diluted	**1.34**	0.25	0.15

Balance sheets as at March 31	**2006**	2005
Current assets	**$ -**	$ 93,565
Non-current assets	**-**	79,118
Total assets	**-**	172,683
Current liabilities	**-**	45,507
Non-current liabilities	**-**	70,837
Total liabilities	**-**	116,344

5. Other income

	2006	2005	2004
Gain (loss) on sale of equity securities	**$ 2,211**	$ (62)	$ -
Earnings from equity investments	**1,329**	125	-
Gain on foreign exchange contracts	**121**	200	219
Dilution gains on sales of shares of subsidiaries	**115**	112	1,137
Disposal of security officer assets of Chicago Integrated Security Services branch	**-**	-	(240)
	$ 3,776	$ 375	$ 1,116

6. Components of working capital accounts

Inventories	2006	2005
Work-in-progress	**$ 14,459**	$ 9,245
Finished goods	**11,014**	7,831
Supplies and other	**1,794**	3,802
	$ 27,267	$ 20,878
Prepaids and other		
Insurance	**$ 4,608**	$ 4,518
Rent	**2,112**	-
Security deposits	**1,721**	1,554
Transportation	**-**	864
Other	**4,417**	5,655
	$12,858	$12,591
Accrued liabilities		
Accrued payroll, commission and benefits	**$ 71,155**	$ 66,281
Accrued interest	**4,447**	2,528
Liabilities recognized in connection with Resolve disposal (note 4)	**3,387**	-
Customer advances	**2,363**	15,667
Liabilities recognized in connection with business acquisitions (note 3)	**-**	3,128
Deferred lease inducements	**1,868**	1,572
Other	**24,865**	24,348
	$ 108,085	$ 113,524

7. Other receivables

	2006	2005
Interest-bearing notes due from purchasers of disposed subsidiaries	**$ 4,676**	$ 4,611
Interest-bearing loans due from minority shareholders of subsidiaries	**1,384**	1,894
Franchisee and customer receivables, certain of which are interest bearing	**2,251**	572
	$ 8,311	$ 7,077

8. Fixed assets and other assets

2006	Cost	Accumulated depreciation / amortization	Net 2006
Fixed assets			
Land	$ 1,915	$ -	**$ 1,915**
Buildings	6,886	1,781	**5,105**
Vehicles	17,519	10,004	**7,515**
Furniture and equipment	27,477	16,574	**10,903**
Computer equipment and software	29,836	15,911	**13,925**
Leasehold improvements	13,268	3,898	**9,370**
	$ 96,901	$ 48,168	**$ 48,733**
Other assets			
Available-for-sale equity securities	$ 18,845	$ -	**$ 18,845**
Equity investments	4,965	-	**4,965**
Financing fees	3,237	1,094	**2,143**
Other	955	-	**955**
	$ 28,002	$ 1,094	**$ 26,908**

2005	Cost	Accumulated depreciation / amortization	Net 2005
Fixed assets			
Land	$ 2,303	$ -	$ 2,303
Buildings	8,855	1,813	7,042
Vehicles	15,277	8,794	6,483
Furniture and equipment	57,795	38,869	18,926
Computer equipment and software	36,937	22,943	13,994
Leasehold improvements	15,892	7,399	8,493
	$ 137,059	$ 79,818	$ 57,241
Other assets			
Equity investments	$ 4,652	$ -	$ 4,652
Financing fees	4,115	2,365	1,750
Other	283	-	283
	$ 9,050	$ 2,365	$ 6,685

Included in fixed assets are vehicles and computer equipment under capital lease at a cost of $7,874 (2005 - $8,737) and net book value of $5,021 (2005 - $4,751).

9. Intangible assets

2006	Gross carrying amount	Accumulated amortization	**Net 2006**
Customer lists and relationships	$ 25,663	$ 3,758	**$ 21,905**
Franchise rights	23,685	4,068	**19,617**
Trademarks and trade names:			
Indefinite life	15,446	-	**15,446**
Amortized	12,517	2,181	**10,336**
Management contracts and other	5,618	2,354	**3,264**
Brokerage backlog	15,829	15,622	**207**
	$ 98,758	$ 27,983	**$ 70,775**

2005	Gross carrying amount	Accumulated amortization	Net 2005
Customer lists and relationships	$ 20,868	$ 3,094	$ 17,774
Franchise rights	20,940	3,183	17,757
Trademarks and trade names:			
Indefinite life	11,165	-	11,165
Amortized	12,517	1,748	10,769
Management contracts and other	3,357	1,290	2,067
Brokerage backlog	10,626	8,735	1,891
	$ 79,473	$ 18,050	$ 61,423

During the year ended March 31, 2006, the Company acquired the following intangible assets:

	Amount	Estimated weighted average amortization period in years
Customer lists and relationships	$ 7,561	9.8
Trademarks and trade names	4,281	Indefinite
Brokerage backlog	5,203	0.5
Franchise rights	2,744	29.5
Management contracts and other	2,073	1.0
	$ 21,862	-

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

2007	$ 5,795
2008	4,182
2009	4,119
2010	4,045
2011	3,765

10. Goodwill

	Residential Property Management	Commercial Real Estate Services	Integrated Security Services	Property Improvement Services	Business Services	Consolidated
Balance, March 31, 2004	$ 63,469	$ -	$ 27,638	$ 38,458	$ 56,014	$ 185,579
Goodwill resulting from adjustments to purchase price allocations	831	-	25	389	(707)	538
Goodwill resulting from contingent acquisition payments	1,628	-	1,966	3,798	-	7,392
Goodwill resulting from purchases of minority shareholders' interests	-	-	-	1,876	-	1,876
Goodwill acquired during year	5,727	39,005	-	917	-	45,649
Goodwill disposed during year	(1,989)	-	-	(4,435)	-	(6,424)
Foreign exchange	-	(43)	57	-	1,916	1,930
Balance, March 31, 2005	69,666	38,962	29,686	41,003	57,223	236,540
Goodwill resulting from adjustments to purchase price allocations	(190)	78	-	(315)	-	(427)
Goodwill resulting from contingent acquisition payments	1,035	-	-	1,575	-	2,610
Goodwill resulting from purchases of minority shareholders' interests	681	4,084	373	222	-	5,360
Goodwill acquired during year	105	8,983	-	952	-	10,040
Goodwill disposed during year	-	(364)	-	(192)	(58,044)	(58,600)
Foreign exchange	-	124	19	-	821	964
Balance, March 31, 2006	**$ 71,297**	**$ 51,867**	**$ 30,078**	**$ 43,245**	**$ -**	**$ 196,487**

11. Long-term debt

	2006	2005
Revolving credit facility	**$ -**	$ 59,374
8.06% Senior Notes	**85,714**	100,000
6.40% Senior Notes	**50,000**	50,000
5.44% Senior Notes	**100,000**	-
Adjustment to Senior Notes resulting from interest rate swaps (note 16)	**-**	283
Capital leases bearing interest ranging from 5% to 10%, maturing at various dates through 2010	**5,324**	3,948
Other long-term debt bearing interest at 4% to 10%, maturing at various dates through 2010	**7,648**	6,410
	248,686	220,015
Less: current portion	**18,646**	18,206
	$ 230,040	$ 201,809

The revolving credit facility was unused as at March 31, 2006. As at March 31, 2005, US$34,325 and C$30,300 (US$25,049) was drawn on the revolving credit facility.

