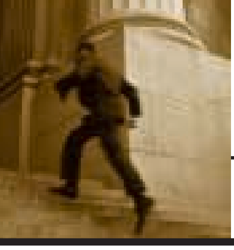
2001
annual report

creating
value
one step
at a time

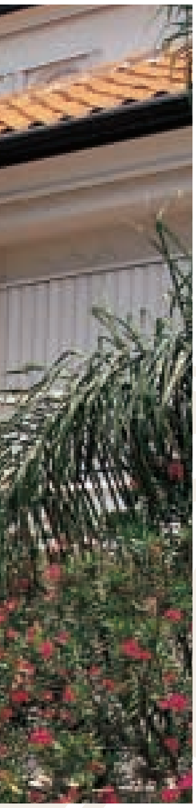
FIRSTSERVICE®
www.firstservice.com

FirstService is a leader in the rapidly growing service sector providing property and business services to commercial and residential customers in the following areas: residential property management; integrated security systems; consumer services and business outsourcing services. FirstService's revenue run rate is currently in excess of US $500 million and total system-wide sales including revenues generated by franchisees are more than US $1.1 billion.

For the past nine consecutive fiscal years, FirstService has exceeded its annual growth target of 20% by delivering increases in all key operating metrics -- revenue, EBITDA, earnings and earnings per share. Each service line generates a high percentage of recurring revenues, has strong cash flows, delivers high returns on invested capital and can be leveraged through margin enhancement, cross-selling of services or through consolidation.



Corporate *PROFILE*

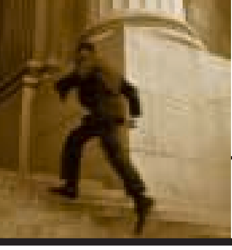


Property Services

- **Residential Property Management:** FirstService is the leading player in North America managing a total of 1,800 properties (condominiums, co-ops and homeowner associations) comprising 360,000 residential units operating from 36 offices in 14 States.
- **Integrated Security Services:** FirstService is one of the largest security systems integrators serving corporate and institutional clients in North America. It designs, installs, monitors and services access control, closed circuit television and other intrusion systems, and also offers high-end guard services in Canada, from 6 branches in the US Northeast and 4 branches in Canada.
- **Consumer Services:** FirstService is the owner-operator of several well-known consumer brands including California Closets (the largest organized closet installation company in North America); Paul Davis Restoration (the largest insurance restoration company in North America); Certa ProPainters (the largest painting contractor in North America); and Nutri-Lawn, Chemlawn Canada and Green Lawn Care. These services are provided through 1,700 franchised and 15 Company-owned locations.

Business Services

- **Customer Support and Fulfillment:** Services offered include customer relationship management, order processing, inventory management, warehousing, order assembly and shipping, rebating and client profiling. Services are provided from 22 branches in the United States and Canada and 2 in Australia comprising over 2 million square feet of capacity.
- **Business Process Outsourcing:** Operating in Canada, this unit provides back office outsourcing services to the banking, insurance and government sectors including student loan servicing, credit card, affinity and coupon program management and health claims adjudication and processing.

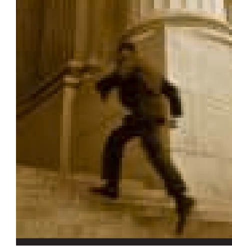


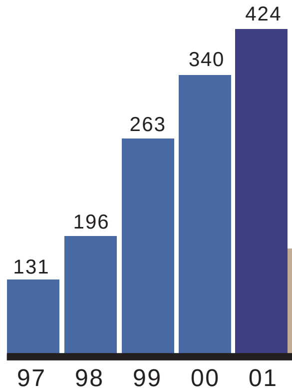
GROWTH RECORD **Past 5 Years**

In thousands of US Dollars, except per share amounts - in accordance with US GAAP.

Year Ended March 31	2001	2000	% Change	1999	1998	1997
OPERATIONS						
Revenue	$424,174	$340,035	25%	$263,361	$196,488	$131,084
EBITDA (1)	47,855	37,977	26%	28,767	18,608	12,117
Net earnings	12,707	9,868	29%	7,222	4,435	2,708
FINANCIAL POSITION						
Total assets	$313,660	$230,887	36%	$184,306	$126,019	$76,624
Long-term debt (2)	149,374	102,177	46%	84,516	38,163	28,737
Shareholders' equity	79,456	68,338	16%	59,020	44,807	20,088
Book value per share	$6.03	$5.26	15%	$4.57	$3.65	$2.12
SHARE DATA						
Net earnings per share						
Basic	$0.97	$0.76	28%	$0.57	$0.43	$0.30
Diluted	$0.92	$0.72	28%	$0.54	$0.41	$0.30
Weighted average shares (thousands)						
Basic	13,074	12,948	1%	12,564	10,370	9,070
Diluted	13,841	13,708	1%	13,475	10,936	9,167

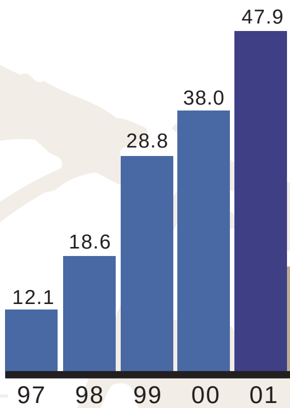
1. Earnings before interest, taxes, depreciation and amortization.
2. Excludes current portion of long-term debt.





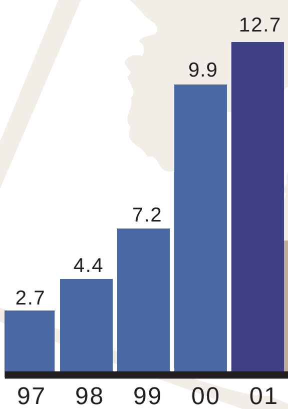
Revenue ($US millions)

Growing at a five-year compound annual growth rate of 36.4%, revenue has been impacted by a combination of consistent organic growth and sound acquisitions.



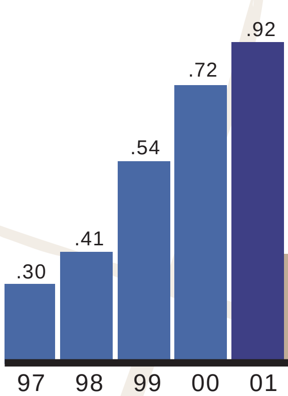
EBITDA ($US millions)

The 44.9% compound annual growth rate in EBITDA over the past five years has outpaced increases in revenue - a reflection of management's success in enhancing margins.



Net earnings ($US millions)

Net earnings has grown at a compound annual growth rate of 49.5% during the five year period, a reflection of prudent employment of capital assets and an efficient financing structure.



Diluted earnings per share ($US)

Diluted earnings per share continues to post strong growth despite the issuance of additional shares during the last five years, with compound annual growth of 34.4%.

President's *MESSAGE*

Fellow Shareholders:

Fiscal 2001 was very successful for FirstService.

Our cash flow from operations was the highest ever, we increased our EBITDA margin for the fifth consecutive year and, most importantly, we grew our revenue, EBITDA, earnings and EPS by more than 25 percent – the ninth year in a row in which we exceeded our established annual growth target of 20 percent.

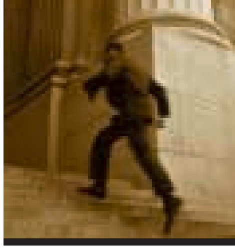
The seasonally low fourth quarter also represented a breakthrough. While our operations have been cash flow positive in the final quarter for the previous two years, the fourth quarter of fiscal 2001 was the first time we generated an accounting profit.

We are also pleased with the performance of our shares as they appreciated by more than 70% over the past year. Part of the reason may be that investors have returned to companies like FirstService with strong fundamentals and excellent growth prospects. But we also think our proven track record is beginning to be recognized by the market.

We unquestionably benefit from operating in a sector of the economy – the service sector – that's growing faster than most others and that's highly fragmented, affording us a large number of growth opportunities. In fact, FirstService completed 9 acquisitions during the year, some of which are highlighted in my following comments.

Overall however, we believe we have been successful because we have a way of doing business that works – and we stick to it. As long as we continue to remain disciplined in executing our time-tested growth strategy, we will continue to reward our shareholders by improving our results year after year.

Jay S. Hennick
Founder, President & Chief Executive Officer



Property Services

FirstService is the largest provider of management services to residential communities in North America. At year end, we managed a total of 1,800 properties and 360,000 residential units from 36 offices in 14 US states and collected a total of $650 million dollars in annual maintenance fees on behalf of the communities we manage.

Our strategy for this business is to add units under management, both internally and through acquisition, then to leverage our management relationship to gain a greater share of the budget we manage on behalf of each community.

We are growing internally because of our aggressive efforts to win new business from competitors and because of the growing trend by self-managed communities to outsource the management function to professional property managers.

We are also growing through acquisition. The most recent was Dickinson Management, the leading property management company in Jupiter and Palm Beach County in Florida. Dickinson adds about 8,000 residential units to our portfolio, including several high-profile properties.

Ultimately, our leverage as property manager offers the greatest potential for FirstService. Our influence and counsel to our clients in their spending decisions puts us in an excellent position to cross-sell other services, including landscaping, painting, restoration, swimming pool service, and more.

At the same time, we have the opportunity to introduce innovative programs, including financial services, trash removal and insurance placement services that provide additional value to our clients and incremental revenue streams for FirstService. This comprehensive service offering provides our clients with a "one-stop" alternative and accountability, while providing FirstService with a competitive advantage in attracting and maintaining long-term client relationships.

We also expect our leading edge website program to produce substantial long-term benefits. By establishing customized websites for each of our communities, our residents have on-line access to community specific information, like monthly financial statements, board minutes, and community events. At the same time, they can order maintenance services and pay their maintenance fees from their computers. This initiative gives us another excellent competitive selling advantage to attract new communities to FirstService.

President's *MESSAGE*

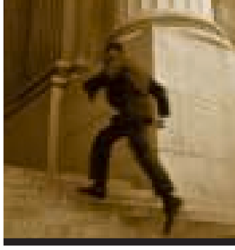
Through our integrated security business, we are already one of the largest players in North America and we continue to be excited about the possibilities for growth in this area of our business.

Earlier in the year, we completed the acquisition of Security Services & Technologies ("SST"). With SST, our security integration business now operates from 6 branches in the US Northeast and 4 in Canada and generates about $81 million in annual revenue.

In consumer services, as a franchiser, we own brands and support and develop franchise systems with operating systems and marketing programs so that our franchisees can be as successful as possible. The more successful they are, the higher the royalty revenue and profit we generate.

Recently, we identified the opportunity to acquire some of our larger and more profitable franchises in partnership with people who were already proven performers in our organization. We completed the first such "branchising" acquisition this year with the purchase of the California Closets Boston franchise in partnership with Ken Cleary, a long-time senior executive and shareholder in our consumer services unit. This highly profitable business has been growing at 15% per year and we are confident we will be able to accelerate its growth in existing markets and by expanding its operations into new areas.

We are currently investigating several similar "branchise" opportunities and expect to be able to complete at least one more during the next fiscal year.



Business Services

In Business Services, we provide customer support and fulfillment as well as business process outsourcing services to larger corporate and institutional customers.

As in Property Services, a large percentage of our revenues are recurring or contractual in nature, the services we perform are generally "back office" business support functions, and the key to profitability is effective management and motivation of a relatively large labor force.

Although our customer support and fulfillment operation experienced lower than expected volumes from its automotive clients during the fourth quarter of the year, we were successful in winning several new contracts late in the year, including a three-year contract from the Bank of Canada to distribute the marketing support materials for the Canada Savings Bond Program and new contracts from pharmaceutical clients to distribute vaccine samples, medical information and marketing support materials. In the coming quarters, we expect these new contract wins to offset the lower volumes from our automotive clients.

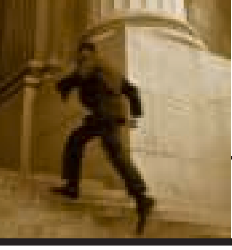
In business process outsourcing, we completed the quarter and year strongly – primarily due to increased revenues generated from a contract to process firearm registrations for the Canadian Department of Justice. Over the next few quarters, we will also begin to see the impact from a recently won contract to process student loans for the Canadian Federal Government.

In the fourth quarter we acquired Herbert A. Watts Ltd., our biggest acquisition of the year. Founded in 1952, Watts is one of Canada's largest customer support and fulfillment companies.

Like DDS, it manages and fulfills marketing support materials for the financial, travel and consumer products industries. It also provides statement processing for customers with recurring requirements, processes coupons and rebates and provides list brokerage and management services.

Watts is also a leader in Customer Relationship Management ("CRM") services, providing customer care, technical and marketing support services to significant corporate clients from four world-class customer contact centres with a total of 850 seats.

Watts will compliment and expand our existing fulfillment business and, with its leading market position in CRM, will give us the capability to cross-sell this important service to our fulfillment clients.



President's *MESSAGE*

Meeting with Peter Drucker

One of the many highlights of this year was the opportunity to spend time discussing our operating and growth strategy with Dr. Peter Drucker, one of the greatest management thinkers and teachers of all time.

We reviewed many issues with Dr. Drucker including the future of the decentralized business model that we employ at FirstService, the need to design and implement programs to nurture and develop our future business leaders, the growing need among operating managers to become partners in the business they run day-to-day which has long been a key part of the FirstService strategy, and the importance of remaining true to our corporate core competencies.

You will be pleased to know that Dr. Drucker believes we are on the right track. Not only do we specifically focus on many of these areas, our philosophy of being partners with operating management was seen as a tremendous competitive advantage for us in the future.

Senior Debt Private Placement

On June 29, 2001 we completed the private placement of US $100 million of senior secured notes with a fixed interest rate of 8.06%. The net proceeds from the issuance of the senior secured notes were used to reduce amounts outstanding under the Company's senior revolving credit facility.

Concurrently with the completion of the private placement, we also amended and restated our senior revolving credit facility with our bank syndicate. The new credit facility entitles the Company to draw up to US $140 million for acquisitions and general corporate purposes.

On the closing of these transactions, we had drawn approximately US $50 million under our senior revolving credit facility, leaving us with an ample US $90 million available to fund our growth initiatives for the foreseeable future.

We are delighted to have strengthened our capital structure with this addition of long-term financing provided by several major institutions and we appreciate their confidence in our operating strategy.

New Goodwill Accounting Rules

Beginning with the first quarter of fiscal 2002, we expect to adopt the new Financial Accounting Standards Board ("FASB") rules dealing with the elimination of goodwill amortization.

This step makes it easier for our shareholders to see our true cash earnings and earnings per share. It also assists them in performing side-by-side comparisons with many of our peers who have been using pooling accounting for acquisitions making FirstService appear more expensive on a price/earnings multiple basis. These new rules level the playing field.

For example, during our last fiscal year ending March 31, 2001, we amortized approximately $3.6 million of goodwill, which effectively understated our earnings. While most FirstService shareholders have always looked at amortization as being a non-cash charge and have adjusted earnings accordingly, many have not.

Under the new FASB rules, we would not be required to charge our earnings by the amortized goodwill with the result that our earnings and earnings per share would increase and our price/earnings multiple would decrease.

A Message of Thanks

On behalf of the Board of Directors, I want to thank all of our business leaders, managers and employees for their diligent efforts throughout the past year. Working together, our future remains an exciting one.

Jay S. Hennick
Founder, President & Chief Executive Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended March 31, 2001

Commission file number 0-24762

FIRSTSERVICE CORPORATION
(Exact name of Registrant as specified in its charter)

Ontario, Canada	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

FirstService Building **1140 Bay Street, Suite 4000** **Toronto, Ontario, Canada**	**M5S 2B4**
(Address of Principal Executive Offices)	(Postal Code)

Registrant's telephone number, including area code: **(416) 960-9500**

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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. Yes [X] or No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of Subordinate Voting Shares held by non-affiliates of the Registrant as of June 15, 2001 was $279,178,000 U.S. The number of the Registrant's Subordinate Voting Shares outstanding as of June 15, 2001 was 12,829,893 and the closing market price of such shares on that date was $21.76 U.S. The number of Multiple Voting Shares outstanding on June 15, 2001 was 662,847.

FIRSTSERVICE CORPORATION

Annual Report on Form 10-K
March 31, 2001

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PART I

ITEM 1. BUSINESS

Unless otherwise indicated, all dollar amounts in this Form 10-K are expressed in United States dollars.

