2008 Annual Report

Message to Shareholders

INTRODUCTION

Homeserve Technology Inc. ("Homeserve") announced net income of $2.8 million for the year ended February 29, 2008 as compared to net income of $6.0 million for the year ended February 28, 2007. After the payment of preferred share dividends, income available to common shareholders was $(0.17) per share and $0.02 per share, for Fiscal 2008 and Fiscal 2007, respectively. The most significant elements contributing to the $3.2 million year-over-year decrease in net income were $2.1 million in costs associated with the Aeromove™ program, a $2.3 million increase in intangible amortization resulting from additional consideration earned under terms of the ICON acquisition, and a $0.3 million decrease in investment income due to the change in the Company's investment strategy from high-grade debenture investments to high-yield credit opportunity fund investment. Partially offsetting these amounts were a $0.2 million increase in contribution margin generated from the ICON operations due to increased file activities, a $1.0 million increase in the gains realized on the sale of certain holdings within the Company's investment portfolio and a $0.5 million decrease in income tax expense.

ICON

In April 2004, the Company acquired Centract's Residential Property Service's ("Centract") ICON software and entered into licensing arrangements, among other matters with Centract. ICON is a customizable software application that manages all aspects of a residential home relocation. Centract uses ICON to manage the relocation requirements of approximately 24,000 new relocation files per year for approximately 400 of Canada's largest companies, the Department of National Defense, the RCMP and the Treasury Board of Canada.

During the year, ICON licensing and consulting activities generated $11.5 million in revenue from the relocation and asset recovery license agreements and consulting services, up 4% from 2007. The underlying relocation file activity was slightly ahead of management's expectations and ahead of prior year activity. Operating costs in the amount of $1.5 million were in line with management's expectations.

HOME-LINK OPERATIONS

Home-Link's move services offering continues to experience an overall decline in its operations. For the year ended February 29, 2008, Home-Link's operations generated a contribution margin loss of $nil as compared to a contribution margin loss of $0.2 million for the same period of Fiscal 2007. The decrease in the overall loss of $0.2 million was due primarily to the downsizing of Home-Link's operations in response to a decline in current transaction volumes.

SOFTWARE DEVELOPMENT AND LICENSING INITIATIVES

The move services affinity program ("MSAP") business model allows Homeserve to enter into partnerships with organizations that have a large and targeted base of customers who will be directed to use various home/move suppliers in the Homeserve network. In exchange for using this network customers will receive loyalty currency or other value-add for each transaction and will have the ability to redeem loyalty currency (where applicable) for these purchases. Outbound marketing efforts drive customers to the program portal or Homeserve call centre from which customers are connected directly to suppliers/service providers in the network. For the year ended February 29, 2008, these operations generated a contribution margin loss of $3.8 million as compared to a contribution margin loss of $1.7 million for the same period of Fiscal 2007. This loss includes costs associated with the Aeromove™ program, which was launched on February 26, 2007.

OUTLOOK

Homeserve is well positioned to be a leading technology and marketing services company in the home and move sector by leveraging its technology assets, relationships with related Brookfield companies in the Centract Residential Real Estate portfolio and through a strategic focus on marketing services in relevant sectors. In addition to Aeromove™, we look to leveraging the move services platform by developing partnerships with other loyalty programs which seek to reach the Canadian moving population with a one-stop move services program.

While markets for software remain uncertain, we are optimistic that the sustainable stable cash flows from the ICON acquisition combined with licensing opportunities from the Company's move services program model, will position the Company well for future growth.

On behalf of the Company, I want to thank you for your continued support.

Sincerely,

James B. Dunbar
President and Chief Executive Officer

Management's Report to Shareholders

The accompanying financial statements and other financial information have been prepared by the Company's management, which is responsible for their integrity and objectivity. To fulfill this responsibility, the Company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate. These policies and procedures are designed to provide a high degree of assurance that relevant and reliable financial information is produced.

These financial statements have been prepared in conformity with accounting principles generally accepted in Canada, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this annual report is generally consistent with the information contained in the accompanying financial statements. Ernst & Young, LLP, the independent auditors appointed by the shareholders, have examined the consolidated financial statements set out on pages 20 through 34 in accordance with auditing standards generally accepted in Canada to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on page 21.

The financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors. The auditors have direct and full access to the Audit Committee and meet with the Committee both with and without management present. The Board of Directors, directly and through its Audit Committee, oversees management financial reporting responsibilities and is responsible for reviewing and approving the financial statements.

Toronto, Canada

May 30, 2008

James B. Dunbar

President and Chief Executive Officer

Plinio Cardoni

Vice President Finance

Management's Discussion and Analysis of Financial Condition and Results of Operation For the year ended February 29, 2008

Management's Discussion and Analysis of Results and Financial Condition

The following Management's Discussion and Analysis of Results and Financial Condition ("MD&A") of Homeserve Technologies Inc. ("Homeserve" or the "Company") covers the period from March 1, 2007 to February 29, 2008. This MD&A has been prepared as at May 30, 2008. This MD&A should be read in conjunction with our audited financial statements for the 12 months ended February 29, 2008. Additional information, including the Company's Annual Audited Financial Statements, Annual Information Form and Management Information Circular, are available on the Company's website at *www.homeserve.ca* or on SEDAR's website at *www.sedar.com*. External economic and industry factors remain substantially unchanged, unless otherwise noted.

Homeserve is a technology company focused on the development and application of proprietary software solutions. Our focus is to increase shareholder value through the leveraging of our technology expertise and the development, acquisition and integration of proprietary software solutions to create profitable businesses comprised of transaction fee-based services, licensing fee-based software solutions and consulting fee-based software development and support activities. Homeserve's largest shareholder and customer, which owns 48% of the common shares and all of the preferred shares and non-voting common shares of the Company, is Brookfield Asset Management Inc. operating through certain subsidiaries as Centract Residential Property Services ("Centract"), its residential real estate services division.

Homeserve's software solutions are comprised of (i) CARE 6 Customer Relationship Management software ("CARE 6"), (ii) ICON software and its development and support personnel, and (iii) our co-ownership of the Credit Adjudication & Lending Management System ("CALMS"). As at the date of this MD&A, these operations are supported by 30 personnel and Centract's shared management services platform.

Homeserve is not listed for trading on any recognized stock exchange. Accordingly, a shareholder's ability to buy or sell shares of the Company is limited.

OPERATIONS OVERVIEW

In August 2006, the Company signed a multi-year agreement with Aeroplan to offer Aeroplan members the opportunity to earn Aeroplan miles on various moving services through a newly developed national move and home program called Aeromove™. This partnership allows Homeserve to leverage its proprietary move services technology platform and extensive relationships with leading Canadian real estate providers. Aeromove™ is expected to generate revenue for the Company through a combination of fees earned from move service participants and a participation in the margin on Aeroplan miles earned through the Aeromove™ program. We launched the Aeromove™ program on February 26, 2007.

In April 2004, the Company acquired Centract's ICON software and entered into licensing arrangements (see "ICON Transaction"). ICON is a customizable software application that manages all aspects of a residential home relocation. This transaction provides a substantial opportunity for the Company to increase shareholder value through the re-licensing and sale of the software to non-North American markets and the provision of additional functionality and consultative services, for a fee. Currently, the only licensees for the ICON software are divisions of Centract.

In April 2003, the Company acquired a perpetual, exclusive, royalty-free, transferable, license to use its CARE II CRM software in Canada and to sub-license its use to others in Canada. In order to appropriately service the business opportunities, Homeserve has enhanced and upgraded CARE 11 CRM software and has released CARE 6 as at March 2007 with the launch of Aeromove™. The technology currently delivers customer, call-centre and supplier facing interfaces allowing both real-time order placement and batch file delivery for supplier order management. CARE 6 provides solutions to banking and retail companies and we are currently in discussions with a number of Canadian financial institutions and retail companies to commence pilot operations, which will allow us to demonstrate the ability of CARE 6 software to better manage their respective mortgage portfolios and customer base. No assurance is provided that such pilot projects will result in contract implementations.

RESULTS OF OPERATIONS: FISCAL 2008 COMPARED TO FISCAL 2007

($ thousands, except per share amounts)	**2008**	2007
Revenue	**11,906**	11,204
Cost of sales	**195**	—
Margin	**11,711**	11,204
Operating costs – selling, general and administrative	**6,204**	3,846
Operating costs – amortization	**6,015**	3,557
Net income (loss) from operations	**(508)**	3,801
Investment income	**1,089**	1,445
Gain on sale of investments	**2,225**	1,211
Net income for the period before taxes	**2,806**	6,457
Income tax expenses	**—**	(500)
Net income for the period	**2,806**	5,957
Preferred share dividends	**(3,956)**	(5,821)
Net income (loss) available to common shareholders	**(1,150)**	136
Basic and diluted earnings (loss) per common share		
Basic	**$(0.17)**	$0.02
Diluted	**$(0.17)**	$0.02

As summarized in the table above, the Company reported net income of $2.8 million for the year ended February 29, 2008 ("Fiscal 2008") as compared to net income of $6.0 million for the year ended February 28, 2007 ("Fiscal 2007"), which after the payment of preferred share dividends for Fiscal 2008 represents a basic and diluted loss per share to common shareholders of $(0.17), as compared to basic and diluted income per share of $0.02 for Fiscal 2007. The most significant elements contributing to the $3.2 million year-over-year decrease in net income were an increase in costs associated with the Aeromove™ program, increased amortization associated with the year-over-year increase in intangible assets resulting from additional consideration earned out under terms of the ICON acquisition and a decrease in investment income due to a change in the Company's investment strategy from high-grade debenture investments to high-yield credit opportunity fund investment. Partially offsetting these amounts were increased gains realized on the sale of certain holdings within the Company's investment portfolio, increased contribution margin generated from the ICON operations, and a decrease in income tax expense. A summary of the contribution margin by business line is summarized in the table below and a more detailed discussion of the year-over-year results follows.

