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

FORM 40-F

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

For the fiscal year ended **March 31, 2007**

Commission file number **0-24762**

FirstService Corporation

(Exact name of Registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

[**x**] Annual information form [**x**] Audited annual financial statements

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

28,597,194 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares

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

[ ] Yes [**x**] No

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

[**x**] Yes [ ] No

PRINCIPAL DOCUMENTS

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

A. Annual Information Form

For the Registrant's Annual Information Form for the fiscal year ended March 31, 2007, see Exhibit 1 of this Annual Report on Form 40-F.

B. Audited Annual Financial Statements

For the Registrant's consolidated audited annual financial statements as at March 31, 2007 and 2006 and for the three fiscal years ended on March 31, 2007, including the auditor's report with respect thereto, see Exhibit 2 of this Annual Report on Form 40-F.

C. Management's Discussion and Analysis

For the Registrant's management's discussion and analysis for the fiscal year ended March 31, 2007, see Exhibit 3 of this Annual Report on Form 40-F.

DISCLOSURE CONTROLS AND PROCEDURES

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Registrant is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). The Registrant's management has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

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

The Registrant's management conducted an evaluation of the effectiveness of the Registrant's internal control over financial reporting based on the framework and criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management assessed the effectiveness of the Registrant's internal control over financial reporting for the fiscal year ended March 31, 2007 and concluded that such internal control over financial reporting was effective as of March 31, 2007.

This annual report does not include an attestation report of the Registrant's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Registrant's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Registrant to provide only management's report in this annual report.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the fiscal year ended March 31, 2007, there were no changes in the Registrant's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

NOTICES PURSUANT TO REGULATION BTR

None.

AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant's board of directors (the "Board of Directors") has determined that it has at least one audit committee financial expert (as such term is defined in item 8(a) of General Instruction B to Form 40-F) serving on its audit committee (the "Audit Committee"). Mr. Peter F. Cohen has been determined by the Board of Directors to be such audit committee financial expert and is independent (as such term is defined by the NASDAQ Stock Market's corporate governance standards applicable to the Registrant).

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

CODE OF ETHICS

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

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets out the fees billed to the Registrant by PricewaterhouseCoopers LLP and its affiliates for professional services rendered in each of the fiscal years ended March 31, 2007 and 2006. During these years, PricewaterhouseCoopers LLP was the Registrant's only external auditor.

(in US$)

Year ended March 31		**2007**		**2006**
Audit fees (note 1)	$	1,102,400	$	1,477,900
Audit-related fees (note 2)		339,600		131,500
Tax fees (note 3)		147,100		322,000
All other fees (note 4)		5,000		4,600
	$	**1,594,100**	**$**	**1,936,000**

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 material effect on the Registrant's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

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

IDENTIFICATION OF THE AUDIT COMMITTEE

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

SIGNATURES

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 22, 2007

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, 2007.
2.	Consolidated audited financial statements of the Registrant as at March 31, 2007 and 2006 and for the three fiscal years ended on March 31, 2007, in accordance with generally accepted accounting principles in the United States.
3.	Management's discussion and analysis of results of operations and financial condition of the Registrant.
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, 2007

MAY 18, 2007

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FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM

MAY 18, 2007

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, 2007 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 Stock 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)	84.80%	Pennsylvania
FirstService Commercial Real Estate Services, Inc. (d/b/a Colliers Macaulay Nicolls and Colliers International)	82.98%	Ontario
FirstService (USA), Inc.	100.00%	Delaware
FirstService Delaware, LLC	100.00%	Delaware
FirstService Delaware, LP	100.00%	Delaware
Intercon Security Ltd.	100.00%	Ontario
The Continental Group, Inc.	85.85%	Florida
The Franchise Company, Inc.	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 Founder and CEO of the Company, started a Toronto swimming pool and recreational facility management business, which became the foundation of FirstService. In 1993, we completed our initial public offering on the 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.

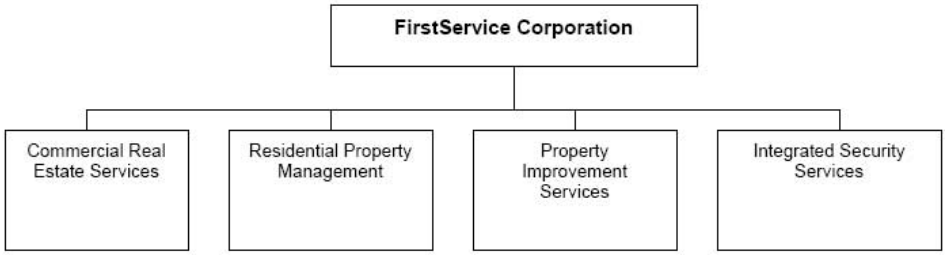
In March 2006, we disposed of Resolve Corporation, our Business Services operation, in an initial public offering of trust units in Canada for consideration comprised of cash and a 7.3% interest in the trust. The disposal marked a significant milestone in our strategy of focusing on property services 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 Colliers International in commercial real estate; Continental, Wentworth and Merit in residential property management; California Closets, Paul Davis Restoration and CertaPro Painters in property improvement and Intercon Security and SST in integrated security.

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$)	2007	2006	2005	2004	2003
Commercial Real Estate Services	$ 608,065	$ 438,434	$ 120,535	$ -	$ -
Residential Property Management	423,797	346,133	275,229	228,790	203,515
Property Improvement Services	150,794	134,136	111,779	89,361	70,850
Integrated Security Services	176,476	149,063	143,160	122,748	107,548
Corporate	554	368	673	434	389
Total	$ 1,359,686	$ 1,068,134	$ 651,376	$ 441,333	$ 382,302

Commercial Real Estate Services

Through CMN, we are a leading international commercial real estate services provider offering a full range of commercial real estate services in the United States, Canada, Australia, New Zealand and several other countries. Operations in the United States and Canada generate approximately 65% of total revenues for this segment, while Asia-Pacific generates approximately 30%. 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 approximately 70% of CMN's revenues and provide opportunities for cross selling other real estate services. In calendar year 2006, through a network of 1,600 brokers across 155 offices, CMN executed transactions valued at $30 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 266 offices generating over $1.6 billion in revenues in 56 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 continue to be achieved both organically and through selective acquisitions. During the year ended March 31, 2007, we completed five acquisitions of businesses providing such complementary services, including mortgage brokerage, valuations, project management and advisory services. 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.

Residential Property Management

We are the largest manager of private residential communities in North America. Private residential communities include condominiums, cooperatives, gated communities and a variety of other residential developments governed by multi-unit residential community associations (collectively referred to as "community associations"). In total, we manage more than 750,000 residential units in 3,500 community associations in the states of Arizona, California, 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, Service America, 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 California, we operate as Merit, which we acquired in April 2007.

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

FirstService is a full-service property manager and in many markets provides a full range of services including grounds maintenance, landscaping, painting, pest control, irrigation, home service contracts, real estate sales and leasing, heating, air conditioning, plumbing and swimming pool management and maintenance. 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 all the community associations in the United States is estimated to be $40 billion. The aggregate budget of the community associations managed by FirstService is estimated at approximately $4.5 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 57 million Americans, representing approximately 23.1 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 286,000 community associations in the United States; and (iv) the total annual operating expenses for these community associations are estimated to be $40 billion. The market is growing at a rate of approximately 3% per year as a result of the 6,000-8,000 new community associations formed each year. In addition, the growing trend from self-management to professional management, currently almost 50% of the market, is believed to at least double the effective growth rate for professional property management companies.

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

The residential property management industry is extremely fragmented and dominated by numerous local and regional management companies. Only a small number of such companies, however, have the expertise and capital to provide both traditional property management services as well as the other support services provided by full-service property managers. FirstService is the largest full-service manager of private residential communities in the United States, managing over 3% of the nation's approximately 23.1 million units in community associations. We enjoy a competitive advantage because of our size, depth of financial and management resources, and operating expertise.

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

Property Improvement Services

In Property Improvement Services, we provide a variety of residential and commercial services through our network of approximately 1,900 franchised and 11 Company-owned locations across North America. The principal brands in this division include California Closet Company ("California Closets"), Paul Davis Restoration, CertaPro Painters, College Pro Painters, Pillar to Post Home Inspection and Handyman Connection. During the three years ended March 31, 2007, we sold our Company-owned carpet cleaning business, 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 108 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 221 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 282 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 640 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 491 franchises. Pillar to Post earns royalties from its franchisees based on a percentage of franchisee revenues.

Based in Ohio, Handyman Connection is North America's leading home repair and remodeling service franchiser. Services are provided by a network of 134 franchises operating throughout the United States. Handyman Connection earns royalties from its franchisees based on a percentage of franchisee revenues.

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

We currently own and operate 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.

Integrated Security Services

FirstService is one of North America's largest providers of integrated security services, primarily to the commercial market, with operations in 17 branches in 10 US states and 3 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 $4.5 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 particularly those with somewhat unique requirements, within industry verticals that we have targeted. We differentiate ourselves through superior customer service and by designing and integrating open architecture systems (versus proprietary or closed systems).

Business strategy

Operating strategy

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

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

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

Operating efficiencies: We have been able to obtain significant operating efficiencies through the implementation of a variety of "best practices" and have achieved meaningful cost savings through certain economies of scale. We attempt to identify and refine our best practices across all of our businesses in order to benefit from the most innovative and effective management techniques. The implementation of best practices has resulted in improved labor management,

EBITDA is defined as net earnings before extraordinary items, discontinued operations, minority interest share of earnings, income taxes, interest, other income, depreciation and amortization and stock-based compensation expense. The Company uses EBITDA to evaluate operating performance. EBITDA is an integral part of the Company's planning and reporting systems. Additionally, the Company uses multiples of current and projected EBITDA in conjunction with discounted cash flow models to determine its overall enterprise valuation and to evaluate acquisition targets. The Company believes EBITDA is a reasonable measure of operating performance because of the low capital intensity of its service operations. The Company believes EBITDA is a financial metric used by many investors to compare companies, especially in the services industry, on the basis of operating results and the ability to incur and service debt. EBITDA is not a recognized measure of financial performance under generally accepted accounting principles ("GAAP") in the United States of America, 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.

customer service and service delivery routing. We also achieve significant savings through the volume purchasing of vehicles, insurance, group benefits, advertising and professional and financial services.

Marketing penetration and joint marketing: We capitalize on the complementary nature of our businesses by introducing new or additional services to customers with which we already have long-term contractual relationships. The complementary nature of our property services businesses also provides certain advantages when introducing a new service in a market where we have existing operations. These advantages include significant market knowledge, demographic information and the ability to share the established overhead of existing operations. Because we provide a number of property services, we are able to effectively utilize 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 times normalized and sustainable EBITDA (“Valuation EBITDA”) for smaller tuck-under acquisitions and slightly higher multiples for larger 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 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 6% 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 25% of consolidated revenues.

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

Trademarks

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

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

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

Employees

We employ approximately 16,000 non-unionized employees, rising to a total of approximately 17,500 with seasonal employees in the spring and summer months.