This annual report is prepared on Form 10-K and is filed by FirstService Corporation, an Ontario company (hereinafter sometimes referred to as the "Registrant"). The Registrant and its subsidiaries are referred to as "FirstService" or the "Company". The Registrant is a "foreign private issuer" as defined under Rule 405 of Regulation C under the Securities Act of 1933, as amended. However, commencing with the year ended March 31, 2000, the Registrant elected to file its annual, quarterly and current reports on forms designated for U.S. domestic issuers.

Forward-looking statements

This annual report on Form 10-K contains or incorporates by reference certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company intends 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. The Company's actual results may differ materially from such statements. Among the factors that could result in such differences are the impact of weather conditions, increased competition, labor shortages, the condition of the United States and Canadian economies, and the ability of the Company to make acquisitions at reasonable prices. Although the Company believes that the assumptions underlying its 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. The Company notes that past performance in operations and share price are not necessarily predictive of future performance.

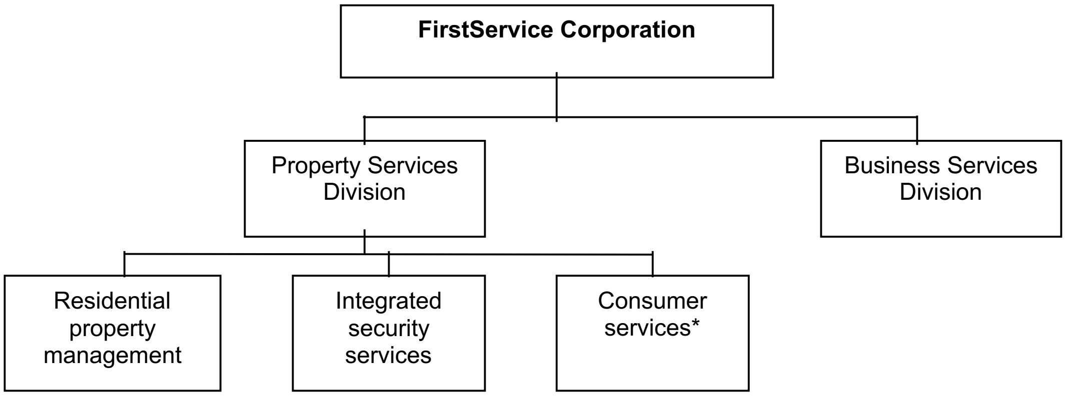
Overview

FirstService is a leader in the rapidly growing service sector, providing a variety of Property and Business Services to commercial and residential customers in the following areas: residential property management, integrated security services, consumer services and business services. Each service line provides essential or near-essential services, generates a high percentage of recurring revenues, has strong cash flows, generates high returns on invested capital and can be leveraged through margin enhancement, cross-selling or consolidation.

From the time of going public in 1993, the Company has posted a track record of consistent growth in revenues and profitability by leveraging off the expertise it has developed since the predecessor to the Company was founded by Jay S. Hennick, Chairman and CEO, in 1972. For the fiscal year ending March 31, 2001 ("Fiscal 2001"), revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") were $424.2 million and $47.9 million, respectively. Approximately 72% of the Company's revenues are generated in the United States, with the balance in Canada. The Company is listed on both the NASDAQ

National Market (symbol: FSRV) and the Toronto Stock Exchange (symbol: FSV) and its internet address is www.firstservice.com.

The Company's operations are conducted through two operating divisions and four operating segments:



* Includes both franchised and Company-owned services.

Revenue by operating segment (In thousands of U.S. dollars)	**Year ended March 31 2001**	**Year ended March 31 2000**	**Year ended March 31 1999**
Property Services Division			
Residential property management	$ 181,730	$ 133,782	$ 90,649
Integrated security services	81,007	61,539	52,827
Consumer services	78,838	71,330	61,618
Business Services Division	82,346	73,198	58,162
Corporate	253	186	105
Total	**$ 424,174**	**$ 340,035**	**$ 263,361**

Please note that (i) residential property management was previously disclosed as management services and (ii) integrated security services was previously disclosed as security services.

Note 15 to the Consolidated Financial Statements included herein under Part II contains further details regarding the operating profit and total assets of the operating segments of the Company.

Description of business

Property Services Division

Residential property management

FirstService is the largest manager of private residential communities in North America. Private residential communities include condominiums, cooperatives, gated communities and a variety of other residential developments governed by multiple unit residential community associations (collectively referred to as “community associations”). In total, the Company manages more than 360,000 residential units in 1,800 community associations in the States of Florida, New Jersey, Arizona, New York, Virginia, Pennsylvania, Delaware, Maryland, and the District of Columbia.

In Florida, the Company operates under the Continental Group, Prime Management Group, Dickinson Management and Sterling Management brands. In the mid-Atlantic region, the Company operates under the Wentworth Group, Armstrong Management and Arco Management brands. The Company's Arizona operations are conducted through Rossmar & Graham Community Association Management.

In addition, through its subsidiary American Pool Enterprises, Inc. ("American Pool"), FirstService is the largest manager of commercial swimming pools and recreation facilities in North America. American Pool currently serves more than 1,400 commercial swimming pools and recreation facilities and more than 5,500 residential swimming pools in ten U.S. States and in Canada, providing recreational facility management, staffing, maintenance and restoration services. The operations of American Pool, outside of the Florida and Arizona markets, are seasonal in nature with the majority of revenues being earned in the first and second fiscal quarters.

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, restoration, pest control, irrigation, real estate sales and leasing, heating, air conditioning, plumbing and swimming pool management and maintenance.

The aggregate budget of the communities managed by FirstService is approximately $650 million. The aggregate budget of all the community associations in the United States is estimated to be $25 billion, which gives FirstService a market share of approximately 2.5%. Currently, FirstService accesses 18-20% of the aggregate budget of its communities through the various services that it offers. The Company's 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.

Integrated security services

FirstService is one of North America's largest providers of integrated security services, primarily to the commercial market, with operations in ten branches: six in the United States and four in Canada. The Company operates two security brands, Intercon (primarily in Canada) and SST (in the United States).

FirstService designs, installs, repairs and maintains 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. FirstService's customers include *Fortune 1000* corporations, property management companies, prominent hospitals and universities, and all levels of government. Revenues are derived from installation projects, on-going service, branch and head-office upgrades, central station monitoring and maintenance-related work.

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

In Canada, FirstService supplements its 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 been a key success factor in delivering growth in the Canadian market, where commercial security clients often express a desire for a comprehensive security service.

Consumer services

In consumer services, FirstService provides a variety of residential and commercial services through its network of 1,700 franchised and 15 Company-owned locations across North America and internationally. The principal brands in the consumer services unit include California Closets, Paul Davis Restoration, Certa ProPainters, College Pro Painters, ChemLawn Canada, Green Lawn Care and Nutri-Lawn. Franchised brands are operated by The Franchise Company, Inc. ("TFC") and Company-owned lawn care brands are operated by Greenspace Services, Inc. ("Greenspace").

California Closets is the largest provider of installed closet and home storage systems in North America. Headquartered in San Rafael, California, California Closets has approximately 125 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 franchisee 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 215 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 franchisee revenues.

Certa ProPainters is a residential and commercial painting franchise system with approximately 210 franchisees operating in major markets across the United States and Canada as well as master franchises in other countries around the world. Certa ProPainters 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 Certa ProPainters a fixed fee royalty, plus administrative fees for various ancillary services.

College Pro Painters is a seasonal exterior residential painting franchise system operating in 24 U.S. States and across Canada with approximately 750 franchisees. 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 revenues. 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.

In addition to the franchise systems described above, the Company operates Stained Glass Overlay, Inc., an Orange, California based franchiser of decorative glass treatments and Action Window Cleaners, an Ontario-based seasonal franchise system for students that offers residential window cleaning.

Franchise agreements are generally for a term of ten years, with the exception of College Pro Painters and Action Window Cleaners, where the agreements are for a term of one year.

In October 2000, TFC acquired Creative Closets, Inc. ("Creative Closets"), the Boston franchise of California Closets, as its first foray into "branchising". The goal of branchising is to re-acquire well-established and profitable franchises to accelerate growth in the territories served by these franchises. TFC intends to make several more branchising acquisitions as opportunities arise.

The Company provides Company-owned residential and commercial lawn care and landscape services, primarily in Canada, under the ChemLawn, Green Lawn Care, Natural Alternative and Sears Lawn Care brands, and franchised lawn care services under the Nutri-Lawn brand. Services to residential customers include fertilization, weed and pest control for lawns, trees and shrubs and lawn aeration. The Company, through Greenspace, serves over 120,000 residential lawn care customers through its Company-owned network of branches in Ontario, Quebec and Alberta and is estimated to have 40% market share among households who purchase lawn care services, excluding mowing, in those provinces. Services to commercial customers include all of the services provided to residential customers plus mowing, landscaping, irrigation and other services comprising comprehensive grounds maintenance. The Company's lawn care operations are seasonal in nature, with the majority of revenue and operating profit earned during the summer months, offset by operating losses during the winter months.

Business Services Division

FirstService's Business Services Division provides customer support and fulfillment as well as business process outsourcing services to *Fortune 1000* companies through 25 branches occupying more than 2.3 million square feet in the United States, Canada and Australia. The principal Business Services operating subsidiaries are BDP Business Data Services Ltd. ("BDP"), DDS Distribution Services Ltd. ("DDS"), and Herbert A. Watts Ltd. ("Watts").

Customer support and fulfillment services, offered by DDS and Watts, include Customer Relationship Management ("CRM"), order processing, inventory management, warehousing, order assembly and shipping, rebating and client profiling. The Company works with its clients to create fully integrated customer support and fulfillment solutions, which can include on-going technical service or product support, order processing (including customized e-commerce solutions), inventory management and fulfillment. Significant customer support and fulfillment clients include Rogers AT&T Wireless, Merck, Readers Digest, TD Waterhouse, M&M Mars and DaimlerChrysler.

CRM services are provided through four state-of-the-art inbound customer contact centers with a total of 850 workstations, three of which are in Canada and one in Australia. The Company's recent acquisition of Watts has greatly enhanced its capabilities in CRM while adding a blue chip client base and incremental cross-selling opportunities.

Fulfillment services are provided from 17 branches in the United States and Canada, including significant facilities in Cleveland, Philadelphia, Toronto, Los Angeles, Dallas and Chicago. In aggregate, the Company occupies more than 2 million square feet of dedicated fulfillment capacity, utilizing bar coding and on-line inventory control systems.

BDP is FirstService's business process outsourcing unit. BDP's objective is to be recognized as the best strategic partner to businesses and governments in Canada for the outsourcing of labor-intensive, back-office functions. BDP provides administrative functions that typically are not strategic to an organization and can be more efficiently and cost-effectively performed by third parties that specialize in such activities. BDP has developed expertise in performing services that require significant labor in coordination with technology, such as the processing of loan portfolios, credit card and affinity programs and drug and dental claims. BDP is the second largest student loan processor in Canada. BDP provides its services from four branches in Canada. Typical contracts vary in length from one to five years. Significant customers include Bank of Nova Scotia, Royal Bank of Canada, the Government of Canada, Manulife Financial and Sun Life.

A key objective of the Company's Business Services Division is to establish long-term relationships with clients and leverage such relationships through the provision of additional services. BDP, DDS and Watts have similar customer bases and the Company believes there are significant cross-selling opportunities between these businesses.

Industry position, competition and customers

The following information is based solely on estimates made by management of the Company and cannot be verified. In considering the Company's industry and competitive position, it should be recognized that FirstService competes with many other companies in the sale of its services, franchises and products and that some of these competitors are larger and may have greater financial and marketing strength than FirstService.

Property Services Division

Residential property management

Based on the most recent available industry data, the Company estimates that: (i) more than 42 million Americans, representing approximately 16 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 205,000 community associations in the United States; and (iv) the total annual operating expenses for all community associations in the U.S. is estimated to be $25 billion. The market is growing at a rate of 3-4% 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 privately owned residential units are required to pay quarterly or monthly fees to cover the expenses of managing the condominium or homeowner association's business activities and maintaining community properties. Historically, decision making for communities was delegated to volunteer boards of directors elected by the owners. Increasingly, these volunteer boards have outsourced the responsibility to manage the day-to-day operation and maintenance of community property to professional property management companies.

The residential property management industry is extremely fragmented and dominated by numerous local and regional management companies. Only a small number of such companies, however, have the expertise and capital to provide both traditional property management services as well as the other support services provided by full-service property managers. FirstService is the largest full-service manager of private residential communities in the United States, managing approximately 2.5% of the nation's approximately 16.4 million units in community associations. FirstService enjoys a competitive advantage because of its size, depth of financial and management resources, and operating expertise.

The Company's business is subject to regulation by the States in which it operates. For example, the Florida Department of Professional Regulation requires that property managers must be licensed which involves certain examinations and continuing education. In addition, the unit's real estate sales and leasing operations are subject to regulation as a real estate brokerage by the various states in which it operates.

Integrated security services

U.S. security systems integration is a $3 billion industry and is expected to grow at an annual rate of approximately 20% over the next five years. Factors driving this 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 to use, more efficient and requires fewer people and resources to operate. An integrated system may also replace a number of different legacy systems that had 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 modern 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 integrated and controlled from a centralized location and administered remotely using advanced network and communication technology, including LANs, WANs, and web-based networking.
- *Increased public awareness of security issues*: Recent examples of escalating violence have made security a priority in the workplace, schools and other public facilities.

The industry is highly fragmented but undergoing consolidation. The market is comprised of many small and medium-sized, and a few very large, competitors. Of the top 100 systems integrators compiled by *SDM Magazine* for 2000, only the largest 5 had revenues over $100 million and the smallest 70 had revenues from ranging from $1 million to $10 million. FirstService is one of the largest integrated security services providers 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.

FirstService's strategy is to combine strong regional operators into a national network focusing on long-term relationships with customers that have complex security needs. FirstService differentiates itself through superior customer service and by designing open architecture systems (versus proprietary or closed systems).

Consumer services

The consumer 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, the Company believes that brand name recognition among consumers is a critical factor in achieving long term success in the businesses in which it operates.

The Company believes 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 U.S. Federal Trade Commission regulations and State and Provincial laws that regulate the offering and sale of franchises. Presently, the Company is authorized to sell franchises in 49 U.S. States, in all Canadian Provinces and in several other countries around the world. In all jurisdictions, the Company endeavors to have its franchisees meet or exceed regulatory standards.

The professional lawn care industry is estimated to be an $8 billion market (including mowing) in North America, and despite some consolidation, is still highly fragmented. Local and regional competitors, as well as do-it-yourself homeowners, provide strong competition in the Canadian lawn care industry, the primary market for the Company's lawn care operations carried out through Greenspace.

Federal and Provincial environmental laws are applicable in all jurisdictions in which Greenspace operates. These regulations dictate which products and methods may be used and require employees to be properly trained and licensed in the use of pesticides and herbicides. These laws, together with municipal bylaws, may limit or restrict the use of certain lawn care practices and if such laws change, Greenspace’s business may be adversely affected.

Business Services Division

The Business Services industry is diverse and comprised of distinct sectors, including the areas in which FirstService participates: (i) customer support and fulfillment and (ii) business process outsourcing. Competitors range from large, sophisticated companies to smaller niche providers, with many possessing adequate size and technical capabilities. Given the large size of the market, significant growth can be achieved without significant market share.

Corporations are increasingly concerned with focusing scarce resources on core operations that provide the greatest competitive advantage and best return on investment. As a result, non-core functions are being outsourced to companies that can perform them better, cheaper and faster.

Customer support and fulfillment: The outsourced portion of the $200 billion CRM industry is estimated to be $25 billion and is currently growing at a rate of 25-30% per year. Outsourced fulfillment services are a $3.2 billion industry and have grown at a rate of 9.7% annually since 1996.

The emergence of new technologies in conjunction with recent equity market and venture capital liquidity has stimulated competition in this segment, although many new entrants appear to lack significant industry experience. There are many competitors of all sizes, including a number of public CRM companies. FirstService is among a handful of successful competitors, none of which dominate this large, diverse market segment.

Technology investment is the single largest factor driving change in the customer support sector with sophisticated CRM software platforms, high-speed redundant networking, and web-enabled customer care systems quickly becoming the standard. Outsourced fulfillment is evolving due to the adoption of technologies such as web-based ordering, real-time inventory, and bar-code and radio-frequency warehouse systems that are forcing competitors to become larger and more sophisticated to compete.

