



2010 Annual Report

Message to Shareholders

INTRODUCTION

Homeserve Technology Inc. (“Homeserve”) announced net income of \$3.1 million for the year ended February 28, 2010 as compared to a net loss of \$0.8 million for the year ended February 28, 2009 and after the payment of preferred share dividends, a loss per share of \$0.12 and \$0.69, for Fiscal 2010 and Fiscal 2009, respectively. Significant elements contributing to the \$3.9 million year-over-year increase in net income was reduced selling, general and administrative expense of \$1.6 million, reduced amortization expense of \$1.0 million due to a \$1.6 million impairment charge taken in Fiscal 2009 in respect of software relating to the Aeromove™ and Move Services Affinity Program (“MSAP”) operations which reduced current year amortization expense, \$0.8 million in realized gains on the sale of investments during the year, and a current income tax recovery of \$0.3 million. Partially offsetting these amounts is reduced revenue of \$0.7 million due primarily to a reduction in relocation activities, and an increased provision for future income expense of \$0.2 million.

ICON

ICON is a customizable software application that manages all aspects of a residential home relocation. Brookfield Residential Property Services (“BRPS”), a related party, 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 Defence, the RCMP and the Treasury Board of Canada.

The Company generates a significant amount of its ICON licensing revenue from BRPS’s use of the Company’s technology for the provision of relocation services under the GOC Contracts, which were subject to retender during the Fiscal year under a single contract. On August 18, 2009, the Government of Canada announced that the GOC Contract with a five year term and two one-year renewal options was awarded to a subsidiary of BRPS with an effective start date of December 1, 2009.

During the year, ICON licensing activities generated \$10.5 million in revenue from the relocation and asset recovery license agreements. The underlying relocation file activity was down 6% year-over-year due in part to a reduction in the number of relocation files initiated by BRPS and its clients due to the slowdown in the world economy. Related operating costs in the amount of \$1.0 million were in line with management’s expectations.

SOFTWARE DEVELOPMENT AND LICENSING INITIATIVES

The Aeromove™ and MSAP business models for 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 28, 2010, these operations generated a contribution margin loss of \$1.2 million, as compared to a contribution margin loss of \$3.1 million for the same period of Fiscal 2009 due primarily to increased revenue net of cost of sales of \$0.1 million, and reduced selling, general and administrative expenses of \$1.5 million.

GENERAL AND ADMINISTRATIVE ACTIVITIES

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 BRPS for operations, finance and investment management services (see “Transactions with Related Parties”). For the year ended February 28, 2010, these operations generated a loss of \$1.2 million, as compared to a loss of \$0.3 million for the same period of Fiscal 2009 due primarily to an \$0.8 million foreign exchange losses realized on US dollar denominated cash balances obtained through the sale of our US dollar denominated investments.

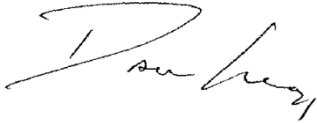
OUTLOOK

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 BRPS portfolio and through a strategic focus on marketing services in relevant sectors. In addition to Aeromove™, we continue to look to leveraging the MSAP 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 MSAP 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,

A handwritten signature in black ink, appearing to read "David Lacey". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

David Lacey
President and Chief Executive Officer
Homeserve Technologies Inc.

Management's Report to Shareholders

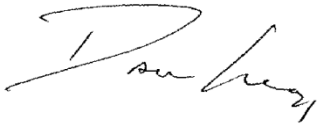
The accompanying financial statements and other financial information have been prepared by the Company's management, which is responsible for their integrity and objectivity. To fulfill this responsibility, the Company maintains policies, procedures and systems of internal controls to ensure that its 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 financial statements in accordance with auditing standards generally accepted in Canada to enable them to express to the shareholders their opinion on the financial statements.

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 20, 2010



David Lacey

President and Chief Executive Officer
Homeserve Technologies Inc.



Kevin Cash

Managing Partner, Finance and Administration
Brookfield Residential Property Services

**Management's Discussion and Analysis
Of Financial Condition and Results of Operation
For the year ended February 28, 2010**

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 fiscal period from March 1, 2009 to February 28, 2010. This MD&A has been prepared as at May 20, 2010 and should be read in conjunction with our audited financial statements for the 12 months ended February 28, 2010. 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 Brookfield Residential Property Services ("BRPS"), its residential real estate services division.

As at the date of this MD&A, these operations are supported by BRPS'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

The Company has a multi-year agreement with Aeroplan[®] to offer Aeroplan[®] members the opportunity to earn Aeroplan[®] miles on various moving services through a 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[™] generates 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. The Company launched the Aeromove[™] program on February 26, 2007.

In April 2004, the Company acquired BRPS's ICON software and entered into licensing arrangements (see ICON Licensing Arrangements). ICON is a customizable software application that manages all aspects of a residential home relocation. This transaction provides an 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 divisions of BRPS are the sole licensees of the ICON software.