Contribution margin by segment *($ thousands)*	**2008**	2007
ICON licensing and consulting		
Revenue	**11,526**	11,146
Operating costs	**(1,450)**	(1,250)
	10,076	9,896
Software development and licensing		
Revenue	**339**	—
Cost of sales	**(195)**	—
Operating costs	**(3,955)**	(1,698)
	(3,811)	(1,698)
Home-Link operations		
Revenue	**41**	58
Operating costs	**(77)**	(306)
	(36)	(248)
Other		
General and administration	**(722)**	(592)
	(722)	(592)
Contribution margin	**5,507**	7,358
Comprised of:		
Revenue	**11,906**	11,204
Cost of sales	**(195)**	—
Operating costs – selling, general and administration	**(6,204)**	(3,846)
	5,507	7,358

ICON licensing and consulting ("ICON") activities consist of $11.5 million in revenue generated from our contracted relocation and asset recovery license agreements (see "ICON Transaction") with Centract, as compared to $11.1 million for the same period of Fiscal 2007. Of the $11.5 million in revenue, $10.7 million was earned from licensing revenue and $0.8 million from consulting services. The underlying relocation and asset recovery file activity summarized in the table below was up 3.7% over the same period in the prior year. Operating costs relate to staffing, selling, premises and administrative costs associated with our development and support personnel.

	2008	2007
Relocation files	**25,680**	24,397
Asset recovery files	**2,918**	3,177

Approximately 73% of Homeserve's ICON licensing revenue for Fiscal 2008 was derived from two significant Centract contracts with the Government of Canada ("GOC") for the provision of relocation services; see Centract GOC Contracts for further information.

Software Development and Licensing ("SDL"), which includes consulting activities and development of the Company's CARE 6 initiatives, generated a contribution margin loss of $3.8 million for Fiscal 2008 as compared to a contribution margin loss of $1.7 million for Fiscal 2007. The operating costs for Fiscal 2008 relate primarily to salary, selling and administrative costs associated with the development of the Company's CARE 6 initiatives, which includes the Aeromove™ program, which launched on February 26, 2007.

Home-Link's operating activities are breakeven for Fiscal 2008 as compared to a contribution margin loss of $0.2 million for Fiscal 2007. The year-over-year decrease in the overall loss was due primarily to a decrease in overall operating expenses. As described earlier, substantially all of Home-Link's revenue for Fiscal 2008 was generated from related parties or supplier transaction fees derived from the related-party relationship.

General and administrative operations are comprised of public operating costs related to shareholder communications, audit, regulatory filing fees, insurance costs, administrative expenditures and a management fee from Centract for operations, finance and investment management services (see "Transactions with Related Parties"). The administrative costs for Fiscal 2008 are $0.7 million compared to $0.6 million for the same period of Fiscal 2007.

Investment income relates to income earned on the Company's short-term investments. Investment income of $1.1 million for Fiscal 2008 was down $0.3 million from Fiscal 2007 due to a change in the Company's investment strategy from high-grade debenture investments to high-yield private equity fund investments. Currently 25% of our investment portfolio is invested in the bonds of Real Estate Investment Trusts or companies with substantial real estate holdings. The remaining 75% is invested in short-term banker's acceptances and high-yield credit opportunity fund investment. The Company holds a 15.6% share in a credit opportunity fund, which is managed by a related party (see "Transactions with Related Parties").

Amortization for Fiscal 2008 increased $2.5 million over Fiscal 2007 due primarily to amortization associated with the year-over-year increase in intangible assets resulting from additional consideration earned under terms of the ICON acquisition.

Income tax expense for Fiscal 2008 was $nil as compared to an expense of $0.5 million for Fiscal 2007. The income tax expense for Fiscal 2008 represents the adjustment required to bring the Company's future income tax asset ("FIT") in line with management's $2.5 million estimate as at February 29, 2008. The components of the $nil expense is comprised of management's estimated $2.5 million tax recovery in respect of Fiscal 2009, less the actual income tax expense of $2.5 million for Fiscal 2008. The FIT represents the anticipated future income tax expense recoveries for all deductible temporary differences between accounting and tax, unused tax losses and income tax reductions of the Company, reduced in accordance with GAAP by a valuation allowance to the amount of the future income tax benefit that management expects to realize within a probability of greater than 50%. Due to continued uncertainty surrounding the duration of Centract's GOC relocations contracts and the startup nature of the Aeroplan operations, management has recorded a FIT in the amount of $2.5 million, which represents the expected tax benefit to be realized in respect of Fiscal 2009 activity. This estimate is consistent with Fiscal 2008 when management recorded a FIT in the amount of $2.5 million, which represented the expected tax benefit to be realized in respect of Fiscal 2008.

As at February 29, 2008, the total estimated FIT of the Company is $17.7 million of which $12.1 million is attributed to non-capital loss carryforwards of $8.9 million and capital losses of $3.2 million. The remaining $5.6 million is comprised of book to accounting differences on our capital and intangible assets.

Comprehensive Income relates to the Company's adoption of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3855, *Financial Instruments – Recognition and Measurement*; 1530, *Comprehensive Income*; and 3251, *Equity*; on March 1, 2007. These standards require that all financial assets be classified as "trading", "designated at fair value", "available-for-sale", "held-to-maturity", or "loans and receivables". In addition, the standards require that all financial assets, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, and available-for-sale equities that do not have quoted market values in an active market. As required, these standards have been applied on a prospective basis and accordingly, the recognition of Accumulated Other Comprehensive Income ("AOCI") of $3.7 million related to Homeserve's short-term investments at the beginning of the year has been recorded. During the 12-month period ended February 29, 2008, the Company recognized $4.1 million comprehensive loss reflecting the decrease in fair market value of our investment portfolio.

RESULTS OF OPERATIONS: FOURTH QUARTER 2008 COMPARED TO FOURTH QUARTER 2007

Three months ended February 29/28 *($ thousands, except per share amounts)*	**2008**	2007
Revenue	**2,274**	2,032
Cost of sales	**66**	—
Margin	**2,208**	2,032
Operating costs – selling, general and administrative	**1,588**	1,353
Operating costs – amortization	**1,504**	889
Net loss from operations	**(884)**	(210)
Investment income	**134**	361
Gain on sale of investments	**—**	962
Net income (loss) for the period before taxes	**(750)**	1,113
Income taxes expenses	**—**	(500)
Net income (loss) for the period	**(750)**	613
Preferred share dividends	**(984)**	(3,505)
Net loss available to common shareholders	**(1,734)**	(2,892)
Basic and diluted loss per common share		
Basic	**$(0.25)**	$(0.42)
Diluted	**$(0.25)**	$(0.42)

As summarized in the table above, the Company reported net loss of $0.8 million for the three months ended February 29, 2008 (the "Quarter") as compared to net income of $0.6 million for the three months ended February 28, 2007, which after the payment of preferred share dividends for the Quarter represents a basic and diluted loss per share to common shareholders of $(0.25), as compared to basic and diluted loss per share of $(0.42) for the same period in Fiscal 2007. The most significant elements contributing to the $1.4 million quarter-over-quarter decrease in net income were costs associated with the Aeromove™ program, increased amortization associated with the year-over-year increase in intangible assets resulting from additional consideration earned out under terms of the ICON acquisition and a decrease in the gains realized on the sale of certain holdings within the Company's investment portfolio as no holdings were sold in the Quarter. A summary of the contribution margin by business line is summarized in the table below and a more detailed discussion of the quarter-over-quarter results follows.

Contribution margin by segment **Three months ended February 29/28** *($ thousands)*	**2008**	2007
ICON licensing and consulting		
Revenue	**2,140**	2,011
Operating costs	**(369)**	(303)
	1,771	1,708
Software development and licensing		
Revenue	**114**	—
Cost of sales	**(66)**	—
Operating costs	**(1,008)**	(803)
	(960)	(803)
Home-Link operations		
Revenue	**20**	21
Operating costs	**(7)**	(39)
	13	(18)
Other		
General and administration	**(204)**	(208)
	(204)	(208)
Contribution margin	**620**	679
Comprised of:		
Revenue	**2,274**	2,032
Cost of sales	**(66)**	—
Operating costs – selling, general and administration	**(1,588)**	(1,353)
	620	679

ICON licensing and consulting ("ICON") activities consist of $2.1 million in revenue generated from our contracted relocation and asset recovery license agreements (see "ICON Transaction") with Centract, as compared to $2.0 million for the same period of Fiscal 2007. Of the $2.1 million in revenue for the Quarter, $1.9 million was earned from licensing revenue and $0.2 million from consulting services. The underlying relocation and asset recovery file activity for the Quarter as summarized in the table below was up 2.3% over the same period in the prior year. Operating costs relate to staffing, selling, premises and administrative costs associated with our development and support personnel.

	2008	2007
Relocation files	**4,423**	4,198
Asset recovery files	**620**	732

Approximately 63% of Homeserve's ICON licensing revenue for the Quarter are derived from two significant Centract contracts with the Government of Canada ("GOC") for the provision of relocation services, see Centract GOC Contracts for further information.

Software Development and Licensing ("SDL"), which includes consulting activities and development of the Company's CARE 6 initiatives, generated a contribution margin loss of $1.0 million for the Quarter as compared to a contribution margin loss of $0.8 million for the same period of Fiscal 2007. The operating costs for the Quarter relate primarily to salary, selling and administrative costs associated with the development of the Company's CARE 6 initiatives, which includes the Aeromove™ program, which launched on February 26, 2007.

Home-Link's operating activities are breakeven for the Quarter, which is comparable to same period of Fiscal 2007. As described earlier, substantially all of Home-Link's revenue for the Quarter was generated from related parties or supplier transaction fees derived from the related-party relationship.

General and administrative operations are comprised of public operating costs related to shareholder communications, audit, regulatory filing fees, insurance costs, administrative expenditures and a management fee from Centract for operations, finance and investment management services (see "Transactions with Related Parties"). The $0.2 million of administrative costs for the Quarter are in line with the same period of Fiscal 2007.

Investment income relates to income earned on the Company's short-term investments. Investment income of $0.1 million for the Quarter was down $0.2 million from the same period of the prior fiscal year due to a change in the Company's investment strategy from high-grade debenture investments to high-yield credit opportunity fund investment. Currently 25% of our investment portfolio is invested in the bonds of Real Estate Investment Trusts or companies with substantial real estate holdings. The remaining 75% is invested in short-term banker's acceptances and high-yield credit opportunity fund investment. The Company holds a 15.6% share in a credit opportunity fund, which is managed by a related party (see "Transactions with Related Parties").