On April 1, 2005, the Company entered into an amended and restated credit agreement with a syndicate of banks to provide a $110,000 committed senior revolving credit facility with a three year term to replace the existing $90,000 facility. The amended revolving credit facility bears interest at 1.00% to 2.25% over floating reference rates, depending on certain leverage ratios. The covenants remained substantially unchanged relative to the prior revolving credit facility agreement. On the same date, the Company completed a private placement of $100,000 of 5.44% fixed rate Senior Notes (the "5.44% Notes"). The 5.44% Notes have a final maturity of April 1, 2015 with five equal annual principal repayments beginning on April 1, 2011. The proceeds of the private placement were used to repay outstanding balances on the revolving credit facility. The revolving credit facility requires a commitment fee of 0.25% to 0.50% of the unused portion, depending on certain leverage ratios.

The Company has outstanding US$85,714 of 8.06% fixed-rate Senior Notes (the "8.06% Notes"). The 8.06% Notes have a final maturity of June 29, 2011, with seven equal annual principal repayments which began on June 29, 2005. The Company also has outstanding $50,000 of 6.40% fixed-rate Senior Notes (the "6.40% Notes"). The 6.40% Notes have a final maturity of September 30, 2015 with four equal annual principal repayments commencing on September 30, 2012.

The Company has indemnified the holders of the 8.06% Notes, 6.40% Notes and 5.44% Notes (collectively, the "Notes") from all withholding taxes that are or may become applicable to any payments made by the Company on the Notes. The Company believes this exposure is not material as of March 31, 2006.

The revolving credit facility and the Notes rank equally in terms of seniority. The Company has granted these lenders collateral including the following: an interest in all of the assets of the Company including the shares of the Company's subsidiaries; an assignment of material contracts; and an assignment of the Company's "call rights" with respect to shares of the subsidiaries held by minority interests (note 17(b)).

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

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

2007	$ 18,646
2008	19,234
2009	15,953
2010	15,441
2011	14,975
Thereafter	164,437

12. Capital stock

The authorized capital stock of the Company is as follows:

An unlimited number of preference shares, issuable in series;
An unlimited number of Subordinate Voting Shares having one vote per share; and
An unlimited number of Multiple Voting Shares having 20 votes per share, convertible at any time into Subordinate Voting Shares at a rate of one Subordinate Voting Share for each Multiple Voting Share outstanding.

The following table provides a summary of total capital stock:

	Subordinate Voting Shares		*Multiple Voting Shares*		Total	Total
	Number	Amount	Number	Amount	Number	amount
Balance, March 31, 2004	28,174,036	$ 68,184	1,325,694	$ 373	29,499,730	$ 68,557
Balance, March 31, 2005	28,867,094	73,169	1,325,694	373	30,192,788	73,542
Balance, March 31, 2006	**28,730,094**	**75,314**	**1,325,694**	**373**	**30,055,788**	**75,687**

On December 15, 2004, the Company completed a 2 for 1 stock split effected in the form of a stock dividend. All stock balances for all periods presented have been retroactively adjusted to reflect the stock split. During the year ended March 31, 2006, the Company repurchased 571,650 (2005 - 218,072 and 2004 - nil) Subordinate Voting Shares under a Normal Course Issuer Bid filed with the Toronto Stock Exchange, which allowed the Company to repurchase up to 5% of its outstanding shares on the open market during a twelve-month period.

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

The Company has $1,635 (C$2,309) (2005 - $2,148 (C$3,034)) of interest bearing loans receivable related to the purchase of 440,000 Subordinate Voting Shares (2005 - 730,000 shares). The loans, which are collateralized by the shares issued, have a ten-year term from the grant date; however, they are open for repayment at any time. The maturities of these loans are as follows, for the years ending March 31.

2007	$ 403
2008	467
2009	765
	$ 1,635

Pursuant to an agreement approved in February 2004, the Company agreed that it will make a payment to its Chief Executive Officer ("CEO") upon the arm's length sale of control of the Company or upon a distribution of the Company's assets to shareholders.

The payment amount will be determined with reference to the price per Subordinate Voting Share received by shareholders upon an arm's length sale or upon a distribution of assets. The right to receive the payment may be transferred among members of the CEO's family, their holding companies and trusts.

The Company has a stock option plan for certain officers and key full-time employees of the Company and its subsidiaries, other than its CEO. Options are granted at the market price for the underlying shares on the date of grant. Each option vests over a four-year term and expires five years from the date granted and allows for the purchase of one Subordinate Voting Share. At March 31, 2006, there were 1,716,350 options outstanding to 34 individuals at prices ranging from $6.15 to $23.76 per share, expiring on various dates through March 2011. As at March 31, 2006, there were no options available for future grants.

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

	Shares issuable under options			*Weighted average price per share*		
	2006	2005	2004	**2006**	2005	2004
Shares issuable under options - Beginning of year	**1,844,000**	2,288,630	3,565,980	**$ 10.83**	$ 8.01	$ 7.98
Granted	**328,000**	496,500	266,000	**19.96**	13.63	8.00
Exercised for cash	**(434,650)**	(911,130)	(1,171,350)	**8.60**	6.42	6.27
Expired or forfeited	**(21,000)**	(30,000)	(372,000)	**9.38**	10.43	11.83
Shares issuable under options - End of year	**1,716,350**	1,844,000	2,288,630	**$ 13.74**	$ 10.83	$ 8.01
Options exercisable - End of year	**885,075**	915,500	1,335,866			

The options outstanding as at March 31, 2006 to purchase Subordinate Voting Shares are as follows:

	Options outstanding			*Options exercisable*	
Range of exercise prices	Number Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$6.15 - $10.70	495,300	1.99	$ 8.43	317,500	$ 8.63
$11.02 - $13.43	616,800	1.80	12.33	465,150	12.62
$17.29 - $23.76	604,250	4.38	20.48	102,425	19.49
	1,716,350	2.86	$ 13.74	885,075	$ 12.43

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

	2006	2005	2004
Net earnings as reported	**$ 69,497**	$ 23,207	$ 19,024
Deduct: Stock-based compensation expense determined under fair value method, net of income taxes	**(738)**	(1,826)	(2,158)
Pro forma net earnings	**$ 68,759**	$ 21,381	$ 16,866
Pro forma net earnings per share:			
Basic	**$ 2.28**	$ 0.72	$ 0.59
Diluted	**2.18**	0.68	0.58
Reported net earnings per share:			
Basic	**$ 2.30**	$ 0.78	$ 0.67
Diluted	**2.21**	0.74	0.65
Assumptions:			
Risk-free interest rate	**4.7%**	3.2%	3.0%
Expected life in years	**4.4**	4.4	4.4
Volatility	**30%**	30%	30%
Dividend yield	**0.0%**	0.0%	0.0%

The weighted average fair values of options granted in 2006, 2005 and 2004 were $7.65, $4.85, and $2.66 per share, respectively.