RESULTS OF OPERATIONS: FISCAL 2010 COMPARED FISCAL 2009

<i>(\$ thousands, except per share amounts)</i>	2010	2009
Revenue	11,407	12,129
Cost of sales	497	345
Gross margin	10,910	11,784
Operating costs – selling, general and administrative	3,807	5,373
Operating costs – amortization	5,083	6,109
Net income from operations	2,020	302
Investment income	143	422
Gain on sale of investments	839	–
Impairment of intangible assets	–	(1,564)
Income (loss) before income taxes	3,002	(840)
Current income tax recovery	320	–
Provision for future income tax expense	(217)	–
Net income (loss) for the year	3,105	(840)
Preferred share dividends	(3,945)	(3,936)
Net loss to common shareholders	(840)	(4,776)
Basic and diluted loss per common share	\$(0.12)	\$(0.69)

As summarized in the chart above, the Company reported net income of \$3.1 million for the year ended February 28, 2010 as compared to a net loss of \$0.8 million for the year ended February 28, 2009 and after the payment of preferred share dividends, a loss per share of \$0.12 and \$0.69, for Fiscal 2010 and Fiscal 2009, respectively. Significant elements contributing to the \$3.9 million year-over-year increase in net income was reduced selling, general and administrative expense of \$1.6 million, reduced amortization expense of \$1.0 million due to a \$1.6 million impairment charge taken in Fiscal 2009 in respect of software relating to the Aeromove™ and Move Services Affinity Program (“MSAP”) operations which reduced current year amortization expense, \$0.8 million in realized gains on the sale of investments during the year, and a current income tax recovery of \$0.3 million. Partially offsetting these amounts is reduced revenue of \$0.7 million due primarily to a reduction in relocation activities, and an increased provision for future income expense of \$0.2 million.

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 <i>(\$ thousands)</i>	2010	2009
ICON licensing and consulting		
Revenue	10,520	11,502
Operating costs	(1,041)	(1,677)
	9,479	9,825
Software development and licensing		
Revenue	887	627
Cost of sales	(497)	(345)
Operating costs	(1,564)	(3,410)
	(1,174)	(3,128)
Other		
General and administration	(1,202)	(286)
	(1,202)	(286)
Contribution margin	7,103	6,411
Comprised of:		
Revenue	11,407	12,129
Cost of sales	(497)	(345)
Operating costs – selling, general and administration	(3,807)	(5,373)
	7,103	6,411

ICON licensing and consulting (“ICON”) revenue for Fiscal 2010 of \$10.5 million (2009 - \$11.5 million) was generated from our contracted relocation and asset recovery, ICON licensing agreements (see “ICON Licensing Arrangements”) with BRPS. Of the \$10.5 million earned in Fiscal 2010, \$10.5 million was earned from licensing revenue (2009 - \$10.9 million) and \$nil from consulting services (2009 - \$0.6 million). Approximately 80% of Homeserve's ICON licensing revenue for the year is derived from BRPS contracts with the Government of Canada (“GOC”) for the provision of relocation services (see BRPS GOC Contracts). The slowdown in the worldwide economy has negatively impacted the Company’s ICON fees as they relate to corporate relocation activity which has experienced approximately 15% decline in year over year file volumes, while GOC file volumes which are driven in part by Government policy and programs has declined approximately 3% year over year. A summary of the Company’s ICON file volumes is provided in the table below.

	2010	2009
Relocation files	25,470	26,987
Asset recovery files	2,033	2,975

Operating costs relate to staffing, selling, premises and administrative costs associated with our development and support personnel. The year over year decrease in operating costs is due primarily to reduced staffing requirements to deliver our ICON licensing services. The staffing reductions were in part achieved through the assumption of certain personnel and their salary obligations by BRPS.

Software Development and Licensing (“SDL”), which includes the development of the Company’s AeromoveTM and MSAP initiatives, generated a contribution margin loss of \$1.2 million for the year as compared to a contribution margin loss of \$3.1 million for the same period of Fiscal 2009, due primarily to reduced staffing requirements and reduced general and administrative costs. The operating costs for the year relate primarily to salary, selling and administrative costs associated with the development of the Company’s AeromoveTM and MSAP operations.

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 BRPS for operations, finance and investment management services (see “Transactions with Related Parties”). The increase in general and administrative cost of \$0.9 million for the year is due primarily to a foreign exchange loss of \$0.6 million realized on US dollar denominated cash balances obtained through the sale of our US dollar denominated investments.

Investment income is derived from income earned on the Company’s cash and cash equivalents balances and realized income and losses on its short-term investments. Changes in the fair value of the Company’s short-term investments representing unrealized gains and loss, net of tax, are recorded as part of accumulated other comprehensive income (see Comprehensive Income). During Fiscal 2010 the Company recorded \$0.1 million of investment income and \$3.4 million recorded as other comprehensive income in respect of an unrealized gain on the Company’s investment in the High-Yield Advantage Fund (“the HYAF”) net of a \$0.5 million income tax provision. These results were down \$0.3 million and up \$3.5 million, respectively, from Fiscal 2009. The decrease in investment income is the result of reduced cash balances, while the increase in other comprehensive income is due primarily to a 26% appreciation in the fair value of the underlying investments, partially offset by a 10% depreciation in the U.S. dollar.