Minority interests

FirstService owns a majority interest 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 at the discretion of the board of directors of the Company, an unlimited number of Subordinate Voting Shares and an unlimited number of convertible Multiple Voting Shares. The holders of Subordinate Voting Shares are entitled to one (1) vote in respect of each Subordinate Voting Share held at all meetings of the shareholders of the Company. The holders of Multiple Voting Shares are entitled to twenty (20) votes in respect of each Multiple Voting Share held at all meetings of the shareholders of the Company. Each Mulitple Voting Share is convertible into one Subordinate Voting Share at the option of the holder. Effective December 15, 2004, a stock dividend was declared, effectively achieving a 2-for-1 stock split for all outstanding Subordinate and Multiple Voting Shares. As of May 18, 2007, there were 28,475,794 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 15, 2007 filed in connection with the Company’s annual and special meeting of shareholders to be held on June 25, 2007, which section is incorporated herein by reference.

Market for securities

The Company’s Subordinate Voting Shares are listed for trading on the TSX and NASDAQ. The Company’s 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 2007:

	NASDAQ			TSX		
Month	High price (US$)	Low price (US$)	Volume traded	High price (C$)	Low price (C$)	Volume traded
April 2006	26.75	24.11	629,200	30.78	27.43	815,700
May 2006	25.85	23.13	408,200	28.75	26.00	849,600
June 2006	26.75	24.08	406,400	29.95	26.71	551,400
July 2006	27.00	22.64	412,900	30.00	26.20	568,300
August 2006	25.82	23.57	395,700	29.00	26.40	475,500
September 2006	25.25	22.64	375,200	27.90	25.33	344,000
October 2006	24.80	22.97	467,500	27.96	26.38	543,300
November 2006	24.49	23.19	170,500	27.99	26.06	436,200
December 2006	24.57	22.81	288,300	28.23	26.30	989,400
January 2007	25.31	21.81	572,500	29.99	25.50	1,368,500
February 2007	26.00	24.73	446,400	30.40	29.22	817,200
March 2007	27.75	23.40	493,200	32.02	27.80	1,033,200

Transfer agents and registrars

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

Directors and officers

Directors - The following are the directors of the Company as at May 18, 2007:

Name and municipality of residence	Age	Present position and tenure	Business experience during last five years
David R. Beatty[2,3] *Toronto, Ontario*	65	Director since May 2001	Corporate Director; Chair and CEO, Beatinvest Limited (an investment company); Managing Director of the Canadian Coalition for Good Governance; Professor of Strategy, Director of Clarkson Center for Business Ethics and Board Effectiveness and Professor of Strategic Management, Rotman School of Management, University of Toronto
Brendan Calder[1,2,3] *Toronto, Ontario*	60	Director since June 1996	Corporate Director; Professor, Rotman School of Management, University of Toronto
Peter F. Cohen[1,2,3] *Toronto, Ontario*	54	Director since March 1990; Chair of the Board since May 2005	President, Dawsco Capital Corp. (an Ontario-based real estate and investment company)
Bernard I. Ghert[1] *Toronto, Ontario*	67	Director since June 2004	Corporate Director
Jay S. Hennick *Toronto, Ontario*	50	Chief Executive Officer and Director since May 1988	Chief Executive Officer of the Company
Steven S. Rogers *Mississauga, Ontario*	51	Director since August 1989	President and Chief Executive Officer, The Franchise Company, Inc. (subsidiary of the Company)
Michael D. Harris *Vaughan, Ontario*	62	Director since June 2006	Senior Business Advisor, Goodmans LLP; Corporate Director; Senior Fellow, The Fraser Institute Former Premier of the Province of Ontario

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

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

Further background information regarding the directors of the Company is set out in the sections entitled "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 18, 2007:

Name and municipality of residence	Age	Present position with the Company	First became an officer
Jay S. Hennick *Toronto, Ontario*	50	Founder and Chief Executive Officer	1988
D. Scott Patterson *Toronto, Ontario*	46	President and Chief Operating Officer	1995
John B. Friedrichsen *Toronto, Ontario*	45	Senior Vice President and Chief Financial Officer	1998
Roman Kocur *Toronto, Ontario*	46	Managing Director, Corporate Development	2003
Michael Natale *Toronto, Ontario*	47	Vice President, Performance & Risk Management	2005
Douglas G. Cooke *Toronto, Ontario*	47	Vice President and Corporate Controller	1995

The directors and executive officers of the Company, as a group, own or control 2,315,969 Subordinate Voting Shares, which represents 8.1% of the total Subordinate Voting Shares outstanding. The directors and officers, as a group, control 52.4% of the total voting rights when all Multiple Voting Shares and Subordinate Voting Shares are considered. Pursuant to the deferred share unit plan of the Company, certain directors of the Company also hold an aggregate of 6,791 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, 2007:

(square feet)	United States (leased)	United States (owned)	Canada (leased)	Canada (owned)	International (leased)	International (owned)
Residential Property Management	383,000	312,000	5,000	-	-	-
Commercial Real Estate Services	348,000	-	254,000	-	188,000	-
Integrated Security Services	58,000	-	56,000	-	-	-
Property Improvement Services	202,000	-	35,000	-	-	-
Corporate	-	-	-	20,000	-	-

Selected annual financial information - last five fiscal years

(in thousands of US$, except per share amounts)

Year ended March 31	2007	2006	2005	2004	2003
OPERATIONS					
Revenues	$ 1,359,686	$ 1,068,134	$ 651,376	$ 441,333	$ 382,302
Operating earnings	82,988	65,226	35,306	27,633	23,278
Net earnings from continuing operations	36,687	28,034	15,390	14,649	11,446
Net (loss) earnings from discontinued operations	(471)	41,463	7,817	4,375	6,994
Net earnings	34,863	69,497	23,207	19,024	18,440
FINANCIAL POSITION					
Total assets	$ 816,998	$ 711,004	$ 626,728	$ 437,553	$ 389,031
Long-term debt	235,149	248,686	220,015	163,888	164,919
Shareholders' equity	264,875	237,752	185,871	155,101	123,406
Book value per share	8.85	7.91	6.15	5.26	4.36
OTHER DATA					
EBITDA (note1)	$ 121,356	$ 91,395	$ 58,101	$ 36,541	$ 30,815
Diluted earnings per share from continuing operations adjusted for brokerage backlog amortization and impairment loss on available-for-sale securities (note 2)	1.37	1.01	0.67	0.50	0.40
SHARE DATA					
Net earnings per share					
Basic					
Continuing operations	$ 1.23	$ 0.93	$ 0.52	$ 0.51	$ 0.41
Discontinued operations	(0.02)	1.37	0.26	0.16	0.25
Cumulative effect adjustment	(0.04)	-	-	-	-
	1.17	2.30	0.78	0.67	0.66
Diluted					
Continuing operations	1.14	0.87	0.49	0.50	0.40
Discontinued operations	(0.02)	1.34	0.25	0.15	0.24
Cumulative effect adjustment	(0.04)	-	-	-	-
	1.08	2.21	0.74	0.65	0.64
Weighted average shares (thousands)					
Basic	29,903	30,171	29,777	28,570	27,842
Diluted	30,354	30,896	30,467	29,192	28,995
Cash dividends per share	-	-	-	-	-

Quarterly results - fiscal years ended March 31, 2007 and 2006

(in thousands of US$, except per share amounts)

Period	Q1	Q2	Q3	Q4	Year
FISCAL 2007					
Revenues	$ 325,504	$ 338,681	$ 374,757	$ 320,744	$ 1,359,686
Operating earnings	30,351	24,873	17,504	10,260	82,988
Net earnings from continuing operations	14,133	11,973	7,757	2,824	36,687
Net loss from discontinued operations	-	-	-	(471)	(471)
Net earnings	12,780	11,973	7,757	2,353	34,863
Net earnings per share:					
Basic	0.43	0.40	0.26	0.08	1.17
Diluted	0.39	0.38	0.25	0.06	1.08
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
OTHER DATA					
EBITDA - fiscal 2007 (note 1)	38,301	32,871	27,550	22,634	121,356
EBITDA - fiscal 2006 (note 1)	29,756	29,157	21,075	11,407	91,395

Notes

1. EBITDA is defined as net earnings before extraordinary items, discontinued operations, minority interest share of earnings, income taxes, interest, other income, depreciation and amortization and stock-based compensation expense. The Company uses EBITDA to evaluate operating performance. EBITDA is an integral part of the Company's planning and reporting systems. Additionally, the Company uses multiples of current and projected EBITDA in conjunction with discounted cash flow models to determine its overall enterprise valuation and to evaluate acquisition targets. The Company believes EBITDA is a reasonable measure of operating performance because of the low capital intensity of its service operations. The Company believes EBITDA is a financial metric used by many investors to compare companies, especially in the services industry, on the basis of operating results and the ability to incur and service debt. EBITDA is not a recognized measure of financial performance under GAAP in the United States of America, 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	2007	2006	2005	2004	2003
Operating earnings	$ 82,988	$ 65,226	$ 35,306	$ 27,633	$ 23,278
Depreciation and amortization	31,587	23,578	21,107	8,586	7,537
	114,575	88,804	56,413	36,219	30,815
Stock-based compensation expense	6,781	2,591	1,688	322	-
EBITDA	$ 121,356	$ 91,395	$ 58,101	$ 36,541	$ 30,815

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 (i) the amortization of short-lived intangible assets acquired in connection with recent commercial real estate services acquisitions and (ii) the impairment loss on available-for-sale securities. The Company believes this measure is useful because (i) it isolates the impact of material non-recurring acquisition-related amortization expense and (ii) it eliminates the effect of a non-cash impairment of securities obtained in connection with the disposal of a business. This is not a recognized measure of financial performance under GAAP in the United States of America, and should not be considered as a substitute for diluted net earnings per share from continuing operations, as determined in accordance with GAAP. The Company's method of calculating this measure may differ from other issuers and accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation appears below.

(in US$)					
Year ended March 31	**2007**	**2006**	**2005**	**2004**	**2003**
Diluted net earnings per share from continuing operations	$ 1.14	$ 0.87	$ 0.49	$ 0.50	$ 0.40
Amortization of brokerage backlog, net of taxes	0.15	0.14	0.18	-	-
Impairment loss on available-for-sale securities, net of taxes	0.08	-	-	-	-
Adjusted diluted net earnings per share from continuing operations	$ 1.37	$ 1.01	$ 0.67	$ 0.50	$ 0.40

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 foreign exchange rates in relation to the US dollar on the Company's Canadian and Australian dollar denominated revenues and expenses.
- Our ability to make acquisitions at reasonable prices and successfully integrate acquired operations.
- 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 2007 annual report is incorporated herein by reference.

Interest of management and others in material transactions

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

Material contracts

On February 1, 2004, the Company, upon the review, report and recommendation of the Executive Compensation Committee of the Board of Directors of the Company, entered into a

management services agreement (the "Management Services Agreement") with Jayset Capital Corp. (“Jayset”) and Jay S. Hennick. Mr. Hennick is the sole officer, director and shareholder of Jayset. The particulars of the Management Services Agreement are set out in the sections entitled "Executive Compensation - Management Contract" and "Sale of Control Agreement" contained in the Circular, which sections are incorporated herein by reference.