Amortization for the Quarter increased $0.6 million over the same period of Fiscal 2007 due primarily to amortization associated with the year-over-year increase in intangible assets resulting from additional consideration earned under terms of the ICON acquisition.

Income tax expense for the Quarter was $nil as compared to an expense of $0.5 million for the same period of fiscal 2007 as described earlier.

Comprehensive Income relates to the Company's adoption of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3855, *Financial Instruments – Recognition and Measurement*; 1530, *Comprehensive Income*; and 3251, *Equity*; on March 1, 2007. These standards require that all financial assets be classified as "trading", "designated at fair value", "available-for-sale", "held-to-maturity", or "loans and receivables". In addition, the standards require that all financial assets, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, and available-for-sale equities that do not have quoted market values in an active market. As required, these standards have been applied on a prospective basis and accordingly, the recognition of Accumulated Other Comprehensive Income ("AOCI") of $3.7 million related to Homeserve's short-term investments at the beginning of the year has been recorded. During the three-month and 12-month periods ended February 29, 2008, the Company recognized $nil and $4.1 million, respectively, of comprehensive loss reflecting the decrease in fair market value of our investment portfolio.

LIQUIDITY AND CAPITAL RESOURCES

($ thousands)	**As at February 29, 2008**	As at February 28, 2007
Current assets		
Cash and cash equivalents	**4,551**	15,740
Short-term investments	**25,647**	14,701
Accounts receivable	**1,210**	893
Prepaid and other assets	**161**	167
Future tax assets	**2,500**	2,500
	34,069	34,001
Current liabilities		
Accounts payable and accrued liabilities	**398**	1,245
Income taxes payable	**368**	454
Dividend payable	**647**	3,244
	1,413	4,943
Net current asset position	**32,656**	29,058

As at February 29, 2008, and as summarized in the table above, the Company had positive working capital of $32.7 million, up $3.6 million from February 28, 2007. The following items of note drive the net increase in working capital:

- $6.6 million cash flow generated from operations which after dividend payments of $6.6 million, capital expenditures of $0.9 million, investment in short-term investments of $9.1 million, increased payables of $0.9 million and increased receivables of $0.3 million decreased cash and cash equivalents;
- $2.6 million decrease in dividends payable arising from the payment of the aggregate dividend due in respect of the additional Series C preferred shares issued in the first Quarter as a result of the ICON earn-out calculation; and
- $10.9 million increase in short-term investments as a result of additional investments and recording financial instruments at fair market value.

As at February 29, 2008, short-term debenture investments were comprised of corporate bonds with a yield to maturity ranging from 4.1% to 9.3% and high-yield credit opportunity fund instrument. As at February 29, 2008, Homeserve did not hold any asset-backed commercial paper and has no exposure from a liquidity perspective.

In Fiscal 2008, approximately 97% of the Company's revenue was derived from the Company's ICON licensing and consulting arrangements with the bulk of this amount being attributed to a per file charge for the setup of a relocation file. The underlying relocation file activity is seasonal in nature with the most pronounced timing being the Government of Canada's active posting season, which typically occurs in the spring. In addition to this variability, the Company's ICON licensing fees per file (see "ICON Transaction") decreases as certain volume thresholds are achieved, with these thresholds being met on a calendar year basis. The relocation file and ICON development and licensing fee revenue by quarter was earned as follows:

	February 29, 2008		February 28, 2007	
	Number of files	**Revenue**	Number of files	Revenue
Q1	**44%**	**49%**	45%	49%
Q2	**22%**	**21%**	22%	21%
Q3	**16%**	**11%**	16%	12%
Q4	**18%**	**19%**	17%	18%

The Company has sufficient funds in the next 12 months to meet its operating requirements and current annual cumulative dividend requirements of $3.9 million (see "Capital Structure"). The Company's liquidity may be reduced by the redemption of its preferred shares and the payment of participation dividends (see "Capital Structure").

CENTRACT GOC CONTRACTS

Homeserve generates a significant amount of its ICON licensing and consulting fee revenue from Centract's use of Homeserve's technology for the provision of relocation services under two separate contracts to the Canadian Department of National Defense, Government of Canada and the Royal Canadian Mounted Police (collectively "GOC Contracts").

During the third quarter of Fiscal 2005, Centract was awarded a five-year contract for these contracts commencing on December 1, 2004 with a two-year renewal option. Subsequent to the award of the contract, complaints were filed with the Canadian International Trade Tribunal ("CITT") with respect to the award of this contract and the matter was ultimately forwarded to the Federal Court of Appeal for a ruling. On January 11, 2006, the Federal Court of Appeal ruled on the matter with the net effect to Homeserve being the contracts, as awarded to Centract, stands. Subsequent to this decision the Office of the Auditor General undertook an audit of the process for awarding the Relocation contracts at the request of the Standing Committee on Public Accounts ("SCPA") and the results of the audit were presented on November 30, 2006 as part of the Report of the Auditor General of Canada to the House of Commons. The net effect to Homeserve as a result of this audit and proceeding was the current contracts remain in place until November 2009, at which time it is highly likely that the government will not invoke the renewal option, but rather will seek a new tender, alternative service delivery strategy or combination thereof.

Although Centract has successfully retained its relocation contracts, uncertainty as to the ultimate duration of the contracts remains as one of the unsuccessful bidders for the contracts has launched a lawsuit against the government alleging among other matters conflict of interest in respect of the federal officials overseeing the contract award process and mistakes in the award process itself.

CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's contractual obligations as at February 29, 2008:

($ thousands)		Payments Due by Period			
Contractual Obligations	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Premises lease	342	152	190	Nil	Nil
Aeromove™ marketing	2,000	500	1,000	500	Nil
Aeromove™ mile commitment[1]	3,230	380	1,900	950	Nil

1. The mileage commitment of $3,230 has been assumed by a related party.

CAPITAL RESOURCES

The financial resources available to the Company include $4.6 million in cash and cash equivalents and $25.6 million in marketable securities. The Company currently has no debt financing arrangements in place.

We will assess financing alternatives such as the issuance of additional share capital or debt when funding requirements present themselves.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at the date of this MD&A.

RELATED PARTY TRANSACTIONS

Share Ownership

The Company's most significant shareholder is Centract. As at February 29, 2008, Centract had the following shareholdings:

Share Class	Number of shares held	Percentage of shares held
Common	1,652,905	48%
Non-voting common	3,500,000	100%
Series A preferred shares	1,280,000	100%
Series B preferred shares	22,000,000	100%
Series C preferred shares	18,500,000	100%

Centract acquired its common shares and Series A preferred share holdings from the Company in the third quarter of Fiscal 2003 as consideration for the sale of its 100% ownership of Home-Link Services Canada Ltd. Centract acquired 20,000,000 of its Series B preferred shares on September 13, 2002 for cash consideration of $20 million and the remaining 2,000,000 Series B preferred shares on July 12, 2004 upon the conversion of the $2,000,000 subordinated debenture it received as part of the consideration from the ICON Transaction. Centract acquired its 3,500,000 Series D preferred shares as part of the consideration from the ICON Transaction, which, upon meeting a pre-defined financial hurdle were automatically redeemed into 3,500,000 non-voting common shares in Fiscal 2007. Centract acquired 18,500,000 Series C preferred shares under the ICON contract earn-out provisions during Fiscal 2005 through 2007 and as a result has earned the maximum number of shares available under the earn-out provision.

Transactions with Related Parties

Transactions with related parties are recorded at contracted rates or at exchange amounts approximating fair market value. A summary of these amounts for the three-month and 12-month periods ended February 29, 2008 and February 28, 2007, respectively, are as follows:

	Three months ended		**Twelve months ended**	
($ millions)	**February 29, 2008**	February 28, 2007	**February 29, 2008**	February 28, 2007
Revenue				
ICON	**2.3**	2.0	**11.9**	11.2
Home-Link service fees	**—**	—	**—**	—
Expenses				
Management fees	**0.1**	—	**0.4**	0.1
Premises rent	**0.1**	—	**0.2**	0.1
Dividends				
Series A preferred shares	**—**	—	**0.1**	0.1
Series B preferred shares	**0.5**	0.6	**2.0**	2.1
Series C preferred shares	**0.5**	2.9	**1.9**	3.6
Series D preferred shares	**—**	—	**—**	—

Management fees relate to services such as accounting, payroll, internal audit and other administrative activities related to the day-to-day activities of the Company as well as strategic planning and guidance provided by senior executives of Centract. Premises rent is for space occupied by Homeserve in buildings owned and managed by Centract. There is an economic dependence on Centract as 99.9% of Homeserve's revenue is derived from Centract.

Homeserve invested $20 million US for a 15.6% share in a credit opportunity fund managed by Brookfield Investment Funds Management Inc. ("BIFMI"), a related party, holding a diversified portfolio of credit investments with an expected return consistent with the Company's investment policy of seeking returns in excess of the dividend rate on the Company's preferred shares. The fund seeks to assume measured credit and market risk for higher current income and price appreciation potential while emphasizing

capital preservation. BIFMI earns a management fee and a fee based on the performance of the fund for managing the fund. The fund's principals have more than 25 years of collective financial analysis experience in evaluating investment opportunities.

CAPITAL STRUCTURE

The Company's capital structure as at February 29, 2008 is comprised of common shares, non-voting common shares and preferred shares. The Company's Series A preferred shares, Series B preferred shares and Series C preferred shares, can be redeemed by the Company for $1.00 per share. Redemption of the preferred shares could significantly reduce the Company's cash and cash equivalents and short-term investments.

Given the number of preferred shares of the Company that are issuable or outstanding, the related dividends and the potential redemption of such preferred shares, there is a possibility that holders of the Company's common shares will not realize any appreciable return on their common shares in the short to medium term, if at all.