The Company’s short-term investment portfolio as at February 28, 2010 of \$31.8 million is comprised of short-term investments, representing a 48% share in a high yield advantage fund which is managed by a related party (see “Transactions with Related Parties”).

Gains on sale of short-term investment - during Fiscal 2010, the Company realized a gain of \$0.8 million on the sale of the Company’s investment positions in Brookfield Credit Opportunities Fund (“the BCOF”) and a U.S. bond. The gain was represented by previously accumulated unrealized gains of \$0.8 million which were transferred from Accumulated Other Comprehensive Income (“AOCI”) to net income.

The Company utilized proceeds generated on the sale of the investment positions described above and cash on hand to invest \$27.9 million in a 48% position in the HYAF, which is managed by a subsidiary of Brookfield Asset Management (see related party transactions). The Company’s remaining balance of AOCI of is wholly attributed to the unrealized gain on the appreciation of the Company’s investment in the HYAF, net of income tax of \$0.5 million.

Amortization for Fiscal 2010 decreased by \$1.0 million compared to Fiscal 2009 due primarily to a \$1.6 million impairment charge taken in Fiscal 2009 in respect of software relating to the Aeromove™ and Move Services Affinity Program (“MSAP”) operations, which reduced amortization expense in the current year.

Current income tax recovery of \$0.3 million was recognized in Fiscal 2010, as compared to \$nil in Fiscal 2009, resulting from the reduction of tax exposure reserves recorded in prior years.

Future income tax expense provision for Fiscal 2010 was \$0.2 million, as compared to \$nil for Fiscal 2009. The Company is utilizing tax loss carryforwards to bring taxable income to \$nil. Management recorded a future income tax asset (“FIT”) in the amount of \$1.8 million as of February 28, 2010, which represents the expected tax benefit to be realized in respect of Fiscal 2011 and 2012 relocation activity. As at February 28, 2010 the estimated FIT of the Company was \$7.6 million of which \$0.7 million was attributed to non-capital losses, \$2.9 million to capital losses, and \$4.0 million from tax to accounting differences on capital and intangible assets. A valuation allowance in the amount of \$5.8 million was provided against capital losses and tax to accounting differences.

Other Comprehensive Income for Fiscal 2010 of \$3.4 million is comprised of \$3.9 million unrealized gain in the fair value of our HYAF investment, net of a \$0.5 million provision for future income tax.

RESULTS OF OPERATIONS: THREE MONTHS ENDED FEBRUARY 28, 2010 (THE “QUARTER”) COMPARED TO THE SAME PERIOD IN 2009

<i>(\$ thousands, except per share amounts)</i>	2010	2009
Revenue	1,950	1,971
Cost of sales	98	67
Gross margin	1,852	1,904
Operating costs – selling, general and administrative	668	1,189
Operating costs – amortization	1,269	1,458
Net loss from operations	(85)	(744)
Investment income	1	55
Impairment of intangible assets	–	(1,564)
Loss before income taxes	(84)	(2,253)
Current income tax recovery	320	
Provision for future income tax expense	(217)	–
Net income (loss) for the period	19	(2,253)
Preferred share dividends	(972)	(971)
Net loss to common shareholders	(953)	(3,224)
Basic and diluted loss per common share	\$(0.14)	\$(0.46)

As summarized in the chart above, the Company reported net income for the Quarter of \$19 thousand (a basic and diluted loss of \$0.14 per common share, after payment of preferred share dividends) on revenues of \$2.0 million, as compared to net loss of \$2.3 million (a basic and diluted loss of \$0.46 per common share, after payment of preferred share dividends) on revenues of \$2.0 million for the same period in Fiscal 2009. Significant elements contributing to the \$2.3 million quarter-to-quarter increase in net income was reduced selling, general and administrative expense of \$0.5 million, reduced amortization expense of \$0.2 million due to a \$1.6 million impairment charge taken in Fiscal 2009 in respect of software relating to the Aeromove™ and Move Services Affinity Program (“MSAP”) which reduced current year amortization expense, and current income tax recovery of \$0.3 million, partially offset by a provision for future income tax expense of \$0.2 million. A summary of the contribution margin by business line is summarized in the table below:

A summary of the contribution margin by business line is summarized in the following table for the three months ended February 28, 2010, as compared to the same period in Fiscal 2009.

Contribution margin by segment		
<i>(\$ thousands)</i>	2010	2009
ICON licensing and consulting		
Revenue	1,774	1,842
Operating costs	55	(382)
	1,829	1,460
Software development and licensing		
Revenue	176	129
Cost of sales	(98)	(67)
Operating costs	(114)	(948)
	(36)	(886)
Other		
General and administration	(609)	141
	(609)	141
Contribution margin	1,184	715
Comprised of:		
Revenue	1,950	1,971
Cost of sales	(98)	(67)
Operating costs – selling, general and administration	(668)	(1,189)
	1,184	715

ICON licensing and consulting (“ICON”) revenue for the Quarter of \$1.8 million (2009 - \$1.8 million) was generated from our contracted relocation and asset recovery, ICON licensing agreements (see “ICON Licensing Arrangements”) and \$nil (2009 - \$0.1 million) from consulting services. Approximately 72% of Homeserve’s ICON licensing revenue for the Quarter is derived from a BRPS contract with the Government of Canada (“GOC”) for the provision of relocation services (see BRPS GOC Contracts). The slowdown in the worldwide economy has negatively impacted the Company’s ICON fees as corporate relocation activity has experienced an approximate 10% decline in quarter over quarter file volumes, while GOC file volumes which are driven in part by Government policy and programs increased approximately 1% quarter over quarter. A summary of the Company’s ICON file volumes is provided in the table below.