Business process outsourcing: It is estimated that the outsourced “back office” processing segment was approximately $23 billion in 2000, with an expected 5-year compound annual growth rate of about 13%. This segment is occupied by some of the largest business services companies in the world, leveraging their size to realize economies of scale on very large outsourcing contracts. BDP tends to focus on certain niches, such as loan processing and credit and loyalty card administration, where it can capitalize on its specialized expertise.

FirstService competes on the basis of providing competitively priced value-added services, supported by strong operating efficiencies.

Business strategy

Operating strategy

The Company's objective is to increase the revenues, profitability, and market position of each operating company and subsequently acquired business, while maintaining the highest level of service to its customers. Key elements of the Company's operating strategy are:

Senior management commitment: The Company strongly believes that management ownership at each of its primary operating units has contributed significantly to its ability to grow its businesses. As a result, the Company expects to continue its practice of encouraging strong operators of newly acquired platform businesses to retain or acquire a significant equity stake in the businesses they operate, generally in the form of a non-transferable direct equity ownership position. In all cases, the Company retains the right to purchase the minority interest at a pre-determined formula price based on a multiple of trailing twelve month EBITDA. These minority interests average approximately 15%. Management believes that its strategy of aligning the interests of operating management with those of the Company provides a powerful incentive to deliver superior financial performance.

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

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

Marketing penetration and joint marketing: The Company capitalizes on the complementary nature of its businesses by introducing new or additional services to customers with which it already has long-term contractual relationships. The complementary nature of the Company's property services businesses also provides certain advantages when introducing a new service in a market where the Company has existing operations. These advantages include significant market knowledge, demographic information and the ability to share the established overhead of another company operation. Because the Company provides a number of property services, it is able to effectively utilize consolidated customer lists, in-house telemarketing capabilities and other marketing data that is accumulated to conduct cost-efficient customer referral, couponing and other direct mail programs across its businesses.

Acquisition strategy

The acquisition strategy of FirstService has been developed to complement the internal growth strategies of its existing service lines and as a component of the Company's overall growth strategy of building a significant, diversified service 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:

1. 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
2. Provide a return on invested capital that exceeds FirstService's weighted average cost of capital.

Acquisitions are classified as “tuck-under” or “platform”. The vast majority of acquisitions that FirstService targets and completes 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 a strict criteria, that includes the following:

1. Strong, experienced management teams in place that are interested in growing their businesses and in being rewarded through performance-based compensation;
2. History of consistent profitability, supported by significant contractual revenues;
3. Non-capital intensive operations with variable cost structure;
4. Leading positions in the markets served; and,
5. 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 FirstService's 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.

FirstService has historically paid approximately 4 times normalized and sustainable EBITDA (“Valuation EBITDA”) for its acquisitions. Usually, consideration is paid with a combination of cash at closing and a contingent note. Contingent notes are typically paid over a 3-year period, subject to achievement of the Valuation EBITDA on an averaged basis over the 3-year period subsequent to closing. In the event that the actual average EBITDA is less than the Valuation EBITDA, the purchase price and contingent payments are reduced by a multiple of the deficiency in EBITDA.

In executing acquisitions, the acquisition team works closely with operating management of its service lines to identify, negotiate and complete acquisitions. A substantial 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 its strict acquisition criteria and transaction structure. As well, FirstService only allocates its 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 a first 100 day plan (the “Plan”) is drafted by FirstService. Post-closing, the Plan is reviewed with management of the acquired company to ensure that the Plan accurately captures and prioritizes the issues to be addressed. Once a buy-in has been obtained, the 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 FirstService's integration team in overseeing the implementation and in monitoring progress against the timetable.

Recurring revenue

A common theme and key focus across FirstService is recurring, contractual revenue. This is driven by the near-essential nature of the services provided by the Property Services and Business Services Divisions.

Approximately 80% of the Company’s revenue is contractual in nature. In the Property Services Division, residential property management contracts are generally for terms of one to three years, and integrated security services contracts are generally one year in duration. Contracts with franchisees in consumer services are primarily for ten-year periods. In the Business Services Division, contracts have terms of one to five years, with larger contracts having longer terms. Furthermore, FirstService has historically experienced contract renewal rates in excess of 90%.

Current year developments

In July 2000, the Company acquired an 80% interest in Security Services and Technologies (“SST”), a Pennsylvania-based provider of integrated security services, for cash consideration of $7.5 million plus contingent consideration payable if SST meets certain EBITDA thresholds over a three-year period.

In March 2001, the Company acquired an 82.15% interest in Herbert A. Watts Ltd. (“Watts”), a customer support and fulfillment business operating primarily in Canada, for cash consideration of $10.9 million plus contingent consideration payable if Watts meets certain earnings thresholds over a three-year period.

During Fiscal 2001, the Company acquired shares of The Franchise Company, Inc. from a minority shareholder, as well as 14.9% of Intercon Security Ltd. from a minority shareholder, for aggregate consideration of $4.1 million.

During the year, the Company also acquired the following tuck-under companies: Silver Plumbing, based in Miami; Aquashield Corporation, a restoration contractor based in Miami; Creative Closets, Inc., the Boston franchise of the Company’s California Closets franchise system; Century Security, a Toronto-based security services business and Dickinson Management, Inc., a Jupiter, Florida residential property management business.

Subsequent to the end of the fiscal year, on June 29, 2001, the Company amended its lending agreement to allow for the issuance of additional debt. The amended agreement provides $140 million of committed revolving credit facilities renewable and extendible in

364-day increments, and if not renewed, a two-year final maturity. The facility allows for borrowing in U.S. and / or Canadian currency and bears interest at 1.50% to 3.00% over floating reference rates, depending on certain leverage ratios. Also on June 29, 2001, the Company completed a private placement of $100 million of ten-year 8.06% Senior Secured Notes.

Financial information about foreign and domestic operations

Notes 10 and 15 to the Consolidated Financial Statements included herein under Part II contain information regarding revenues, earnings before income taxes and minority interest, and total long-lived assets, by geographic region.

Minority shareholders of subsidiaries

The Company owns a majority interest (on average, 85% of the equity) in all of its subsidiaries, while the operating management of each non-wholly owned subsidiary owns the remaining shares. This structure was designed to maintain control by FirstService while providing significant incentives to management at the operating companies. In all cases, the Company has the right to repurchase management's shares at a predetermined formula price, usually payable at the Company's option with any combination of Subordinate Voting Shares or cash. The Company may also be obligated to acquire certain of these minority interests in the event of the death, disability or cessation of employment of minority shareholders or if minority shareholders exercise their right to require the Company to repurchase their shares. These arrangements provide significant flexibility to the Company in connection with management succession planning and shareholder liquidity matters.

Major customers

FirstService has no single customer which accounts for more than 2% of its total revenues. No part of the Company's business is dependent on a single customer or a few customers, the loss of which would have a material adverse effect on the Company as a whole. Revenues from governmental sources are not material.

Employees

The Company has approximately 9,700 full-time employees, rising to a total of 13,500 in the spring and summer months with seasonal employees.

Trademarks

FirstService's trademarks are important for the advertising and brand awareness of all of its businesses and franchises. Trademarks are renewed at each registration expiry date.

ITEM 2. PROPERTIES

The head office of the Registrant is a 20,000 square foot owned building located at 1140 Bay Street, Toronto, Ontario, Canada, M5S 2B4, approximately three-quarters of which is leased to third party tenants.

Business Services Division

DDS leases approximately 1.7 million square feet of warehouse and office space in connection with its fulfillment operations. Principal warehouse locations include 360,000 square feet in Norristown, Pennsylvania; 360,000 square feet in Elyria, Ohio; 300,000 square feet in Strongsville, Ohio; 175,000 square feet in Toronto, Ontario; 108,000 square feet in Dallas, Texas; 116,000 square feet in Whittier, California; and 83,000 square feet in Chicago, Illinois.

Watts occupies approximately 106,000 square feet of owned and 454,000 square feet of leased space to house its customer support and fulfillment operations. The owned space is comprised of its St. John, New Brunswick and two Prince Edward Island locations. Watts leases 292,000 square feet of space in Toronto, Ontario as well as 51,000 square feet in Sydney, Australia; 40,000 square feet in Bridgewater, Nova Scotia; 30,000 square feet in Tasmania, Australia; 26,000 square feet in Delta, British Columbia and 15,000 square feet in Amherst, New York.

BDP leases approximately 115,000 square feet of office space, consisting of 67,000 square feet in Toronto, Ontario; 27,000 square feet in Orangeville, Ontario; and 21,000 square feet in Ottawa, Ontario.

Property Services Division

Within the residential property management unit, FirstService owns a 38,000 square foot office and warehouse building located in Boca Raton, Florida, most of which is occupied by Prime Management Group, Inc. and part of which is leased to a third party. The Company also owns a 22,000 square foot office and warehouse building in Hollywood, Florida, which is occupied by The Continental Group, Ltd. All other residential property management operations are housed in 55 locations totaling approximately 300,000 square feet in aggregate located in the States where services are offered.

In integrated security services, Intercon leases approximately 70,000 square feet of office space in Toronto, Ontario, Vancouver, British Columbia and Oakbrook, Illinois. SST leases 34,000 square feet of space in five locations within Pennsylvania, New York and New Jersey.

In consumer services, The Franchise Company, Inc. leases approximately 77,000 square feet of office and warehouse space in several locations across North America to house its franchise systems. Lawn care services occupy approximately 135,000 square feet of space in eight locations primarily in Ontario, Quebec and Alberta.

The Company believes its existing premises, as described above, are sufficient to meet its current operating requirements. All significant leased properties are held under long-term leases.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, FirstService may become involved in legal proceedings with private or public parties. As at June 29, 2001, these proceedings included several general liability actions, none of which are material to the Company, and no environmental actions.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the year ended March 31, 2001, no matters were submitted to a vote of security holders.

PART II

ITEM 5. MARKET FOR REGISTRANT'S SHARES AND RELATED SHAREHOLDER MATTERS

The Registrant's Subordinate Voting Shares are traded on the NASDAQ National Market ("NASDAQ") (symbol: FSRV) and the Toronto Stock Exchange ("TSE") (symbol: FSV). The Registrant's Multiple Voting Shares are not traded on any established public trading market.

The following table sets forth the highest and lowest closing prices of the Registrant's Subordinate Voting Shares in each quarter of the two years ending March 31, 2001 and 2000:

Quarter		NASDAQ quarterly high price ($ US)	NASDAQ quarterly low price ($ US)	TSE quarterly high price ($ Cdn)	TSE quarterly low price ($ Cdn)
Fiscal 2000	**Q1**	$ 17.00	$ 13.06	$ 25.85	$ 19.65
	Q2	15.31	12.00	23.00	17.75
	Q3	13.69	11.00	19.90	16.25
	Q4	13.13	11.03	20.50	16.05
Fiscal 2001	**Q1**	$ 12.75	$ 10.50	$ 19.20	$ 15.50
	Q2	13.00	11.00	19.50	16.00
	Q3	15.38	12.45	23.75	18.80
	Q4	18.00	13.63	26.77	20.75

As of June 15, 2001, in relation to the Subordinate Voting Shares, there were approximately 300 shareholders of record and approximately 4,000 persons who held shares in the names of nominees. One shareholder, the President and Chief Executive Officer of the Company, held all of the Multiple Voting Shares.

No dividends were declared by the Registrant during the two fiscal years ending March 31, 2001 and 2000. The Company's lending agreement with its lenders prohibits the Company from declaring dividends without the prior approval of the lenders.

Taxation

The following discussion summarizes certain tax considerations relevant to an investment by individuals and corporations who, for income tax purposes, are resident in the United States and not in Canada, hold shares as capital property, and do not use or hold the shares in carrying on business through a permanent establishment or in connection with a fixed base in Canada (collectively, "Unconnected U.S. Shareholders"). The Canadian tax consequences of investment in the shares by investors who are not Unconnected U.S. Shareholders may be expected to differ substantially from the tax consequences discussed herein. This discussion is based on upon the provisions of the Income Tax Act (Canada) (the "Tax Act"), the Convention between Canada and the United States of America with respect to taxes on Income and Capital (the "Convention") and the published administrative practices of the Canada Customs and Revenue Agency and judicial decisions, all of which are subject to change. This discussion does not take into account the tax laws of the various provinces or territories of Canada.

This discussion is intended to be a general description of the Canadian tax considerations and does not take into account the individual circumstances of any particular shareholder.

Any cash and stock dividends on the shares payable to Unconnected U.S. Shareholders generally will be subject to Canadian withholding tax. Under the Convention, the rate of withholding tax generally applicable to Unconnected U.S. Shareholders is 15%. In the case of a United States corporate shareholder owning 10% or more of the voting shares of the Company, the applicable withholding tax under the Convention is 5%.

Capital gains realized on the disposition of shares by Unconnected U.S. Shareholders will not be subject to tax under the Tax Act unless such shares are taxable Canadian property within the meaning of the Tax Act. Shares will not be taxable Canadian property to a holder unless, at any time during the five-year period immediately preceding the disposition, the holder, or persons with whom the holder did not deal at arm's length, or any combination thereof, owned 25% or more of the issued shares of any class or series of the Company. If the shares are considered taxable Canadian property to a holder, the Convention will generally exempt Unconnected U.S. Shareholders from tax under the Tax Act in respect of a disposition of shares provided the value of the shares of the Company is not derived principally from real property situated in Canada.

ITEM 6. SELECTED FINANCIAL DATA

Five-year financial summary

(in thousands of U.S. Dollars, except per share amounts) – in accordance with United States generally accepted accounting principles.

Year ended March 31	**2001**	**2000**	**1999**	**1998**	**1997**
OPERATIONS					
Revenue	$ 424,174	$ 340,035	$ 263,361	$ 196,488	$ 131,084
EBITDA (1)	$ 47,855	$ 37,977	$ 28,767	$ 18,608	$ 12,117
Net earnings	$ 12,707	$ 9,868	$ 7,222	$ 4,435	$ 2,708
FINANCIAL POSITION					
Total assets	$ 313,660	$ 230,887	$ 184,306	$ 126,019	$ 76,624
Long-term debt (2)	$ 149,374	$ 102,177	$ 84,516	$ 38,163	$ 28,737
Shareholders' equity	$ 79,456	$ 68,338	$ 59,020	$ 44,807	$ 20,088
Book value per share	$ 6.03	$ 5.26	$ 4.57	$ 3.65	$ 2.12
SHARE DATA					
Net earnings per share					
Basic	$ 0.97	$ 0.76	$ 0.57	$ 0.43	$ 0.30
Diluted	$ 0.92	$ 0.72	$ 0.54	$ 0.41	$ 0.30
Weighted average shares (thousands)					
Basic	13,074	12,948	12,564	10,370	9,070
Diluted	13,841	13,708	13,475	10,936	9,167
Cash dividends per share	-	-	-	-	-

Notes

(1) Earnings before interest, taxes, depreciation and amortization.

(2) Excluding current portion of long-term debt.

ITEM 7. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations - year ended March 31, 2001

Consolidated revenues for the year ended March 31, 2001 ("Fiscal 2001") were $424.2 million, a 25% increase from the $340.0 million reported for the year ended March 31, 2000 ("Fiscal 2000"). Approximately $44.0 million of the increase resulted from the acquisitions of Security Services and Technologies ("SST") and Herbert A. Watts Ltd. ("Watts"), several smaller tuck-under companies and the full-year impact of acquisitions completed in Fiscal 2000. The balance resulted from internal growth of approximately 12%.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased 26%, to $47.9 million from $38.0 million in the prior year, while EBITDA margins increased 10 basis points to 11.3% of revenue. Fiscal 2001 marks the fifth consecutive year that the Company has reported improved EBITDA margins.

Depreciation for the year ended March 31, 2001 was $7.7 million, up 19% from the previous year due largely to acquisitions. Amortization for the year was $4.2 million, up 17% over Fiscal 2000 due to the significant amount of goodwill that has resulted from the acquisitions completed during the years ended March 31, 2001 and 2000.

Interest expense increased 24% over prior year levels to $9.8 million as a result of increased borrowings related to acquisitions completed during Fiscal 2001 and 2000 and higher interest rates. Weighted average interest rates were approximately 8.1% in Fiscal 2001 compared to 7.7% in Fiscal 2000. The change in rates is attributable to increases in floating reference rates. All acquisitions completed during the last two fiscal years have been financed through the Company's credit facilities.