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, 2007 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, 2007

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. In fiscal 2007, the Board adopted an updated Audit Committee mandate, a copy of which is annexed hereto as Exhibit 'A'. the Audit Committee mandate is also published on the Company's website (www.firstservice.com).

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

Bernard I. Ghert (Chair) - Mr. Ghert has a Masters degree in Business Administration (MBA). Mr. Ghert was 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 is a 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 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 is 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 auditor 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 billed the Company the following fees for each of the Company's two most recently completed fiscal years:

(in US$) **Year ended March 31**	**2007**	**2006**
Audit fees (note 1)	$ 1,102,400	$ 1,477,900
Audit-related fees (note 2)	339,600	131,500
Tax fees (note 3)	147,100	322,000
All other fees (note 4)	5,000	4,600
	$ 1,594,100	**$ 1,936,000**

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 website 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, 2007.

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

EXHIBIT "A"

MANDATE OF THE AUDIT COMMITTEE

PURPOSE

The Audit Committee (the "**Committee**") is appointed by and shall assist the Board of Directors (the " **Board**") of FirstService Corporation (the "**Company**") in fulfilling its oversight responsibilities in the following principal areas: (i) accounting policies and practices, (ii) the financial reporting process, (iii) financial statements provided by the Company to the public, (iv) risk management including systems of accounting and financial controls, (v) appointing, overseeing and evaluating the work and independence of the external auditors, and (vi) compliance with applicable legal and regulatory requirements.

In addition to the responsibilities specifically enumerated in this Mandate, the Board may refer to the Committee such matters and questions relating to the financial position and operations of the Company and its subsidiaries as the Board may from time to time see fit.

MEMBERSHIP

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

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

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

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

CHAIR AND SECRETARY

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

MEETINGS

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

MEETING AGENDAS

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

RESOURCES AND AUTHORITY

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

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

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

RESPONSIBILITIES

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

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

The specific responsibilities of the Committee are as follows:

1. **Financial Reporting Process and Financial Statements**

    a. In consultation with the external auditors and management, review the integrity of the Company's financial reporting process, both internal and external, and any major issues as to the adequacy of the internal controls and any special audit procedures adopted in light of any material control deficiencies;

b. Review all material transactions and contracts entered into by the Company with any insider or related party of the Company, other than director, officer or employee compensation which is approved by the Compensation Committee;

c. Review with management and the external auditors the Company's annual audited consolidated financial statements and discuss with the external auditors all matters required to be discussed by generally accepted auditing standards (GAAS) in Canada and the United States. This would include reviewing an annual report prepared by the external auditors describing: (i) all critical accounting policies used by the Company, (ii) any material alternative accounting treatments within generally accepted accounting principles (GAAP) that have been discussed with management of the Company, including the ramifications of the use of such alternative treatments and disclosures, and (iii) any other material written communications between the external auditors and management;

d. Following completion of the annual audit, review with management and the external auditors any significant issues, concerns or difficulties encountered and resolve any disagreements between management and the external auditors;

e. Review the interim quarterly and annual financial statements and annual and interim press releases prior to the release of earnings information, including earnings guidance provided to analysts;

f. Review and be satisfied that adequate procedures are in place for the review of the public disclosure of financial information by the Company extracted or derived from the Company's financial statements, other than as referred to in (f), and periodically assess the adequacy of those procedures; and

g. Meet separately with management and with the external auditors, including at the time of the annual audit plan review with management and the external auditors.

2. External Auditors

a. The Committee shall require the external auditor to report directly to it and is responsible for the selection, nomination, compensation, retention, termination and oversight of the work of the external auditors engaged for the purpose of issuing an auditor's report or performing other audit, review or attest services for the Company, and in such regard recommend to the Board the external auditors to be nominated for approval by the shareholders;

b. Pre-approve all audit engagements and the provision by the external auditors of all non-audit services, including fees and terms for all audit and non-audit engagements, and in such regard the Committee may establish the types of non-audit services the external auditors shall be prohibited from providing and shall establish the types of audit, audit related and non-audit services for which the Committee will retain the external auditors. The Committee may delegate the responsibility to pre-approve non-audit services to one of its members and any such delegated pre-approvals shall be presented to the Committee at its next scheduled meeting ;

c. Review and approve the Company's policies for the hiring of partners and employees and former partners and employees of the external auditing firm;

d. Consider, assess and report to the Board with regard to the independence and performance of the external auditors; and

e. Request and review annually a report by the external auditors regarding the auditing firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the past five years.

3. Internal Controls and Risk Management

a. Oversee management's design, implementation and evaluation of the Company's internal controls over financial reporting, including compliance with the requirements of the Sarbanes-Oxley Act. Receive and review reports from management and the external auditors with regard to the reliability and effective operation of the Company's accounting systems and internal controls;

b. Discuss with management the Company's approach to risk assessment and management, controls over fraud and assessment of the need for internal auditing;

c. Establish policies and procedures for the confidential, anonymous submission by employees of the Company of any concerns regarding questionable accounting or other acts and for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters.

4. Legal and Regulatory Requirements

a. Receive and review timely analysis by management of significant issues relating to public disclosure and reporting, including, prior to finalization, the Management's Discussion and Analysis and Annual Information Form;

b. Prepare the report of the Committee required to be included with the Company’s periodic filings; and

c. Assist the Board in the oversight of compliance with legal and regulatory matters.

5. Additional Responsibilities

a. Report regularly to the Board, including on matters such as the quality and integrity of the Company's financial statements, compliance with legal and regulatory requirements, the results of any internal audit initiatives, including evaluation of internal controls over financial reporting for purposes of compliance with Sarbanes-Oxley, and the performance and independence of the external auditors; and

b. Reassess annually the adequacy of the Committee’s Mandate and prepare and review with the Board an annual performance evaluation of the Committee.

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

These consolidated financial statements have been audited by PricewaterhouseCoopers LLP, which have been appointed as the independent auditors of the Company by the shareholders. As auditors, PricewaterhouseCoopers LLP obtain an understanding of the Company's internal controls and procedures for financial reporting to plan and conduct such audit procedures as they consider necessary to express their opinion on the consolidated financial statements. As auditors, PricewaterhouseCoopers LLP have full and independent access to the Audit Committee to discuss their findings. This annual report does not include an audit opinion by PricewaterhouseCoopers LLP on management's assessment or on the effectiveness of the Company's internal control over financial reporting pursuant to temporary deferred auditor reporting rules of the SEC.

REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

Management has assessed the effectiveness of the Company's internal control over financial reporting as at March 31, 2007, based on the criteria set forth in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has concluded that, as at March 31, 2007, the Company's internal control over financial reporting was effective.

/s/ Jay S. Hennick
Chief Executive Officer
May 17, 2007

/s/ John B. Friedrichsen
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of FirstService Corporation:

We have audited the consolidated balance sheets of FirstService Corporation as at March 31, 2007 and 2006 and the consolidated statements of earnings, shareholders' equity and cash flows for each year in the three-year period ended March 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our 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, 2007 and 2006 and the results of its operations and its cash flows for each year in the three-year period ended March 31, 2007 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
May 17, 2007

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

For the years ended March 31		**2007**		2006		2005
Revenues						
Services	**$**	**1,171,582**	$	914,273	$	509,005
Products		**188,104**		153,861		142,371
Total revenues		**1,359,686**		1,068,134		651,376
Cost of revenues (exclusive of depreciation shown below)						
Services		**728,460**		589,659		336,569
Products		**131,776**		94,621		86,215
Selling, general and administrative expenses		**384,875**		295,050		172,179
Depreciation		**16,650**		12,340		9,603
Amortization of intangible assets other than brokerage backlog		**6,773**		3,684		2,769
Amortization of brokerage backlog		**8,164**		7,554		8,735
		82,988		65,226		35,306
Interest expense		**16,807**		13,128		7,192
Interest income		**(6,853)**		(1,249)		-
Other income, net (note 5)		**(4,848)**		(3,776)		(375)
Impairment loss on available-for-sale securities (note 7)		**3,139**		-		-
Earnings before income taxes and minority interest		**74,743**		57,123		28,489
Income taxes (note 14)		**21,738**		17,208		7,014
Earnings before minority interest		**53,005**		39,915		21,475
Minority interest share of earnings		**16,318**		11,881		6,085
Net earnings from continuing operations		**36,687**		28,034		15,390
Net (loss) earnings from discontinued operations, net ofincome taxes (note 4)		**(471)**		41,463		7,817
Net earnings before cumulative effect of change in accounting principle		**36,216**		69,497		23,207
Cumulative effect of change in accounting principle, net of income taxes (note 13)		**(1,353)**		-		-
Net earnings	**$**	**34,863**	$	69,497	$	23,207
Net earnings (loss) per share (note 15)						
Basic						
Continuing operations	**$**	**1.23**	$	0.93	$	0.52
Discontinued operations		**(0.02)**		1.37		0.26
Cumulative effect of change in accounting principle		**(0.04)**		-		-
	$	**1.17**	$	2.30	$	0.78
Diluted						
Continuing operations	**$**	**1.14**	$	0.87	$	0.49
Discontinued operations		**(0.02)**		1.34		0.25
Cumulative effect of change in accounting principle		**(0.04)**		-		-
	$	**1.08**	$	2.21	$	0.74

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

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

As at March 31		2007		2006
Assets				
Current assets				
Cash and cash equivalents	**$**	**99,038**	$	167,938
Restricted cash		**16,930**		-
Accounts receivable, net of an allowance of $8,637 (2006 - $7,482)		**163,581**		128,276
Mortgage loans receivable		**13,716**		6,874
Income taxes recoverable		**8,796**		6,665
Inventories (note 6)		**31,768**		27,267
Prepaid expenses and other assets		**17,593**		12,858
Deferred income taxes (note 14)		**10,935**		5,531
		362,357		355,409
Other receivables		**7,215**		8,311
Fixed assets (note 8)		**66,297**		48,733
Other assets (note 7)		**28,952**		26,908
Deferred income taxes (note 14)		**5,238**		4,381
Intangible assets (note 9)		**95,809**		70,775
Goodwill (note 10)		**251,130**		196,487
		454,641		355,595
	$	**816,998**	$	711,004
Liabilities				
Current liabilities				
Accounts payable	**$**	**35,668**	$	41,790
Accrued liabilities (note 6)		**169,861**		108,085
Income taxes payable		**5,229**		5,726
Unearned revenues		**20,632**		5,349
Long-term debt - current (note 11)		**22,119**		18,646
Deferred income taxes (note 14)		**3,318**		5,112
		256,827		184,708
Long-term debt - non-current (note 11)		**213,030**		230,040
Other liabilities		**4,876**		-
Deferred income taxes (note 14)		**29,084**		30,041
Minority interest		**48,306**		28,463
		295,296		288,544
Shareholders' equity				
Capital stock (note 12)		**80,108**		75,687
Issued and outstanding: 28,597,194 (2006 - 28,730,094) Subordinate Voting Shares and 1,325,694 (2006 - 1,325,694) convertible Multiple Voting Shares				
Contributed surplus		**6,557**		2,163
Receivables pursuant to share purchase plan (note 12)		**(1,232)**		(1,635)
Retained earnings		**175,346**		160,392
Cumulative other comprehensive earnings		**4,096**		1,145
		264,875		237,752
	$	**816,998**	$	711,004