A summary of the components of the Company's diluted earnings per share is as follows:

($ thousands except number of shares and per share amounts)	**Three months ended**		**Twelve months ended**	
	February 29, 2008	February 28, 2007	**February 29, 2008**	February 28, 2007
Net income	**$ (750)**	$ 613	**$ 2,806**	$ 5,957
Preferred share dividends	**(984)**	(3,505)	**(3,956)**	(5,821)
Net income (loss) available to common shareholders	**$ (1,734)**	$ (2,892)	**$ (1,150)**	$ 136
Weighted average outstanding common shares	**6,944**	6,944	**6,944**	6,944
Dilutive effect of the conversion of preferred shares	**—**	—	**—**	—
Common shares and common share equivalents	**6,944**	6,944	**6,944**	6,944
Adjustment to net income available to common shareholders	**—**	—	**—**	—
Diluted income (loss) per common share	**$ (0.25)**	$ (0.42)	**$ (0.17)**	$ 0.02

In addition to ongoing quarterly preferred share dividend obligations, income available to common shareholders may be reduced by an Annual Participation Dividend ("APD") and an Aggregate Dividend attributed to the Series C preferred shares earned under the ICON Transaction. The APD is a payment of up to 20.89% of pre-defined consolidated pre-tax income of the Company as summarized in the table below and discussed under the ICON Transaction. The APD was $nil and $145 for Fiscal 2008 and 2007, respectively. The Aggregate Dividend represents the cumulative amount of cash that Centract would have received, since April 13, 2004, on the Series C preferred shares earned in Fiscal 2008 under the ICON Transaction. The Aggregate Dividend was $nil and $2,602 for Fiscal 2008 and 2007, respectively.

A summary of the Company's capital structure as at February 29, 2008 is summarized in the chart below.

Share Class	**Number of Shares Issued and Outstanding**	**Carrying Value of Share Class** ($ thousands)	**Yield** %	**Annualized Dividends** ($ thousands)	**Annual Participation Dividend**	**Percentage of Shares Held by Centract**
Common	3,443,687	3,012	—	—	—	48%
Non-voting common[1,5]	3,500,000	3,500	—	—	—	100%
Series A preferred shares[2,3]	1,280,000	1,280	9.00	115	0.64%	100%
Series B preferred shares[2,3]	22,000,000	22,000	9.00	1,980	11.00%	100%
Series C preferred shares[3,4,5]	18,500,000	18,500	10.00	1,850	9.25%	100%
Series D preferred shares[1,5]	—	—	—	—	—	—
		48,292		3,945	20.89%	

1. In accordance with the automatic conversion terms of these shares, these shares were converted into 3,500,000 non-voting common shares in the first quarter of Fiscal 2007.
2. Non-convertible, non-voting and redeemable by the Company for $1.00 per share.
3. Quarterly cumulative dividend.
4. Up to 18,500,000 Series C preferred shares were issued under the ICON earn-out (see "ICON Transaction") at $1.00 per share. 24,189 Series C preferred shares were issued in Fiscal 2006 to fulfill the Fiscal 2005 ICON earn-out. In Fiscal 2007, an additional 9,763,061 Series C preferred shares were issued to fulfill the Fiscal 2006 ICON earn-out and during Fiscal 2008, an additional 8,712,750 Series C preferred shares were issued to fulfill the Fiscal 2007 ICON earn-out.
5. At holder's request the Company will use reasonable efforts to list such shares on a recognized exchange at any time after five years from their date of issuance.

OUTLOOK

The Company will consider seeking a re-listing of the Company's common shares when there is a reasonable probability of returning value to common shareholders after having considered the overall capitalization of the Company and, in particular, the servicing of the obligations related to the Company's preferred shares, including their potential redemption.

ICON

The acquisition of ICON and the subsequent awarding of the GOC Relocation contract to Centract was a significant development for our operations. The acquisition has and is expected to continue to provide significant licensing fee cash flows to the Company and licensing opportunities for markets outside of North America. In addition, our development and support personnel provide the basis for consulting fees earned on ICON software development and upgrade activities. The Company is in the early stages of developing the licensing and consulting opportunities for ICON, which includes the utilization of ICON to fulfill the requirements of our Aeromove™ initiative. We continue to monitor developments with respect to the review of the Relocations contract award process as described in our year-over-year review of our ICON licensing and consulting activities.

Aeromove™

On August 2, 2006, the Company signed a national, multi-year agreement with Aeroplan® to offer Aeroplan Members the opportunity to earn Aeroplan Miles on various moving services through a newly developed home and move services program called Aeromove™. This partnership allowed Homeserve to leverage its ICON and CARE 6 assets to build an end-to-end move services platform. Aeromove™ is expected to generate revenue for the Company through a combination of fees earned from move services participants and a margin on Aeroplan Miles earned through the Aeromove™ program.

The program successfully launched on February 26, 2007 with two national partners offering real estate and moving services. The real estate services are provided through Centract and the moving services are provided by Atlas Van Lines. 1-800 GOTJUNK was added to the program in August 2007 to provide junk removal services. Aeromove™ is expected to add new partners to the program in a phased approach over the next 24 months in order to provide its members with a destination source for all home and moving needs related to the purchase and/or sale of their property.

New Business Initiatives

Similar to the Aeromove™ initiative, we will seek to leverage the move services platform by developing new white-labeled offers with other loyalty programs to reach the Canadian moving population with a one-stop home and move services program.

Home-Link

Our Home-Link initiative earns transaction-based revenue through the use of our CARE 6 software and contact centre operations to facilitate the provision of services to consumers during the home purchasing and selling cycle. Home-Link has never been profitable and has incurred significant losses since it started business in mid-2000. Subsequent to year-end, Home-Link business has been discontinued.

Investment Operations

The Company intends to invest its excess available cash in instruments that have the potential to generate a current yield that would offset, or partially offset, the dividend rate on the Company's preferred shares. The Company's existing investment portfolio of $25.6 million as at February 29, 2008 is comprised of corporate bonds with a yield to maturity ranging from 4.1% to 9.3% and high-yield credit opportunity fund instrument. Management will continue to evaluate higher yield investment opportunities, which meet its risk and liquidity tolerances.

Forward-looking Statements

This annual report contains forward-looking statements that involve risks and uncertainties, which may cause actual results to differ materially from the statements made. When used in this annual report, the words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", and "would" and similar expressions are intended to identify forward-looking statements. Such statements reflect Homeserve's current views with respect to current events and are subject to such risks and uncertainties. Many factors could cause our actual results to differ materially from the statements made including those factors detailed from time to time in filings made by Homeserve with Canadian securities regulatory underlying authorities. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated or expected. Homeserve does not intend and does not assume any obligation to update these forward-looking statements.

SUPPLEMENTAL INFORMATION

This section contains information required by applicable continuous disclosure guidelines and to facilitate additional analysis.

SELECTED CONSOLIDATED QUARTERLY INFORMATION

The table below sets forth selected condensed quarterly information for the last eight quarters.

($ thousands)	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1
Sales	2,274	1,393	2,591	5,648	2,032	1,378	2,360	5,434
Cost of sales	66	61	61	7	—	—	—	—
Gross profit	2,208	1,332	2,530	5,641	2,032	1,378	2,360	5,434
Operating expenses	3,092	2,911	2,858	3,358	2,242	1,801	1,665	1,695
Selling, general and administration	1,588	1,421	1,343	1,852	1,353	914	769	810
Amortization of property, plant and equipment and intangible assets	1,504	1,490	1,515	1,506	889	887	896	885
	3,092	2,911	2,858	3,358	2,242	1,801	1,665	1,695
Income (loss) from operations	(884)	(1,579)	(328)	2,283	(210)	(423)	695	3,739
Investment income	134	219	360	376	361	375	343	366
Gain on sale of short-term investments	—	2,225	—	—	962	226	—	23
Income (loss) before income taxes	(750)	865	32	2,659	1,113	178	1,038	4,128
Provision for income taxes	—	—	—	—	500	—	—	—
Net Income (loss)	(750)	865	32	2,659	613	178	1,038	4,128
Preferred share dividends	(984)	(984)	(994)	(994)	(3,505)	(766)	(775)	(775)
Basic earnings (loss) available to common shareholders	(1,734)	(119)	(962)	1,665	(2,892)	(588)	263	3,353
Basic earnings (loss) per common share	(0.25)	(0.02)	(0.14)	0.24	(0.42)	(0.08)	0.04	0.48
Diluted earnings (loss) available to common shareholders	(1,734)	(119)	(962)	1,665	(2,892)	(588)	263	3,353
Diluted earnings (loss) per common share	(0.25)	(0.02)	(0.14)	0.24	(0.42)	(0.08)	0.04	0.48

- Gross profit is primarily attributed to licensing fees earned on Centract government and corporate relocation activity. The government volumes made up approximately 73% of the sales in Fiscal 2008 with a significant amount of file volume typically being generated during the first quarter when the military's active posting season is heaviest. The remaining government and corporate relocation file volumes relate to client specific initiatives and as such can vary from quarter to quarter. In addition to this variability, the Company's ICON licensing fees per file (see "ICON Transaction") decreases as certain volume thresholds are achieved, with these thresholds being attained on a calendar year basis.
- Operating expenses relate to selling, general and administrative, and amortization expense. These costs increased quarter over quarter due primarily to costs associated with the Aeromove™ program which launched on February 26, 2007 and due to increased amortization associated with the increase in intangible assets arising from additional consideration provided under the ICON earn-out as previously described.
- The timing of gains and losses on sale of investments are dependent upon management realizing on these investments as the opportunities present themselves and as such the related gains and losses may vary from period to period.

ICON TRANSACTION

On April 13, 2004, the Company's shareholders approved the ICON Transaction, which resulted in Centract selling its interest in the ICON software and entering into licensing, premises lease and employment arrangements with the Company for potential consideration of up to $24 million. The full amount of this consideration has been earned as at February 29, 2008. This consideration was comprised of:

- A $2 million debenture which was converted into 2,000,000 Series B preferred shares on July 12, 2004; plus
- $3.5 million paid by the issuance of 3,500,000 Series D preferred shares with a non-cumulative annual dividend of 3.5%. In accordance with the automatic conversion terms of these shares, these shares were converted in Fiscal 2007 into 3,500,000 non-voting common shares; plus

- An earn-out option, which provides for the issuance of up to 18,500,000 Series C preferred shares at $1.00 per share upon meeting certain pre-defined criteria (see "Outstanding shares"). As at February 29, 2008, 18,500,000 of these shares have been earned and issued; plus
- An increase in the Series B preferred share cumulative aggregate preferential annual participation dividend from 10% to 11% of pre-defined consolidated pre-tax income of the Company based on the weighted average number of Series B preferred shares outstanding divided by 22,000,000. As at February 29, 2008, there are 22,000,000 Series B preferred shares outstanding.