The income tax provision for the year ended March 31, 2001 was approximately 40% of earnings before taxes, similar to the prior year. The Company anticipates that its tax rate will decline to approximately 38% for Fiscal 2002 as it continues to leverage the cross-border tax structure implemented in Fiscal 2000, subject to the adoption of the new Financial Accounting Standards Board ("FASB") pronouncement, Statements on Business Combinations and Goodwill and Intangible Assets which would increase pre-tax earnings and reduce the effective tax rate.

Minority interest expense increased to $3.0 million or 19% of earnings before minority interest from $2.2 million, or 18% in the prior year. The increase reflects a change in the mix of earnings relative to the prior year as certain operations having higher minority shareholdings contributed more to consolidated earnings. In those operations where operating management are also minority owners, the Company is party to a shareholders' agreement. These agreements allow the Company to "call" the minority position for a predetermined formula price, which is usually equal to the multiple of earnings paid by the Company for the original acquisition. While it is not management's intention to acquire outstanding minority interests, this step would materially increase earnings per share. Minority owners may also "put" their interest to the Company at the same price, with certain limitations. The purchase price may, at the option of the Company, be paid primarily in Subordinate Voting Shares of the Company.

Net earnings were $12.7 million, a 29% increase over the prior year, while diluted earnings per share increased 28% to $0.92. Diluted earnings per share reflect a 1% increase in the weighted average number of shares outstanding as a result of shares issued upon the acquisition of a minority shareholding and as a result of the shares issued in connection with stock option exercises.

Revenues for the Property Services Division were $341.6 million, an increase of $74.9 million or 28% over the prior year. Approximately $40.0 million of the revenue increase resulted from the acquisitions of SST and several tuck-under companies in Fiscal 2001 in addition to the full year impact of acquisitions completed during Fiscal 2000. The balance of the increase resulted from internal growth. Property Services EBITDA grew 35% to $36.6 million or 10.7% of revenue compared to an EBITDA margin of 10.2% in the prior year.

Within Property Services, the residential property management unit generated $181.7 million of revenue for the year, up 36% over the prior year due to internal growth and several tuck-under acquisitions including Silver Plumbing, Aquashield Corporation, and Dickinson Management Inc., all completed during Fiscal 2001. Residential property management EBITDA was $18.1 million, up 58% over the prior year. The EBITDA margin was 9.9% compared to 8.5% in the prior year, up due to productivity improvements and changes in the service mix due to higher margin restoration and swimming pool management acquisitions completed during the two years.

The integrated security services unit reported revenue of $81.0 million, representing growth of 32% over the prior year fuelled by the acquisitions of SST and Century Security. EBITDA was $6.0 million, up 20% over the prior year and EBITDA margins were 7.4% compared with 8.2%. Fiscal 2000's unusually high margin was due to several highly profitable special contracts completed during that year.

Consumer services revenue was $78.8 million, up 11% over the prior year due to internal growth and the October 2000 acquisition of Creative Closets. EBITDA was $12.5 million, up 16% over the prior year. EBITDA margins rose from 15.1% in the prior year to 15.9% in Fiscal 2001 as a result of operating efficiency improvements and the mix change from the Creative Closets acquisition.

Revenues for the Business Services Division were $82.3 million, an increase of 13% or $9.1 million over Fiscal 2000. Approximately $4.0 million of the revenue increase is attributable to the March 1, 2001 acquisition of Watts with the balance from internal growth of approximately 7%. Business Services EBITDA grew 8.0% to $15.9 million, while margins fell to 19.3% from 20.1%. The margin decline was primarily due to the inclusion of Watts, which carries margins of approximately 13% due to its lower-margin direct mail and customer contact operations.

Corporate expenses increased to $4.7 million in Fiscal 2001 from $4.0 million primarily as a result of higher professional services fees relating to income taxes and to the investigation of potential acquisitions that were not completed.

Results of operations - year ended March 31, 2000

Consolidated revenues for the year ended March 31, 2000 were $340.0 million, a 29% increase from the $263.4 million reported for the year ended March 31, 1999 ("Fiscal 1999"). Approximately $45.0 million of the increase resulted from the acquisitions of American Pool Enterprises Inc. ("American Pool"), Southwest Distribution Services Group ("DDS SW"), several smaller tuck-under companies and the full-year impact of acquisitions completed in Fiscal 1999. The balance resulted from internal growth of approximately 13%.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased 32%, to $38.0 million from $28.8 million in the prior year, while EBITDA margins increased 25 basis points to 11.2% of revenue. The increased margins reflect productivity improvements, overhead leveraging and the impact of certain acquisitions including California Closet Company, Inc., which carry higher EBITDA margins.

Depreciation for the year ended March 31, 2000 was $6.5 million, up 20% from the previous year due largely to acquisitions. However, the increase also reflects a sharp step-up in capital investment in management information systems over the past three years. Generally, these investments are depreciated over a short time frame relative to the Company's other pool of assets. Amortization for the year was $3.6 million, up 32% over Fiscal 1999 due to the significant amount of goodwill that resulted from the acquisitions completed during the years ended March 31, 2000 and 1999.

Interest expense increased 40% over prior year levels to $7.8 million as a result of increased borrowings related to acquisitions completed during Fiscal 2000 and 1999 and higher interest rates. All acquisitions completed during the last two Fiscal years have been financed through the Company's credit facilities.

The income tax provision for the year ended March 31, 2000 was approximately 40% of earnings before taxes, compared with 43% for the year ended March 31, 1999. The lower tax provision reflects a more efficient cross-border tax structure resulting from amendments to the Company's credit facilities on April 1, 1999, which split the facilities into separate Canadian and US tranches.

Minority interest expense increased to $2.2 million or 18% of earnings before minority interest from $1.4 million, or 16% in the prior year. The increase reflects a change in the mix of earnings relative to the prior year as certain operations having higher minority shareholdings contributed more to consolidated earnings.

Net earnings were $9.9 million, a 37% increase over the prior year, while diluted earnings per share increased 33% to $0.72. Diluted earnings per share reflect a 1.7% increase in the weighted average number of shares outstanding primarily as a result of the shares issued for the acquisition of an additional 34.9% interest in Intercon Security Ltd. in December 1998.

Revenues for the Property Services Division were $266.7 million, an increase of $61.6 million or 30% over the prior year. Approximately $35.0 million of the revenue increase resulted from the acquisitions of American Pool and several tuck-under companies in Fiscal 2000 in addition to the full year impact of acquisitions completed during Fiscal 1999. The balance of the increase resulted from internal growth. Property Services EBITDA grew 36% to $27.2 million or 10.2% of revenue compared to an EBITDA margin of 9.7% in the prior year.

Within Property Services, the residential property management unit generated $133.8 million of revenue for the year, up 48% over the prior year due to internal growth and acquisitions including American Pool and several smaller tuck-unders. EBITDA was $11.4 million, up 37% over the prior year. EBITDA margins were 8.5% compared with 9.2% in the prior year due in part to systems conversion costs and start-up costs associated with new contract wins.

Integrated security services reported revenue of $61.5 million, representing growth of 16% over the prior year, comprised of internal growth and a tuck-under acquisition. EBITDA was $5.0 million, a 55% increase over the prior year. The EBITDA margin was 8.2% compared to 6.1% in the prior year due to several highly profitable special contracts and a shift in service mix from security officers toward higher-margin systems integration.

Consumer services revenue was $71.3 million, up 16% over the prior year, all from internal growth. EBITDA was $10.8 million, 29% over the prior year, and EBITDA margins were 15.1% compared with 13.7% in the prior year. This margin expansion was made possible by increased operating leverage resulting from higher revenue levels.

Revenues for the Business Services Division were $73.2 million, an increase of 26% or $15.0 million over 1999, a consequence of strong double-digit internal growth and the impact of the acquisition of DDS SW. Strong internal growth primarily reflected increases in the scope of services provided to several clients at both BDP and DDS. Business Services EBITDA grew 23% to $14.7 million, while margins fell slightly to 20.1% from 20.5%, primarily reflecting higher expenses at DDS relating to capacity expansion.

Corporate expenses increased to $4.0 million in Fiscal 2000 from $3.2 million as a result of higher staffing levels and increased travel and legal costs related, in part, to the investigation of prospective acquisitions that were not completed.

Seasonality and quarterly fluctuations

Certain segments of the Company's operations, which in the aggregate comprise approximately 14% of revenues, are subject to seasonal variations. Specifically, the demand for lawn care services, exterior painting services, and swimming pool maintenance in the northern United States and Canada is highest during late spring, summer and early fall and very low during winter. As a result, these operations generate a large percentage of their annual revenues between April and September. The Company has historically generated lower profits or net losses during its third and fourth fiscal quarters, from October to March. Residential property management, integrated security services, business services and most of the franchised consumer services generate revenues approximately evenly throughout the fiscal year.

The seasonality of the lawn care, painting and swimming pool maintenance operations results in variations in quarterly EBITDA margins. Variations in quarterly EBITDA margins can also be caused by acquisitions that alter the consolidated service mix. The Company's non-seasonal businesses typically generate a consistent EBITDA margin over all four quarters, while the Company's seasonal businesses experience high EBITDA margins in the first two quarters, offset by negative EBITDA in the last two quarters. As non-seasonal revenues increase as a percentage of total revenues, the Company's quarterly EBITDA margin fluctuations should be reduced.

Liquidity and capital resources

Net cash provided by operating activities for the year ended March 31, 2001 was $22.3 million, up approximately 13% over the prior year. Working capital investment increased by $6.8 million during Fiscal 2001 compared to a $4.0 million increase during Fiscal 2000. During Fiscal 2000, operating management successfully implemented one-time reductions in working capital investment. In Fiscal 2001, the Company's growth and the acquisitions of SST and Watts were responsible for the expansion in working capital investment.

Bank borrowings and cash flow from operations have historically been the primary funding sources for working capital requirements, capital expenditures and acquisitions. Management believes that funds from these sources and proceeds from capital stock issues will remain available and are adequate to support ongoing operational requirements and near-term acquisition growth.

FirstService's lending agreement provided six-year committed revolving credit facilities of $50 million Cdn. and $130 million U.S. to fund acquisitions. Outstanding indebtedness bore interest at a rate based on competitive floating reference rates, as selected by the Company, such as LIBOR, plus a margin of 1.00% to 1.50% per annum, depending on certain leverage ratios. The agreement required the Company to meet specific financial ratios and placed certain limitations on additional borrowing and the ability to pay dividends or sell assets. As of March 31, 2001, the Company had drawn $142.8 million U.S. and was in compliance with all financial covenants. Net borrowings increased by approximately $43.4 million from March 31, 2000 to March 31, 2001.

On June 29, 2001, the Company amended its lending agreement to allow for the issuance of additional debt. The amended agreement provides $140 million of committed revolving credit facilities renewable and extendible in 364-day increments, and if not renewed, a two-year final maturity. The facility allows for borrowing in U.S. and / or Canadian currency and bears interest at 1.50% to 3.00% over floating reference rates, depending on certain leverage ratios. Also on June 29, 2001, the Company completed a private placement of $100 million of 8.06% Senior Secured Notes (the "Notes"). The Notes have a final maturity of ten years, with equal annual principal repayments beginning at the end of the fourth year, resulting in a seven-year average life. Covenants and other limitations within the amended lending agreement and the Notes are similar to those contained in the prior lending agreement.

The Company believes these new credit arrangements will provide stability and flexibility to finance acquisitions and working capital requirements for the foreseeable future. Under the new credit arrangements, un-drawn available credit under the credit facilities would be $97.2 million on a pro forma basis as at March 31, 2001. The higher interest rates in the new credit arrangements, relative to the prior lending agreement, offset by recent declines in LIBOR, will result in a slightly higher average interest rate in Fiscal 2002.

The Company expects to record an extraordinary loss in the first quarter of Fiscal 2002 of approximately $1.4 million ($0.8 million net of taxes) due to the write-off of financing fees related to the prior lending agreement.

During Fiscal 2001, capital expenditures totaled $10.5 million comprising approximately $4.0 million in expenditures on production equipment, $2.5 million on vehicles, $2.5 million on computer equipment and software and $1.5 million for leasehold improvements. During the year, the Business Services division expanded, making investments in leasehold improvements and production equipment at its Orangeville, Ontario and Los Angeles (Whittier, California) locations.

Looking forward to Fiscal 2002, capital expenditures are expected to be higher than 2001 levels, primarily as a result of the acquisition of Watts. In Business Services, the Company intends to relocate and expand its Dallas facility as well as construct a new customer contact center in Canada. In Property Services, the Company will continue to invest in productivity-enhancing computer systems, as well as expand its facilities in Miami and Phoenix.

Acquisition expenditures during the year totaled $44.7 million. All of the acquisition consideration was in the form of cash except $0.7 million paid with Subordinate Voting Shares. In connection with certain acquisitions, the Company has agreed to pay additional consideration contingent on the future operating results of the acquired entities. The payment of any such amounts would be in cash and would result in an increase in the purchase prices for such acquisitions and, as a result, additional goodwill.

Impact of recently issued accounting standards

Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities will become effective in the first quarter of Fiscal 2002. The adoption of this Statement will have no impact on the financial results of the Company.

The Company expects to early-adopt the FASB pronouncement Statements on Business Combinations and Goodwill and Intangible Assets in the first quarter of Fiscal 2002. This change would have the impact of materially increasing the net earnings of the Company.

Forward-looking statements

This Management Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company intends 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. The Company's actual results may differ materially from such statements. Among the factors that could result in such differences are the impact of weather conditions, increased competition, labor shortages, the condition of the United States and Canadian economies, and the ability of the Company to make acquisitions at reasonable prices. Although the Company believes that the assumptions underlying its 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. The Company notes that past performance in operations and share price are not necessarily predictive of future performance.

ITEM 7A. FINANCIAL INSTRUMENTS - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has identified two market risks that may impact its earnings and cash flows: interest rate risk and foreign currency risk. The Company uses sensitivity analysis as its primary analytical technique to evaluate the hypothetical effects of market risks on future earnings and cash flows, and sensitivity analyses are provided below.

Interest rate risk

FirstService's exposure to market risk for changes in interest rates relates to its revolving debt facility which bears interest at floating reference rates, primarily LIBOR, plus a spread that is variable depending on certain leverage ratios. On March 31, 2001, the amount drawn on the revolving debt facility was $142.8 million, bearing interest at a rate of approximately 7.8%. The Company may from time to time use derivative instruments to manage its interest rate risk, and as at March 31, 2001, no such instruments were held.

A 10% change in interest rates, or 80 basis points, would change interest expense by approximately $1.1 million, and net earnings by $0.6 million, over a full year. An increase in market interest rates would increase FirstService's interest expense.

Foreign currency risk

Approximately 30% of FirstService's operations are conducted in foreign currencies, principally in Canadian dollars and to a much smaller extent in Australian dollars. FirstService monitors its foreign currency exposure. The Company may from time to time use derivative instruments to manage its foreign currency risk, and as at March 31, 2001, no such instruments were held.

FirstService has mitigated, and expects to continue to mitigate, a portion of its currency exposure through the decentralized nature of its organization, where, in each business unit, generally both revenue and the related costs are local currency based. FirstService has the ability to borrow funds under its revolving debt facility in either or both U.S. and Canadian currencies. This allows the Company to effectively match the currency of earnings with the currency of principal and interest payments, which also mitigates some foreign currency risk.

A 3% (2 U.S. cents) change in the value of the Canadian dollar would have the impact of changing net earnings by approximately $0.2 million, over a full year. A decline in the value of the Canadian dollar relative to the U.S. dollar would have the impact of reducing the revenue and earnings of FirstService.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Set forth below is the report of PricewaterhouseCoopers LLP dated May 11, 2001, the consolidated balance sheets of FirstService Corporation as at March 31, 2001 and 2000, the consolidated statements of earnings, shareholders' equity and cash flows for the three-year period ended March 31, 2001 and the notes to the financial statements.

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE SHAREHOLDERS OF FIRSTSERVICE CORPORATION:

We have audited the consolidated balance sheets of FirstService Corporation as at March 31, 2001 and 2000 and the consolidated statements of earnings, shareholders' equity and cash flows for each year in the three-year period ended March 31, 2001. These financial statements and the financial statement schedule listed in the index appearing under Item 14 on page 53 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with United States 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2001 and 2000 and the results of its operations and cash flows for each year in the three-year period ended March 31, 2001 in accordance with United States generally accepted accounting principles.