Commitments and contingencies (notes 12 and 18)
The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors,

/s/ Bernard I. Ghert — Director

/s/ Jay S. Hennick — Director

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

	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, 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 income taxes of $335	-	-	-	-	-	(1,528)	(1,528)
Comprehensive earnings							59,981
Subordinate Voting Shares:							
Stock option expense	-	-	1,380	-	-	-	1,380
Stock options exercised	434,650	3,740	(22)	-	-	-	3,718
Purchased for cancellation	(571,650)	(1,595)	-	-	(12,116)	-	(13,711)
Cash payments 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
SAB 108 adjustment (note 21)	-	-	-	-	(5,377)	-	(5,377)
Comprehensive earnings:							
Net earnings	-	-	-	-	34,863	-	34,863
Foreign currency translation adjustments	-	-	-	-	-	1,423	1,423
Reclass to earnings of unrealized loss on available-for-sale equity securities, net of income taxes of $335	-	-	-	-	-	1,528	1,528
Comprehensive earnings							37,814
Subsidiaries' equity transactions	-	-	2,562	-	-	-	2,562
Subordinate Voting Shares:							
Stock option expense	-	-	1,879	-	-	-	1,879
Stock options exercised	564,800	6,482	(47)	-	-	-	6,435
Purchased for cancellation	(697,700)	(2,061)	-	-	(14,532)	-	(16,593)
Cash payments on share purchase plan	-	-	-	403	-	-	403
Balance, March 31, 2007	**29,922,888**	**$ 80,108**	**$ 6,557**	**$ (1,232)**	**$ 175,346**	**$ 4,096**	**$ 264,875**

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

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

For the years ended March 31	2007	2006	2005
Cash provided by (used in)			
Operating activities			
Net earnings from continuing operations	**$ 36,687**	$ 28,034	$ 15,390
Items not affecting cash:			
Depreciation and amortization	**31,587**	23,578	21,107
Deferred income taxes	**(9,531)**	(4,901)	473
Minority interest share of earnings	**16,318**	11,881	6,085
Stock option expense	**3,707**	1,932	799
Other	**2,103**	716	166
Changes in operating assets and liabilities:			
Accounts receivable	**(27,039)**	(8,483)	(3,171)
Mortgage loans receivable	**(6,842)**	(6,874)	-
Inventories	**(4,684)**	(8,622)	(6,678)
Prepaid expenses and other assets	**(1,806)**	(2,585)	2,319
Accounts payable	**(11,847)**	9,640	(8,337)
Accrued liabilities	**33,159**	12,612	5,387
Income taxes	**(3,345)**	(4,846)	(3,051)
Unearned revenues	**1,554**	166	1,386
Discontinued operations	**(231)**	7,101	4,566
Net cash provided by operating activities	**59,790**	59,349	36,441
Investing activities			
Acquisitions of businesses, net of cash acquired	**(66,826)**	(14,105)	(56,830)
Purchases of minority shareholders' interests in subsidiaries	**(6,603)**	(11,998)	(2,148)
Sales of interests in subsidiaries to minority shareholders	**3,167**	-	-
Purchases of fixed assets	**(26,723)**	(18,837)	(12,499)
(Increase) decrease in other assets	**(1,367)**	109	1,236
Decrease (increase) in other receivables	**1,967**	(600)	1,928
Proceeds on sale of equity securities	**4,875**	-	-
Disposals of businesses	**-**	110,476	-
Changes in restricted cash	**(9,797)**	-	-
Discontinued operations	**(838)**	(8,563)	(142)
Net cash (used in) provided by investing activities	**(102,145)**	56,482	(68,455)
Financing activities			
Increase in long-term debt	**5,935**	102,614	59,586
Repayment of long-term debt	**(21,430)**	(74,100)	(10,956)
Financing fees paid	**(150)**	(1,396)	(124)
Proceeds received on exercise of stock options	**6,435**	3,740	5,515
Repurchase of Subordinate Voting Shares	**(16,593)**	(13,711)	(2,698)
Collection of receivables pursuant to share purchase plan	**403**	513	-
Dividends paid to minority shareholders of subsidiaries	**(3,524)**	(1,939)	(606)
Net cash (used in) provided by financing activities	**(28,924)**	15,721	50,717
Effect of exchange rate changes on cash and cash equivalents	**2,379**	(1,072)	3,135
(Decrease) increase in cash and cash equivalents during the year	**(68,900)**	130,480	21,838
Cash and cash equivalents, beginning of year	**167,938**	37,458	15,620
Cash and cash equivalents, end of year	**$ 99,038**	$ 167,938	$ 37,458

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 North America and various other countries around the world. The Company's operations are conducted through four segments: Commercial Real Estate Services, Residential Property Management, Property Improvement Services and Integrated Security 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are related to the impairment testing of fair values of goodwill and intangible assets, the collectibility of accounts receivable and income taxes. Actual results could be materially different from these estimates. Significant accounting policies are summarized as follows:

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

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

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

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

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

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% (2006 - 55% and 45%) of total inventories, respectively. Finished goods and work-in-progress include the cost of materials, direct labor and manufacturing overhead costs.

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

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

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

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

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

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

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

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

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

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

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. On real estate leasing commissions where contingencies exist, revenue is recognized (i) on execution of appropriate lease and commissions agreements and receipt of full or partial payment (in accordance with the contract terms) or (ii) when receivable upon occurrence of certain events such as tenant occupancy.

(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. In cases where anticipated costs to complete a project exceed the revenue to be recognized, a provision for the additional estimated losses is recorded in the period when the loss becomes apparent. Amounts received from customers in advance of services being provided are recorded as unearned revenue when received.

(c) Franchise operations

The Company operates several franchise systems within its Property Improvement Services segment. Initial franchise fees are recognized when all material services or conditions related to the sale of the franchise have been performed or satisfied. Royalty revenues are recognized based on a contracted percentage of franchisee revenues, as reported by the franchisees. Revenues from administrative and other support services, as applicable, are recognized as the services are provided. In addition, the Company operates 11 franchise locations of its California Closets franchise system and these revenues are recognized as in (b) above.

Foreign currency translation

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

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

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

3. Acquisitions

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

Certain of the purchase price allocations for the 2007 acquisitions are preliminary pending finalization of analyses of the assets acquired and liabilities assumed. Details of the 2007 acquisitions are as follows:

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

2006 acquisitions:
During the year ended March 31, 2006, the Company completed six individually insignificant acquisitions in the Commercial Real Estate Services, Property 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.

Details of the 2006 acquisitions are as follows:

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

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 various other countries. CMN is headquartered in Seattle, Washington.

The Company completed other business acquisitions in the Residential Property Management and Property Improvement Services segments. 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	-
Goodwill	39,005	6,644	1,876

The purchase prices of acquisitions resulted in the recognition of goodwill. The primary factors contributing to goodwill are assembled workforces, synergies with existing operations and future growth prospects. For acquisitions completed during the year ended March 31, 2007, goodwill in the amount of $6,814 is deductible for income tax purposes (2006 - nil; 2005 - nil).

Certain vendors, at the time of acquisition, are entitled to receive contingent consideration if the acquired businesses achieve specified earnings levels during the two- to four-year periods following the dates of acquisition. Such contingent consideration is paid in cash at the expiration of the contingency period. As at March 31, 2007, there was contingent consideration outstanding of up to $14,800 (2006 - $8,600). 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 paid or becomes payable, at which time the Company will record the fair value of the consideration paid or payable, including interest, if any, as additional costs of the acquired businesses. Contingent consideration paid during the year ended March 31, 2007 was $1,747 and the amount payable as at March 31, 2007 was $4,864 (note 6). Total contingent consideration recognized for the year ended March 31, 2007 was $6,269 net of income tax of $342 (2006 - $2,759, net of income tax of $90).

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 2007 acquisitions were financed from cash on hand.

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

(unaudited)	2007	2006
Pro forma revenues	$ 1,422,659	$ 1,220,902
Pro forma net earnings from continuing operations	38,369	32,114
Pro forma net earnings per share from continuing operations		
Basic	$ 1.28	$ 1.06
Diluted	1.19	1.00

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 are 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 included the realization of a gain of $5,487 related to cumulative foreign currency translation on Canadian dollars.

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 included the realization of a gain of $1,578 related to cumulative foreign currency translation on Canadian dollars.

For the year ended March 31, 2007, expenses related to indemnity and warranty obligations of previously disposed operations were reported as discontinued operations. For the years ended March 31, 2006 and 2005, the operating results of the disposed operations before the dates of disposal are reported as discontinued operations. The operating results for the discontinued operations are as follows:

Operating results for years ended March 31	**2007**	2006	2005
Revenues	**$ -**	$ 160,204	$ 174,078
Operating (loss) earnings from discontinued operations before income taxes	**(728)**	7,429	10,452
(Recovery of) provision for income taxes	**(257)**	1,785	3,835
Net operating (loss) earnings from discontinued operations	**(471)**	5,644	6,617
Net gain on disposal	**-**	35,819	1,200
Net (loss) earnings from discontinued operations	**(471)**	41,463	7,817
Net (loss) earnings per share from discontinued operations			
Basic	**$ (0.02)**	$ 1.37	$ 0.26
Diluted	**(0.02)**	1.34	0.25

5. Other income

	2007	2006	2005
Earnings from available-for-sale securities	**$ 2,078**	$ -	$ -
Earnings from equity method investments	**1,625**	1,329	125
Net gain (loss) on sale of equity securities	**1,145**	2,211	(62)
Gain on foreign exchange contracts	**-**	121	200
Dilution gain on sale of subsidiary shares	**-**	115	112
	$ 4,848	$ 3,776	$ 375

6. Components of working capital accounts

	2007	2006
Inventories		
Work-in-progress	**$ 18,040**	$ 14,459
Finished goods	**11,249**	11,014
Supplies and other	**2,479**	1,794
	$ 31,768	$ 27,267
Accrued liabilities		
Accrued payroll, commission and benefits	**$ 103,360**	$ 71,155
Customer advances	**11,531**	2,363
Contingent acquisition consideration payable	**4,864**	-
Accrued interest	**4,159**	4,447
Liabilities in connection with discontinued operations	**2,912**	3,387
Other	**43,035**	26,733
	$ 169,861	$ 108,085

7. Other assets

	2007	2006
Available-for-sale equity securities	**$ 17,419**	$ 18,845
Equity method investments	**5,046**	4,965
Held-to-maturity debt securities	**3,763**	**-**
Financing fees, net of accumulated amortization of $1,554 (2006 - $1,094)	**1,690**	2,143
Other	**1,034**	955
	$ 28,952	$ 26,908

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

8. Fixed assets

2007	Cost	Accumulated depreciation	**Net 2007**
Fixed assets			
Land	$ 3,070	$ -	**$ 3,070**
Buildings	11,225	2,093	**9,132**
Vehicles	19,209	11,363	**7,846**
Furniture and equipment	39,598	19,758	**19,840**
Computer equipment and software	36,552	19,977	**16,575**
Leasehold improvements	18,545	8,711	**9,834**
	$ 128,199	$ 61,902	**$ 66,297**

2006	Cost	Accumulated depreciation	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

Included in fixed assets are vehicles and computer equipment under capital lease at a cost of $9,385 (2006 - $7,874) and net book value of $4,937 (2006 - $5,021).