The Company has stock option plans at several of its subsidiaries. The impact of potential dilution from these plans is reflected in the Company's diluted earnings per share (note 14).

13. Income taxes

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

	2006	2005	2004
Income tax expense using combined statutory rate of approximately 36% (2005 - 40%; 2004 - 40%)	**$ 20,632**	$ 11,394	$ 9,844
Non-deductible expenses	**137**	1,217	1,181
Reduction in tax liability of prior years	**-**	(1,133)	-
Foreign tax rate reduction	**(3,561)**	(4,464)	(3,841)
Provision for income taxes as reported	**$ 17,208**	$ 7,014	$ 7,184

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

	2006	2005	2004
Canada	**$ 5,238**	$ (4,966)	$ 420
United States	**39,742**	30,627	24,190
Foreign	**12,143**	2,828	-
Total	**$ 57,123**	$ 28,489	$ 24,610

The provision for income taxes comprises the following:

	2006	2005	2004
Current			
Canada	**$ 2,370**	$ 4,553	$ 1,486
United States	**14,792**	8,479	6,043
Foreign	**4,482**	834	-
	21,644	13,866	7,529
Deferred			
Canada	**(1,778)**	(2,890)	165
United States	**(2,378)**	(3,962)	(510)
Foreign	**(280)**	-	-
	(4,436)	(6,852)	(345)
Total	**$ 17,208**	$ 7,014	$ 7,184

The significant components of deferred income taxes are as follows:

	2006	2005
Deferred income tax assets		
Expenses not currently deductible	**$ 4,374**	$ 4,282
Provision for doubtful accounts	**831**	2,136
Inventory and other reserves	**326**	-
Loss carry-forwards	**4,381**	8,992
	9,912	15,410
Deferred income tax liabilities		
Depreciation and amortization	**29,822**	29,695
Investments	**3,953**	-
Prepaid and other expenses deducted for tax purposes	**666**	320
Unrealized foreign exchange gains	**493**	-
Financing fees	**219**	107
	35,153	30,122
Net deferred income tax liability	**$ 25,241**	$ 14,712

As at March 31, 2006, the Company had Canadian net operating loss carry-forward balances of approximately $12,130. These amounts are available to reduce future federal and provincial income taxes. Net operating loss carry-forward balances attributable to Canada expire over the next ten years. Foreign net operating loss carry-forward balances of approximately $25,906, offset by a valuation allowance of the same amount, were acquired with the CMN acquisition. The benefit of the foreign balances would be recorded as a reduction of goodwill if realized.

Cumulative unremitted earnings of US and foreign subsidiaries approximated $81,863 as at March 31, 2006 (2005 - $62,820).

14. Earnings per share

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

	2006	2005	2004
Net earnings from continuing operations	**$ 28,034**	$ 15,390	$ 14,649
Dilution of net earnings resulting from assumed exercise of stock options in subsidiaries	**(1,253)**	(569)	-
Net earnings from continuing operations for diluted earnings per share calculation purposes	**$ 26,781**	$ 14,821	$ 14,649
Net earnings	**$ 69,497**	$ 23,207	$ 19,024
Dilution of net earnings resulting from assumed exercise of stock options in subsidiaries	**(1,253)**	(569)	-
Net earnings for diluted earnings per share calculation purposes	**$ 68,244**	$ 22,638	$ 19,024

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

	2006	2005	2004
Shares issued and outstanding at beginning of year	**30,192,788**	29,499,730	28,328,380
Weighted average number of shares:			
Issued during the year	**137,943**	381,309	241,324
Repurchased during the year	**(160,040)**	(103,665)	-
Weighted average number of shares used in computing basic earnings per share	**30,170,691**	29,777,374	28,569,704
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	**725,286**	689,597	621,952
Number of shares used in computing diluted earnings per share	**30,895,977**	30,466,971	29,191,656

15. Other supplemental information

	2006	2005	2004
Products and services segmentation			
Revenues			
Products	**$ 153,861**	$ 142,371	$ 108,983
Services	**914,273**	509,005	332,350
Total	**1,068,134**	651,376	441,333
Cost of revenues			
Products	**$ 94,621**	$ 86,215	$ 67,721
Services	**589,659**	336,569	248,537
Total	**684,280**	422,784	316,258
Franchised operations			
Revenues	**$ 88,531**	$ 79,541	$ 64,947
Operating earnings	**16,728**	15,574	11,369
Initial franchise fee revenues	**3,482**	3,459	4,467
Cash payments made during the year			
Income taxes	**$ 25,179**	$ 16,854	$ 13,388
Interest	**12,481**	11,073	5,156
Non-cash financing activities			
Increases in capital lease obligations	**$ 3,284**	$ 1,986	$ 1,352
Other expenses			
Rent expense	**$ 26,762**	$ 14,104	$ 7,173

16. Financial instruments

Concentration of credit risk

The Company is subject to credit risk with respect to its cash and cash equivalents, accounts receivable, other receivables and interest rate swaps. 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 several countries. The counterparties to the interest rate swaps are investment-grade financial institutions that the Company anticipates will satisfy their obligations under the contracts.

Interest rate risk

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

As at March 31, 2006, the Company had no interest rate swap agreements related to the Notes. In May 2005, the Company settled the swap on $20,000 of principal on the 6.40% Notes for a net loss of $48. In December 2005, the Company settled swaps on $85,714 of principal on the 8.06% Notes for a net gain of $120. As at March 31, 2005, the fair values of the swaps related to the Notes represented a gain of $283.

As at March 31, 2006, the Company had interest rate swaps to convert $6,874 of fixed-rate mortgage loans receivable to floating rates. As at March 31, 2006, the fair value of these swaps was $57 (2005 - nil).

The above interest rate swaps are accounted for as fair value hedges in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* Swaps are carried at fair value on the consolidated balance sheets, with gains or losses recognized in earnings. The carrying value of the hedged asset or liability is adjusted for changes in the fair value of the swaps; associated gains or losses are recognized currently in earnings. The fair values of swaps are determined based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date.

Fair values of financial instruments

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

	2006		2005	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Mortgage loans receivable	**$ 6,874**	**$ 6,874**	$ -	$ -
Other receivables	**8,311**	**8,311**	7,077	7,067
Long-term debt	**248,686**	**267,166**	219,732	236,491
Interest rate swaps	**57**	**57**	283	283
Foreign exchange contracts	**-**	**-**	200	200

17. Commitments and contingencies

(a) Lease commitments

Minimum operating lease payments are as follows:

Year ending March 31	
2007	$ 24,721
2008	21,449
2009	16,852
2010	13,286
2011	11,444
Thereafter	24,017

(b) Minority shareholder agreements

The Company has shareholder agreements with the minority owners of its subsidiaries. These agreements allow the Company to “call” the minority position at fair value determined with the use of a formula price, which is usually equal to a multiple of average net earnings before extraordinary items, minority interest share of earnings, income taxes, interest, depreciation, and amortization for a defined period. The minority owners may also “put” their interest to the Company at the same price subject to certain limitations. The purchase price may, at the option of the Company, be paid primarily in Subordinate Voting Shares. Acquisitions of these minority interests, if any, would be accounted for using the purchase method. The total obligation if all call or put options were exercised as at March 31, 2006 was approximately $79,000 (2005 - $70,000).