In addition, in our opinion, the financial statement schedule referred to above presents fairly, in all material respects, the information set forth herein when read in conjunction with the related consolidated financial statements.

PRICEWATERHOUSECOOPERS LLP

Chartered Accountants

Toronto, Ontario
May 11, 2001

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands of U.S. Dollars, except per share amounts) – in accordance with United States generally accepted accounting principles.

For the years ended March 31	**2001**	2000	1999
Revenues	**$ 424,174**	$ 340,035	$ 263,361
Cost of revenues	**284,474**	226,154	176,089
Selling, general and administrative expenses	**91,845**	75,904	58,505
Depreciation and amortization	**11,929**	10,107	8,145
Interest	**9,767**	7,849	5,589
Earnings before income taxes and minority interest	**26,159**	20,021	15,033
Income taxes (note 10)	**10,464**	7,989	6,402
Earnings before minority interest	**15,695**	12,032	8,631
Minority interest share of earnings	**2,988**	2,164	1,409
Net earnings	**$ 12,707**	$ 9,868	$ 7,222
Earnings per share (note 11)			
Net earnings:			
Basic	**$ 0.97**	$ 0.76	$ 0.57
Diluted	**$ 0.92**	$ 0.72	$ 0.54

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

FIRSTSERVICE CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. Dollars) – in accordance with United States generally accepted accounting principles.

As at March 31	**2001**	2000
Assets		
Current assets		
Cash and cash equivalents	**$ 5,115**	$ 3,297
Accounts receivable, net of an allowance of $4,123 (2000 - $3,273)	**79,473**	53,170
Inventories (note 4)	**9,627**	8,929
Prepaids and other (note 12)	**10,757**	8,491
Deferred income taxes (note 10)	**1,136**	1,063
	106,108	74,950
Other receivables (note 5)	**5,092**	4,405
Fixed assets (note 6)	**40,741**	29,693
Other assets (note 6)	**4,934**	4,074
Deferred income taxes (note 10)	**1,472**	270
Goodwill (note 7)	**155,313**	117,495
	207,552	155,937
	$ 313,660	$ 230,887
Liabilities		
Current liabilities		
Accounts payable	**$ 22,220**	$ 11,752
Accrued liabilities (note 12)	**34,001**	23,013
Income taxes payable	**2,436**	2,879
Unearned revenue	**9,505**	10,725
Long-term debt – current (note 8)	**3,050**	2,733
Deferred income taxes (note 10)	**558**	459
	71,770	51,561
Long-term debt less current portion (note 8)	**149,374**	102,177
Deferred income taxes (note 10)	**4,236**	1,836
Minority interest	**8,824**	6,975
	162,434	110,988
Shareholders' equity		
Capital stock (note 9)	**54,863**	53,849
Issued and outstanding 12,505,393 (2000 – 12,326,683) Subordinate Voting Shares and 662,847 (2000 – 662,847) convertible Multiple Voting Shares		
Receivables pursuant to share purchase plan (note 9)	**(3,196)**	(3,294)
Retained earnings	**27,972**	15,614
Cumulative other comprehensive (loss) earnings	**(183)**	2,169
	79,456	68,338
	$ 313,660	$ 230,887

Commitments and contingencies (note 14)

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

Signed on behalf of the Board

Director

Director

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of U.S. Dollars) – in accordance with United States generally accepted accounting principles.

	Issued and outstanding shares (note 9)	Capital stock (note 9)	Receivables pursuant to share purchase plan	Retained earnings (deficit)	Cumulative other comprehensive earnings (deficit)	Total shareholders' equity
Balance, March 31, 1998	12,285,538	$ 48,496	$ (2,329)	$ (515)	$ (845)	$ 44,807
Comprehensive earnings:						
Net earnings	-	-	-	7,222	-	7,222
Foreign currency translation adjustments	-	-	-	-	3,337	3,337
Comprehensive earnings						10,559
Subordinate Voting Shares:						
Issued for purchase of minority interest	239,437	2,823	-	-	-	2,823
Stock options exercised	358,380	1,375	-	-	-	1,375
Issued under share purchase plan	97,500	1,166	(1,166)	-	-	-
Purchased for cancellation	(61,800)	(206)	-	(539)	-	(745)
Cash payments on share purchase plan	-	-	201	-	-	201
Balance, March 31, 1999	12,919,055	53,654	(3,294)	6,168	2,492	59,020
Comprehensive earnings:						
Net earnings	-	-	-	9,868	-	9,868
Foreign currency translation adjustments (note 12)	-	-	-	-	(323)	(323)
Comprehensive earnings						9,545
Subordinate Voting Shares:						
Stock options exercised	132,475	465	-	-	-	465
Purchased for cancellation	(62,000)	(270)	-	(422)	-	(692)
Balance, March 31, 2000	12,989,530	53,849	(3,294)	15,614	2,169	68,338
Comprehensive earnings:						
Net earnings	-	-	-	12,707	-	12,707
Foreign currency translation adjustments (note 12)	-	-	-	-	(2,352)	(2,352)
Comprehensive earnings						10,355
Subordinate Voting Shares:						
Issued for purchase of minority interest	69,360	649	-	-	-	649
Stock options exercised	158,850	580	-	-	-	580
Purchased for cancellation	(49,500)	(215)	-	(349)	-	(564)
Cash payments on share purchase plan	-	-	98	-	-	98
Balance, March 31, 2001	13,168,240	$ 54,863	$ (3,196)	$ 27,972	$ (183)	$ 79,456

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

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. Dollars) – in accordance with United States generally accepted accounting principles.

For the years ended March 31	**2001**	2000	1999
Cash provided by (used in)			
Operating activities			
Net earnings	**$ 12,707**	$ 9,868	$ 7,222
Items not affecting cash:			
Depreciation and amortization	**11,929**	10,107	8,145
Deferred income taxes	**1,056**	1,087	418
Minority interest share of earnings	**2,988**	2,164	1,409
Other	**451**	446	292
Changes in operating assets and liabilities:			
Accounts receivable	**(5,235)**	(2,080)	(7,015)
Inventories	**(450)**	(949)	2,084
Prepaids and other	**(1,270)**	(1,360)	(681)
Accounts payable	**3,304**	(1,395)	(4,242)
Accrued liabilities	**(4,103)**	686	2,610
Income taxes payable	**2,520**	1,698	(634)
Unearned revenue	**(1,607)**	(599)	(1,500)
Net cash provided by operating activities	**22,290**	19,673	8,108
Investing activities			
Acquisition of businesses, net of cash acquired	**(40,583)**	(22,069)	(38,831)
Purchases of minority shareholders' interest	**(4,070)**	-	(2,956)
Purchases of fixed assets	**(10,502)**	(8,824)	(5,810)
Proceeds from sale of business and other assets	**-**	105	2,648
Purchases of other assets	**(91)**	(1,038)	(569)
Increase in other receivables	**(607)**	(980)	(2,382)
Net cash used in investing	**(55,853)**	(32,806)	(47,900)
Financing activities			
Increases in long-term debt	**43,374**	23,056	48,079
Repayments of long-term debt	**(7,006)**	(10,706)	(6,995)
Financing fees paid	**-**	(545)	(746)
Proceeds received on exercise of stock options and share purchase plan	**580**	465	1,576
Repurchases of Subordinate Voting Shares	**(564)**	(692)	(745)
Dividends paid to minority shareholders of subsidiaries	**(475)**	(190)	(226)
Net cash provided by financing	**35,909**	11,388	40,943
Effect of exchange rate changes on cash	**(528)**	415	847
Increase (decrease) in cash and cash equivalents during the year	**1,818**	(1,330)	1,998
Cash and cash equivalents, beginning of year	**3,297**	4,627	2,629
Cash and cash equivalents, end of year	**$ 5,115**	$ 3,297	$ 4,627

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

(in thousands of U.S. Dollars, except per share amounts, in accordance with United States generally accepted accounting principles)

1. Description of the business

FirstService Corporation (the "Company") is a provider of property and business services to residential, corporate and public sector customers in the United States and Canada. The Company's operations are conducted through two operating divisions, Property Services and Business Services. The Property Services Division includes residential property management, integrated security services and consumer services, which represents approximately 80% of the Company's revenues for the year ended March 31, 2001. The Business Services Division provides customer support & fulfillment and business process outsourcing services to corporations and government agencies.

2. Summary of significant accounting policies

The preparation of the financial statements in conformity with generally accepted accounting principles 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 fixed assets and goodwill. 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 and its subsidiaries. Intercompany transactions and accounts are eliminated on consolidation.

Cash and cash equivalents

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

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 30% and 70% 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 and amortization. The cost of additions and improvements are capitalized while maintenance and repairs are expensed as incurred. Fixed assets are depreciated and amortized over their estimated useful lives as follows:

Buildings	5% declining balance and 40 years straight-line
Vehicles	3 to 10 years straight-line
Furniture and equipment	20% to 30% declining balance and 3 to 10 years straight-line
Computer equipment and software	20% declining balance and 3 to 5 years straight-line
Enterprise system software	5 to 10 years straight-line
Leasehold improvements	term of the leases to a maximum of 10 years

The Company reviews the carrying value of fixed assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets.

Goodwill and other assets

These assets are stated at cost less accumulated amortization. Goodwill, which represents costs in excess of net assets acquired, and other assets are amortized on a straight-line basis over periods expected to be benefited at the following rates:

Goodwill	10 to 40 years
Management contracts	over life of contract
Deferred costs	1 to 3 years

Goodwill in excess of associated expected operating cash flows determined on an undiscounted cash flow basis is considered to be impaired and is written down to fair value. Any difference would be recorded as an impairment adjustment. Management is of the opinion that there has been no decline in the value assigned to goodwill.

Financing fees are amortized on a straight-line basis over the term of the associated debt.

Revenue recognition and unearned revenue

(a) Company-owned property services and business services

Revenue from residential property management, Company-owned consumer services, and business services are recognized at the time the service is rendered or the product is shipped. Revenue from integrated security installation and residential property management painting and restoration contracts in process are recognized on the percentage of completion method, generally in the ratio of actual costs to total estimated contract costs.

Amounts received from customers in advance of services being provided are recorded as unearned revenue when received.

(b) Franchised consumer services

The Company's franchised consumer services are conducted principally through subsidiaries California Closet Company, Inc. ("California Closets"), Paul W. Davis Systems, Inc. ("Paul Davis Restoration"), Certa ProPainters Ltd. in the United States and Canada (collectively – "Certa ProPainters"), and College Pro Painters U.S. Ltd. and in Canada by College Pro Painters Ltd. (collectively – "College Pro"). Initial franchise fees are recognized by California Closets, Paul Davis Restoration and Certa ProPainters when the required initial services have been substantially performed. College Pro does not charge any such fees to franchisees. Royalties are generally charged as a percentage of revenue, as defined, where reported by the franchisees except for Certa ProPainters, where the franchisees are charged a fixed monthly amount. Revenue from administrative and other support services, as applicable, is recognized as the services are provided.

Advertising costs

Advertising costs are expensed as incurred except for prepaid advertising, which is recorded as a current asset and is amortized over the period of expected sales revenue resulting from such advertising.

Foreign currency translation

Effective April 1, 1999, the Company adopted the U.S. Dollar as its reporting currency since a majority of the Company's revenues, expenses, assets and liabilities are in the United States and the increasing focus of the Company's operations are in that country. Comparative financial statements were restated as if the U.S. Dollar had been the reporting currency in prior years.

Assets and liabilities of the Company's self-sustaining Canadian operations are translated into U.S. dollars at the exchange rates prevailing at year-end and revenue and expenses at the weighted average exchange rates for the year. All exchange gains and losses on translation are shown as a separate component of shareholders' equity.

Income taxes

Income taxes have been provided using the liability method whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the change occurs.

Income taxes are not provided on the unremitted earnings of U.S. subsidiaries since it has been the practice and is the intention of the Company to reinvest these earnings in the U.S. businesses.

Stock based compensation

The Company measures compensation costs for employee stock options using the intrinsic value method as prescribed by APB opinion No. 25, Accounting for Stock Issued to Employees.

Concentrations of credit risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of entities comprising the Company’s customer base and their dispersion across many different service lines in two countries.

Financial instruments

Financial instruments are initially recorded at historical cost. If subsequent circumstances indicate that a decline in the fair value of a financial asset is other than temporary, the financial asset is written down to its fair value. The fair values of accounts receivable, accounts payable, accrued liabilities, income taxes payable and unearned revenue approximate recorded amounts because of the short period to maturity of these instruments. The fair values of other receivables and long-term debt are based on rates applicable to the Company based on similar items and maturities of these instruments. Off-balance sheet derivative financial instruments may include interest rate swap contracts to hedge against interest rate exposure on a portion of the Company’s long-term revolving debt facilities and are fair valued based on current termination values or quoted market prices of comparable contracts.

3. Significant business acquisitions

2001 acquisitions:
On July 1, 2000, the Company acquired an 80% interest in Security Services and Technologies (“SST”) headquartered in Pennsylvania. SST is an integrated security services provider.

On March 1, 2001, the Company acquired an 82.15% interest in Herbert A. Watts Limited (“Watts”) headquartered in Toronto, Canada. Watts is a customer support and fulfillment company.

2000 acquisitions:
On June 1, 1999, the Company acquired an 80% interest in American Pool Enterprises, Inc. (“American Pool”) headquartered in Maryland. American Pool provides commercial swimming pool management services.

On July 1, 1999, an 89% owned subsidiary of the Company (DDS Distribution Services Ltd. or “DDS”) acquired 100% of Southwest Distribution Services Group (“DDS SW”), a Texas-based textbook fulfillment business.

1999 acquisitions:
On April 1, 1998, DDS acquired 100% of the Harris Fulfillment and Harris Direct Mail divisions of Telespectrum Worldwide Inc. (“DDS Harris”) headquartered in Pennsylvania.

On October 1, 1998, an 83.3% owned subsidiary of the Company, The Franchise Company, Inc. acquired 90% of California Closets, a California-based franchiser of installed closet and home storage systems.

Details of these acquisitions are as follows:

	2001		2000		1999	
	Watts	SST	American Pool	DDS SW	DDS Harris	California Closets
Net assets acquired, at fair market value:						
Tangible assets, net of liabilities	$ 139	$ 792	$ (6,444)	$ 673	$ 5,448	$ 577
Minority interest	(25)	(158)	-	-	-	(57)
	114	634	(6,444)	673	5,448	520
Cash consideration	10,865	7,500	4,755	8,711	23,000	12,488
Goodwill	$ 10,751	$ 6,866	$ 11,199	$ 8,038	$ 17,552	$ 11,968
	$ 16,515 Cdn.					
Contingent consideration at date of acquisition	$ 10,424	$ 4,250	$ 2,800	$ 3,000	$ 4,000	$ 3,600
	$ 16,012 Cdn.					

In addition to the acquisitions disclosed above, the Company made various other acquisitions and acquired certain minority interests for total consideration of $16,183 (2000 - $5,730) (1999 - $9,403) comprised of cash of $15,534 (2000 - $5,730) (1999 - $6,580) and capital stock of $649 (2000 - $nil) (1999 - $2,823) to acquire net tangible assets of $3,391 (2000 - $1,040) (1999 - $1,505) resulting in goodwill of $12,792 (2000 - $4,690) (1999 - $7,898).

The Company is currently finalizing the allocation of the purchase price with respect to the Watts acquisition. Consequently, the purchase price allocation as presented in these financial statements may be retroactively adjusted to reflect the fair market value of acquired intangible assets. The completion of the purchase price allocation may also result in adjustments to goodwill, amortization and income taxes retroactively to the date of acquisition.

In 2000 and 1999, the Company also disposed of business assets of subsidiaries with a net book value of $209 (1999 - $1,481) for net proceeds of $105 (1999 - $1,682).

Certain vendors, at the time of acquisition, are entitled to receive contingent consideration if the acquired businesses exceeded certain financial thresholds during the two to four-year period following the date of acquisition. As at March 31, 2001 there was contingent consideration outstanding of up to $24,161 payable during the period extending to March 31, 2005. In addition, vendors are entitled to receive interest on the principal amount of each contingent payment, to the extent payable, which interest is calculated from the acquisition date to the payment date at interest rates ranging from 7 to 9%. These amounts have been treated as contingent consideration and any resulting payments will be recorded as goodwill to the extent that the contingencies are determined payable. Contingent consideration paid or accrued during the year ended March 31, 2001 was $11,715 (2000 - $6,570) (1999 - $nil).