As at February 29, 2008, the Company has recorded $24.5 million with respect to our purchase of ICON, which is represented by $23.9 million in intangible assets, $0.1 million in capital assets and $0.5 million in legal, valuation, accounting and shareholder communication costs associated with the transaction. The amount recorded for the purchase of ICON and subsequent amortization of this asset increased in accordance with the earn-out provisions of the purchase and sale agreement as described earlier.

ICON LICENSING ARRANGEMENTS

The ICON licensing arrangements arising from the ICON Transaction are comprised of the following two licenses:

1. A seven-year transferable and renewable license with Centract or its designee for the exclusive use of the ICON software in the North American relocation market for which Centract will pay the Company a license fee equal to: (i) $500 per file for the first 10,000 files opened in any calendar year, (ii) $400 per file opened for the next 10,000 files in any calendar year and (iii) $250 per file opened in excess of 20,000 files in any calendar year. The license agreement commenced on April 13, 2004 with an initial term to March 31, 2011 with successive two-year renewal terms. On renewal, the license fee during such renewal period will be equal to the lower of $200 per file opened or the lowest fee charged by the Company to any licensee from whom the Company generates annual license fees in excess of $500,000. During the 12 months ended February 29, 2008, the Company earned $10.5 million in related licensing fees on 25,680 files opened.

   As part of the licensing agreement Centract is to receive at no additional cost, maintenance and technological support and normal course upgrades. Consulting services provided for development upgrades or modifications are provided to Centract at cost plus 20%. During the 12 months ended February 29, 2008, the Company earned $0.8 million from these services.

2. A five-year, non-transferable license with Asset Recovery, a division of Centract, which currently uses ICON in exchange for a monthly license fee equal to $50 per administrative file and $100 per Home Sale file. The license agreement commenced on April 13, 2004 with an initial term to March 31, 2009 with successive two-year renewal terms. During the 12 months ended February 29, 2008, the Company earned $0.2 million in related fees on 2,918 files opened.

The premises lease arrangement is comprised of the lease of 5,000 square feet at market rates for a period that is the earlier of the date of termination of the Centract license and upon 30 days prior written notice.

Employment arrangements consist of employment agreements with eight former employees of Centract who are required for the development and support of the ICON software. The employment agreements are substantially the same as the terms of employment provided by Centract.

OUTSTANDING SHARES

The number of issued and outstanding shares of the Company are as follows:

Description	**As at February 29, 2008**
Common shares	**3,443,687**
Series A preferred shares	**1,280,000**
Series B preferred shares	**22,000,000**
Series C preferred shares	**18,500,000**
Series D preferred shares	**—**
Non-voting common shares	**3,500,000**

The Series A and Series B preferred shares are redeemable by the Company upon the payment of the sum of $1.00 for each share to be redeemed.

The Company may issue up to 18,500,000 Series C preferred shares at $1.00 per share. The issuance of these shares is subject to meeting certain earn-out criteria related to the Company's ICON Transaction (see "ICON Transaction"). These shares are issuable on the basis of one Series C preferred share for each $1.00 of cumulative licensing fee revenue earned by the Company from its ICON license arrangements, in excess of $8 million of cumulative licensing fees expected to be realized for the period from April 13, 2004 to February 29, 2008 plus an amount in cash equal to the aggregate dividends that would have been received by Centract if Centract had received the Series C preferred shares on April 13, 2004. The Series C preferred shares are also entitled to a cumulative quarterly dividend of 2.5% and a cumulative aggregate preferential annual participation dividend of 9.25% of pre-defined consolidated pre-tax income of the Company. As at February 28, 2007, the Company has earned cumulative licensing revenue from its ICON license arrangements of $28.2 million, and accordingly, an additional 8,712,750 Series C preferred shares at a value of $1.00 each were issued in the first quarter of Fiscal 2008 bringing the total number of Series C preferred shares issued to 18,500,000.

During the first quarter of Fiscal 2007, the 3,500,000 Series D preferred shares, which were issued on April 13, 2004 were automatically converted upon meeting certain pre-defined criteria to 3,500,000 non-voting common shares.

In addition to the above noted classes of shares, the Company issued a $2 million Debenture in connection with the ICON Transaction (see "ICON Transaction"), which on July 12, 2004 was converted into 2,000,000 Series B preferred shares.

The Company has entered into an agreement with the holders of the Series C preferred shares and Series D preferred shares to use its reasonable commercial efforts to seek a listing for the Series C preferred shares and the non-voting common shares issuable upon conversion of the Series D preferred shares, on a recognized Canadian stock exchange, upon written request by the holders of such shares at any time after five years from the date of their respective issuance by the Company.

As a result of our restructuring efforts and proceedings under CCAA in Fiscal 2003, all pre-existing stock options have either terminated or otherwise expired. The Company has not issued any stock options since Fiscal 2004 and as such the Company has no stock options outstanding as at the date of this MD&A.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates could have a significant adverse effect on operating results and financial position. The following significant accounting estimates are considered critical in that they involve a higher degree of judgment and complexity than others.

Useful life of Intangible Assets and Property Plant and Equipment ("PP&E")

The estimated useful life of intangible assets and PP&E is used to determine amortization expense. An asset's useful life is estimated when the asset is acquired. The estimate is based upon past experience with similar assets, taking into account expected technological changes, prospective economic utilization and physical condition of the assets concerned. A reassessment of the economic lives is conducted when events or changes in circumstances indicate that their useful lives may not be as long as originally anticipated. Adjustments to their expected lives would be made after considering historical experience, market demands and other factors.

Impairment

The impairment of long-lived assets, comprising the Company's Property, Plant and Equipment and intangible assets are assessed when events or changes in circumstances indicate that the Company may not be able to recover their carrying values. Factors considered important which would result in an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of the Company's use of its assets or the strategy of the overall business; and
- significant negative industry or economic trends.

Impairment of such assets is determined using a projected undiscounted cash flow method. If the asset's carrying value is greater than the value indicated under the undiscounted cash flow method, an impairment charge would be recorded. This requires judgment to be made by management estimating future cash flows and economic life, among other assumptions. Different assumptions could yield materially different results.

Management believes that estimates of future cash flows and fair value that it has used in evaluating impairment of such assets are reasonable. The assumptions used in preparing these estimates are consistent with internal planning and reflect best estimates based on factors including past operating results, budgets, economic projections, and market trends. These estimates, however, have inherent uncertainties that management may not be able to control. As a result, the amounts reported for these items could be different if different assumptions were used or if conditions changed in the future. A change in the estimate would affect the net earnings of the Company, but would have no direct cash flow implications.

The Company has recorded intangible assets related to the purchase of Home-Link, the purchase of the license and sub-license for use of Home-Link's CRM software in Canada, the ICON Transaction and the build-out of the Aeromove™ system. The original allocation to the intangible Home-Link assets and CRM software, and the costs incurred to develop the Aeromove™ software was $7.4 million. These intangible assets are being amortized over a seven-year and five-year period, respectively and had a net book value of $2.6 million as at February 29, 2008. The allocation to February 29, 2008 (see "ICON Transaction") to the Company's intangible ICON assets was $24.5 million. These assets are being amortized over a seven-year period and had a net book value of $15.1 million as at February 29, 2008. The valuation of these intangible assets is subject to management's estimates and is reviewed each year to ensure that there is no impairment in the carrying value of these assets. A change in the estimate would affect the net earnings of the Company, but would have no direct cash flow implications.

Accounting for income taxes

The Company is required to estimate the amount of tax payable for the current year and the future income tax assets and liabilities recorded in the accounts for future tax consequences of events that have been reflected in its financial statements. Significant management judgment is required to assess the timing and probability of the ultimate tax impact. The Company records valuation allowances on future tax assets to reflect the expected realizable future tax benefits. Actual income taxes could vary from these estimates due to future changes in income tax law, changes in the jurisdictions in which the Company operates, the inability to generate sufficient future taxable income or unpredicted results from potential examinations or determinations of each year's liability by taxing authorities.

Valuation allowances primarily relate to potential future tax assets arising from accounting depreciation claimed in excess of tax depreciation and tax losses carried forward. Management must assess both positive and negative evidence when determining whether it is more likely than not that future tax assets will be recoverable in future periods. Based on this assessment, a valuation allowance must be established where management has determined, based on current facts and reasonable assumptions, that such future tax assets will not likely be realized by the Company. Realization is based on the Company's ability to generate sufficient future taxable income. During the fourth quarter of Fiscal 2007, the Company recognized a $2.5 million future tax asset of which $2.5 million was utilized to offset Fiscal 2008 income tax expense. During the fourth quarter of Fiscal 2008, the Company recorded an income tax recovery of $2.5 million. The $2.5 million represents the benefit of the tax losses which the Company expects to utilize in Fiscal 2009 based on management's current estimate of income that will more likely than not be generated by the Company to utilize these tax losses. The Company intends to maintain a valuation allowance for the balance of the future tax asset until sufficient positive evidence exists to support its reversal. Changes in material assumptions can occur from period to period due to the aging of prior year's losses, the cumulative effect of current period taxable income and other sources of positive and negative evidence. If these changes in material assumptions were to provide sufficient positive evidence, the Company could record the net benefit of $15.2 million, or a portion thereof, as a recovery of income taxes in the period when realization becomes more likely than not and a corresponding increase in net future income tax assets.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, prepaid expenses and other assets, accounts payable, accrued liabilities and dividends payable. Management estimates that the fair values of these financial instruments approximate the carrying value. The Company has interest rate risk due to the term of the bonds that are held in its investment portfolio. The Company mitigates the interest rate risk by investing in high quality securities and limiting the amount of investment in any single security to 20% of the total investment portfolio.

RECENT CHANGES TO ACCOUNTING STANDARDS AND ACCOUNTING POLICIES

Effective March 1, 2007, Homeserve adopted CICA Handbook Sections 3855, *Financial Instruments – Recognition and Measurement*; 3865, *Hedges*; 1530, *Comprehensive Income*; 3861, *Financial Instruments – Disclosure and Presentation*; and consequential amendments to other sections (collectively "the new financial instruments framework"). The new financial instruments framework introduces a number of potentially significant changes in accounting for financial instruments under Canadian GAAP, including:

- Fair value measurement for many financial instruments, including all derivative financial instruments;
- Requirement to classify all financial instruments with the classification selected at inception determining the ongoing accounting for the instrument;
- Expanded definition of a derivative, including application of fair value accounting to certain non-financial derivatives and introduction of the concept of embedded derivatives to Canadian GAAP;
- Use of the effective interest method to amortize premiums, discounts and costs associated with interest bearing financial instruments; and
- Requirement to present a Statement of Comprehensive Income and report accumulated other comprehensive income as a component of shareholders' equity.