(c) Contingencies

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

18. Related party transactions

During the year, the Company paid $775 (2005 - $746; 2004 - $514) in rent to entities controlled by minority shareholders of subsidiaries. The transactions were completed at market rates.

19. Segmented information

Operating segments
The Company has four reportable operating segments. The segments are grouped with reference to the types of services provided and the types of clients that use those services. The Company assesses each segment's performance based on operating earnings or operating earnings before depreciation and amortization. Residential Property Management provides property management, maintenance, landscaping and other services to residential community associations in the United States. Commercial Real Estate Services provides brokerage and advisory services to clients in North America, Australia and several other countries. Integrated Security Services provides security systems installation, maintenance, monitoring and security officers to primarily commercial customers in Canada and the United States. Property Improvement Services provides franchised and Company-owned property services to customers in the United States and Canada. Corporate includes the costs of operating the Company's corporate head office.

Included in total assets of the Commercial Real Estate Services segment is $4,608 (2005 - $3,797 and 2004 - nil) of investments in subsidiaries accounted for under the equity method.

2006	Residential Property Management	Commercial Real Estate Services	Integrated Security Services	Property Improvement Services	Corporate	Consolidated
Revenues	$ 346,133	$ 438,434	$ 149,063	$ 134,136	$ 368	$ 1,068,134
Depreciation and amortization	5,618	11,388	2,655	3,749	168	23,578
Operating earnings	25,767	25,079	5,005	22,016	(12,641)	65,226
Other income, net						3,776
Interest expense, net						(11,879)
Income taxes						(17,208)
Minority interest						(11,881)
Net earnings from continuing operations						28,034
Net earnings from discontinued operations						41,463
Net earnings						$ 69,497
Total assets	$ 150,641	$ 211,321	$ 85,479	$ 114,188	$ 149,375	$ 711,004
Total additions to long-lived assets	10,400	36,799	2,809	9,909	546	60,463

2005	Residential Property Management	Commercial Real Estate Services	Integrated Security Services	Property Improvement Services	Corporate	Consolidated
Revenues	$ 275,229	$ 120,535	$ 143,160	$ 111,779	$ 673	$ 651,376
Depreciation and Amortization	5,170	9,868	2,819	3,071	179	21,107
Operating earnings	18,917	1,276	7,468	16,796	(9,151)	35,306
Other income, net						375
Interest expense						(7,192)
Income taxes						(7,014)
Minority interest						(6,085)
Net earnings from continuing operations						15,390
Net earnings from discontinued operations						7,817
Net earnings						$ 23,207
Total assets	$ 150,080	$ 100,634	$ 86,598	$ 107,063	$ 12,060	$ 456,435
Discontinued operations						170,293
						626,728
Total additions to long-lived assets	21,412	77,255	3,684	10,437	357	113,145

2004	Residential Property Management	Commercial Real Estate Services	Integrated Security Services	Property Improvement Services	Corporate	Consolidated
Revenues	$ 228,790	$ -	$ 122,748	$ 89,361	$ 434	$ 441,333
Depreciation and amortization	4,219	-	1,948	2,270	149	8,586
Operating earnings	15,515	-	6,481	12,669	(7,032)	27,633
Other income, net						1,116
Interest expense						(4,140)
Income taxes						(7,184)
Minority interest						(2,777)
Net earnings from continuing operations						14,648
Net loss from discontinued operations						4,376
Net earnings						$ 19,024
Total assets	$ 110,439	$ -	$ 75,198	$ 102,802	$ 4,437	$ 292,876
Discontinued operations						144,677
						437,553
Total additions to long-lived assets	6,566	-	2,953	19,966	340	29,825

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

	2006	2005	2004
United States			
Revenues	**$ 685,921**	$ 473,027	$ 81,437
Total long-lived assets	**230,811**	244,447	204,715
Canada			
Revenues	**$ 233,342**	$ 132,998	$ 359,896
Total long-lived assets	**56,037**	85,009	68,408
Other			
Revenues	**$ 148,871**	$ 45,351	$ -
Total long-lived assets	**29,147**	25,748	-
Consolidated			
Revenues	**$ 1,068,134**	$ 651,376	$ 441,333
Total long-lived assets	**$ 315,995**	$ 355,204	$ 273,123

20. Impact of recently issued accounting standards

SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R") was issued in December 2004. The standard eliminates the ability to account for share-based compensation transactions under APB 25 and requires that share-based compensation transactions, including grants of employee stock options, be accounted for using a fair value based method with the resulting compensation cost recognized over the period that the employee is required to provide service in order to receive the compensation.

The Company adopted the fair value based method of accounting for stock based employee compensation effective April 1, 2003. The Company will adopt SFAS 123R on April 1, 2006 under the modified prospective application. Upon adoption of SFAS 123R, the Company will change its approach to accounting for stock options issued by subsidiaries of the Company to subsidiary employees, where the employees have the ability to elect to receive cash payments upon exercise. Previously, these options were recorded as liabilities at their intrinsic value. Under SFAS 123R, these options are classified as liability-classed awards with the fair value of the option, as determined using generally accepted stock option valuation methods, recorded as liabilities. This change will result in the recognition of a cumulative effect of an accounting policy charge of $1,010 on April 1, 2006.

SFAS No. 154, *Accounting for Changes and Error Corrections a replacement of APB Opinion No. 20 and SFAS No. 3* ("SFAS 154") was issued in May 2005 and is effective for the Company's fiscal year beginning April 1, 2006. SFAS 154 changes the requirements for the accounting and reporting of a change in accounting principle, and applies to all voluntary changes in accounting principles.

SFAS No. 156, *Accounting for Servicing of Financial Assets, an amendment of SFAS No. 140* ("SFAS 156") was issued in March 2006. The standard amends SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* , with respect to the accounting for separately recognized servicing assets and servicing liabilities. The standard is effective for the Company's fiscal year beginning April 1, 2007. The Company is currently evaluating the effect of SFAS 156 on the Company's results of operations and financial condition.

21. Subsequent event

On May 19, 2006, the Company completed the acquisition of a commercial real estate services business headquartered in Brisbane, Australia for cash consideration of $24,800.

Management's Discussion and Analysis of Results of Operations and Financial Condition

(in US dollars)
May 24, 2006

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto for the year ended March 31, 2006.

Consolidated review

FirstService Corporation (the "Company" or "FirstService") generated strong operating results in fiscal 2006, with revenue and adjusted diluted earnings per share from continuing operations[1] growth in excess of 50%.

On March 17, 2006, we completed the divestiture of Resolve Corporation ("Resolve"), our Business Services operation, through the initial public offering of trust units by Resolve Business Outsourcing Income Fund (the "RBO Fund"). Proceeds from the sale were $117.0 million of cash and a 7.3% retained interest in RBO Fund valued at $20.4 million. Resolve has been classified as a discontinued operation for all periods presented. Resolve's revenues for the 11.5 month period it was owned during fiscal 2006 were $160.2 million.

