

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

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

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

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

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

Commitments and contingencies (notes 12 and 18)

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

On behalf of the Board of Directors,



Bernard I. Ghert
Director



Jay S. Hennick
Director

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

	Preferred shares		Common shares		Contri- buted surplus	Receiv- ables pursuant to share purchase plan	Retained earnings	Cumulative other compre- hensive earnings (loss)	Total share- holders' equity
	Issued and outstanding shares (note 12)	Amount	Issued and outstanding shares (note 12)	Amount					
Balance, March 31, 2005	-	-	30,192,788	\$ 73,542	\$ 805	\$ (2,148)	\$ 103,011	\$ 10,661	\$ 185,871
Comprehensive earnings:									
Net earnings	-	-	-	-	-	-	69,497	-	69,497
Foreign currency translation adjustments	-	-	-	-	-	-	-	(7,988)	(7,988)
Unrealized loss on available-for- sale equity securities, net of income taxes of \$335	-	-	-	-	-	-	-	(1,528)	(1,528)
Comprehensive earnings									59,981
Subordinate Voting Shares:									
Stock option expense	-	-	-	-	1,380	-	-	-	1,380
Stock options exercised	-	-	434,650	3,740	(22)	-	-	-	3,718
Purchased for cancellation	-	-	(571,650)	(1,595)	-	-	(12,116)	-	(13,711)
Cash payments received	-	-	-	-	-	513	-	-	513
Balance, March 31, 2006	-	-	30,055,788	75,687	2,163	(1,635)	160,392	1,145	237,752
SAB 108 adjustment (note 21)	-	-	-	-	-	-	(5,377)	-	(5,377)
Comprehensive earnings:									
Net earnings	-	-	-	-	-	-	34,863	-	34,863
Foreign currency translation adjustments	-	-	-	-	-	-	-	1,423	1,423
Reclass to earnings of unrealized loss on available-for-sale equity securities, net of income taxes of \$335	-	-	-	-	-	-	-	1,528	1,528
Comprehensive earnings									37,814
Subsidiaries' equity transactions	-	-	-	-	2,562	-	-	-	2,562
Subordinate Voting Shares:									
Stock option expense	-	-	-	-	1,879	-	-	-	1,879
Stock options exercised	-	-	564,800	6,482	(47)	-	-	-	6,435
Purchased for cancellation	-	-	(697,700)	(2,061)	-	-	(14,532)	-	(16,593)
Cash payments received	-	-	-	-	-	403	-	-	403
Balance, March 31, 2007	-	-	29,922,888	80,108	6,557	(1,232)	175,346	4,096	264,875
FIN 48 adjustment (note 14)	-	-	-	-	-	-	(4,200)	-	(4,200)
Comprehensive earnings:									
Net earnings	-	-	-	-	-	-	34,399	-	34,399
Foreign currency translation adjustments	-	-	-	-	-	-	-	7,497	7,497
Unrealized loss on available-for- sale equity securities, net of income taxes of \$20	-	-	-	-	-	-	-	(89)	(89)
Comprehensive earnings									41,807
Subsidiaries' equity transactions	-	-	-	-	1,634	-	-	-	1,634
Subordinate Voting Shares:									
Issued for purchase of minority interest	-	-	282,649	5,868	-	-	-	-	5,868
Stock option expense	-	-	-	2,440	3,498	-	-	-	5,938
Stock options exercised	-	-	159,550	1,372	(198)	-	-	-	1,174
Purchased for cancellation	-	-	(252,500)	(869)	-	-	(5,701)	-	(6,570)
Cash payments received	-	-	-	-	1,644	467	-	-	2,111
Stock dividend (note 12)	5,979,074	149,477	-	-	-	-	(149,477)	-	-
Preferred Shares:									
Dividends (note 12)	-	-	-	-	-	-	(6,952)	-	(6,952)
Balance, March 31, 2008	5,979,074	\$ 149,477	30,112,587	\$ 88,919	\$ 13,135	\$ (765)	\$ 43,415	\$ 11,504	\$ 305,685

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

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

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

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