9. Intangible assets

2007	Gross carrying amount	Accumulated amortization	**Net 2007**
Customer lists and relationships	$ 45,597	$ 8,074	**$ 37,523**
Franchise rights	26,862	6,597	**20,265**
Trademarks and trade names:			
Indefinite life	15,695	-	**15,695**
Finite life	18,930	2,781	**16,149**
Management contracts and other	6,502	1,518	**4,984**
Brokerage backlog	23,639	22,446	**1,193**
	$ 137,225	$ 41,416	**$ 95,809**

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
Finite life	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

During the year ended March 31, 2007, the Company acquired the following intangible assets:

	Amount	Estimated weighted average amortization period (years)
Customer lists and relationships	$ 16,602	7.1
Franchise rights	7,549	21.0
Trademarks and trade names	6,439	22.8
Management contracts and other	2,922	7.4
Brokerage backlog	7,617	0.8
	$ 41,129	10.9

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

2008	$ 9,545
2009	8,257
2010	7,954
2011	7,277
2012	5,444

10. Goodwill

	Commercial Real Estate Services	Residential Property Management	Property Improvement Services	Integrated Security Services	Business Services	Consolidated
Balance, March 31, 2005	$ 38,962	$ 69,666	$ 41,003	$ 29,686	$ 57,223	$ 236,540
Goodwill resulting from adjustments to purchase price allocations	78	(190)	(315)	-	-	(427)
Goodwill resulting from contingent acquisition payments	-	1,035	1,575	-	-	2,610
Goodwill resulting from purchases of minority shareholders' interests	4,084	681	222	373	-	5,360
Goodwill acquired during year	8,983	105	952	-	-	10,040
Goodwill disposed during year	(364)	-	(192)	-	(58,044)	(58,600)
Foreign exchange	124	-	-	19	821	964
Balance, March 31, 2006	51,867	71,297	43,245	30,078	-	196,487
Goodwill resulting from adjustments to purchase price allocations	363	-	(566)	-	-	(203)
Goodwill resulting from contingent acquisition payments	-	5,654	-	537	-	6,191
Goodwill resulting from purchases of minority shareholders' interests	4,985	-	883	166	-	6,034
Goodwill acquired during year	40,389	1,296	1,209	-	-	42,894
Goodwill disposed during year	-	-	(836)	-	-	(836)
Foreign exchange	560	-	-	3	-	563
Balance, March 31, 2007	**$ 98,164**	**$ 78,247**	**$ 43,935**	**$ 30,784**	**$ -**	**$ 251,130**

11. Long-term debt

	2007	2006
Revolving credit facility	$ -	$ -
8.06% Senior Notes	71,428	85,714
6.40% Senior Notes	50,000	50,000
5.44% Senior Notes	100,000	100,000
Capital leases bearing interest ranging from 5% to 10%, maturing at various dates through 2010	4,455	5,324
Other long-term debt bearing interest at 4% to 10%, maturing at various dates through2010	9,266	7,648
	235,149	248,686
Less: current portion	22,119	18,646
	$ 213,030	$ 230,040

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. The amended revolving credit facility bears interest at 1.00% to 2.25% over floating reference rates, depending on certain leverage ratios. The revolving credit facility was unused as at March 31, 2007 and 2006.

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 $71,428 of 8.06% fixed-rate Senior Notes (the “8.06% Notes”) (2006 - $85,714). 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, 2007.

The revolving credit facility and the Notes rank equally in terms of seniority. The Company has granted these lenders collateral including the following: an interest in all of the assets of the Company including the shares of the Company’s subsidiaries; an assignment of material contracts; and an assignment of the Company’s “call” rights with respect to shares of the subsidiaries held by minority interests (note 18(b)).

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

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

2008	$ 22,119
2009	17,979
2010	15,668
2011	14,890
2012	34,474
Thereafter	130,019

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 issued and outstanding:

	Subordinate Voting Shares		*Multiple Voting Shares*		Total	Total
	Number	Amount	Number	Amount	number	amount
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
Balance, March 31, 2007	**28,597,194**	**79,735**	**1,325,694**	**373**	**29,922,888**	**80,108**

During the year ended March 31, 2007, the Company repurchased 697,700 (2006 - 571,650; 2005 - 218,072) Subordinate Voting Shares for cancellation under a Normal Course Issuer Bid filed with the Toronto Stock Exchange, which allowed the Company to repurchase up to 5% of its outstanding shares on the open market during a twelve-month period. The repurchase cost is allocated to capital stock for the weighted average book value and to retained earnings for any excess.

The Company has $1,232 (C$1,740) (2006 - $1,635 (C$2,309)) of interest bearing loans receivable related to the purchase of 240,000 Subordinate Voting Shares (2006 - 440,000 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.

2008	$ 467
2009	765
	$ 1,232

Pursuant to an agreement approved in February 2004, the Company agreed that it will make payments to its Chief Executive Officer ("CEO") that are contingent upon the arm's length sale of control of the Company or upon a distribution of the Company's assets to shareholders. The payment amounts will be determined with reference to the price per Subordinate Voting Share received by shareholders upon an arm's length sale or upon a distribution of assets. The right to receive the payments may be transferred among members of the CEO's family, their holding companies and trusts. The agreement provides for the CEO to receive each of the following two payments. The first payment is an amount equal to 5% of the product of: (i) the total number of shares outstanding on a fully diluted basis at the time of the sale and (ii) the per share consideration received by holders of Subordinate Voting Shares minus a base price of C$10.875. The second payment is an amount equal to 5% of the product of (i) the total number of shares outstanding on a fully diluted basis at the time of the sale and (ii) the per share consideration received by holders of Subordinate Voting Shares minus a base price of C$16.25.

13. Stock-based compensation

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

	2007	2006	2005
Stock option expense - Company plan	**$ 1,916**	$ 1,380	$ 622
Stock option expense - subsidiaries	**1,791**	552	177
Stock value appreciation plans	**3,074**	659	889
	$ 6,781	$ 2,591	$ 1,688

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

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

Company stock option plan

The Company has a stock option plan for certain officers and key full-time employees of the Company and its subsidiaries, other than its CEO. Options are granted at the market price for the underlying shares on the date of grant. Each option vests over a four-year term and expires five years from the date granted and allows for the purchase of one Subordinate Voting Share. All Subordinate Voting Shares issued under the plan are new shares. As at March 31, 2007, there were 506,000 options available for future grants (2006 - nil).

Grants under the Company's stock option plan are equity classified awards under SFAS 123R. Stock option activity for the three years ended March 31, 2007 was as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Shares issuable under options - March 31, 2004	2,288,630	$ 8.01		
Granted	496,500	13.63		
Exercised	(911,130)	6.42		
Forfeited	(30,000)	10.43		
Shares issuable under options - March 31, 2005	1,844,000	$ 10.83		
Granted	328,000	19.96		
Exercised	(434,650)	8.60		
Forfeited	(21,000)	9.38		
Shares issuable under options - March 31, 2006	1,716,350	$ 13.74		
Granted	305,000	25.50		
Exercised	(564,800)	11.40		
Forfeited	(11,000)	13.43		
Shares issuable under options - March 31, 2007	1,445,550	$ 17.31	3.12	$ 14,543
Options exercisable - March 31, 2007	598,675	$ 13.58	2.34	$ 8,427

As at March 31, 2007, the range of option exercise prices was $6.00 to $25.54 per share. Also as at March 31, 2007, the aggregate intrinsic value and weighted average remaining contractual life for options vested and expected to vest were $13,778 and 3.12 years, respectively.

The following table summarizes information about option exercises during the three years ended March 31, 2007:

	2007	2006	2005
Number of options exercised	**564,800**	434,650	911,130
Aggregate fair value	**$ 13,266**	$ 10,784	$ 12,939
Intrinsic value	**6,831**	7,044	7,424
Amount of cash received	**$ 6,435**	$ 3,740	$ 5,515
Tax benefit recognized	**$ -**	$ -	$ -

The amount of compensation expense recorded in the consolidated statement of earnings, allocated using the graded attribution method, for the year ended March 31, 2007 was $1,916 (2006 - $1,380; 2005 - $622). As at March 31, 2007, there was $3,176 of unrecognized compensation cost related to non-vested awards which is expected to be recognized over the next 3.75 years. During the year ended March 31, 2007, the fair value of options vested was $1,220 (2006 - $739; 2005 - $337).

The weighted average fair value per share of options granted in 2007 was $6.70 (2006 - $7.65; 2005 - $4.85). The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model, utilizing the following weighted average assumptions:

	2007	2006	2005
Risk-free interest rate	**4.3%**	4.7%	3.2%
Expected life in years	**3.75**	4.4	4.4
Expected volatility	**25.2%**	30.0%	30.0%
Dividend yield	**0%**	0%	0%

The risk-free interest rate is the rate on the grant date on a zero-coupon US Treasury bond with a term equal to the option's expected term. The expected term represents the average between the vesting date and the contractual term pursuant to SEC Staff Accounting Bulletin No. 107 *Share-Based Payment*. The expected volatility is based on the historical prices of the Company's shares. The dividend yield assumption is based on the Company's present intention to retain all earnings.