	Three months ended February 28, 2010	Three months ended February 28, 2009
Relocation files	3,990	4,079
Asset recovery files	395	574

The Company recovered \$0.1 million in operating costs during the Quarter, as compared to an expense of \$0.4 million for the same period in Fiscal 2009. The recovery of operating costs during the Quarter was related to the recovery of staffing costs from BRPS as a result of reduced staffing requirements to deliver our ICON licensing and consulting services. The quarter over quarter staffing reductions were in part achieved through the assumption of certain personnel and their salary obligations by BRPS.

Software Development and Licensing (“SDL”), which includes the development of the Company’s Aeromove[®] and MSAP initiatives, generated a contribution margin loss of \$0.1 million for the Quarter as compared to a contribution margin loss of \$0.9 million for the same period of Fiscal 2009, due primarily to reduced staffing requirements. The operating costs for the Quarter relate primarily to salary, selling and administrative costs associated with the development of the Company’s Aeromove[®] and MSAP operations.

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 BRPS for operations, finance and investment management services (see “Transactions with Related Parties”). The increase in general and administrative cost of \$0.7 million for the Quarter is due primarily to a \$0.6 million foreign exchange loss realized on US dollar denominated cash balances obtained through the sale of our US dollar denominated investments.

Investment income is derived from income earned on the Company’s cash and cash equivalents balances and realized income and losses on its short-term investments. Changes in the fair value of the Company’s short-term investments representing unrealized gains and loss, net of tax, are recorded as part of accumulated other comprehensive income (see Comprehensive Income). During the Quarter, the Company recorded \$nil of investment income and \$1.2 million of other comprehensive income in respect of an unrealized gain on the Company’s investment in the HYAF, net of \$0.5 million income tax. These results were down \$0.1 million and up \$1.2 million, respectively, for the same period in Fiscal 2009. The decrease in investment income is the result of reduced cash balances, while the increase in other comprehensive income is due primarily to an appreciation in the fair value of the underlying investments in the BYAF, net of the related provision for future income tax.

The Company did not realize any investment income during the Quarter (2009 - \$0.1 million) as a result of selling our investment portfolio in the second quarter of Fiscal 2010.

Amortization for the Quarter decreased by \$0.2 million compared to the same period of Fiscal 2009 due primarily to the reduction in the net book value of the underlying software related to our Aeromove[®] and Move Services Affinity Program (“MSAP”) operations as a result of an impairment charge taken in the fourth quarter of Fiscal 2009.

Current income tax recovery is revisited annually in the fourth quarter of each Fiscal period. The Company recorded \$0.3 million was recognized in the Quarter, as compared to \$nil for the same period in Fiscal 2009, resulting from the Company’s reduction of its tax exposure reserves recorded in prior years.

Future income tax expense provisions are recorded, annually in the fourth quarter of each Fiscal period. The Company recorded \$0.2 million in future income tax expense during the Quarter, as compared to \$nil in the same period in Fiscal 2009. The Company is utilizing tax loss carryforwards to bring taxable income to \$nil. Management recorded a future income tax asset (“FIT”) in the amount of \$1.8 million as of February 28, 2010, which represents the expected tax benefit to be realized in respect of Fiscal 2011 and 2012 relocation activity. As at February 28, 2010 the estimated FIT of the Company was \$7.6 million of which \$0.7 million was attributed to non-capital losses, \$2.9 million to capital losses, and \$4.0 million from tax to accounting differences on capital and intangible assets. A valuation allowance in the amount of \$5.8 million was provided against capital losses and tax to accounting differences.

Other Comprehensive Income for the Quarter of \$1.2 million is comprised of a \$1.7 million in unrealized gain in the fair value of the HYAF investment, net of a \$0.5 million provision for future income tax expense.

<i>(\$ thousands)</i>	As at February 28, 2010	As at February 28, 2009
Current assets		
Cash and cash equivalents	8,621	11,271
Short-term investments	31,844	22,957
Accounts receivable	1,945	851
Prepaid and other assets	272	93
Current portion of future income tax assets	713	1,289
	43,395	36,461
Current liabilities		
Accounts payable and accrued liabilities	209	847
Income taxes payable	76	396
Dividend payable	638	638
	923	1,881
Net current asset position	42,472	34,580

As at February 28, 2010 and as summarized in the chart above, the Company had positive working capital of \$42.5 million, up \$7.9 million from February 28, 2009.