On May 24, 2006, the Company updated its financial outlook for fiscal 2007 as a result of a newly completed commercial real estate services acquisition. The updated outlook is for revenues of $1.145 to $1.22 billion, EBITDA[2] of $100 to $109 million, and adjusted diluted earnings per share of $1.15 to $1.25.

---

1 Adjusted diluted net earnings per share from continuing operations is defined as diluted net earnings per share from continuing operations plus the effect, after income taxes, of the amortization of short-lived intangible assets acquired in connection with recent commercial real estate services acquisitions. The Company believes this measure is useful because it isolates the impact of material non-recurring acquisition-related amortization expense. This is not a recognized measure of financial performance under generally accepted accounting principles ("GAAP") in the United States, and should not be considered as a substitute for diluted net earnings per share from continuing operations, as determined in accordance with GAAP. The Company's method of calculating this measure may differ from other issuers and accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation appears below.

(in US$)	Year ended March 31		
	2006	2005	2004
Adjusted diluted net earnings per share from continuing operations	**$ 1.01**	$ 0.67	$ 0.50
Amortization of brokerage backlog, net of income taxes	**(0.14)**	(0.18)	-
Diluted net earnings per share from continuing operations	**$ 0.87**	$ 0.49	$ 0.50

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

(in thousands of US$)	Year ended March 31		
	2006	2005	2004
EBITDA	**$ 88,804**	$ 56,413	$ 36,219
Depreciation and amortization	**(23,578)**	(21,107)	(8,586)
Operating earnings	**$ 65,226**	$ 35,306	$ 27,633

Results of operations - year ended March 31, 2006

FirstService reported revenues from continuing operations of $1.068 billion for the year, an increase of 64% relative to the prior year. The increase was comprised of internal growth of 18%, acquisitions of 44% and the impact of foreign exchange of 2%.

Operating earnings increased 85% relative to the prior year, to $65.2 million. EBITDA increased 57% to $88.8 million. The gap between operating earnings growth relative to revenue and EBITDA growth is primarily the result of rapid amortization of brokerage backlog intangibles related to recent acquisitions in commercial real estate services, which have a significant impact on the first year after acquisition.

Depreciation and amortization expense was $23.6 million relative to $21.1 million in the prior year. With regard to the recent commercial real estate services acquisitions, we recorded a short-lived intangible asset relating to the backlog of pending brokerage transactions that existed at the acquisition dates. The intangible is being amortized to coincide with the expected completion dates of the underlying brokerage transactions. The balance of the increase in depreciation and amortization is the result of amortization of other intangible assets recognized upon acquisitions during the past two years, as well as increases in fixed assets resulting from capital expenditures and acquisitions.

Interest expense increased to $13.1 million from $7.2 million in the prior year. Our weighted average interest rate increased to approximately 6.6% versus 6.2% in the prior year as we modified our predominately floating rate structure to fixed interest rates during the year. The issuance of $100 million of 5.44% Senior Notes at the beginning of the fiscal year had a downward impact on the weighted average interest rate, but increased the average debt outstanding. The $1.2 million of interest income earned during the year was attributable to surplus cash on hand, including the $117.0 million received in March 2006 upon the closing of the Resolve disposal.

Other income for fiscal 2006 includes a $2.2 million pre-tax gain on the sale of two non-strategic subsidiaries. These operations generated revenues of approximately $4.5 million during the twelve months prior to sale. Also in other income was $1.3 million of earnings from investments accounted for under the equity method, primarily in commercial real estate services.

Our consolidated income tax rate for fiscal 2006 was 30%. The prior year's tax rate was 25%, and reflected the benefit of a $1.1 million reduction in tax liability related to resolution of tax matters from prior years. We continue to benefit from the cross-border tax structures first implemented in fiscal 2000.

Net earnings from continuing operations was $28.0 million, an increase of 82% relative to fiscal 2005. Adjusting for the after-tax impact of the short-term brokerage backlog amortization related to the recent commercial real estate services acquisitions, net earnings from continuing operations would have been $32.3 million, for an increase of 54%. All of the Company's continuing operations contributed to the increase in net earnings.

Discontinued operations reported after-tax net earnings of $5.6 million, representing the earnings of Resolve for the 11.5 month period it was owned by us during fiscal 2006. The earnings for fiscal 2005 were $6.6 million and included a gain on the settlement of a long term

contract by Resolve during the fourth quarter of that fiscal year. We received proceeds of $137.4 million on the sale of Resolve, comprised of $117.0 million of cash and a 7.3% retained interest in the RBO Fund valued at $20.4 million, resulting in a $35.8 million net gain on disposal, after taxes of $8.3 million. As at March 31, 2006, we had an unrealized loss, net of income taxes, of $1.5 million with regard to our investment in RBO Fund which was recorded in cumulative other comprehensive earnings.

The Property Improvement Services operations reported revenues of $134.1 million, an increase of 20% versus the prior year. Of the increase, 14% was attributable to internal growth, 5% to acquisitions and 1% to foreign exchange. EBITDA for the year was $25.8 million, 30% higher than the prior year, and the EBITDA margin increased 140 basis points to 19.2%. Solid results were generated at all of our major franchise systems, including California Closets, Paul Davis Restoration, Pillar to Post Home Inspections, CertaPro Painters, and College Pro Painters.

The Commercial Real Estate Services segment reported revenues of $438.4 million during fiscal 2006, relative to $120.5 million in the prior year. Internal growth was 24%, foreign exchange contributed 2% and the balance of growth was the result of acquisitions completed during the past two years. EBITDA was $36.5 million, at a margin of 8.3%, versus the prior year's EBITDA of $11.1 million at a margin of 9.2%. The higher margin in the prior year period reflected four months of operations which included the seasonal peak month of December, while the fiscal 2006 results reflect a full year of operations.

In Residential Property Management, revenues increased 26% to $346.1 million. After considering the 3% impact of acquisitions, internal growth was 23% and was attributable to significant property management contract wins, particularly in South Florida, and an increase in ancillary service revenues.

Residential Property Management reported EBITDA of $31.4 million or 9.1% of revenues, up from $24.1 million or 8.8% of revenues in the prior year. The increase in margin is the result of an increase in higher margin ancillary services and operating leverage. The margins of both years were favorably impacted by productivity gains resulting from grounds maintenance and cleanup work in the aftermath of hurricanes in August through October of each year.

Integrated Security Services revenues were $149.1 million, an increase of 4% relative to the prior year, which was attributable to foreign exchange on Canadian operations. Segment EBITDA was $7.7 million, or 5.1% of revenues, a 190 basis point decline relative to the prior year. The change in margin was the result of lower gross margins on systems installations in certain markets as a result of competitive pricing pressure, delays in the startup of several large projects and costs incurred to open new branch offices.

Corporate costs rose to $12.5 million from $9.0 million in fiscal 2005. Professional fees (legal, audit and Sarbanes-Oxley consulting) were significantly higher than the previous year. In addition, the Company recorded $1.4 million of stock option expense during the year, an increase of $0.8 million relative to the prior year.