On adoption of the new financial instruments framework on March 1, 2007, Homeserve recorded an opening accumulated other comprehensive income adjustment of $3,699 with an offsetting increase in short-term investments as a result of recording these investments at fair market value.

FUTURE CHANGES TO ACCOUNTING STANDARDS

Capital Disclosures

The CICA issued Section 1535 of the CICA Handbook, *Capital Disclosures*. This section is effective for the Company's fiscal year commencing March 1, 2008. It specifies the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; and (iii) whether the entity has complied with any capital requirements, and if it has not complied, the consequences of such non-compliance.

Financial Instruments – Disclosures and Presentation

The CICA issued Section 3862 of the CICA Handbook, *Financial Instruments – Disclosures* and Section 3863 of the CICA Handbook, *Financial Instruments – Presentation* replacing the existing Section 3861, *Financial Instruments – Disclosure and Presentation*. These sections are effective for the Company's fiscal year commencing March 1, 2008. The new sections revise and enhance disclosure requirements, and carry forward unchanged existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Goodwill and Intangible Assets

The CICA issued Section 3064 of the CICA Handbook, *Goodwill and Intangible Assets* replacing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs.* Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section, issued in February 2008, will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning March 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently assessing the future impact of these standards on its financial statements.

International Financial Reporting Standards

The Accounting Standards Board of Canada has announced that accounting standards in Canada, as used by public companies, will be converged to International Financial Reporting Standards ("IFRS") for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will convert to these new standards according to the timetable set with these new rules. The Company is currently assessing the future impact of these new standards on its financial statements.

CONTROLS AND PROCEDURES

The Company maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. Our Chief Executive Officer and Vice President Finance evaluated, or caused an evaluation under their direct supervision of, the design and effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at February 29, 2008 and have concluded that such disclosure controls and procedures are operating effectively.

Management is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our Chief Executive and Vice President Finance assessed, or caused an assessment under their direct supervision of, the

design of the Company's internal controls over financial reporting (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at February 29, 2008 and, based on the assessment, determined that the Company's internal controls over financial reporting were appropriately designed. No changes were made to the design of the Company's internal controls over financial reporting during the three months ended February 29, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Note however, that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

Financial Statements

Homeserve Technologies Inc.

February 29, 2008

Auditors' Report

To the Shareholders of
Homeserve Technologies Inc.

We have audited the balance sheets of **Homeserve Technologies Inc.** as at February 29, 2008 and February 28, 2007 and the statements of income and retained earnings, comprehensive income (loss) and cash flows for the years ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2008 and February 28, 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada,
May 29, 2008.

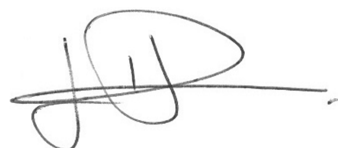
Chartered Accountants
Licensed Public Accountants

Homeserve Technologies Inc.
Balance Sheets

($ thousands)	**As at February 29, 2008**	As at February 28, 2007
Assets		
Current		
Cash and cash equivalents	**4,551**	15,740
Short-term investments *[note 4]*	**25,647**	14,701
Accounts receivable *[note 11]*	**1,210**	893
Prepaid expenses and other assets	**161**	167
Future tax assets *[note 8]*	**2,500**	2,500
Total current assets	**34,069**	34,001
Property, plant and equipment, net *[note 5]*	**353**	424
Intangible assets, net *[note 6]*	**17,692**	22,785
	52,114	57,210
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities *[note 11]*	**399**	1,245
Income and other taxes payable	**368**	454
Dividends payable *[note 11]*	**647**	3,244
Total current liabilities	**1,414**	4,943
Commitments [note 9]		
Shareholders' equity		
Capital stock *[note 7]*	**48,292**	39,579
Shares to be issued *[note 7]*	**—**	8,713
Retained earnings	**2,825**	3,975
Accumulated other comprehensive loss *[note 15]*	**(417)**	—
Total shareholders' equity	**50,700**	52,267
	52,114	57,210

See accompanying notes

On behalf of the Board:



James B. Dunbar
Director

Joseph S. Freedman
Director

HOMESERVE TECHNOLOGIES INC.
Statements of Income and Retained Earnings

($ thousands)	**Year ended February 29, 2008**	Year ended February 28, 2007
Revenue *[notes 11 and 12]*	**11,906**	11,204
Cost of sales	**195**	—
Gross margin	**11,711**	11,204
Operating expenses		
Selling, general and administrative	**6,204**	3,846
Amortization of property, plant and equipment *[note 5]*	**157**	42
Amortization of intangible assets *[note 6]*	**5,858**	3,515
Income (loss) from operations before the undernoted	**(508)**	3,801
Investment income	**1,089**	1,445
Gain on sale of short-term investments	**2,225**	1,211
Income before income taxes	**2,806**	6,457
Provision for income taxes *[note 8]*	**—**	500
Net income for the year	**2,806**	5,957
Preferred share dividends *[notes 7 and 11]*	**(3,956)**	(5,821)
Basic earnings (loss) available to common shareholders	**(1,150)**	136
Retained earnings, beginning of year	**3,975**	3,839
Retained earnings, end of year	**2,825**	3,975
Basic earnings (loss) available to common shareholders *[note 7]*	**(1,150)**	136
Basic earnings (loss) per common share *[note 7]*	**$(0.17)**	$0.02
Diluted earnings (loss) available to common shareholders *[note 7]*	**(1,150)**	136
Diluted earnings (loss) per common share *[note 7]*	**$(0.17)**	$0.02

See accompanying notes

Statements of Comprehensive Income (Loss)

($ thousands)	**Year ended February 29, 2008**	Year ended February 28, 2007
Net income for year	**2,806**	5,957
Other comprehensive loss – net of income tax recovery of [$nil]		
Unrealized loss on short-term investments	**(4,116)**	—
Other comprehensive loss for the year	**(4,116)**	—
Comprehensive income (loss)	**(1,310)**	5,957

See accompanying notes

Homeserve Technologies Inc.
Statements of Cash Flows

($ thousands)	**Year ended February 29, 2008**	Year ended February 28, 2007
Operating Activities		
Net income for the year	**2,806**	5,957
Add (deduct) items not affecting cash		
Amortization of bond premium (discount)	**—**	(1)
Amortization of property, plant and equipment	**157**	42
Amortization of intangible assets	**5,858**	3,515
Provision for income taxes	**—**	500
Gain on sale of short-term investments	**(2,225)**	(1,211)
	6,596	8,802
Net change in non-cash working capital balances related to operations *[note 13]*	**(1,243)**	892
Cash provided by operating activities	**5,353**	9,694
Financing Activities		
Payment of preferred share dividends	**(6,553)**	(5,493)
Cash used in financing activities	**(6,553)**	(5,493)
Investing Activities		
Net decrease (increase) in short-term investments	**(9,138)**	5,483
Acquisition of property, plant and equipment	**(86)**	(417)
Acquisition of intangible assets	**(765)**	(1,161)
Cash provided by (used in) investing activities	**(9,989)**	3,905
Net increase (decrease) in cash and cash equivalents during the year	**(11,189)**	8,106
Cash and cash equivalents, beginning of year	**15,740**	7,634
Cash and cash equivalents, end of year	**4,551**	15,740
Supplemental cash flow information		
Interest income received	**1,218**	1,445
Supplemental disclosure of non-cash investing and financing activities		
Increase in intangible assets and shares to be issued	**—**	8,713
Preferred shares issued in connection with acquisition of ICON	**8,713**	9,763

See accompanying notes

Notes to Financial Statements

[All dollar amounts are in thousands, except per share amounts and where otherwise noted]

February 29, 2008

1. BASIS OF PRESENTATION AND NATURE OF OPERATIONS

Homeserve Technologies Inc. [“Homeserve” or the “Company”] is a technology company focused on the development and application of proprietary software solutions comprised of transaction fee-based services, licensing fee-based software solutions and consulting fee-based software development and support activities. Homeserve’s largest shareholder and customer, which owns 48% of the common shares and all of the preferred shares and non-voting common shares of the Company, is Brookfield Asset Management Inc. [formerly Brascan Corporation], operating through certain subsidiaries as Centract Residential Property Services [“Centract”], its residential real estate services division.

As at February 29, 2008, the Company had four reportable segments, ICON, Home-Link, Software Development and Licensing, and General and Administration. ICON is a customizable software application that manages all aspects of a residential home relocation service. The Company earns licensing fees by providing a license to use this software to companies in the business of managing residential relocations. Home-Link revenues are generated from service fees, transaction fees, and marketing fees. Software development and licensing revenues are generated from software licensing and royalty fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles [“GAAP”] as prescribed by The Canadian Institute of Chartered Accountants [“CICA”]. The significant accounting policies are summarized as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates made by management include reserves for uncollectible accounts, write-down of property, plant and equipment, impairment of intangible assets, recorded values of accrued liabilities and future tax assets. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash balances and highly liquid investments that are readily convertible to cash with maturities of 90 days or less at the date of purchase.

Short-term investments

Short-term investments consist of bonds and are carried at the lower of amortized cost and market value. Amortized cost provides for amortization of discount or premium on a yield-to-maturity basis.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Computer equipment and software	3 years
Furniture and office equipment	5 years
Leasehold improvements	over term of the lease

Management reviews the carrying value of property, plant and equipment on a periodic basis to determine if impairment in value has occurred. The Company measures any potential impairment by comparing the carrying value to the undiscounted amounts of expected future cash flows. Any impairment in the carrying value of property, plant and equipment is charged to the statements of income and retained earnings in the period such impairment is determined.

Intangible assets

Intangible assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Licensing fees and other costs	5 years
Software systems	7 years or over the initial term of the underlying contract

The Company reviews intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When indicators of impairment of the carrying value of the assets exist, and the carrying value is greater than the net recoverable value, an impairment loss is recognized to the extent that the fair value is below the carrying value.