The primary driver of this increase in working capital was \$5.3 million generated from operating activities and a \$3.9 million increase in the fair value of our short-term investments and a \$1.1 million increase in receivables, partially offset by \$3.9 million in preferred dividend payments. During Fiscal 2010, the Company invested \$27.9 million for a 48% share in the HYAF by utilizing existing cash on hand and \$24.0 million in proceeds realized on the sale of the Company's BCOF and US bond positions.

In Fiscal 2010, substantially all of the Company's revenue was derived from the Company's ICON licensing arrangements with the majority of this amount 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 Canadian Department of National Defence active posting season which typically occurs in the spring. In addition to this variability, the Company's ICON licensing fees per file (see "ICON Licensing Arrangements") decreases as certain volume thresholds are achieved, with these thresholds being measured on a calendar year basis. In Fiscal 2010, the relocation file and ICON development and licensing fee revenue by quarter was earned as follows:

	Number of files	Revenue
Q1	44%	50%
Q2	25%	24%
Q3	16%	10%
Q4	15%	16%

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").

BRPS GOC CONTRACTS

Homeserve generates a significant amount of its ICON licensing and consulting fee revenue from BRPS's use of Homeserve's technology for the provision of relocation services under the GOC Contracts, which were subject to retender during the fiscal year under a single contract. On August 18, 2009, the Government of Canada announced that the GOC Contract with a five year term and two one-year renewal options was awarded to a subsidiary of BRPS with an effective start date of December 1, 2009.

CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's contractual obligations for the calendar year. As at February 28, 2010:

(\$ thousands)	Payments Due by Period				
	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Contractual Obligations					
Premises lease	38	38	Nil	Nil	Nil
Aeromove™ marketing	500	250	250	Nil	Nil
Areoplan® mile commitment	1,403-1,615	330-380	413-475	Nil	Nil

On October 1, 2009, the Company amended its agreement with Areoplan® with reduced cost per mile on certain MSAP products and lower mile commitments over the next three calendar years. Mile commitments are expressed in a range as different cost per miles are applied against different MSAP products.

CAPITAL RESOURCES

The financial resources available to the Company include \$8.6 million in cash and cash equivalents. The Company currently has no debt financing arrangements in place.

The Board of Directors discussed the appropriate terms under which it would seek to list the Corporation's common shares and reaffirmed that listing should be sought when there is a reasonable probability of returning value to common shareholders after having considered the overall capitalization of the Corporation and in particular, the servicing of the obligations related to the Corporation's preferred shares.

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 BRPS. As at February 28, 2010, BRPS 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%

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 Quarter with comparative figures for the prior year is as follows:

(\$ millions)	Three Months Ended		Twelve Months Ended	
	February 28		February 28	
	2010	2009	2010	2009
Revenue				
ICON	1.8	1.9	10.5	11.9
Software development and licensing	0.1	-	0.8	-
Expenses				
Management fees	0.6	0.1	0.8	0.4
Premises rent	-	0.1	0.1	0.2
Dividends				
Series A preferred shares	0.1	-	0.1	0.1
Series B preferred shares	0.5	0.5	2.0	2.0
Series C preferred shares	0.4	0.5	1.9	1.9

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 BRPS. Premises rent is for space occupied by Homeserve in buildings owned and managed by BRPS. There is an economic dependence on BRPS as substantially all of Homeserve's revenue is derived from BRPS.

Homeserve invested \$27.9 million in a 48% share in the HYAF managed by Brookfield Investment Funds Management Inc. ("BIFMI"), a related party. The HYAF is a fund comprising a diversified portfolio of high-yield 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. To deliver these returns, the HYAF 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 HYAF principals have more than 25 years of collective financial analysis experience in evaluating investment opportunities.

CAPITAL STRUCTURE AND OUTSTANDING SHARES

The Company's capital structure as at February 28, 2010 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 (loss) per share is as follows:

(\$ thousands, except number of shares and per share amounts)	Three Months Ended		Twelve Months Ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Net income (loss)	19	(2,253)	3,105	(840)
Preferred share dividends	(972)	(971)	(3,945)	(3,936)
Net loss to common shareholders	(953)	(3,224)	(840)	(4,776)
Weighted average outstanding common shares	6,944	6,944	6,944	6,944
Basic and diluted loss per common share	\$(0.14)	\$(0.46)	\$(0.12)	\$(0.69)

Subject to Homeserve being profitable for the current fiscal year and the approval of the Board of Directors, income available to common shareholders may be further reduced by a payment of an Annual Participation Dividend of up to 20.89% of pre-defined pre-tax income of the Company as summarized in the chart below.

A summary of the Company's capital structure as at February 28, 2010 is summarized in the chart below.

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

1. Non-convertible, non-voting and redeemable by the Company for \$1.00 per share.

2. Quarterly cumulative dividend.

3. 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.

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

The Company has 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, 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.

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

ICON is expected to continue to provide significant licensing fee cash flows to the Company and opportunities to exploit licensing to 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 continues to assess licensing and consulting opportunities for ICON which includes the utilization of ICON to fulfill the requirements of our Aeromove™ initiatives.