Prior to April 1, 2003, the Company had accounted for stock options under the intrinsic value method under APB No. 25 *Accounting for Stock Issued to Employees*. Had compensation expense for stock options been determined under the fair value method under SFAS 123 for all periods, pro forma reported net earnings and earnings per share would reflect the following; there was no impact on the fiscal year ended March 31, 2007:

		2006		2005
Net earnings as reported	**$**	**69,497**	$	23,207
Deduct: Stock-based compensation expense determined under fair value method, net of income taxes		**(738)**		(1,826)
Pro forma net earnings	**$**	**68,759**	$	21,381
Pro forma net earnings per share:				
Basic	**$**	**2.28**	$	0.72
Diluted		**2.18**		0.68
Reported net earnings per share:				
Basic	**$**	**2.30**	$	0.78
Diluted		**2.21**		0.74

Subsidiary stock option and appreciation plans

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

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

14. Income taxes

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

		2007		2006		2005
Income tax expense using combined statutory rate of approximately 36% (2006 - 36%; 2005 - 40%)	**$**	**26,827**	$	20,632	$	11,394
Non-deductible expenses		**3,143**		137		1,217
Reduction in tax liability of prior years		**(1,788)**		-		(1,133)
Effect of changes in enacted tax rates		**(451)**		-		-
Losses of prior years		**(553)**		-		-
Foreign tax rate reduction		**(5,440)**		(3,561)		(4,464)
Provision for income taxes as reported	**$**	**21,738**	$	17,208	$	7,014

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

	2007	2006	2005
Canada	**$ 7,808**	$ 5,238	$ (4,966)
United States	**45,555**	39,742	30,627
Foreign	**21,380**	12,143	2,828
Total	**$ 74,743**	$ 57,123	$ 28,489

The provision for income taxes comprises the following:

	2007	2006	2005
Current			
Canada	**$ 1,002**	$ 2,370	$ 4,553
United States	**21,310**	14,792	8,479
Foreign	**7,343**	4,482	834
	29,655	21,644	13,866
Deferred			
Canada	**(1,540)**	(1,778)	(2,890)
United States	**(4,790)**	(2,378)	(3,962)
Foreign	**(1,587)**	(280)	-
	(7,917)	(4,436)	(6,852)
Total	**$ 21,738**	$ 17,208	$ 7,014

The significant components of deferred income taxes are as follows:

	2007	2006
Deferred income tax assets		
Expenses not currently deductible	**$ 9,823**	$ 4,374
Provision for doubtful accounts	**784**	831
Inventory and other reserves	**397**	326
Loss carry-forwards	**5,169**	4,381
	16,173	9,912
Deferred income tax liabilities		
Depreciation and amortization	**28,365**	29,822
Investments	**2,397**	3,953
Prepaid and other expenses deducted for tax purposes	**458**	666
Unrealized foreign exchange gains	**1,010**	493
Financing fees	**172**	219
	32,402	35,153
Net deferred income tax liability	**$ 16,229**	$ 25,241

As at March 31, 2007, the Company had Canadian net operating loss carry-forward balances of approximately $11,565 (2006 - $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. The Company also had foreign net operating loss carry-forward balances of approximately $17,619 (2006 - $15,416), offset by a valuation allowance of $15,416 (2006 - $15,416). Foreign capital loss carry-forward balances amounted to $9,870 (2006 - $10,490) as at March 31, 2007 offset by a valuation allowance of $9,870 (2006 - $10,490). Non-capital and capital loss carry-forward balances of $15,416 (2006 - $15,416) and $9,870 (2006 - $10,490) respectively relate to losses acquired in the CMN acquisition, the benefit of which have not been recognized in the financial statements. Any benefit realized with respect to these losses would be recorded as a reduction in goodwill.

Cumulative unremitted earnings of US and foreign subsidiaries approximated $109,928 as at March 31, 2007 (2006 - $81,863).

15. Earnings per share

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

	2007	2006	2005
Net earnings from continuing operations	**$ 36,687**	$ 28,034	$ 15,390
Dilution of net earnings resulting from assumed exercise of stock options in subsidiaries	**(2,228)**	(1,253)	(569)
Net earnings from continuing operations for diluted earnings per share calculation purposes	**$ 34,459**	$ 26,781	$ 14,821
Net earnings	**$ 34,863**	$ 69,497	$ 23,207
Dilution of net earnings resulting from assumed exercise of stock options in subsidiaries	**(2,228)**	(1,253)	(569)
Net earnings for diluted earnings per share calculation purposes	**$ 32,635**	$ 68,244	$ 22,638

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

	2007	2006	2005
Shares issued and outstanding at beginning of year	**30,055,788**	30,192,788	29,499,730
Weighted average number of shares:			
Issued during the year	**210,843**	137,943	381,309
Repurchased during the year	**(364,101)**	(160,040)	(103,665)
Weighted average number of shares used in computing basic earnings per share	**29,902,530**	30,170,691	29,777,374
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	**451,774**	725,286	689,597
Number of shares used in computing diluted earnings per share	**30,354,304**	30,895,977	30,466,971

16. Other supplemental information

	2007	2006	2005
Franchised operations			
Revenues	**$ 112,858**	$ 88,531	$ 79,541
Operating earnings	**20,619**	16,728	15,574
Initial franchise fee revenues	**5,571**	3,482	3,459
Cash payments made during the year			
Income taxes	**$ 25,764**	$ 25,179	$ 16,854
Interest	**16,283**	12,481	11,073
Non-cash financing activities			
Increases in capital lease obligations	**$ 1,502**	$ 3,284	$ 1,986
Other expenses			
Rent expense	**$ 34,979**	$ 26,762	$ 14,104

17. 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 various countries. The counterparty to the interest rate swaps is an investment-grade financial institution that the Company anticipates will satisfy its obligations under the contracts.

The Company is also subject to credit risk with respect to its mortgage loan receivables. This risk is derived from the failure of a borrower to honor its contractual obligations to the Company. The Company manages this credit risk principally by selling all of the mortgage loans that are written.

Interest rate risk
The Company maintains an interest rate risk management strategy that uses interest rate swaps from time to time. 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 will affect the fair value of interest rate swaps as their value will depend on the prevailing market interest rate. Swaps are monitored on a monthly basis.

As at March 31, 2007 and 2006, the Company had no interest rate swaps related to its long-term debt. In May 2005, the Company settled a swap on $20,000 of principal on the 6.40% Notes for a net loss of $48. In December 2005, the Company settled swaps on $85,714 of principal on the 8.06% Notes for a net gain of $120.

As at March 31, 2007, the Company had interest rate swaps to convert $167,807 of fixed-rate mortgage loans receivable to floating rates (2006 - $41,518) with a fair value of $368 (2006 - $57). The swaps have maturity dates ranging from December 2011 to March 2017. Because the swaps do not qualify as accounting hedges, changes in the fair value of the swaps are recognized 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.

For the year ended March 31, 2007 a loss of $3,245 was recorded in revenues relating to these swaps, which was comprised of $368 unrealized gains (2006 - $57) on outstanding swaps and $3,613 of realized losses (2006 - nil) on the settlement of the swaps.

During the year ended March 31, 2007, the Company recognized pre-tax gains (after realized losses on swaps) of $2,120 (2006 - nil) on the securitization of mortgage loans with unpaid principal balances of $39,208 (2006 - nil). In connection with the sale of mortgages, the Company is obligated to cure or repurchase any mortgage sold that has a breach or defect. As at March 31, 2007, the Company was unable to develop an estimate of the maximum potential of future payments under this obligation because the Company is not aware of any breaches or defects.

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:

	2007		2006	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Mortgage loans receivable	**$ 13,716**	**$ 13,716**	$ 6,874	$ 6,874
Other receivables	**7,215**	**7,215**	8,311	8,311
Available-for-sale securities	**17,419**	**17,419**	18,845	18,845
Long-term debt	**235,149**	**261,009**	248,686	267,166
Interest rate swaps	**368**	**368**	57	57

18. Commitments and contingencies

(a) Lease commitments

Minimum operating lease payments are as follows:

Year ending March 31	
2008	$ 30,802
2009	26,705
2010	21,239
2011	16,871
2012	14,695
Thereafter	26,904

(b) Minority shareholder agreements

The Company has shareholder agreements with the minority owners of its subsidiaries. These agreements allow the Company to “call” the minority position at fair value determined with the use of a formula price, which is usually equal to a multiple of average net earnings before extraordinary items, minority interest share of earnings, income taxes, interest, depreciation, and amortization for a defined period. The minority owners may also “put” their interest to the Company at the same price subject to certain limitations. The purchase price may, at the option of the Company, be paid in cash or in Subordinate Voting Shares. Acquisitions of these minority interests, if any, would be accounted for using the purchase method. The total obligation if all call or put options were exercised as at March 31, 2007 was approximately $154,000 (2006 - $79,000).

(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.

19. Related party transactions

During the year, the Company paid $826 (2006 - $775; 2005 - $746) in rent to entities controlled by minority shareholders of subsidiaries. The transactions were completed at market rates.

20. Segmented information

Operating segments

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

Included in total assets of the Commercial Real Estate Services segment at March 31, 2007 is $4,667 (2006 - $4,608; 2005 - $3,797) of investments in subsidiaries accounted for under the equity method.

2007	Commercial Real Estate Services	Residential Property Management	Property Improvement Services	Integrated Security Services	Corporate	Consolidated
Revenues	$ 608,065	$ 423,797	$ 150,794	$ 176,476	$ 554	$ 1,359,686
Depreciation and amortization	16,235	7,644	4,653	2,832	223	31,587
Operating earnings	31,464	32,623	25,911	7,769	(14,779)	82,988
Other income, net						1,709
Interest expense, net						(9,954)
Income taxes						(21,738)
Minority interest						(16,318)
Net earnings from continuing operations						36,687
Net earnings from discontinued operations						(471)
Cumulative effect of change in accounting principle						(1,353)
Net earnings						$ 34,863
Total assets	$ 328,338	$ 206,977	$ 123,832	$ 91,827	$ 66,024	$ 816,998
Total additions to long-lived assets	89,484	27,917	10,165	2,236	331	130,133

2006	Commercial Real Estate Services	Residential Property Management	Property Improvement Services	Integrated Security Services	Corporate	Consolidated
Revenues	$ 438,434	$ 346,133	$ 134,136	$ 149,063	$ 368	$ 1,068,134
Depreciation and amortization	11,388	5,618	3,749	2,655	168	23,578
Operating earnings	25,079	25,767	22,016	5,005	(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	$ 211,321	$ 150,641	$ 114,188	$ 85,479	$ 149,375	$ 711,004
Total additions to long-lived assets	36,799	10,400	9,909	2,809	546	60,463

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

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

	2007	2006	2005
United States			
Revenues	**$ 868,976**	$ 685,921	$ 473,027
Total long-lived assets	**287,056**	230,811	244,447
Canada			
Revenues	**$ 276,195**	$ 233,342	$ 132,998
Total long-lived assets	**83,929**	56,037	85,009
Australia			
Revenues	**$ 117,794**	$ 78,011	$ 24,374
Total long-lived assets	**29,514**	15,273	15,665
Other			
Revenues	**$ 96,721**	$ 70,860	$ 20,977
Total long-lived assets	**12,737**	13,874	10,083
Consolidated			
Revenues	**$ 1,359,686**	$ 1,068,134	$ 651,376
Total long-lived assets	**$ 413,236**	$ 315,995	$ 355,204

21. Application of Staff Accounting Bulletin No. 108

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

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

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

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

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

22. Impact of recently issued accounting standards

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 commencing on April 1, 2007. SFAS 156 is not expected to have a material effect on the Company's results of operations and financial condition as the Company does not currently retain servicing rights upon securitization of mortgages.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on accounting for derecognition, interest, penalties, accounting in interim periods, disclosure and classification of matters related to uncertainty in income taxes as well as transitional requirements upon adoption of FIN 48. The provisions of FIN 48 are effective for the Company's fiscal year commencing on April 1, 2007. The cumulative effects, if any, of applying FIN 48 will be recorded as an adjustment to opening retained earnings of the period of adoption. The Company has begun the process of evaluating the expected impact of FIN 48 on the consolidated financial statements, but is not yet in a position to assess the full impact and related disclosure.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements and is effective for the Company's fiscal year commencing on April 1, 2008. The Company is currently evaluating the impact of the adoption of SFAS 157.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of SFAS No. 115* ("SFAS 159"). SFAS 159 permits the Company to measure certain financial instruments, assets and liabilities at fair value on an instrument-by-instrument basis under a fair value option. The Company may elect to early adopt SFAS 159 effective April 1, 2007; otherwise, the standard is effective for the Company as of April 1, 2008. The Company is currently evaluating the impact of the adoption of SFAS 159 on its financial position and results of operations.