Results of operations - year ended March 31, 2005

FirstService reported revenues from continuing operations of $651.4 million for the year, an increase of 48% relative to the prior year. The increase was comprised of internal growth of 10%, acquisitions of 37% and the impact of foreign exchange of 1%.

Operating earnings increased 28% relative to the prior year, to $35.3 million. EBITDA increased 56% to $56.4 million. The gap between operating earnings growth relative to revenue and EBITDA growth is primarily the result of rapid amortization of brokerage backlog intangibles related to the CMN International Inc. ("CMN") acquisition, which had a significant impact on the first year after acquisition.

Depreciation and amortization expense was $21.1 million relative to $8.6 million in the prior year. With regard to the CMN acquisition, we recorded a short-lived intangible asset relating to the backlog of pending brokerage transactions that existed at the acquisition date. The intangible is being amortized to coincide with the expected completion dates of the underlying brokerage transactions. Brokerage backlog amortization expense recorded during the four month period from the acquisition date to March 31, 2005 was $8.7 million. The balance of the increase in depreciation and amortization is the result of amortization of other intangible assets recognized upon acquisitions during the past two years, as well as increases in fixed assets resulting from capital expenditures and acquisitions.

Interest expense increased to $7.2 million from $4.1 million in the prior year. Our weighted average interest rate increased to approximately 6.2% versus 5.2% in the prior year as our predominately floating rate structure was impacted by an increase in market-based interest rates during the year. Our indebtedness also increased substantially during the year due to the financing of the CMN acquisition. In December 2004, we cancelled an interest rate swap on a notional principal of $30 million of our 6.40% Notes at a cost of nil. The balance of our debt was at floating rates as of March 31, 2005.

Our consolidated income tax rate for fiscal 2005 was 25%, reflecting the benefit of a $1.1 million reduction in tax liability related to completion of tax reviews for other years. The prior year's tax rate was 29%. We continue to benefit from the cross-border tax structures first implemented in fiscal 2000.

Net earnings from continuing operations was $15.4 million, an increase of 5% relative to fiscal 2004. Adjusting for the after-tax impact of the short-term brokerage backlog amortization related to the CMN acquisition, net earnings from continuing operations would have been $5.6 million higher, or $21.0 million, for an increase of 44%. All of the Company's continuing operations contributed strongly to the increase in net earnings.

We reported a $1.2 million net gain on the sale of three discontinued operations. Discontinued operations, other than the gain on sale, reported net earnings of $6.6 million, comprised of Resolve net earnings of $7.2 million and a net loss of $0.6 million at three other smaller operations. Prior year discontinued operations net earnings were $4.4 million, comprised of Resolve net earnings of $5.0 million and a net loss of $0.6 million at the three other operations. The increase in Resolve's net earnings was attributable to a gain on the settlement of a long term contract during the fourth quarter of fiscal 2005.

The Property Improvement Services operations reported revenues of $111.8 million, an increase of 25% versus the prior year, excluding discontinued operations. Of the increase, 14% was attributable to internal growth and 11% to acquisitions. EBITDA for the year was $19.9 million, 33% higher than the prior year, and the EBITDA margin increased 110 basis points to 17.8%. Solid results were generated at all of our major franchise systems, including California Closets, Paul Davis Restoration, Pillar to Post Home Inspections, CertaPro Painters, and College Pro Painters.

The Commercial Real Estate Services segment, comprised of CMN, reported revenues of $120.5 million during the four months it was owned by us in fiscal 2005. CMN has benefited from strong market conditions in the regions in which it operates and has performed beyond our expectations to date. However, due to the nature of economic cycles and the relatively lower proportion of recurring revenues in this segment relative to our other segments, we believe this operation will experience greater volatility in earnings than our four other service lines. EBITDA was $11.1 million for the four month period, at a margin of 9.2%, which reflected the positive impact of December peak period brokerage volumes. The fourth quarter was impacted by the January to March seasonal low for brokerage activity, resulting in a margin for the quarter of 0.6%.

In Residential Property Management, excluding discontinued operations, revenues increased 20% to $275.2 million. After considering the 10% impact of acquisitions, internal growth was 10% and was attributable to core management contract wins and an increase in ancillary service revenues.

Residential Property Management reported EBITDA of $24.1 million or 8.8% of revenues, up from $19.7 million or 8.6% of revenues in the prior year. The increase in margin was attributed primarily to higher productivity, in part due to increased service requirements arising from the severe weather conditions in South Florida experienced in August and September 2004, an increase in higher margin ancillary services, and the favorable impact of acquisitions.

Integrated Security Services revenues were $143.2 million, an increase of 17% relative to the prior year. Seven percent of the increase was attributable to internal growth while 6% was from an acquisition completed in February 2004 and 4% was attributable to foreign exchange on Canadian operations. Segment EBITDA was $10.3 million, or 7.2% of revenues, a 30 basis point improvement relative to the prior year and due primarily to a greater mix of higher margin systems integration services revenues.

Corporate costs rose to $9.0 million from $6.9 million in fiscal 2004. Performance based executive compensation expense increased $1.3 million relative to the prior year. Professional fees (legal, audit and Sarbanes-Oxley consulting) were higher than the previous year. In addition, the Company recorded $0.6 million of stock option expense during the year, an increase of $0.3 million relative to the prior year.

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

Year ended March 31	2006	2005	2004	2003	2002
OPERATIONS					
Revenues	$ 1,068,134	$ 651,376	$ 441,333	$ 382,302	$ 356,995
Operating earnings	65,226	35,306	27,633	23,278	25,859
Net earnings from continuing operations	28,034	15,390	14,649	11,446	11,066
Net earnings from discontinued operations, net of income taxes	41,463	7,817	4,375	6,994	5,963
Net earnings	69,497	23,207	19,024	18,440	17,029
FINANCIAL POSITION					
Total assets	$ 711,004	$ 626,728	$ 437,553	$ 389,031	$ 365,929
Long-term debt	248,686	220,015	163,888	164,919	165,611
Shareholders' equity	237,752	185,871	155,101	123,406	99,221
Book value per share	7.91	6.15	5.26	4.36	3.60
OTHER DATA					
EBITDA	$ 88,804	$ 56,413	$ 36,219	30,815	32,727
Diluted earnings per share from continuing operations adjusted for brokerage backlog amortization	1.01	0.67	0.50	0.40	0.38
SHARE DATA					
Net earnings per share					
Basic					
Continuing operations	$ 0.93	$ 0.52	$ 0.51	$ 0.41	$ 0.41
Discontinued operations	1.37	0.26	0.16	0.25	0.22
	2.30	0.78	0.67	0.66	0.63
Diluted					
Continuing operations	0.87	0.49	0.50	0.40	0.38
Discontinued operations	1.34	0.25	0.15	0.24	0.20
	2.21	0.74	0.65	0.64	0.58
Weighted average shares (thousands)					
Basic	30,171	29,777	28,570	27,842	27,130
Diluted	30,896	30,467	29,192	28,995	29,200
Cash dividends per share	-	-	-	-	-