On November 13, 2008, BRPS announced that it had acquired various Residential Property Services operations of GMAC. Included in these operations are GMAC's Relocation operations which have a worldwide presence providing services from offices in the United States, London, Singapore and Shanghai. These operations have subsequently been rebranded as Brookfield Global Relocation Services ("BGRS"). Although these operations utilize a different software platform to manage their relocation activities, the increase in BRPS's ability to service client's relocation needs on a much broader international basis may provide further volumes and associated licensing fees to BRPS's Canadian relocation operations which currently utilize the Company's ICON software. Conversely, there is also the risk that BGRS may decide to migrate its relocation activity to its current software platform which would negatively impact the Company's contribution from the ICON business segment.

The award of the GOC Contract for the combined Canadian Forces, Government of Canada Department and Agencies and the Royal Canadian Mounted Police to a subsidiary of BRPS for a five year term with two one-year renewal options, which commenced on December 1, 2009, secures significant relocation volumes from which the Company earns fees. Management anticipates the fees earned from the GOC Contract will provide sustainable cash flows for the Company for the immediately

foreseeable future which is expected to mitigate the decline in corporate relocation volumes attributed to the slowdown in the worldwide economy and the continued investment in our Aeromove™ initiatives.

Aeromove™

The Aeromove™ program successfully launched on February 26, 2007 with two national partners offering real estate and moving services and various move related suppliers. The real estate services are provided through BRPS, the moving services are provided by Atlas Van Lines and move related suppliers include 1-800 GOTJUNK and Amerispec of Canada.

The year over year increase in Aeromove™ revenue is a result of increased transaction flow from developments of new sales channels.

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.

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. Management will continue to evaluate higher yield investment opportunities, which meet its risk and liquidity tolerances.

Forward-looking Statements

This 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 quarterly 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 Quarterly Information

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

	2010	2010	2010	2010	2009	2009	2009	2009
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<i>(\$ thousands, except per share amounts)</i>								
Revenue	1,950	1,217	2,874	5,366	1,971	1,577	2,784	5,797
Cost of sales	98	120	216	63	67	72	138	68
Gross profit	1,852	1,097	2,658	5,303	1,904	1,505	2,646	5,729
Operating expenses								
Selling, general, and administration	668	1,032	1,240	867	1,189	1,450	1,341	1,393
Amortization of property and equipment and intangible assets	1,269	1,270	1,272	1,272	1,459	1,543	1,539	1,568
Income (loss) from operations	(85)	(1,205)	146	3,164	(744)	(1,488)	(234)	2,768
Investment income	1	—	77	65	55	144	102	121
Gain on sale of short-term investments	—	—	839	—	—	—	—	—
Impairment of intangible assets	—	—	—	—	(1,564)	—	—	—
Income (loss) before income tax	(84)	(1,205)	1,062	3,229	(2,253)	(1,344)	(132)	2,889
Current income tax recovery	320	—	—	—	—	—	—	—
Provision for future income tax expense	(217)	—	—	—	—	—	—	—
Net Income (loss)	19	(1,205)	1,062	3,229	(2,253)	(1,344)	(132)	2,889
Preferred share dividends	(972)	(984)	(995)	(994)	(971)	(981)	(992)	(992)
Basic and diluted earnings (loss) available to common shareholders	(953)	(2,189)	67	2,235	(3,224)	(2,325)	(1,124)	1,897
Basic and diluted earnings (loss) per common share	(0.14)	(0.32)	0.01	0.32	(0.46)	(0.33)	(0.16)	0.27

- Gross profit is primarily attributed to licensing fees earned on BRPS government and corporate relocation activity. The government volumes made up approximately 74% of the revenue in Fiscal 2010 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 decreases as certain volume thresholds are achieved, with these thresholds being attained on a calendar year basis.
- Operating expenses relate to selling, general, administrative, and amortization expense. These costs decreased in the current period compared to the same period of Fiscal 2009 due primarily to reduced staffing requirements to deliver ICON services. The staffing reductions were in part achieved through the assumption of certain personnel and their salary obligations by BRPS. Decreased amortization is associated with the impairment charge for software related to our Aeromove™ and MSAP operations taken in the fourth quarter of Fiscal 2009.
- 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 LICENSING ARRANGEMENTS

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

1. A seven-year transferable and renewable license with BRPS or its designee for the exclusive use of the ICON software in the North American relocation market for which BRPS 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 \$0.5 million. During Fiscal 2010, the Company earned \$10.4 million in related licensing fees on 25,470 files opened.

As part of the licensing agreement BRPS 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 BRPS at cost plus 20%. During Fiscal 2010, the Company did not provide any consulting services.

2. A five-year, non-transferable license with Asset Recovery, a division of BRPS, 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 was renewed on October 15, 2009. During Fiscal 2010, the Company earned \$0.1 million in related fees on 2,033 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 BRPS license and upon 30 days prior written notice.

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.

Estimated useful life of Intangible Assets and Property and Equipment

The estimated useful life of intangible assets and property and equipment, 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 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 ICON and the build-out of the Aeromove™ and MSAP systems. The cost of 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 \$5.3 million as at February 28, 2010. 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.