Revenue recognition

ICON software and development

The Company recognizes ICON licensing revenue on a per-transaction basis at the time a new file is opened on the ICON system. A new file represents a new relocation transferee or new asset recovery file opened by a client of the Company. Recognition of revenue by the Company is not affected by the agreement between the relocation company, which has a license to use ICON, and the client for which the relocation service is being performed.

The Company recognizes ICON consulting revenue over the term of the software development contract based on an appropriate measure of the percentage of the contract that has been completed.

Home-Link

Service fees

Upon signing of a contract with the Company, the broker is obligated to pay a service fee. In most circumstances, the service fee is based on the number of residential real estate home sale transactions for the immediately prior fiscal year or 12-month period of the broker. In these cases, the service fees are recognized on a straight-line basis over the term of the contract. In other cases, the fee is based on the number of customers the broker enters into the Company's system. In these cases, the revenue is recognized over the term of the contract which approximates the service delivery period.

Transaction fees

Transaction fees of a fixed amount or as a percentage of gross revenue are charged to suppliers who provide services to customers through the Company's service offering. The Company recognizes its share of these fees upon completion of the service to the customer.

Marketing fees

The Company earns fees annually from suppliers for the provision of access to the Company's service. This revenue is recognized on a straight-line basis over the term of the contract.

Software development and licensing

The Company recognizes revenue over the term of the software development contract based on an appropriate measure of the percentage of the contract, which has been completed. Royalty and licensing fees are recognized as earned, based on notification from the licensee that the sale has occurred.

Income taxes

Homeserve follows the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that are expected to be in effect in the period in which the future tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that the future tax assets will not be realized.

Earnings (loss) per share

Earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the year. There is no dilution impact as all convertible Series D preferred shares were converted into non-voting common shares at the February 28, 2007 fiscal year-end.

Adoption of new accounting standards

Accounting changes

In July 2006, the Accounting Standards Board issued a replacement of the Canadian Institute of Chartered Accountants Handbook ["CICA Handbook"] Section 1506, *Accounting Changes* ["Section 1506"]. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. Section 1506 also requires disclosures of information relevant to assessing the possible impact that the application of a new GAAP standard will have on the Company's financial statements in the period of initial application. Section 1506 came into effect as of March 1, 2007 and did not impact the Company's financial statements.

Financial instruments

Homeserve adopted CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3865, *Hedges*; and Section 1530, *Comprehensive Income* as of March 1, 2007. The initial adoption of these new standards resulted in a $3,699 accumulated other comprehensive income balance and a corresponding increase in short-term investments. Details of the transition adjustments are presented in note 15, *Accumulated Other Comprehensive Loss*. The resulting changes in Homeserve's accounting policies are described below.

Available-for-sale financial assets

Homeserve generally classifies its short-term investments as available-for-sale and are presented in the balance sheets as short-term investments. These investments are initially recorded at their acquisition cost, including related transaction costs, on the trade date. Short-term investments are subsequently adjusted to fair value as at the date of the balance sheets, and the corresponding unrealized gains and losses are recorded in other comprehensive income. As at February 29, 2008, Homeserve recognized unrealized losses on its available-for-sale financial assets of $417 *[note 15]*.

Hedges

In a cash flow hedge, the change in fair value of the derivative, to the extent effective, will be recorded in other comprehensive income until the asset or liability being hedged affects the statements of income and retained earnings, at which time the related change in fair value of the derivative will also be recorded in the statements of income and retained earnings. Any hedge ineffectiveness will be recorded in the statements of income and retained earnings. Homeserve currently does not participate in any hedges.

Comprehensive income

Changes in the fair value of financial assets and financial liabilities held as available-for-sale and cash flow hedging instruments are recorded in the statements of comprehensive income (loss) until recognized in the statements of income and retained earnings. Accumulated other comprehensive loss forms part of shareholders' equity.

Future accounting changes

The CICA issued several new accounting standards that are effective for the Company's fiscal year commencing March 1, 2008, which are to be applied on a retroactive basis without restatement of prior periods: Section 1530, *Comprehensive Income*; Section 1535, *Capital Disclosures*; Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3863, *Financial Instruments – Presentation*; Section 3862, *Financial Instruments – Disclosures*; and Section 3865, *Hedges*. The Company is currently assessing the impact of these accounting standards on the financial statements.

3. MATERIAL CONTRACTS

The Company has two material contracts, the details of which are as follows:

[a] ICON licensing arrangements

The ICON licensing arrangements are comprised of the following two licenses [fee per file in actual dollars]:

1. A seven-year transferable and renewable license with Centract or its designee for the exclusive use of the ICON software in the North American relocation market for which Centract will pay the Company a license fee equal to: [i] $500 per file for the first 10,000 files opened in any calendar year, [ii] $400 per file opened for the next 10,000 files in any calendar year, and [iii] $250 per file opened in excess of 20,000 files in any calendar year. The license agreement commenced on April 13, 2004 with an initial term to March 31, 2011 with successive two-year renewal terms. On renewal, the license fee during such renewal period will be equal to the lower of $200 per file opened or the lowest fee charged by the Company to any licensee from whom the Company generates annual license fees in excess of $500. During the year ended February 29, 2008, the Company earned $10,518 in ICON licensing fees on 25,680 files opened [2007 – $10,166 in ICON licensing fees on 24,397 files opened].

   As part of the licensing agreement, Centract is to receive, at no additional cost, maintenance and technological support and normal course upgrades. Any development upgrades or modifications are provided to Centract at cost plus 20%. During the year ended February 29, 2008, the Company earned $823 [2007 – $779] in consulting revenue from the development upgrades and modifications.

2. A five-year, non-transferable license with Asset Recovery, a division of Centract, which currently uses the modules of ICON in exchange for a monthly license fee equal to $50 per administrative file and $100 per home sale file. The license agreement commenced on April 13, 2004 with an initial term to March 31, 2009 with successive two-year renewal terms. During the year ended February 29, 2008, the Company earned $185 in Asset Recovery licensing fees on 2,140 files opened [2007 – $200 in Asset Recovery licensing fees on 2,342 files opened].

[b] Aeromove™ licensing arrangements

On August 2, 2006, the Company signed a national, multi-year agreement with Aeroplan to offer Aeroplan members the opportunity to earn Aeroplan miles through a move and home CRM program called Aeromove™, which utilizes the Company's CARE 6 and ICON platforms. Aeromove™ generates revenue for the Company through a combination of fees earned from the move, service participants and a margin on Aeroplan miles earned through the Aeromove™ program. The license agreement commenced on August 2, 2006 with an initial term of five years following the launch date with successive three-year renewal terms. The program formally launched on February 26, 2007. During the year ended February 29, 2008, the Company earned $339 in Aeromove™ licensing agreements [2007 – $nil].

4. SHORT-TERM INVESTMENTS

Short-term investments are comprised of corporate bonds with a yield to maturity ranging from 4.1% to 9.3% and the maturity dates of the high-grade securities range from one to seven years. The market value of the Company's short-term investments as at February 29, 2008 is $25,647 [2007 – $14,701].

25% of investment portfolio is invested in the bonds of Real Estate Investment Trusts or companies with substantial real estate holdings. The remaining 75% is invested in short-term banker's acceptances and high-yield credit opportunity fund investment. The Company holds a 15.6% share in a credit opportunity fund, which is managed by a related party *[note 11]*.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	February 29, 2008			February 28, 2007		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
	$	**$**	**$**	$	$	$
Computer equipment and software	**1,253**	**921**	**332**	1,180	770	410
Furniture and office equipment	**275**	**257**	**18**	262	252	10
Leasehold improvements	**83**	**80**	**3**	83	79	4
	1,611	**1,258**	**353**	1,525	1,101	424

6. INTANGIBLE ASSETS

Intangible assets consist of the following:

	February 29, 2008			February 28, 2007		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
	$	**$**	**$**	$	$	$
Licensing fees and other costs	**569**	**569**	**—**	569	501	68
Software systems	**31,528**	**13,836**	**17,692**	30,763	8,046	22,717
	32,097	**14,405**	**17,692**	31,332	8,547	22,785

Cost of operating systems increased by $765 [2007 – $9,873] and includes additions of $nil [2007 – $8,713] related to the ICON earn-out calculation *[note 7]* and other system additions of $765.

7. CAPITAL STOCK

Capital stock consists of the following:

		February 29, 2008	February 28, 2007
		$	$
Authorized			
Unlimited preferred shares issued in series			
Unlimited common shares			
Unlimited non-voting common shares			
Issued			
1,280,000	Series A preferred shares	**1,280**	1,280
22,000,000	Series B preferred shares	**22,000**	22,000
18,500,000	Series C preferred shares [2007 – 9,787,250]	**18,500**	9,787
3,443,687	Common shares	**3,012**	3,012
3,500,000	Non-voting common shares	**3,500**	3,500
		48,292	39,579
To be issued			
Nil Series C preferred shares [2007 – 8,712,750]		**—**	8,713

The Series A preferred shares, Series B preferred shares and Series C preferred shares are non-convertible, non-voting and redeemable by the Company for $1.00 per share. In the event of a liquidation, dissolution or wind-up of the Company, the holders of the Series A, Series B and Series C preferred shares shall be entitled to receive, before any distribution of any part of the assets of the Company among the holders of the common shares, the sum of $1.00 per Series A, Series B and Series C preferred share and no more. The par value of the Series A, Series B and Series C preferred shares is $1.00 per share.

The holders of the Series A preferred shares and Series B preferred shares are entitled to receive, if declared by the Board of Directors of the Company, a fixed preferential cumulative quarterly dividend of 2.25% of the redemption value of the Series A preferred shares and Series B preferred shares.

The holders of the Series A preferred shares are also entitled to receive a cumulative aggregate preferential annual participation dividend of 0.64% of the Company's annual income before income taxes calculated in accordance with Canadian GAAP, less the fixed preferential cumulative quarterly dividend of 2.25% noted above. The annual Series A participation dividend declared for the year ended February 29, 2008 was $nil [2007 – $6].

The holders of the Series B preferred shares are also entitled to receive a cumulative aggregate preferential annual participation dividend of up to 11% of the Company's annual income before income taxes calculated in accordance with Canadian GAAP, less the fixed preferential cumulative quarterly dividend of 2.25% noted above. The annual Series B participation dividend declared for the year ended February 29, 2008 was $nil [2007 – $96].