Quarterly results - fiscal years ended March 31, 2006 and 2005
(in thousands of US$, except per share amounts)

Period	Q1	Q2	Q3	Q4	Year
FISCAL 2006					
Revenues	$ 251,216	$ 272,320	$ 296,651	$ 247,947	$ 1,068,134
Operating earnings	24,903	24,430	12,930	2,963	65,226
Net earnings from continuing operations	10,964	11,228	5,371	471	28,034
Net earnings from discontinued operations	156	2,564	2,782	35,961	41,463
Net earnings	11,120	13,792	8,153	36,432	69,497
Net earnings per share:					
Basic	0.37	0.46	0.27	1.21	2.30
Diluted	0.35	0.44	0.26	1.18	2.21
FISCAL 2005					
Revenues	$ 131,623	$ 142,717	$ 176,926	$ 200,110	$ 651,376
Operating earnings (loss)	12,416	15,384	10,344	(2,838)	35,306
Net earnings (loss) from continuing operations	6,536	8,462	3,266	(2,874)	15,390
Net earnings from discontinued operations	2,856	1,066	1,676	2,219	7,817
Net earnings (loss)	9,392	9,528	4,942	(655)	23,207
Net earnings (loss) per share:					
Basic	0.32	0.32	0.17	(0.02)	0.78
Diluted	0.31	0.32	0.16	(0.04)	0.74
OTHER DATA					
EBITDA - Fiscal 2006	29,343	28,679	20,663	10,119	88,804
EBITDA - Fiscal 2005	14,757	17,955	18,364	5,337	56,413

Seasonality and quarterly fluctuations

Certain segments of the Company's operations are subject to seasonal variations. The demand for exterior painting (Property Improvement Services segment) and swimming pool management in the northern United States and Canada (Residential Property Management segment) is highest during late spring, summer and early fall and very low during winter. These operations generate most of their annual revenues and earnings between April and September and comprise approximately 9% of consolidated revenues.

The Commercial Real Estate Services operation generates peak revenues and earnings in the month of December followed by a low in January and February as a result of the timing of closings on commercial real estate brokerage transactions. Revenues and earnings during the balance of the year are relatively even. These brokerage operations comprise approximately 30% of consolidated revenues.

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

Liquidity and capital resources

The Company generated cash flow from operating activities totaling $59.3 million for fiscal 2006, an increase of 63% relative to the prior year, similar to the increase in earnings. We believe that cash from operations and other existing resources will continue to be adequate to satisfy the ongoing working capital needs of the Company.

Net indebtedness as at March 31, 2006 was $80.7 million, down from $182.3 million at March 31, 2005. Net indebtedness is calculated as the current and non-current portion of long-term debt adjusted for interest rate swaps less cash and cash equivalents. The disposal of Resolve was the primary driver for the decrease in net indebtedness.

We are in compliance with the covenants required of our financing agreements as at March 31, 2006 and, based on our outlook for fiscal 2007, we expect to remain in compliance with such covenants. We had $104.8 million of available revolving credit as of March 31, 2006.

On April 1, 2005, we entered into an amended and restated credit agreement with a syndicate of banks to provide a $110 million committed senior revolving credit facility with a three year term to replace the existing $90 million facility. The amended revolving credit facility bears interest at 1.00% to 2.25% over floating reference rates, depending on the ratio of our net debt to adjusted EBITDA. The covenants remained substantially unchanged relative to the prior credit agreement.

Also on April 1, 2005, we completed a private placement of $100 million of 5.44% Senior Notes with a group of US institutional investors. These Senior Notes have a final maturity of April 1, 2015 with five equal annual principal repayments beginning on April 1, 2011. The proceeds of the private placement were used to fully repay outstanding balances on the revolving credit facility.

During fiscal 2006, we cancelled interest rate swaps on $105.7 million of principal of Senior Notes for a net gain of $0.1 million. As of March 31 2006, substantially all of our debt is at a weighted average fixed interest rate of 6.6%.

During the second half of fiscal 2006, we founded Colliers International Mortgage Corp., a commercial mortgage backed securities conduit business (“Colliers Mortgage”) within our Commercial Real Estate Services operations. Colliers Mortgage intends to originate commercial mortgage loans in the $0.5 to $25 million range and then promptly sell pools of these loans to third parties. Under its financing agreements, the Company is permitted to have outstanding a maximum of $20 million of mortgage loans receivable. To facilitate higher loan volumes, we have arranged for a third party financing provider to fund a significant portion of each loan. Immediately before selling pools of mortgages, Colliers Mortgage has the option to acquire the financing provider’s portion of the loans. As of March 31, 2006, we had C$8.0 million (US$6.9 million) of mortgage loans receivable and a right to purchase C$32.1 million (US$27.5 million) of mortgages from our financing provider.

Capital expenditures for the year were $18.8 million. Significant purchases included production equipment at several California Closets branchises and leasehold improvements at several locations in our Commercial Real Estate and Residential Property Management segments.

When making acquisitions, we generally purchase executive life insurance policies on the principal managers of the acquired businesses. We believe this practice mitigates risk on acquisitions. At March 31, 2006, the Company had twenty such life insurance policies in force.

In relation to acquisitions completed during the past three years, we have outstanding contingent consideration totaling $8.6 million as at March 31, 2006 ($14.2 million as at March 31, 2005). The amount of the contingent consideration is not recorded as a liability unless the outcome of the contingency is determined to be beyond a reasonable doubt. The contingent consideration is based on achieving specified earnings levels, and is issued or issuable at the end of the contingency period. When the contingencies are resolved and additional consideration is distributable, we will record the fair value of the additional consideration as additional costs of the acquired businesses.

In certain cases, our subsidiaries have issued options to purchase shares of subsidiaries to operating managers. The subsidiary stock options are accounted for in the same manner as stock options of the Company. In addition, the numerators for our diluted earnings per share calculations are adjusted to account for potential dilution from stock options in subsidiaries.

When stock options are exercised, the minority shareholders become party to shareholders' agreements as described below.

All minority shareholders of our subsidiaries are party to shareholders' agreements. These agreements allow us to "call" the minority position for a formula price, which is usually equal to a multiple of trailing two-year average earnings. Minority owners may also "put" their interest to the Company at the same price, with certain limitations. The total value of the minority shareholders' interests, as calculated in accordance with the shareholders' agreements, was approximately $79 million at March 31, 2006 (March 31, 2005 - $70 million). The purchase price of minority interests may, at our option, be paid primarily in Subordinate Voting Shares of FirstService. While it is not our intention to acquire outstanding minority interests, this step may materially increase net earnings. On an annual basis, we estimate the impact of the acquisition of all minority interests with cash would increase interest expense by $5.3 million, increase amortization expense by $7.5 million, reduce income taxes by $4.9 million and reduce minority interest share of earnings by $11.9 million, resulting in an approximate increase to net earnings of $4.0 million, all relative to the amounts reported for the year ended March 31, 2006.