The cost of the intangible assets and the costs incurred to develop the Aeromove™ and MSAP software was \$7.4 million. The net book value of these assets as at February 28, 2010 is \$nil as a result of the impairment charge of \$1.6 million taken during the fourth quarter of Fiscal 2009.

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 2010, the Company recognized a \$0.2 million provision for future income tax and as of February 28, 2010 has recognized \$1.8 million of future income tax assets to be utilized to offset Fiscal 2011 and Fiscal 2012 income tax expense 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 an additional net benefit of \$5.8 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.

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 Chief Financial Officer 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 28, 2010 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 Chief Financial Officer 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 28, 2010 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 for the year ended February 28, 2010 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.

RECENT CHANGES TO ACCOUNTING STANDARDS AND ACCOUNTING POLICIES

Accounting changes

In January 2009, the CICA issued new accounting standards concerning Business Combinations ("Section 1582"), Non-controlling Interests ("Section 1602") and Consolidated Financial Statements ("Section 1601"), which is based on the IASB's International Financial Reporting Standard 3 "Business Combinations". The new standards replace the existing guidance on business combinations and consolidated financial statements. The objective of the new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards shall not be adjusted upon application of these new standards. The non-controlling interest standard should be applied retrospectively except for certain items. This standard does not have an impact on the Company's financial statements as the Company has not undertaken any business combinations during the year.

Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. This Section, effective January 1, 2009, establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including intangible assets developed internally. The provisions of this Section were adopted retrospectively. The adoption of this Section did not have a significant impact on the financial statements of the Company or on the carrying value of the intangible assets.

Emerging Issues Committee ("EIC") EIC 173, Credit risk and the fair value of financial assets and financial liabilities. This Abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities including derivative instruments. This Abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this Abstract did not have a significant impact to the Company's financial statements.

Section 3862, Financial Instruments – Disclosures. In June 2009, the CICA amended Section 3862 to improve fair value and liquidity risk disclosures. Section 3862 now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The additional disclosures required as a result of the adoption of these standards are included in Note 12 of the financial statements.

FUTURE CHANGES TO ACCOUNTING STANDARDS

International Financial Reporting Standards

The Company will apply the new accounting standards at the beginning of its 2012 fiscal year. As a result of the new standard, the Company has established an IFRS implementation committee with a mandate to oversee the conversion process, including any impact that the conversion may have on business practices, systems and internal controls over financial reporting. In the third quarter of fiscal 2009, the implementation committee initiated an analysis of the differences between IFRS and the Company's current accounting policies, as well as an assessment of the impact of various accounting alternatives offers pursuant to IFRS. The implementation committee also implemented an education program for key employees responsible for financial reporting. The impact of the new standards on the Company's results of operations, financial position and disclosures continue to be assessed as part of the Company's IFRS transition project.

EIC-175 Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC-175, Multiple Deliverable Revenue Arrangements ("EIC-175"). EIC-175, which replaces EIC-142, Revenue Arrangements with Multiple Deliverables, addresses some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. This new standard is effective for the Corporation's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Company is assessing the impact of the new standard on its financial statements.

Financial Statements

Homeserve Technologies Inc.

February 28, 2010

AUDITORS' REPORT

To the Shareholders of
Homeserve Technologies Inc.

We have audited the balance sheets of **Homeserve Technologies Inc.** as at February 28, 2010 and 2009 and the statements of income (loss) and retained earnings (deficit), other comprehensive income (loss) and cash flows for the years then 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 28, 2010 and 2009 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

Chartered Accountants
Licensed Public Accountants

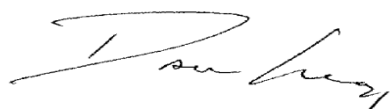
Toronto, Canada,
April 30, 2010

Homeserve Technologies Inc.
BALANCE SHEETS

<i>(\$ thousands)</i>	As at February 28, 2010	As at February 28, 2009
ASSETS		
Current		
Cash and cash equivalents	8,621	11,271
Short-term investments <i>[note 4]</i>	31,844	22,957
Accounts receivable <i>[note 9]</i>	1,945	851
Prepaid expenses and other assets	272	93
Current portion of future income tax assets	713	1,289
	43,395	36,461
Property, plant and equipment, net <i>[note 5]</i>	41	210
Intangible assets, net <i>[note 6]</i>	5,321	10,233
Future tax assets	1,082	1,211
	49,839	48,115
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities <i>[note 9]</i>	209	847
Income and other taxes payable	76	396
Dividends payable <i>[note 9]</i>	638	638
	923	1,881
Commitments <i>[note 11]</i>		
Shareholders' equity		
Capital stock <i>[note 7]</i>	48,292	48,292
Deficit	(2,791)	(1,951)
Accumulated other comprehensive income (loss) <i>[note 16]</i>	3,415	(107)
	48,916	46,234
	49,839	48,115

See accompanying notes

On behalf of the Board:



David Lacey
Director



Joseph S. Freedman
Director

Homeserve Technologies Inc.
STATEMENT OF INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT)