The acquisitions referred to above were accounted for by the purchase method of accounting for business combinations. Accordingly, the accompanying consolidated statements of earnings and comprehensive income do not include any revenues or expenses related to these acquisitions prior to these respective closing dates. The cash portions of the acquisitions were financed through available cash and borrowings from the Company's revolving debt facility.

Following are the Company's unaudited pro forma results assuming the acquisitions of Watts, SST, American Pool and DDS SW occurred on April 1 on the respective year of acquisition. The year immediately prior to the year of each respective acquisition also includes the pro forma results of that respective acquisition.

	2001	2000
Pro forma revenue	$ 470,756	$ 407,335
Pro forma net earnings	$ 14,328	$ 13,379
Pro forma earnings per share:		
Basic	$ 1.10	$ 1.03
Diluted	$ 1.04	$ 0.98

These unaudited 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. Inventories

	2001	2000
Supplies and other	$ 3,422	$ 3,637
Finished goods	4,574	2,969
Work-in-progress	1,380	2,071
Small equipment	251	252
Total	$ 9,627	$ 8,929

5. Other receivables

Other receivables are comprised of:

(a) $1,094 (2000 - $2,137) of secured interest and non-interest bearing loans due from minority shareholders of three (2000 - four) subsidiaries;

(b) $2,130 (2000 - $885) of long-term receivables, certain of which are interest bearing, relating to painting, restoration and integrated security installation projects conducted by the Company's Property Services Division; and

(c) $1,868 (2000 - $1,383) of interest bearing franchise fees receivable from franchisees in the Company's consumer services unit.

6. Fixed assets and other assets

2001	Cost	Accumulated depreciation / amortization	Net 2001
Fixed assets			
Land	$ 1,812	$ -	$ 1,812
Buildings	5,901	647	5,254
Vehicles	13,388	8,069	5,319
Furniture and equipment	29,375	14,430	14,945
Computer equipment and software	13,647	7,924	5,723
Enterprise system software	3,921	1,136	2,785
Leasehold improvements	9,451	4,548	4,903
Total	$ 77,495	$ 36,754	$ 40,741
Other assets			
Funds held in trust	$ 1,904	$ -	$ 1,904
Investments	647	-	647
Financing fees	2,897	1,422	1,475
Management contracts	1,860	1,214	646
Deferred costs	702	440	262
Total	$ 8,010	$ 3,076	$ 4,934

2000	Cost	Accumulated depreciation / amortization	Net 2000
Fixed assets			
Land	$ 937	$ -	$ 937
Buildings	5,596	858	4,738
Vehicles	11,646	6,974	4,672
Furniture and equipment	18,823	10,880	7,943
Computer equipment and software	12,039	7,613	4,426
Enterprise system software	3,720	740	2,980
Leasehold improvements	7,839	3,842	3,997
Total	$ 60,600	$ 30,907	$ 29,693
Other assets			
Investments	$ 725	$ -	$ 725
Financing fees	3,093	1,066	2,027
Management contracts	1,696	636	1,060
Deferred costs	1,107	845	262
Total	$ 6,621	$ 2,547	$ 4,074

Included in fixed assets are vehicles under capital lease at a cost of $4,460 (2000 - $3,662) with a net book value of $2,282 (2000 - $2,103) and computer equipment and software under capital lease at a cost of $2,441 (2000 - $3,849) with a net book value of $1,187 (2000 - $1,714).

7. Goodwill

	2001	2000
Cost	$ 167,171	$ 125,750
Less: Accumulated amortization	11,858	8,255
	$ 155,313	$ 117,495

8. Long-term debt

	2001	2000
Revolving debt facility of $130,000 U.S. and $50,000 Cdn. due June 1, 2004	$ 142,812	$ 99,400
Obligations under capital leases bearing interest ranging primarily from 6% to 9% and maturing at various dates through the year 2006	2,409	2,891
Other long-term debt bearing interest primarily at 8%, and maturing at various dates through the year 2007	7,203	2,619
	152,424	104,910
Less: Current portion	3,050	2,733
	$ 149,374	$ 102,177

The revolving debt facility at March 31, 2001 is comprised of borrowings of $120,045 U.S. and $35,887 Cdn. ($22,767 U.S.) (2000 - $99,400 U.S.).

Included in capital leases at March 31, 2001 and 2000 are obligations in Canadian dollars of $1,561 ($990 U.S.) and $2,486 ($1,715 U.S.), respectively.

Included in other long term debt at March 31, 2001 and 2000 are obligations in Canadian dollars of $5,921 ($3,756 U.S.) and $364 ($251 U.S.), respectively.

At March 31, 2001, 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:

2002	$ 3,050
2003	3,751
2004	419
2005	143,749
2006	911
Thereafter	544

On April 1, 1999 the Company amended and restated its lending agreement. The amended facility split the senior debt facility into a $50 million Cdn. ($31.7 million U.S.) and a $130 million U.S. tranche. The revolving facility provides that the Company may borrow using LIBOR or Bankers Acceptance interest rate options that vary within a range depending on certain leverage ratios. Borrowings currently bear interest at the lenders' cost of funds rate plus 1.25%.

As security for the debt facility, the Company has granted the lenders various security including the following: an interest in all of the assets of the Company including the Company's share of its subsidiaries, an assignment of material contracts and an assignment of the Company's "call rights" with respect to shares of the subsidiaries held by minority interests. The lending agreement prohibits the Company from paying dividends and, without prior approval, from undertaking significant mergers, acquisitions and dispositions. The covenants also require the Company to maintain certain ratios, including debt to EBITDA, debt to capitalization, fixed charge coverage, working capital, business value and debt to interest coverage.

9. 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 every Multiple Voting Share outstanding.

The following table provides a continuity of total capital stock:

	Subordinate Voting Shares Number	Amount	*Multiple Voting Shares* Number	Amount	Total Number	Total Amount
Balance, March 31, 1999	12,256,208	$ 53,281	662,847	$ 373	12,919,055	$ 53,654
Balance, March 31, 2000	12,326,683	53,476	662,847	373	12,989,530	53,849
Balance, March 31, 2001	12,505,393	54,490	662,847	373	13,168,240	54,863

On May 17, 2000, the Company purchased shares of its subsidiary, The Franchise Company, Inc., from a minority shareholder. As consideration 69,360 Subordinate Voting Shares with a value of $971 Cdn. ($649 U.S.) were issued.

The Company has $3,196 ($4,513 Cdn.) (2000 - $3,294 ($4,663 Cdn.)) of secured non-interest bearing loans related to the purchase of 492,500 Subordinate Voting Shares (2000 – 522,500 shares). The loans, which are secured by the shares issued, have a five-year term from the grant date; however, they are open for repayment at any time. The maturities of these loans are as follows:

Year ending March 31	
2002	$ 1,128
2003	902
2004	1,166
	$ 3,196

The Company has a Stock Option Plan for directors, officers and key full-time employees of the Company and its subsidiaries. At March 31, 2001 a total of 3,550,000 Subordinate Voting Shares were reserved and approved by the shareholders of the Company for issuance pursuant to stock options. Each option usually vests over a four-year term and expires five years from the date granted and allows for the purchase of one Subordinate Voting Share. At March 31, 2001 there were 2,119,640 options outstanding to 80 employees and directors at prices ranging from $5.00 to $22.50 Cdn. per share, which expire on various dates through February 2006. There were 461,030 options available for future grants as at March 31, 2001.

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

	Shares issuable under options			*Weighted average price per share ($Cdn.)*		
	2001	2000	1999	2001	2000	1999
Shares issuable under options – Beginning of year	1,879,200	1,342,675	1,558,180	$ 11.62	$ 8.10	$ 7.17
Granted	419,790	669,000	171,500	19.08	17.61	11.91
Exercised for cash	(158,850)	(132,475)	(358,380)	5.55	5.17	5.78
Expired or cancelled	(20,500)	-	(28,625)	15.46	-	8.67
Shares issuable under options – End of year	2,119,640	1,879,200	1,342,675	$ 13.52	$ 11.62	$ 8.10
Options exercisable – End of year	1,117,624	896,803	726,459			

The weighted average fair value of options granted in 2001, 2000 and 1999 was $4.84 ($7.28 Cdn.), $4.54 ($6.68 Cdn.) and $3.91 ($5.89 Cdn.) per share, respectively.

The options outstanding as at March 31, 2001 to purchase Subordinate Voting Shares are as follows:

	Options outstanding			*Options exercisable*	
Range of exercise prices ($Cdn.)	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price ($Cdn.)	Number exercisable	Weighted-average exercise price ($Cdn.)
$5.00 to $9.50	577,850	0.92	$ 6.06	525,245	$ 5.93
$11.00 to $16.00	604,790	2.49	12.78	328,979	11.97
$16.47 to $22.50	937,000	3.69	18.59	263,400	18.45
	2,119,640	2.58	$ 13.52	1,117,624	$ 10.66

Statement of Financial Accounting Statements ("SFAS") No. 123 requires pro forma disclosures of earnings and earnings per share as if the fair value method of accounting for employee stock options had been applied. The following table presents the results that would be obtained if the Company had adopted SFAS No. 123, effective April 1, 1995. Compensation cost is based on the fair value of the award using the Black-Scholes option-pricing model. The disclosures in the table below show the company's earnings and earnings per share after including the effect of the compensation cost.

	2001	2000	1999
Pro forma net earnings	$ 11,737	$ 9,164	$ 6,347
Pro forma net earnings per share:			
Basic	$ 0.90	$ 0.71	$ 0.51
Diluted	$ 0.85	$ 0.67	$ 0.47
Assumptions:			
Risk-free interest rate	5.5%	5.5%	5.5%
Expected life in years	4.50	4.50	4.00
Volatility	35.0%	35.0%	40.0%
Dividend yield	0.0%	0.0%	0.0%

10. 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:

	2001	2000	1999
Income tax expense using combined statutory rates of approximately 44% (2000 and 1999 - 45%)	$ 11,509	$ 9,009	$ 6,764
Non-deductible expenses:			
Amortization of goodwill	1,085	397	389
Other	210	185	165
Foreign tax rate reduction	(2,340)	(1,602)	(916)
Provision for income taxes as reported	$ 10,464	$ 7,989	$ 6,402

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

	2001	2000	1999
Canada	$ 7,494	$ 9,132	$ 6,284
United States	18,665	10,889	8,749
Total	$ 26,159	$ 20,021	$ 15,033

The provision for income taxes comprises the following:

	2001	2000	1999
Current			
Canada	$ 2,664	$ 3,414	$ 2,732
United States	6,744	3,488	3,252
	9,408	6,902	5,984
Deferred			
Canada	633	143	511
United States	423	944	(93)
	1,056	1,087	418
Total	$ 10,464	$ 7,989	$ 6,402

The significant components of deferred income taxes are as follows:

	2001	2000
Deferred income tax assets		
Expenses not currently deductible	$ 790	$ 508
Provision for doubtful accounts	107	259
Inventory and other reserves	84	80
Loss carry-forwards	1,536	216
Capital stock underwriting expenses	91	270
	2,608	1,333
Deferred income tax liabilities		
Depreciation and amortization	3,933	1,660
Prepaid and other expenses deducted for tax purposes	558	459
Financing fees	303	176
	4,794	2,295
Net deferred income tax liability	$ (2,186)	$ (962)

Cumulative undistributed earnings of U.S. subsidiaries approximated $22,305 as at March 31, 2001 (2000 - $12,840).

11. Earnings per share

	2001	2000	1999
Net earnings available to Subordinate and Multiple Voting Shares	$ 12,707	$ 9,868	$ 7,222
Shares issued and outstanding at beginning of year	12,989,530	12,919,055	12,285,538
Weighted average number of shares:			
Issued in the year	117,728	33,617	294,852
Repurchased in the year	(33,396)	(4,623)	(16,107)
Weighted average number of shares used in computing basic earnings per share	13,073,862	12,948,049	12,564,283
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	767,134	759,689	910,361
Number of shares used in computing diluted earnings per share	13,840,996	13,707,738	13,474,644

12. Other supplemental information

	2001	2000	1999
Products and services:			
Revenue			
Products	$ 54,091	$ 28,670	$ 17,985
Services	370,083	311,365	245,376
Total	424,174	340,035	263,361
Cost of revenue			
Products	36,557	22,545	13,664
Services	247,917	203,609	162,425
Total	284,474	226,154	176,089
Net	$ 139,700	$ 113,881	$ 87,272
Cash payments made during the year on account of:			
Income taxes	$ 4,308	$ 4,571	$ 4,452
Interest	$ 9,616	$ 7,992	$ 5,806
Non cash financing activity:			
Issuance of subordinate voting shares to acquire minority interest	$ 649	$ -	$ 2,823
Depreciation and amortization comprise the following:			
Fixed assets	$ 7,708	$ 6,486	$ 5,395
Goodwill	3,603	2,755	2,393
Other	618	866	357
	$ 11,929	$ 10,107	$ 8,145
Revenue from franchised operations	$ 55,661	$ 51,541	$ 39,933
Operating profit from franchised operations	$ 7,999	$ 6,861	$ 5,618
Initial franchise fee revenue	$ 4,157	$ 3,224	$ 1,951

	2001	2000	1999
Advertising expense	$ 8,264	$ 7,056	$ 5,921
Rent expense	$ 10,599	$ 9,359	$ 7,136
Components of prepaids and other:			
Marketing	$ 3,222	$ 3,271	
Insurance	1,240	463	
Security deposits	1,120	849	
Transportation	104	1,222	
Other	5,071	2,686	
	$ 10,757	$ 8,491	
Components of accrued liabilities:			
Accrued payroll and benefits	$ 14,567	$ 10,223	
Customer advances	13,295	5,143	
Contingent acquisition liability	396	3,512	
Other	5,743	4,135	
	$ 34,001	$ 23,013	

The foreign currency translation adjustment for the year ended March 31, 2001 is net of current income taxes of $444 (2000 - $1,139) on realized exchange gains for income tax purposes.

13. Financial instruments

The carrying amounts and fair values of the Company's significant financial instruments as at March 31, 2001 and 2000 are as follows:

	2001		2000	
	Carrying amount	Fair value	Carrying amount	Fair Value
Cash and cash equivalents	$ 5,115	$ 5,115	$ 3,297	$ 3,297
Other receivables	5,092	5,004	4,405	4,333
Long-term debt including current portion	152,424	152,424	104,910	104,910
Interest rate swap contract receivable	-	-	-	251

14. Commitments and contingencies

(a) Lease commitments

Minimum operating lease payments are as follows:

Year ending March 31	
2002	$ 12,413
2003	10,775
2004	8,720
2005	7,238
2006	4,624
Thereafter	11,509

(b) Shareholder agreements

The Company has shareholder agreements with the minority owners of its subsidiaries. These agreements allow the Company to "call" the minority position for a predetermined formula price, which is usually equal to the multiple of earnings before interest, taxes, depreciation, and amortization paid by the Company for the original acquisition. The minority owners may also "put" their interest to the Company at the same price subject to certain limitations. The purchase price may, at the option of the Company, be paid primarily in Subordinate Voting Shares. Acquisitions of these minority interests would be accounted for using the purchase method.

(c) Contingencies

The Company is involved in legal proceedings and claims primarily arising in the normal course of its business. In the opinion of management, the Company's liability, if any, would not materially affect its financial condition or operations.

15. Segmented information

Operating segments
Within the Property Services Division, three operating units (residential property management, integrated security services and consumer services) provide a variety of services to residential and commercial customers. The Business Services Division provides customer support and fulfillment and business process outsourcing services to corporate and institutional clients.