The following table summarizes our contractual obligations as at March 31, 2006:

Contractual obligations	**Payments due by period**				
(In thousands of US$)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long-term debt	$ 243,362	$ 16,802	$ 32,496	$ 29,627	$ 164,437
Capital lease obligations	5,324	1,844	2,691	789	-
Operating leases	110,010	24,228	37,319	24,446	24,017
Unconditional purchase obligations	-	-	-	-	-
Other long-term obligations	-	-	-	-	-
Total contractual obligations	$ 358,696	$ 42,874	$ 72,506	$ 54,862	$ 188,454

At March 31, 2006, we had commercial commitments totaling $5.2 million comprised of letters of credit outstanding due to expire within one year.

To manage our insurance costs, we take on risk in the form of high deductibles on many of our coverages. We believe this step reduces overall insurance costs in the long term, but may cause fluctuations in the short term depending on the frequency and severity of insurance incidents.

Discussion of critical accounting estimates

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

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

Acquisition purchase price allocations require use of estimates and judgment on the part of management, especially in the determination of intangible assets acquired relative to the amount that is classified as goodwill. For example, if different assumptions were used regarding

the profitability and expected lives of acquired customer contracts and relationships, different amounts of intangible assets and related amortization could be reported.

Amortization of intangible assets requires management to make estimates of useful lives and to select methods of amortization. Useful lives and methods of amortization are determined at the time assets are initially acquired, and then are reevaluated each reporting period. Significant judgment is required to determine whether events and circumstances warrant a revision to remaining periods of amortization. Changes to estimated useful lives and methods of amortization could result in increases or decreases in amortization expense. A 10% reduction to the weighted average useful life of intangible assets, other than short-lived brokerage backlog amortization, would result in an increase to annual amortization expense of $0.4 million.

Accounts receivable allowances are determined using a combination of historical experience, current information, and management judgment. Actual collections may differ from our estimates. A 10% increase in the accounts receivable allowance would increase bad debt expense by $0.8 million.

Income taxes are calculated based on the expected treatment of transactions recorded in the consolidated financial statements. The benefits of certain net operating loss carry-forwards, which have been recognized in the financial statements, require significant management judgment regarding future realization. In determining current and deferred components of income taxes, we interpret tax legislation and make assumptions about the timing of the reversal of deferred tax assets and liabilities. If our interpretations differ from those of tax authorities or if the timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods.

Transactions with related parties

Please refer to note 18 to the consolidated financial statements for information regarding transactions with related parties.

Impact of recently issued accounting standards

SFAS No. 123 (revised 2004), *Share-Based Payment* (“SFAS 123R”) was issued in December 2004. The standard eliminates the ability to account for share-based compensation transactions under APB 25 and requires that share-based compensation transactions, including grants of employee stock options, be accounted for using a fair value based method with the resulting compensation cost recognized over the period that the employee is required to provide service in order to receive the compensation.

The Company adopted the fair value based method of accounting for stock based employee compensation effective April 1, 2003. The Company adopted SFAS 123R on April 1, 2006 under the modified prospective application. Upon adoption of SFAS 123R, the Company changed its approach to accounting for stock options issued by subsidiaries of the Company to subsidiary employees, where the employees have the ability to elect to receive cash payments upon exercise. Previously, these options were recorded as liabilities at their intrinsic value. Under SFAS 123R, these options are classified as liability-classed awards with the fair value of the option, as determined using generally accepted stock option valuation methods, recorded as liabilities. This change resulted in the recognition of a cumulative effect of an accounting policy charge of $1,010 on April 1, 2006.

SFAS No. 154, *Accounting for Changes and Error Corrections a replacement of APB Opinion No. 20 and SFAS No. 3* (“SFAS 154”) was issued in May 2005 and is effective for the Company’s fiscal year beginning April 1, 2006. SFAS 154 changes the requirements for the accounting and reporting of a change in accounting principle, and applies to all voluntary changes in accounting principles.

SFAS No. 156, *Accounting for Servicing of Financial Assets, an amendment of SFAS No. 140* ("SFAS 156") was issued in March 2006. The standard amends SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* , with respect to the accounting for separately recognized servicing assets and servicing liabilities. The standard is effective for the Company's fiscal year beginning April 1, 2007. The Company is currently evaluating the effect of SFAS 156 on the Company's results of operations and financial condition.

Outstanding share data

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

As of the date hereof, the Company has outstanding 28,790,094 Subordinate Voting Shares, 1,325,694 Multiple Voting Shares and no preference shares. In addition, as at the date hereof, 1,656,350 Subordinate Voting Shares are issuable upon exercise of options granted under the Company's stock option plan.

Disclosure controls and procedures

As of March 31, 2006, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon that evaluation and as of March 31, 2006, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports the company files and submits under applicable Canadian and US securities laws is recorded, processed, summarized and reported as and when required.

Additional information

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

Forward-looking statements

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

- Economic conditions, especially as they relate to consumer spending.
- Commercial real estate property values, vacancy rates and general conditions of financial liquidity for real estate transactions.
- Extreme weather conditions impacting demand for our services or our ability to perform those services.
- Political conditions, including any outbreak or escalation of terrorism or hostilities and the impact thereof on our business.
- Competition in the markets served by the Company.

- Labor shortages or increases in wage and benefit costs.
- The effects of changes in interest rates on our cost of borrowing.
- Unexpected increases in operating costs, such as insurance, workers' compensation, health care and fuel prices.
- Changes in the frequency or severity of insurance incidents relative to our historical experience.
- The effects of changes in the Canadian dollar foreign exchange rate in relation to the US dollar on the Company's Canadian dollar denominated revenues and expenses.
- Our ability to make acquisitions at reasonable prices and successfully integrate acquired operations.
- Changes in government policies at the federal, state/provincial or local level that may adversely impact our businesses.

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

EXHIBIT 4

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the inclusion of our report dated May 16, 2006 (except as to note 21, which is as of May 19, 2006), relating to the consolidated balance sheets of FirstService Corporation (the "Company") as at March 31, 2006 and 2005 and the consolidated statements of earnings, shareholders' equity and cash flows for each year in the three-year period ended March 31, 2006, appearing in this Annual Report on Form 40-F of the Company for the year ended March 31, 2006.

PricewaterhouseCoopers LLP
Chartered Accountants

Toronto, Canada
May 26, 2006

EXHIBIT 31

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

I, Jay S. Hennick, certify that:

1. I have reviewed this annual report on Form 40-F of FirstService Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

May 26, 2006

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

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

I, John B. Friedrichsen, certify that:

1. I have reviewed this annual report on Form 40-F of FirstService Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

May 26, 2006

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

EXHIBIT 32

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

In connection with the annual report on Form 40-F of FirstService Corporation (the "Company") for the fiscal year ended March 31, 2006 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, Jay S. Hennick, Chief Executive Officer of the Company, certify, pursuant to 18 USC. section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Dated: May 26, 2006

/s/ Jay S. Hennick

Jay S. Hennick
Chief Executive Officer

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

In connection with the annual report on Form 40-F of FirstService Corporation (the "Company") for the fiscal year ended March 31, 2006 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, John B. Friedrichsen, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 USC. section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Dated: May 26, 2006

/s/ John B. Friedrichsen

John B. Friedrichsen
Senior Vice President and Chief Financial Officer