23. Subsequent event

On April 18, 2007, the Company acquired 80% of the shares of a residential property management firm based in Orange County, California. The purchase price of $29,600 was funded from cash on hand.

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

(in US dollars)
May 18, 2007

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto for the year ended March 31, 2007 prepared in accordance with accounting principles generally accepted in the United States of America.

Consolidated review

FirstService Corporation (the "Company" or "FirstService") generated strong operating results in fiscal 2007, with revenue growth of 27% and growth in adjusted diluted earnings per share from continuing operations[1] of 36%.

We completed thirteen business acquisitions during the year. The aggregate purchase price for these acquisitions was $66.8 million, funded from cash on hand. The most significant acquisitions occurred in the Commercial Real Estate Services segment, where we added five businesses in the United States, Australia and Canada providing real estate brokerage, mortgage brokerage, valuation, consulting and advisory services. The balance of the acquisitions were completed in the Residential Property Management and Property Improvement Services segments.

On April 18, 2007, we acquired an 80% interest in a residential property management firm based in Orange County, California. This acquisition significantly enhances the geographic scope of our residential property management operations and is expected to provide significant opportunities for us to introduce additional complimentary services. The purchase price of $29.6 million was funded from cash on hand.

On May 16, 2007, we updated our financial outlook for fiscal 2008. The updated outlook is for revenues of $1.525 to $1.625 billion, EBITDA[1] of $137 to $147 million, and adjusted diluted earnings per share of $1.48 to $1.60.

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

(in US$)	Year ended March 31		
	2007	2006	2005
Diluted net earnings per share from continuing operations	**$ 1.14**	$ 0.87	$ 0.49
Amortization of brokerage backlog, net of taxes	**0.15**	0.14	0.18
Impairment loss on available-for-sale securities, net of taxes	**0.08**	-	-
Adjusted diluted net earnings per share from continuing operations	**$ 1.37**	$ 1.01	$ 0.67

2 EBITDA is defined as net earnings before extraordinary items, discontinued operations, minority interest share of earnings, income taxes, interest, other income, depreciation and amortization, and stock-based compensation expense. The Company uses EBITDA to evaluate operating performance. EBITDA is an integral part of the Company's planning and reporting systems. Additionally, the Company uses multiples of current and projected EBITDA in conjunction with discounted cash flow models to determine its overall enterprise valuation and to evaluate acquisition targets. The Company believes EBITDA is a reasonable measure of operating performance because of the low capital intensity of its service operations. The Company believes EBITDA is a financial metric used by many investors to compare companies,

On March 17, 2006, we completed the divestiture of Resolve Corporation ("Resolve"), our Business Services operation, through the initial public offering ("IPO") of trust units by Resolve Business Outsourcing Income Fund (the "RBO Fund"). Proceeds from the sale were $110.5 million of cash and a 7.3% retained interest in RBO Fund initially valued at $20.4 million. Resolve is classified as a discontinued operation for all periods presented. As at March 31, 2007 we continued to hold our retained interest in RBO Fund, and we recorded an impairment loss of $3.1 million ($2.6 million net of income taxes). We believe the 15% decline in the market price of RBO Fund units since the time of the IPO was primarily attributable to changes in the taxation of income trusts announced by the Minister of Finance (Canada) in October 2006.

Results of operations - year ended March 31, 2007

FirstService reported revenues from continuing operations of $1.36 billion for the year ended March 31, 2007, an increase of 27% relative to the prior year. The increase was comprised of internal growth of 13%, acquisitions of 13% and the impact of foreign exchange of 1%.

Operating earnings increased 27% relative to the prior year, to $83.0 million. EBITDA increased 33% to $121.4 million. The gap between operating earnings growth relative to revenue and EBITDA growth is primarily the result of (i) an increase in stock-based compensation expense and (ii) the rapid amortization of brokerage backlog intangibles related to recent acquisitions in Commercial Real Estate Services, which has a significant impact on the first year after acquisition.

Depreciation and amortization expense was $31.6 million relative to $23.6 million in the prior year. With regard to the recent commercial real estate services acquisitions, we recorded a short-lived intangible asset relating to the backlog of pending brokerage transactions that existed at the acquisition dates. The intangible is being amortized to coincide with the expected completion dates of the underlying brokerage transactions. As of March 31, 2007, the net book value of unamortized backlog was $1.2 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 $16.8 million from $13.1 million in the prior year. Our weighted average interest rate increased to 6.9% versus 6.6% in the prior year as substantially all of our debt was at fixed interest rates during the year, versus a mix of fixed and floating in the prior year. The $6.9 million of interest income earned during the year was attributable to surplus cash on hand, including the $110.5 million received upon the sale of Resolve.

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

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especially in the services industry, on the basis of operating results and the ability to incur and service debt. EBITDA is not a recognized measure of financial performance under GAAP, and should not be considered as a substitute for operating earnings, net earnings or cash flows from operating activities, as determined in accordance with GAAP. The Company's method of calculating EBITDA may differ from other issuers and accordingly, EBITDA may not be comparable to measures used by other issuers. A reconciliation appears below.

(in thousands of US$)	Year ended March 31		
	2007	2006	2005
Operating earnings	**$ 82,988**	$ 65,226	$ 35,306
Depreciation and amortization	**31,587**	23,578	21,107
	114,575	88,804	56,413
Stock-based compensation expense	**6,781**	2,591	1,688
EBITDA	**$ 121,356**	$ 91,395	$ 58,101

Our consolidated income tax rate for fiscal 2007 was 29% versus 30% in the prior year. The current year's tax rate reflected the continuing benefit of cross-border financing structures first implemented in fiscal 2000. The Minister of Finance (Canada) recently proposed measures to curtail the tax benefits of cross-border financing structures in future years, after a transition period. Should these measures become law, our income tax expense after the transition period could rise materially. We also realized the benefit of a $1.8 million reduction in tax liability during the year related to resolution of tax matters from prior years.

Net earnings from continuing operations were $36.7 million, an increase of 31% relative to fiscal 2006. All of the Company's continuing operations contributed to the increase in net earnings.

The Commercial Real Estate Services segment reported revenues of $608.1 million during fiscal 2007, up 39% relative to $438.4 million in the prior year. Internal growth was 13%, foreign exchange contributed 1% and the balance of growth was the result of acquisitions completed during the past two years. EBITDA was $47.7 million, at a margin of 7.8%, versus the prior year's EBITDA of $36.5 million at a margin of 8.3%.

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

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

Integrated Security Services revenues were $176.5 million, an increase of 18% relative to the prior year, which was attributable to internal growth of 15% in US and Canadian systems installation revenues and foreign exchange of 3%. Segment EBITDA was $10.6 million, or 6.0% of revenues, a 90 basis point improvement relative to the prior year. The margin increase was attributable to significant improvements in realized gross margins on US systems projects.

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

Results of operations - year ended March 31, 2006

FirstService reported revenues from continuing operations of $1.07 billion for the year ended March 31, 2006, 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 $91.4 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 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 amortized to coincide with the expected completion dates of the underlying brokerage transactions. The balance of the increase in depreciation and amortization was 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.

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. 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 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.

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.

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 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.

Stock-based compensation expense

One of our key operating principles is for senior management to have a significant long-term equity stake in the businesses they operate. The equity owned by senior management takes the form of stock, stock options or stock value appreciation plans, the latter two of which require the recognition of compensation expense under GAAP. The amount of expense recognized with respect to Company stock options is determined by allocating the grant-date fair value of each option over the expected term of the option. The amount of expense recognized with respect to subsidiary stock options and subsidiary stock value appreciation plans is re-measured quarterly and is directly related to the fair value of the respective subsidiaries' shares. The following table sets out the annual expense related to stock-based compensation.

(in thousands of US$) **Year ended March 31**	**2007**	**2006**	**2005**	**2004**	**2003**
Stock option expense - Company	$ 1,916	$ 1,380	$ 622	$ 322	$ -
Stock option expense - subsidiaries	1,791	552	177	-	-
Stock value appreciation plans	3,074	659	889	-	-
Total stock-based compensation expense	$ 6,781	$ 2,591	$ 1,688	$ 322	$ -

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

Year ended March 31	2007	2006	2005	2004	2003
OPERATIONS					
Revenues	$ 1,359,686	$ 1,068,134	$ 651,376	$ 441,333	$ 382,302
Operating earnings	82,988	65,226	35,306	27,633	23,278
Net earnings from continuing operations	36,687	28,034	15,390	14,649	11,446
Net (loss) earnings from discontinued operations	(471)	41,463	7,817	4,375	6,994
Net earnings	34,863	69,497	23,207	19,024	18,440
FINANCIAL POSITION					
Total assets	$ 816,998	$ 711,004	$ 626,728	$ 437,553	$ 389,031
Long-term debt	235,149	248,686	220,015	163,888	164,919
Shareholders' equity	264,875	237,752	185,871	155,101	123,406
Book value per share	8.85	7.91	6.15	5.26	4.36
OTHER DATA					
EBITDA	$ 121,356	$ 91,395	$ 58,101	$ 36,541	$ 30,815
Diluted earnings per share from continuing operations adjusted for brokerage backlog amortization and impairment loss on available-for-sale securities	1.37	1.01	0.67	0.50	0.40
SHARE DATA					
Net earnings per share					
Basic					
Continuing operations	$ 1.23	$ 0.93	$ 0.52	$ 0.51	$ 0.41
Discontinued operations	(0.02)	1.37	0.26	0.16	0.25
Cumulative effect adjustment	(0.04)	-	-	-	-
	1.17	2.30	0.78	0.67	0.66
Diluted					
Continuing operations	1.14	0.87	0.49	0.50	0.40
Discontinued operations	(0.02)	1.34	0.25	0.15	0.24
Cumulative effect adjustment	(0.04)	-	-	-	-
	1.08	2.21	0.74	0.65	0.64
Weighted average shares (thousands)					
Basic	29,903	30,171	29,777	28,570	27,842
Diluted	30,354	30,896	30,467	29,192	28,995
Cash dividends per share	-	-	-	-	-

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 6% of consolidated revenues.

The Commercial Real Estate Services segment generates peak revenues and earnings in the month of December followed by a low in January to March as a result of the timing of closings on commercial real estate brokerage transactions. Revenues and earnings during the balance of the year are relatively even. These brokerage operations comprise approximately 25% of consolidated revenues.