2001

	Property Services – residential property management	Property Services – integrated security services	Property Services – consumer services	Business Services	Corporate	Consolidated
Revenues	$ 181,730	$ 81,007	$ 78,838	$ 82,346	$ 253	$ 424,174
Depreciation and amortization	$ 4,505	$ 1,371	$ 2,555	$ 3,397	$ 101	$ 11,929
Segment operating profit	$ 13,546	$ 4,654	$ 9,947	$ 12,491	$ (4,712)	35,926
Interest expense						(9,767)
Income taxes						(10,464)
Minority interest						(2,988)
Net earnings						$ 12,707
Total assets	$ 84,332	$ 42,033	$ 55,295	$ 124,580	$ 7,420	$ 313,660
Total additions to long lived assets	$ 15,652	$ 10,194	$ 8,535	$ 25,796	$ -	$ 60,177

2000

	Property Services – residential property management	Property Services – integrated security services	Property Services – consumer services	Business Services	Corporate	Consolidated
Revenues	$ 133,782	$ 61,539	$ 71,330	$ 73,198	$ 186	$ 340,035
Depreciation and amortization	$ 3,511	$ 887	$ 2,847	$ 2,801	$ 61	$ 10,107
Segment operating profit	$ 7,903	$ 4,143	$ 7,933	$ 11,874	$ (3,983)	27,870
Interest expense						(7,849)
Income taxes						(7,989)
Minority interest						(2,164)
Net earnings						$ 9,868
Total assets	$ 73,518	$ 25,282	$ 50,953	$ 74,476	$ 6,658	$ 230,887
Total additions to long lived assets	$ 23,909	$ 3,175	$ 3,735	$ 10,923	$ 97	$ 41,839

1999

	Property Services – residential property management	Property Services – integrated security services	Property Services – consumer services	Business Services	Corporate	Consolidated
Revenues	$ 90,649	$ 52,827	$ 61,618	$ 58,162	$ 105	$ 263,361
Depreciation and amortization	$ 2,639	$ 797	$ 2,125	$ 2,503	$ 81	$ 8,145
Segment operating profit	$ 5,671	$ 2,436	$ 6,292	$ 9,447	$ (3,224)	$ 20,622
Interest expense						(5,589)
Income taxes						(6,402)
Minority interest						(1,409)
Net earnings						$ 7,222
Total assets	$ 62,516	$ 16,633	$ 46,650	$ 50,727	$ 7,780	$ 184,306
Total additions to long lived assets	$ 10,259	$ 1,512	$ 14,959	$ 23,397	$ 47	$ 50,174

Geographic segments

Canada

	2001	2000	1999
Revenues	$ 119,372	$ 109,410	$ 96,456
Total long lived assets	$ 49,651	$ 31,970	$ 30,968

United States

	2001	2000	1999
Revenues	$ 304,802	$ 230,625	$ 166,905
Total long lived assets	$ 146,403	$ 115,218	$ 83,643

Consolidated

	2001	2000	1999
Revenues	$ 424,174	$ 340,035	$ 263,361
Total long lived assets	$ 196,054	$ 147,188	$ 114,611

16. Impact of recently issued accounting standards

Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities will become effective in the first quarter of the Company's 2002 fiscal year. The adoption of this Statement will have no impact on the financial results of the Company.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors

The Directors of the Company stand for re-election each year. The Directors as at June 29, 2001 were as follows:

Name	Age	Present position and tenure	Business experience during last five years
Michael H. Appleton	61	Director since 1994 and Secretary	Managing Partner, Fogler, Rubinoff (Toronto law firm)
C. Robert Burgess	59	Director since 1988	President, Rossmar & Graham Community Association Management, Inc. (subsidiary of FirstService); Former President, Burgess & Co., Inc. (Florida real estate sales and financial services company)
Brendan Calder	55	Director since 1996	Executive Director, Rotman School of Management, University of Toronto; Former Chairman and Chief Executive Officer, CIBC Mortgages Inc. (subsidiary of a Canadian chartered bank)
Peter F. Cohen	49	Director since 1990	President, Dawsco Capital Corp. (Ontario-based holding company); Former Chairman and Chief Executive Officer, Centrefund Realty Corporation (publicly-traded Canadian real estate company)
Jay S. Hennick	44	President, Chief Executive Officer and Director	President and Chief Executive Officer
Samuel Hennick	70	Director since 1993	Chairman and Chief Executive Officer, Stargems Inc. (Toronto-based jewellery manufacturer)
Steven Rogers	45	Director since 1989	President and Chief Executive Officer, The Franchise Company, Inc. (subsidiary of FirstService)
James R. Rollwagen	49	Director since 1996	Senior Attorney, Ecolab Inc. (publicly-traded diversified services company)
David R. Beatty	59	Director since May 2001	Professor of Strategic Management, Rotman School of Business, University of Toronto; corporate director

Mr. Samuel Hennick is the father of Mr. Jay S. Hennick, the President and Chief Executive Officer of the Company. Mr. Jay S. Hennick and Mr. Cohen each held directorships of Centrefund Realty Corporation until August 2000 at which time the company was sold and each of them resigned.

Audit Committee

The Audit Committee is composed of three non-management members. The committee reviews the annual financial statements intended for circulation among shareholders and reports upon these to the Board. In addition, the Board may refer to the Audit Committee on other matters and questions relating to the financial position of the Company. The Audit Committee members are Messrs. Appleton, Calder and Cohen.

Compensation Committee

The Compensation Committee is composed of three non-management members and makes recommendations to the Board on, among other things, the compensation of the Chief Executive Officer including grants of options under the Company's Stock Option Plan to the Chief Executive Officer. The Compensation Committee members are Messrs. Appleton, Calder and Cohen.

Directors' compensation

During Fiscal 2001, each Director who was not a full-time employee of the Company or any of its subsidiaries received an annual retainer of $1,660 plus a fee equal to $500 for each meeting of the Board of Directors or Committee thereof attended by such Director in person and $230 for each meeting held by telephone. During Fiscal 2001, the Company paid the Directors aggregate fees totaling $15,600. In addition, most Directors have received stock option grants under the Company's Stock Option Plan. During Fiscal 2001, Mr. Samuel Hennick was granted 10,000 options and Mr. Beatty was granted 25,000 options.

Executive officers

The following shows the names and ages, as of June 29, 2001, of the present executive officers of the Registrant, all positions presently held by each officer, and the year each person became an officer. The executive officers do not have a fixed term of office.

Name	Age	Present position with the Company	First became an officer
Jay S. Hennick	44	President, Chief Executive Officer and Director	1988
D. Scott Patterson	40	Senior Vice President and Chief Financial Officer	1995
Timothy J. Greener	50	Senior Vice President, Integration	1996
John B. Friedrichsen	39	Senior Vice President, Acquisitions	1998
Douglas G. Cooke	41	Corporate Controller	1995

Mr. Hennick is the founder of the Company and has been President and Chief Executive Officer since its inception.

Mr. Patterson has held his current position since February 1995. Mr. Patterson is a Chartered Accountant.

Mr. Greener was president of a subsidiary of the Company until October 1996, at which time he assumed his present position.

Mr. Friedrichsen was Vice President, Corporate Finance with Ernst & Young Corporate Finance Inc. prior to becoming Vice President, Acquisitions in January 1998. Mr. Friedrichsen is a Chartered Accountant.

Mr. Cooke has held his current position since June 1995. Mr. Cooke is a Chartered Accountant.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth all compensation awarded to, earned by, or paid to the Chief Executive Officer and the four next most highly compensated executive officers in respect of Fiscal 2001. Each of the listed persons was holding the office indicated on the table on March 31, 2001.

Summary compensation table		**Annual compensation**			**Long term compensation**			
					Awards		**Payouts**	
Name and principal position	**Fiscal year**	**Salary ($ US)**	**Bonus ($ US)**	**Other annual comp-ensation ($ US)**	**Restricted stock awards ($ US)**	**Securities underlying options (#)**	**LTIP payouts ($ US)**	**All other comp-ensation ($ US)**
Jay S. Hennick, President and Chief Executive Officer	2001	$ 475,400	$ 660,000	-	-	62,100	-	-
	2000	442,000	736,700	-	-	150,000	-	-
	1999	351,500	448,400	-	-	75,000	-	-
D. Scott Patterson, Senior Vice President and Chief Financial Officer	2001	$ 146,300	$ 203,200	-	-	81,150	-	-
	2000	136,000	226,700	-	-	75,000	-	-
	1999	132,900	230,800	-	-	37,500	-	-
Timothy J. Greener, Senior Vice President, Integration	2001	$ 180,000	$ 220,000	-	-	37,460	-	-
	2000	175,000	145,800	-	-	25,000	-	-
	1999	116,300	195,500	-	-	15,000	-	-
John B. Friedrichsen, Senior Vice President, Acquisitions	2001	$ 109,700	$ 91,400	-	-	60,770	-	-
	2000	91,800	76,500	-	-	50,000	-	-
	1999	89,700	78,200	-	-	15,000	-	-
Douglas G. Cooke, Corporate Controller	2001	$ 86,400	$ 30,000	-	-	18,310	-	-
	2000	78,200	32,600	-	-	15,000	-	-
	1999	66,400	28,900	-	-	5,000	-	-

The following table summarizes the number and terms of the stock options granted during Fiscal 2001 to the executive officers.

Option grants in Fiscal 2001	**Individual grants**				**Potential realized value at assumed annual rates of stock price appreciation for option term**	
Name	**Number of securities underlying options granted (#)**	**% of total options granted to employees in Fiscal 2001**	**Exercise price ($ US per share)**	**Expiration date**	**5% ($ US)**	**10% ($ US)**
Jay S. Hennick	62,100	14.8%	$ 10.50	Apr. 12, 2005	$ 180,000	$ 398,000
D. Scott Patterson	31,150	7.4%	$ 10.50	Apr. 12, 2005	$ 90,000	$ 200,000
	50,000	11.9%	13.50	Jan. 7, 2006	187,000	412,000
Timothy J. Greener	12,460	3.0%	$ 10.50	Apr. 12, 2005	$ 36,000	$ 80,000
	25,000	5.9%	13.50	Jan. 7, 2006	93,000	206,000
John B. Friedrichsen	20,770	4.9%	$ 10.50	Apr. 12, 2005	$ 60,000	$ 133,000
	40,000	9.5%	13.50	Jan. 7, 2006	149,000	330,000
Douglas G. Cooke	8,310	2.0%	$ 10.50	Apr. 12, 2005	$ 24,000	$ 53,000
	10,000	2.4%	13.50	Jan. 7, 2006	37,000	82,000

Note:
One option entitles the holder to purchase one Subordinate Voting Share. All options listed in the table above vest in the following manner: 10% on grant date, 15% on the first anniversary, 20% on second anniversary, 25% on third anniversary and 30% on the fourth anniversary of the grant date. The expiration date is the fifth anniversary of the grant date.

The following table summarizes the exercises of stock options during Fiscal 2001 by the executive officers and the number of, and the spread on, unexercised options held by such officers on March 31, 2001.

Aggregated option exercises in Fiscal 2001 and year-end option values			**Number of securities underlying unexercised options at March 31, 2001 (#)**	**Value of unexercised in-the-money options at March 31, 2001 ($ US)**
Name	**Shares acquired on exercise (#)**	**Value realized ($ US)**	**Exercisable / Unexercisable**	**Exercisable / Unexercisable**
Jay S. Hennick	-	-	382,460 / 254,640	$ 3,763,000 / $ 1,498,000
D. Scott Patterson	30,000	$ 317,000	196,240 / 172,410	$ 1,895,000 / $ 869,000
Timothy J. Greener	15,000	$ 107,000	59,246 / 68,214	$ 538,000 / $ 327,000
John B. Friedrichsen	-	-	46,327 / 109,443	$ 304,000 / $ 518,000
Douglas G. Cooke	14,500	$ 135,000	16,831 / 51,479	$ 124,000 / $ 386,000

Employment agreement

The Company has an employment agreement with Jay S. Hennick, the President and Chief Executive Officer of the Company, made as of April 1, 1998 having a term of five years, with one-year renewals at the option of Mr. Hennick. In the event of a change of control of the Company, or in the event the Company terminates Mr. Hennick's employment without cause after March 31, 2003, Mr. Hennick will be entitled to:

(a) Payment of 300% of the aggregate of: (i) Mr. Hennick's then current salary; (ii) the benefits and other payments paid pursuant to the agreement in the previous fiscal year; and (iii) an amount equal to the bonus paid to Mr. Hennick in the previous fiscal year;
(b) Certain job relocation expenses; and
(c) At Mr. Hennick's option, an amount equal to the difference between the exercise price of any rights or options to purchase shares of the Company that he owned, or was entitled to receive, and the market value of such shares.

Compensation Committee interlocks and insider participation

The Directors who served on the Compensation Committee during Fiscal 2001 were Messrs. Appleton, Calder and Cohen. None of the persons who served as members of the Compensation Committee in Fiscal 2001 was an officer or employee of the Company or any of its subsidiaries during Fiscal 2001 and none of such persons was formerly an officer of the Company or any of its subsidiaries.

Mr. Jay S. Hennick served on the board of directors of Centrefund Realty Corporation during Fiscal 2001 until August 2000, at which time that company was sold and he resigned. Mr. Cohen, who was Centrefund Realty Corporation's Chairman and Chief Executive Officer until August 2000, served on the Compensation Committee of the Company during Fiscal 2001.

Compensation Committee report on executive compensation

Compensation policy

When determining the compensation of executive officers, the Committee considers the objectives of: (i) retaining executives critical to the success of the Company and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and shareholders of the Company; (iv) rewarding performance, both on an individual basis and with respect to the business in general; and (v) ensuring the recognition of the fact that the Company carries on business with a small number of executives relative to other public companies of similar size. In order to achieve these objectives, the compensation paid to the executive officers consists of three components:

(a) Base salary;
(b) Annual bonus incentive; and
(c) Long-term incentive in the form of stock options granted in accordance with the Stock Option Plan.

Base salary

The base salary of each executive officer is determined by an assessment by the Committee of such executive's performance, a consideration of competitive compensation levels in corporations similar to the Company and a review of the performance of the Company as a whole and the role the executive officer played in such performance.

Annual bonus incentive

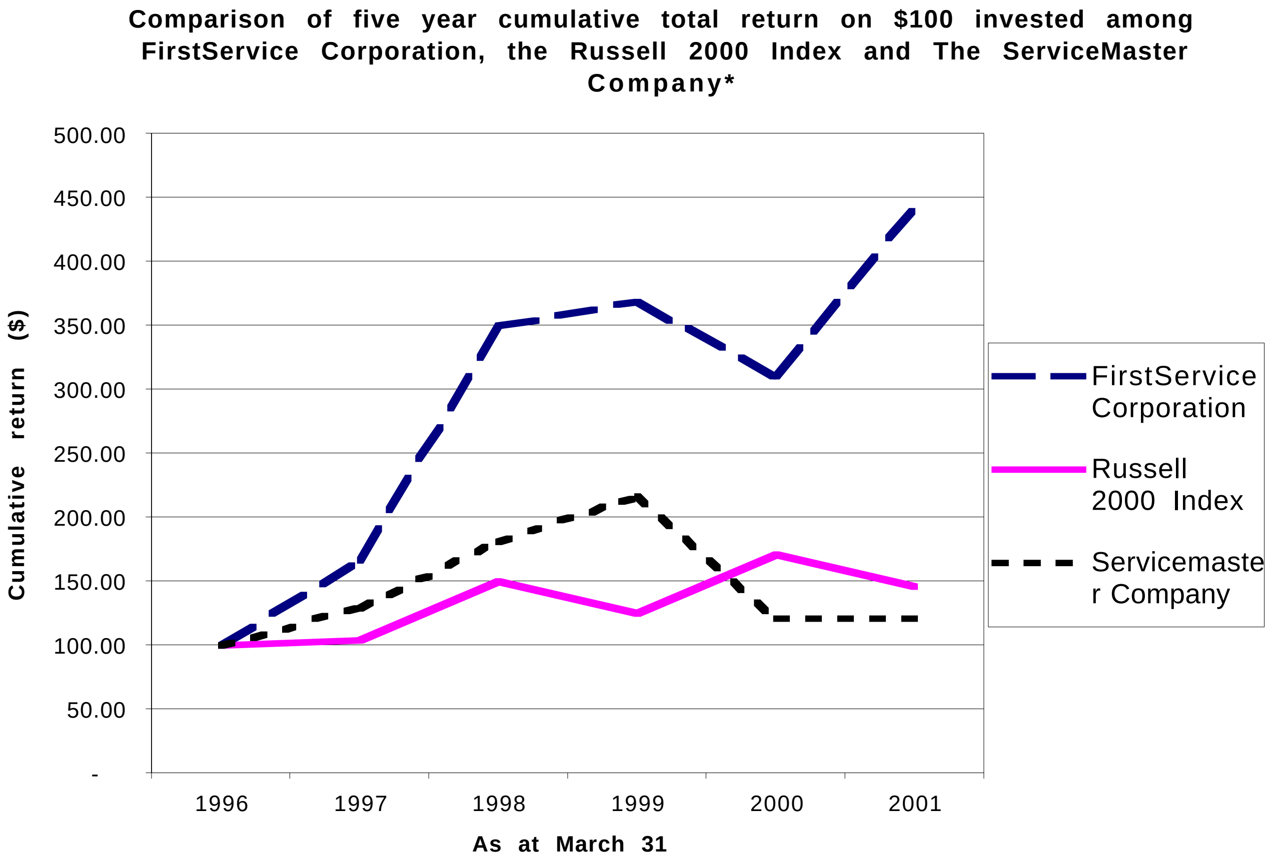
Annual cash bonus incentive awards are based entirely on a formula that relates to earnings per share growth of the Company. This establishes a direct link between executive compensation and the Company's operating performance.