The holders of the Series C preferred shares are entitled to receive, if declared by the Board of Directors of the Company, a fixed preferential cumulative quarterly dividend of 2.5% of the redemption value of the Series C preferred shares.

The holders of the Series C preferred shares are also entitled to receive a cumulative aggregate preferential annual participation dividend of up to 9.25% of the Company's annual income before income taxes calculated in accordance with Canadian GAAP, less the fixed preferential cumulative quarterly dividend of 2.5% noted above. The annual Series C participation dividend declared for the year ended February 29, 2008 was $nil [2007 – $43].

Under the terms of the agreement to purchase ICON, the Company will issue one Series C preferred share at a par value of $1.00 per share with a cumulative quarterly dividend of 2.5% and cumulative aggregate preferential annual participation dividend of 9.25% of pre-defined pre-tax income of the Company. As at February 29, 2008, 18,500,000 Series C preferred shares have been issued in respect of fiscal 2005, 2006 and 2007 earn-outs. As at February 29, 2008, the full $24 million of consideration available under the ICON acquisition has been earned.

The holders of the Series D preferred shares are entitled to receive, if declared by the Board of Directors of the Company, a fixed preferential non-cumulative annual dividend of 3.50% of the redemption value of the Series D preferred shares payable at the discretion of the Board of Directors, with such dividend payable [if declared] on the last day of February in each year. The Series D preferred shares shall automatically convert into non-voting common shares on the basis of one Series D preferred share into one non-voting common share in the event that the cumulative net income ["CNI"] of the Company exceeds $12,000, where CNI means the cumulative net income before income tax of the Company calculated in accordance with Canadian GAAP since April 12, 2004. CNI as at February 28, 2006 was $12,264 and, as such, the 3,500,000 Series D preferred shares were automatically converted to non-voting common shares in the first quarter of fiscal 2007. The par value of the Series D preferred shares was $1.00 per share.

The common shares have no par value and entitle the holder to one vote per common share held.

Earnings (loss) per share

Basic earnings (loss) per share have been calculated using the weighted average number of common shares outstanding of 6,943,687 for the year ended February 29, 2008 and 6,943,687 for the year ended February 28, 2007. There is no dilution impact as all convertible Series D preferred shares have been converted to non-voting common shares at the February 28, 2007 fiscal year-end.

	2008	2007
	$	$
Net income for the year	**2,806**	5,957
Dividends paid on preferred shares	**(3,956)**	(5,821)
Earnings (loss) available to common shareholders	**(1,150)**	136

8. INCOME TAXES

Total income tax expense varies from the amount that would be computed by applying the statutory income tax rate to the income before income taxes for the following reasons:

	2008	2007
	$	$
Statutory income tax rate	**35.68%**	36.12%
Income tax expense based on statutory income tax rate	**1,001**	2,332
Non-deductible charges	**3**	4
Portion of capital gains not taxed	**(198)**	(110)
Changes in enacted tax rates	**1,804**	2,380
Decrease in valuation allowance	**(1,804)**	(2,360)
Future tax assets not previously recognized for accounting purposes	**(806)**	(1,746)
Provision for income taxes	**—**	500

Significant components of the Company's future tax assets as at February 29, 2008 and February 28, 2007 are as follows:

	2008	2007
	$	$
Future tax assets		
Tax loss carryforwards	**12,431**	15,258
Tax asset values in excess of accounting values	**5,560**	4,253
Investment tax credits	**152**	146
	18,143	19,657
Less valuation allowance	**15,643**	17,157
Net future tax assets	**2,500**	2,500

The Company has recognized future tax assets of $2,500 based on the current estimate of taxable income that will be available for the following fiscal year.

Notes to Financial Statements

[All dollar amounts are in thousands, except per share amounts and where otherwise noted]

February 29, 2008

As at February 29, 2008, the Company has approximately $22,341 in federal and provincial capital losses. In addition, the Company has federal non-capital tax losses of $23,034 and $35,768 in provincial non-capital tax losses. Capital losses can be carried forward indefinitely and used by the Company to offset any future capital gains. Non-capital losses may be carried forward to reduce future years' taxable income. These non-capital tax losses expire as follows:

	Federal $	Provincial $
2009	9,699	14,964
2010	10,446	17,915
2011	2,315	2,315
Thereafter	574	574
	23,034	35,768

9. COMMITMENTS

AEROPLAN

In August 2006, the Company entered into an agreement resulting in the following minimum annual calendar year commitments:

	Miles $	Marketing $	Total $
2008	380	500	880
2009	950	500	1,450
2010	950	500	1,450
2011	950	500	1,450
2012	—	—	—
	3,230	2,000	5,230

The mileage commitment is based on the minimum number of miles that the Company is required to purchase. A related party has assumed the mileage commitment of $3,230.

LEASES

The future minimum annual lease payments under operating leases for premises and office equipment are with a related party and are as follows:

	$
2009	152
2010	152
2011	38
2012	—
2013	—
	342

10. FINANCIAL INSTRUMENTS

Fair values

The carrying values reported in the balance sheets for cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial instruments. The fair value of the short-term investments, which are comprised of high-grade securities, is $25,647.

Interest rate and credit risks

The yield to maturity of the bonds ranges from approximately 4.1% to 9.3% and the maturity dates of the high-grade securities range from one to seven years.

The Company mitigates its exposure to interest rate and credit risks by restricting investments to high-grade securities and limiting the amount of investment in any single security to 20% of the Company's total investment portfolio.

11. RELATED PARTY TRANSACTIONS

The Company had the following transactions with a related party of a significant shareholder of the Company. These transactions have been recorded at the exchange amount, which is the amount agreed to between the parties except where otherwise noted.

	2008	2007
	$	$
Revenue	**11,893**	11,195
Expenses		
Management fee and cost reimbursement	**353**	280
Rent	**145**	89
Preferred share dividends	**3,956**	5,821

As at February 29, 2008, the Company has accounts receivable of $1,104 [2007 – $672], dividends payable of $647 [2007 – $3,244] and accounts payable of $39 [2007 – $208] with related parties.

Homeserve invested $20 million US for a 15.6% share in a credit opportunity fund managed by Brookfield Investment Funds Management Inc. ["BIFMI"], a related party, holding a diversified portfolio of credit investments with an expected return consistent with the Company's investment policy of seeking returns in excess of the dividend rate on the Company's preferred shares. The fund seeks to assume measured credit and market risk for higher current income and price appreciation potential while emphasizing capital preservation. BIFMI earns a management fee and a fee based on the performance of the fund for managing the fund. The fund's principals have more than 25 years of collective financial analysis experience in evaluating investment opportunities.

12. ECONOMIC DEPENDENCE

For the year ended February 29, 2008, the Company derived $11,893 or 99.9% of its revenue from Centract.

13. STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2008	2007
	$	$
Accounts receivable	**(317)**	186
Prepaid expenses and other assets	**6**	(54)
Accounts payable and accrued liabilities	**(846)**	799
Income and other taxes payable	**(86)**	(39)
	(1,243)	892

14. SEGMENTED REPORTING

General description

The Company has four reportable operating segments: ICON, Home-Link, Software Development and Licensing and General and Administration.

ICON is a customizable software application that manages all aspects of a residential home relocation service. Home-Link provides services to buyers and sellers throughout the home purchasing and selling cycle through a proprietary software solution. Software development and licensing includes the Company's Aeromove™ operations, co-ownership of the CALMS software solution and the ongoing development and application of proprietary software solutions. General and Administration provides support to the three reporting segments and manages the Company's public reporting, compliance and investment activities.

The Company's President and Chief Executive Officer ["CEO"] has been identified as the chief operating decision maker in assessing the performance of the segments and the allocation of resources to the segments. Each reportable segment is managed separately, with each segment manager reporting directly to the CEO. Contribution margin represents the primary financial measure used by the CEO in assessing performance and allocating resources, and includes cost of sales and selling, general and administrative expenses, for which the segment managers are held accountable. The CEO does not review asset information on a segmented basis in order to assess performance and allocate resources. Revenue and contribution margin by reportable segments reconciled to income from operations are as follows:

	2008 **$**	2007 $
Revenue		
ICON	**11,526**	11,146
Home-Link	**41**	58
Software development and licensing	**339**	—
	11,906	11,204
Contribution margin		
ICON	**10,076**	9,896
Home-Link	**(36)**	(248)
Software development and licensing	**(3,811)**	(1,698)
General and administration	**(722)**	(592)
	5,507	7,358
Investment income	**1,089**	1,445
Gain on sale of short-term investments	**2,225**	1,211
Amortization of property, plant and equipment	**(157)**	(42)
Amortization of intangible assets	**(5,858)**	(3,515)
Income before income taxes	**2,806**	6,457

15. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes within accumulated other comprehensive loss:

	$
Balance, February 28, 2007	—
Cumulative effect of adopting new financial instruments accounting standards on March 1, 2007	**3,699**
Balance, March 1, 2007	**3,699**
Other comprehensive loss for the year ended February 29, 2008	**(4,116)**
Balance, February 29, 2008	**(417)**

Corporate Information

BOARD OF DIRECTORS

Joseph S. Freedman
Chairman of the Board
Homeserve Technologies Inc.

James B. Dunbar
President &
Chief Executive Officer
Homeserve Technologies Inc.

William J. Danis

Jason D. Meretsky

Donald W. Paterson

SENIOR MANAGEMENT

James B. Dunbar
President &
Chief Executive Officer

Plinio Cardoni
Vice President Finance &
Secretary

CORPORATE HEADQUARTERS

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4th Floor
Toronto, Ontario
M3C 3K5

Tel: (416) 386-6001
Fax: (416) 446-0050

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AUDITORS

Ernst & Young LLP
222 Bay Street
Toronto, Ontario
M5K 1J7

REGISTRAR & TRANSFER AGENT

Computershare Investor Services
151 Front Street
8th Floor
Toronto, Ontario
M5J 2N1

STOCK LISTING

The Company's shares are currently unlisted.

INVESTORS RELATIONS

Requests for a copy of the Annual Report or additional corporate materials should be directed to:

Mansfield Communications Inc.
Attention: Tiffany Fisher

Tel: (416) 599-0024
Tiffany@mcipr.com