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

Quarterly results - fiscal years ended March 31, 2007 and 2006
(in thousands of US$, except per share amounts)

Period	Q1	Q2	Q3	Q4	Year
FISCAL 2007					
Revenues	$ 325,504	$ 338,681	$ 374,757	$ 320,744	$ 1,359,686
Operating earnings	30,351	24,873	17,504	10,260	82,988
Net earnings from continuing operations	14,133	11,973	7,757	2,824	36,687
Net loss from discontinued operations	-	-	-	(471)	(471)
Net earnings	12,780	11,973	7,757	2,353	34,863
Net earnings per share:					
Basic	0.43	0.40	0.26	0.08	1.17
Diluted	0.39	0.38	0.25	0.06	1.08
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
OTHER DATA					
EBITDA - fiscal 2007	$ 38,301	$ 32,871	$ 27,550	$ 22,634	$ 121,356
EBITDA - fiscal 2006	29,756	29,157	21,075	11,407	91,395

Liquidity and capital resources

The Company generated cash flow from operating activities, including discontinued operations, of $59.8 million for fiscal 2007. Operating cash flow excluding the effect of discontinued operations, was $60.0 million, up 15% versus the prior year. The modest increase in operating cash flow relative to earnings growth was attributable to investments in working capital, particularly accounts receivable, to support the growth of the Company. 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, 2007 was $136.1 million, versus $80.7 million at March 31, 2006. Net indebtedness is calculated as the current and non-current portions of long-term debt adjusted for interest rate swaps less cash and cash equivalents. The disposal of Resolve in March 2006 was the primary driver for the comparatively low net indebtedness figure as at March 31, 2006. During the year ended March 31, 2007, we invested $66.8 million in business acquisitions using cash on hand, driving the increase in net indebtedness.

We are in compliance with the covenants required of our financing agreements as at March 31, 2007 and, based on our outlook for fiscal 2008, we expect to remain in compliance with such covenants. We had $105.1 million of available revolving credit as of March 31, 2007.

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 2007, we repurchased 697,700 Subordinate Voting Shares for cancellation under our stock repurchase program at a cost of $16.6 million. We purchased an additional 121,400 shares in late March 2007 at a cost of $3.4 million, but since these trades had not settled as of March 31, 2007, they were not recognized in the financial statements.

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 originates commercial mortgage loans in the $0.5 to $25 million range and then sells pools of these loans to third parties. Under its financing agreements, the Company is permitted to have outstanding a maximum of $30 million of mortgage loans receivable. To facilitate higher loan volumes, we have arranged for third party co-lenders to directly fund 80% or more of each loan. Immediately before selling pools of mortgages, Colliers Mortgage has the option to acquire the co-lenders' portion of the loans. As of March 31, 2007, we had $13.7 million (2006 - $6.9 million) of mortgage loans receivable and a right to purchase $189.4 million (2006 - $27.5 million) of mortgages from our co-lenders.

As at March 31, 2007, we had interest rate swaps to convert $167.8 million of fixed-rate mortgage loans receivable to floating rates (2006 - $41.5 million) with a fair value of $0.4 million (2006 - $0.1 million). The swaps have maturity dates ranging from December 2011 to March 2017. Because the swaps do not qualify as accounting hedges, changes in the fair value of the swaps are recognized in earnings. Substantially all of the swaps outstanding at March 31, 2007 were settled in April 2007 upon the completion of a securitization.

Capital expenditures for the year were $26.7 million. Significant purchases included an office and warehouse building in Fort Lauderdale, Florida to support our Residential Property Management operations and leasehold improvements at several locations in our Commercial Real Estate Services operations.

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, 2007, the Company had 30 such life insurance policies in force.

In relation to acquisitions completed during the past three years, we have outstanding contingent consideration totaling $14.8 million as at March 31, 2007 (2006 - $8.6 million). The amount of the contingent consideration is not recorded as a liability unless the outcome of the contingency is resolved and additional consideration is paid or payable. The contingent consideration is based on achieving specified earnings levels, and is paid or payable at the end of the contingency period. When the contingencies are resolved and additional consideration is payable, we will record the fair value of the additional consideration as additional costs of the acquired businesses.

In certain cases, our subsidiaries have issued options to purchase shares of subsidiaries to operating managers. The subsidiary stock options are accounted for in 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 at fair value determined with the use of a formula price, which is usually equal to a multiple of trailing two-year average earnings. Minority owners may also "put" their interest to the Company at the same price, with certain

limitations. The total value of the minority shareholders' interests, as calculated in accordance with the shareholders' agreements, was approximately $154 million at March 31, 2007 (2006 -$79 million). The purchase price of minority interests may, at our option, be paid in Subordinate Voting Shares of FirstService. While it is not our intention to acquire outstanding minority interests, this step 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 $10.0 million, increase amortization expense by $5.3 million, reduce income taxes by $4.6 million and reduce minority interest share of earnings by $16.4 million, resulting in an approximate increase to net earnings of $5.7 million, all relative to the amounts reported for the year ended March 31, 2007.

The following table summarizes our contractual obligations as at March 31, 2007:

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	$ 230,694	$ 20,531	$ 31,150	$ 48,994	$ 130,019
Capital lease obligations	4,455	1,588	2,497	370	-
Operating leases	137,219	30,802	47,945	31,567	26,905
Unconditional purchase obligations	-	-	-	-	-
Other long-term obligations	-	-	-	-	-
Total contractual obligations	$ 372,368	$ 52,921	$ 81,592	$ 80,931	$ 156,924

At March 31, 2007, we had commercial commitments totaling $4.9 million comprised of letters of credit outstanding due to expire within one year. We are required to make semi-annual payments of interest on our long-term debt at a weighted average interest rate of 6.5%.

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

Discussion of critical accounting estimates

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

Annual goodwill impairment testing requires judgment on the part of management. Goodwill impairment testing involves making estimates concerning the fair value of reporting units and then comparing the fair value to the carrying amount of each unit. The determination of what constitutes a reporting unit requires significant management judgment. Estimates of fair value can be impacted by sudden changes in the business environment or prolonged economic downturns, and therefore require significant management judgment in their determination. A 10% decline in the fair value of each reporting unit would not result in an indication of impairment.

Acquisition purchase price allocations require use of estimates and judgment on the part of management, especially in the determination of intangible assets acquired 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. A 10% increase the amount allocated to intangible assets during fiscal 2007 would result in an increase to annual amortization expense of $0.4 million.

Amortization of intangible assets requires management to make estimates of useful lives and to select methods of amortization. Useful lives and methods of amortization are determined at the time assets are initially acquired, and then are reevaluated each reporting period. Significant judgment is required to determine whether events and circumstances warrant a revision to remaining periods of amortization. Changes to estimated useful lives and methods of amortization could result in increases or decreases in amortization expense. A 10% reduction to the weighted average useful life of intangible assets, other than short-lived brokerage backlog, would result in an increase to annual amortization expense of $0.5 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 $0.9 million.

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

Transactions with related parties

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

Impact of recently issued accounting standards

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

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

consolidated financial statements for the year ended March 31, 2007. The net reduction to retained earnings recorded as of April 1, 2006 to record the initial application of SAB 108 was $5.4 million.

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 commencing on April 1, 2007. SFAS 156 is not expected to have a material effect on the Company's results of operations and financial condition as the Company does not currently retain servicing rights upon securitization of mortgages.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on accounting for derecognition, interest, penalties, accounting in interim periods, disclosure and classification of matters related to uncertainty in income taxes as well as transitional requirements upon adoption of FIN 48. The provisions of FIN 48 are effective for the Company's fiscal year commencing on April 1, 2007. The cumulative effects, if any, of applying FIN 48 will be recorded as an adjustment to opening retained earnings of the period of adoption. The Company has begun the process of evaluating the expected impact of FIN 48 on the consolidated financial statements, but is not yet in a position to assess the full impact and related disclosure.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements and is effective for the Company's fiscal year commencing on April 1, 2008. The Company is currently evaluating the impact of the adoption of SFAS 157.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of SFAS No. 115* ("SFAS 159"). SFAS 159 permits the Company to measure certain financial instruments, assets and liabilities at fair value on an instrument-by-instrument basis under a fair value option. The Company may elect to early adopt SFAS 159 effective April 1, 2007; otherwise, the standard is effective for the Company as of April 1, 2008. The Company is currently evaluating the impact of the adoption of SFAS 159 on its financial position and results of operations.

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 28,475,794 Subordinate Voting Shares, 1,325,694 Multiple Voting Shares and no Preference Shares. In addition, as at the date hereof, 1,445,550 Subordinate Voting Shares are issuable upon exercise of options granted under the Company's stock option plans.

Disclosure controls and procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Management of the Company, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators ("CSA") and the SEC) as of March 31, 2007 and concluded that such disclosure controls and procedures were effective as at March 31, 2007 and ensure that information is recorded, processed, summarized and reported with the time periods specified under Canadian and US securities laws.

Management's annual report on internal control over financial reporting

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

1. Management is responsible for establishing and maintaining adequate internal controls over financial reporting for the Company. Internal controls over financial reporting are processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP.
2. Management has used the criteria set forth in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to assess the effectiveness of the Company's internal controls over financial reporting. Management believes that the COSO framework is a suitable framework for its assessment of the Company's internal controls over financial reporting because it is free from bias, permits reasonable consistent qualitative and quantitative measurements of FirstService's internal controls, is sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of the Company's internal controls are not omitted, and is relevant to an evaluation of internal controls over financial reporting.
3. Management has assessed the effectiveness of the Company's internal controls over financial reporting as at March 31, 2007, and has concluded that such internal controls over financial reporting are effective. There are no material weaknesses in FirstService's internal controls over financial reporting that have been identified by management.

Changes in internal controls over financial reporting

There have been no changes in FirstService's internal controls over financial reporting during the year ended March 31, 2007, that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Additional information

Copies of publicly filed documents of the Company, including our Annual Information Form, can be found through the SEDAR 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 rates in relation to the US dollar on the Company's Canadian and Australian dollar denominated revenues and expenses.
- Our ability to make acquisitions at reasonable prices and successfully integrate acquired operations.
- Changes in government policies at the federal, state/provincial or local level that may adversely impact our businesses.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in such forward-looking statements will be realized. The inclusion of such forward-looking statements should not be regarded as a representation by the Company or any other person that the future events, plans or expectations contemplated by the Company will be achieved. We note that past performance in operations and share price are not necessarily predictive of future performance. We disclaim any intention and assume no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

EXHIBIT 4

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the inclusion of our report dated May 17, 2007, relating to the consolidated balance sheets of FirstService Corporation (the "Company") as at March 31, 2007 and 2006 and the consolidated statements of earnings, shareholders' equity and cash flows for each year in the three-year period ended March 31, 2007, appearing in this Annual Report on Form 40-F of the Company for the year ended March 31, 2007.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
May 17, 2007

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 18, 2007

/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 18, 2007

/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, 2007 (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 18, 2007

/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, 2007 (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 18, 2007

/s/ John B. Friedrichsen

John B. Friedrichsen

Senior Vice President and Chief Financial Officer