Long-term incentive

The Company provides a long-term incentive by granting stock options to the executive officers. The options permit each executive officer to acquire Subordinate Voting Shares of the Company at an exercise price equal to the market price of such shares under option at the date the option was granted. The objective of granting options is to encourage each executive officer to acquire an increased ownership interest in the Company over a period of time, which acts as a financial incentive for each executive officer to consider the long-term interests of the Company and its shareholders.

Performance graph

The following graph compares the five-year cumulative total return to shareholders of the Company with the five-year cumulative total return of the Russell 2000 Index and The ServiceMaster Company.



* $100.00 invested on March 31, 1996 in stock or index, assuming reinvestment of dividends.

As at March 31	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
FirstService Corporation	$ 100.00	$ 165.60	$ 350.40	$ 367.90	$ 310.70	$ 443.70
Russell 2000 Index	100.00	105.10	149.30	125.00	171.60	145.30
The ServiceMaster Company	100.00	128.60	181.40	215.80	120.30	121.40

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial shareholders of more than 5% of any class of shares known to the Registrant as of June 15, 2001.

Name of class	Name and address of beneficial owner	Number of shares beneficially owned	Percentage of class owned
Multiple Voting Shares	Jay S. Hennick 1140 Bay Street Suite 4000 Toronto, Ontario M5S 2B4	662,847	100.0%
Subordinate Voting Shares	Safeco Corporation 4333 Brooklyn Ave. NE Seattle, WA 98185	774,100	6.0%

The table below sets forth, as of June 15, 2001, the beneficial ownership of the Company's shares with respect to the Company's Directors, executive officers and the Company's Directors and officers as a group.

Name of class	Name of beneficial owner	Number of shares beneficially owned	Exercisable options	Percentage of class owned (1)
Multiple Voting Shares	Jay S. Hennick	662,847	-	100.0%
Subordinate Voting Shares	Michael H. Appleton	-	7,750	0.0%
	David R. Beatty	-	2,500	0.0%
	C. Robert Burgess	74,770	7,000	0.6%
	Brendan Calder	24,175	2,500	0.2%
	Peter F. Cohen	30,000	5,500	0.3%
	Douglas G. Cooke	16,500	16,831	0.3%
	John Friedrichsen	30,000	26,327	0.4%
	Timothy J. Greener	160,343	59,246	1.7%
	Jay S. Hennick	585,887	192,460	6.0%
	Samuel Hennick	187,790	11,500	1.6%
	D. Scott Patterson	210,700	196,240	3.1%
	Steven Rogers	98,485	17,950	0.9%
	All Directors and officers as a group (12 persons)	1,418,650	545,804	14.7%

Note

(1) Percentage ownership is calculated using as a denominator the total number of shares of the class outstanding plus the number of shares of the class to which the beneficial owner indicated has a right to acquire pursuant to options currently exercisable or exercisable within 60 days.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The legal firm of Fogler, Rubinoff, of which Mr. Appleton is a partner, received fees from the Company during the year for legal services performed.

Indebtedness of management

Executive officers were indebted to the Company in connection with the purchase of the Company's Subordinate Voting Shares. This indebtedness is secured by the Subordinate Voting Shares acquired. The indebtedness has a five-year term from the grant date, is non-interest bearing and is open for repayment at any time. The following table lists the indebtedness of each executive officer:

Name	Largest amount outstanding during Fiscal 2001 ($ US)	Amount outstanding as at June 15, 2001 ($ US)	Financially assisted securities purchases during Fiscal 2001	Number of Subordinate Voting Shares held in trust by Company as security for indebtedness
Jay S. Hennick	$2,143,200	$2,143,200	-	365,000
D. Scott Patterson	$615,100	$549,800	-	75,000
Timothy J. Greener	$127,200	$127,200	-	10,000
John Friedrichsen	$282,600	$282,600	-	30,000
Douglas G. Cooke	$126,100	$93,500	-	12,500

No executive officer had any other indebtedness to the Company in excess of $60,000 at any time during the year.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial statements, schedules and exhibits

1. Financial statements

The documents listed below are included herein under Part II and are also contained in the FirstService Annual Report to Shareholders for 2001:

- Report of Independent Accountants;
- Consolidated Statements of Earnings for the three years ended March 31, 2001, 2000 and 1999;
- Consolidated Balance Sheets as at March 31, 2001 and 2000;
- Consolidated Statements of Shareholders' Equity for the three years ended March 31, 2001, 2000 and 1999;
- Consolidated Statements of Cash Flows for the three years ended March 31, 2001, 2000, and 1999; and
- Notes to the Consolidated Financial Statements.

2. Financial statement schedules
    - Schedule – Amounts receivable from related parties and underwriters, promoters and employees other than related parties: None.
    - Included in Part IV of this report: Schedule II – Valuation and Qualifying Accounts

3. Exhibits

Included in Part IV of this report:
- List of Exhibits
- Exhibit 21 – Subsidiaries of the Registrant

(b) Reports on Form 8-K filed during the last quarter of Fiscal 2001

None.

FIRSTSERVICE CORPORATION

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
(in thousands of U.S. dollars)

Description	Balance at beginning of year	Additions charged to bad debt expense	Additions from acquisitions of businesses	Deductions due to write-offs of uncollectible accounts	Balance at end of year
Allowance for doubtful accounts receivable (current):					
Year ended March 31, 2001	$ 3,273	2,303	728	(2,181)	$ 4,123
Year ended March 31, 2000	$ 2,620	2,406	546	(2,299)	$ 3,273

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

FIRSTSERVICE CORPORATION
Registrant

Date: June 29, 2001

/s/ D. Scott Patterson
D. Scott Patterson
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in their capacities and on the date indicated.

Name and signature	Title	Date
/s/ Jay. S. Hennick Jay S. Hennick	President, Chief Executive Officer and Director *(Principal executive officer)*	June 29, 2001
/s/ D. Scott Patterson D. Scott Patterson	Senior Vice President and Chief Financial Officer *(Principal financial and accounting officer)*	June 29, 2001
/s/ Michael H. Appleton Michael H. Appleton	Director	June 29, 2001
/s/ C. Robert Burgess C. Robert Burgess	Director	June 29, 2001

/s/ Brendan Calder Brendan Calder	Director	June 29, 2001
/s/ Samuel Hennick Samuel Hennick	Director	June 29, 2001
/s/ Steven Rogers Steven Rogers	Director	June 29, 2001
/s/ James R. Rollwagen James R. Rollwagen	Director	June 29, 2001
/s/ David R. Beatty David R. Beatty	Director	June 29, 2001

LIST OF EXHIBITS

Exhibit #	***Description***
3.1	Articles of Incorporation and Amendment. Incorporated by reference to Form 10-Q for the period ended June 30, 1999, filed on August 12, 1999.
3.2	By-Laws and Amendments. Incorporated by reference to Form 10-Q for the period ended June 30, 1999, filed on August 12, 1999.
10.1	Credit Facility dated April 1, 1999 among the Company and a syndicate of bank lenders. Incorporated by reference to Form 10-Q for the period ended June 30, 1999, filed on August 12, 1999.
10.2	FirstService Corporation Amended Stock Option Plan #2. Incorporated by reference to Form 10-K for the year ended March 31, 2000, filed on June 29, 2000.
10.3	FirstService Corporation Amended Share Purchase Plan #2. Incorporated by reference to Form 10-K for the year ended March 31, 2000, filed on June 29, 2000.
21	Subsidiaries of FirstService Corporation. Included herein.

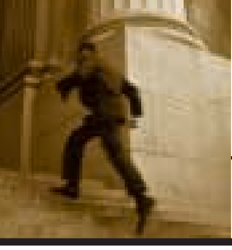
EXHIBIT 21

SUBSIDIARIES OF FIRSTSERVICE CORPORATION

Name of subsidiary	Percentage owned by Registrant (1)	Jurisdiction of incorporation
American Pool Enterprises, Inc. (2)	80.00%	Delaware
BDP Business Data Services, Ltd.	86.00%	Ontario
BLW, Inc. (d/b/a Security Services and Technologies)	80.00%	Pennsylvania
Cleanol Services Inc.	90.00%	Ontario
DDS Distribution Services, Ltd. (3)	89.00%	Ontario
Dickinson Management, Inc.	80.00%	Florida
FirstService (U.S.A.), Inc.	100.00%	Delaware
FirstService (U.S.A.) Security Holdings Inc.	100.00%	Delaware
FirstService Continental Inc.	100.00%	Florida
FirstService Delaware, LLC	89.50%	Delaware
FirstService Delaware, LP	89.50%	Delaware
FirstService Financial Inc.	100.00%	Pennsylvania
FirstService GP, Inc.	100.00%	Ontario
FirstService Nova Scotia Corp.	89.50%	Nova Scotia
FirstService Watts Ltd.	100.00%	Ontario
Greenspace Services Ltd. (4)	90.00%	Ontario
Herbert A. Watts Ltd. (5)	82.15%	Ontario
Intercon Security Ltd.(6)	100.00%	Ontario
Prime Management Group, Inc. (7)	100.00%	Florida
Rossmar & Graham Community Association Management, Inc.	100.00%	Arizona
Superior Pool, Spa and Leisure Ltd.	65.00%	Ontario
The Continental Group, Inc.	80.10%	Florida
The Continental Group, Ltd. (8)	80.10%	Florida
The Franchise Company, Inc.(9)	83.30%	Ontario
The Wentworth Group, Inc. (10)	80.00%	Pennsylvania

Notes

(1) The percentage of each subsidiary not owned by the Registrant is owned by operating management of each respective subsidiary.
(2) American Pool Enterprises, Inc. has 20 wholly-owned subsidiaries.
(3) DDS Distribution Services Ltd. has 13 wholly-owned subsidiaries.
(4) Greenspace Services Ltd. has 2 wholly-owned subsidiaries.
(5) Herbert A. Watts Ltd. has 8 wholly-owned subsidiaries.
(6) Intercon Security Ltd. has 4 wholly-owned subsidiaries.
(7) Prime Management Group, Inc. has 4 wholly-owned subsidiaries.
(8) The Continental Group, Ltd. has 5 wholly-owned subsidiaries.
(9) The Franchise Company, Inc. has 11 wholly-owned subsidiaries and 3 non-wholly owned subsidiaries.
(10) The Wentworth Group, Inc. has 8 wholly-owned subsidiaries and 2 non-wholly owned subsidiaries.



Directors & *OFFICERS*

BOARD OF DIRECTORS

Michael H. Appleton, Q.C.*
Toronto, Ontario
Managing Partner
Fogler, Rubinoff
(Law firm)

David R. Beatty, O.B.E.
Toronto, Ontario
Corporate Director,
Director of the Clarkson Centre for Business Ethics

C. Robert Burgess
Scottsdale, Arizona
President
Rossmar & Graham Community Association
Management, Inc.
(Subsidiary of the Company)

Brendan Calder*
Toronto, Ontario
Executive Director, MBA Programs
Joseph L. Rotman School of Management
University of Toronto,
Corporate Director

Peter F. Cohen*
North York, Ontario
President
Dawsco Capital Corp.
(Holding Company)

Jay S. Hennick
Toronto, Ontario
Chairman, President & Chief Executive Officer
FirstService Corporation

Samuel Hennick
North York, Ontario
Chief Executive Officer
Stargems, Inc.
(Jewellery manufacturing company)

Steven Rogers
Mississauga, Ontario
President & Chief Executive Officer
The Franchise Company, Inc.
(Subsidiary of the Company)

James R. Rollwagen
St. Paul, Minnesota
Senior Attorney
Ecolab Inc.
(Publicly-traded diversified services company)

*Audit and Compensation Committees

SENIOR OFFICERS

Jay S. Hennick
Chairman, President & Chief Executive Officer

D. Scott Patterson
Senior Vice-President & Chief Financial Officer

Timothy J. Greener
Senior Vice-President, Integration

John B. Friedrichsen
Senior Vice-President, Acquisitions

Douglas G. Cooke
Corporate Controller and Treasurer

Michael H. Appleton, Q.C.
Corporate Secretary

Lynda A. Cralli
Assistant Corporate Secretary

Andrew Lester
Assistant Vice-President, Integration

Christian Mayer
Senior Financial Analyst

Kevin Roy
Senior Analyst, Acquisitions

SENIOR EXECUTIVES

American Pool Enterprises, Inc.
Charles Sollins, President

BDP Business Data Services, Ltd.
Lawrence Zimmering, President

Cleanol Services, Inc.
Rob Jenkins, President

DDS Distribution Services, Ltd.
Tom Aiton, President

FirstService Financial Inc.
Richard Oller, President

Greenspace Services Ltd.
Dr. William Black, President

Herbert A. Watts Ltd.
Rip Gauthier, President

Intercon Security Ltd.
Rene Gulliver, President

Prime Management Group, Inc.
Myron I. Swatt, President

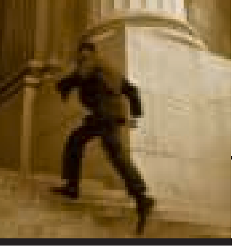
Rossmar & Graham Community Association Management, Inc.
C. Robert Burgess, President

Security Services & Technologies
Frank Brewer, President

The Continental Group, Ltd.
Gene Gomberg, Chief Executive Officer

The Franchise Company, Inc.
Steven Rogers, President & Chief Executive Officer

The Wentworth Group, Inc.
David Epstein, President



Corporate *INFORMATION*

CORPORATE OFFICES

Head Office - Canada
1140 Bay Street, Suite 4000
Toronto, Ontario
M5S 2B4
Phone: (416) 960-9500
Website: www.firstservice.com

Head Office – United States
6300 Park of Commerce Blvd.
Boca Raton, Florida 33487
Phone: (561) 989-5100
Website: www.firstservice.com

LEGAL COUNSEL

Canada
Fogler, Rubinoff

United States
Shearman & Sterling

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP
Chartered Accountants

BANKERS

The Toronto Dominion Bank
Bank One Canada
Bank of Nova Scotia
Canadian Imperial Bank of Commerce
Royal Bank of Canada

REGISTRAR AND TRANSFER AGENT

Equity Transfer Services Inc.
Telephone: (416) 361-0152
E-mail: equity@istar.com

INVESTOR RELATIONS

Securities, portfolio managers and representatives of financial institutions seeking information about FirstService may contact:

- Lynda Cralli, Assistant Corporate Secretary
  Telephone: (416) 960-9500

STOCK EXCHANGE LISTINGS

FirstService shares are listed and traded on:

- NASDAQ National Market (Symbol-FSRV)
- The Toronto Stock Exchange (Symbol-FSV)

FirstService shares are included in The Toronto Stock Exchange's 300 Composite Index.

EARNINGS AND CORPORATE NEWS

Corporate news releases, including earnings and other financial information, are available at:

- Website: www.firstservice.com
- Telephone: (416) 960-9500

Copies of FirstService's Form 10-K, 10-Q and 8-K reports as filed with The Securities and Exchange Commission are available free of charge. These documents may be obtained on-line through the company's website.

RESEARCH COVERAGE

Investors may contact the following firms who have recently provided research coverage on FirstService:

- CIBC World Markets
- Credit Suisse First Boston
- Dundee Securities Corporation
- Jolson Merchant Partners
- Merrill Lynch
- Ryan, Beck & Co.
- Northern Securities
- Pacific International Securities
- TD Securities
- William Blair & Co.

The reference to such firms does not imply any endorsement of information by FirstService.

NOTICE OF SHAREHOLDERS MEETING

The annual meeting of the shareholders will be held on Monday, September 10, 2001 at 4:00 p.m. at The Toronto Stock Exchange Conference Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario

FIRSTSERVICE®
www.firstservice.com