	Year ended February 28, 2010	Year ended February 28, 2009
<i>(\$ thousands, except per common share amounts)</i>		
REVENUE [notes 3, 9 and 13]	11,407	12,129
Cost of sales	497	345
Gross margin	10,910	11,784
OPERATING EXPENSES		
Selling, general and administrative [note 9]	3,807	5,373
Amortization of property, plant and equipment [note 5]	171	177
Amortization of intangible assets [note 6]	4,912	5,932
Income from operations before the undernoted	2,020	302
Investment income	143	422
Gain on sale of short-term investments [note 4]	839	—
Impairment of intangible assets	—	(1,564)
Income (loss) before income taxes	3,002	(840)
Current income tax recovery [note 10]	320	—
Provision for future income tax expense [note 10]	(217)	—
Net income (loss) for the year	3,105	(840)
Preferred share dividends [note 9]	(3,945)	(3,936)
Net loss to common shareholders	(840)	(4,776)
Retained earnings (deficit), beginning of year	(1,951)	2,825
Deficit, end of year	(2,791)	(1,951)
Net loss to common shareholders [note 7]	(840)	(4,776)
Basic and diluted loss per common share [note 7]	(\$0.12)	(\$0.69)

See accompanying notes

Homeserve Technologies Inc.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<i>(\$ thousands)</i>	Year ended February 28, 2010	Year ended February 28, 2009
Net income (loss) for the year	3,105	(840)
Unrealized gain on short-term investments, net of tax	3,415	310
Other comprehensive income for the year	3,415	-
Comprehensive income (loss)	6,520	(530)

See accompanying notes

Homeserve Technologies Inc.
STATEMENTS OF CASH FLOWS

<i>(\$ thousands)</i>	Year ended February 28, 2010	Year ended February 28, 2009
OPERATING ACTIVITIES		
Net income (loss) for the year	3,105	(840)
Add items not involving cash		
Amortization of property, plant and equipment	171	177
Amortization of intangible assets	4,912	5,932
Impairment on intangible assets	—	1,564
Gain on sale of short-term investments <i>[note 4]</i>	(839)	—
Provision for future income tax expense <i>[note 10]</i>	217	—
	7,566	6,833
Net change in non-cash working capital balances related to operations <i>[note 14]</i>	(2,231)	894
	5,335	7,727
FINANCING ACTIVITIES		
Payment of preferred share dividends <i>[note 9]</i>	(3,945)	(3,936)
	(3,945)	(3,936)
INVESTING ACTIVITIES		
Proceeds from sale of short-term investments <i>[note 4]</i>	23,903	3,000
Purchase of short-term investment <i>[note 4]</i>	(27,941)	—
Acquisition of property, plant and equipment	(2)	(34)
Additions to intangible assets	—	(37)
	(4,040)	2,929
Net increase (decrease) in cash and cash equivalents during the year	(2,650)	6,720
Cash and cash equivalents, beginning of year	11,271	4,551
Cash and cash equivalents, end of year	8,621	11,271
Supplemental cash flow information		
Interest income received	143	422
Supplemental disclosure of non-cash investing and financing activities		
Operating cash	8,621	1,271
Cash equivalents	—	10,000
Cash and Cash equivalents	8,621	11,271

See accompanying notes

Homeserve Technologies Inc.

NOTES TO FINANCIAL STATEMENTS

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

February 28, 2010

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., operating through certain subsidiaries as Brookfield Residential Property Services ["BRPS"], its residential real estate services division.

As at February 28, 2010, the Company had three reportable segments, ICON, 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. 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 investments that are designated as available-for-sale financial assets, and are carried at fair value. Changes to the fair value of the financial assets are recorded in other comprehensive income (loss).

Homeserve Technologies Inc.

NOTES TO FINANCIAL STATEMENTS

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

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Financial instruments

All financial instruments are classified into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale or other financial liabilities. All financial instruments, including derivatives, are measured at fair value, except for loans and receivables, held-to-maturity instruments and other financial liabilities, including derivatives, which are measured at amortized cost. Transaction costs for financial liabilities are applied against these liabilities and amortized using the effective interest method, the resulting amortization being recorded as financial expenses. Gains and losses on held-for-trading and held-to-maturity financial instruments are included in net income (loss) in the period in which they arise. Gains and losses on available-for-sale financial instruments are included in other comprehensive income (loss) in the year in which they arise.

The Company made the following classifications:

Cash or cash equivalents	Held-for-trading
Short-term investments	Available-for-sale
Accounts receivables	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Dividends payable	Other financial liabilities

Property and equipment

Property 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 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 and equipment is charged to the statements of income (loss) and retained earnings (deficit) in the period such impairment is determined.

Intangible assets

Intangible assets are recorded at cost less accumulated amortization. Amortization for software systems is provided on a straight-line basis over the 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.

Homeserve Technologies Inc.

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Revenue recognition

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 as services are provided.

Licensing fees and other revenue related to Aeromove^(TM) are recognized as earned and when collection is reasonably assured, 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.

Foreign exchange

The Company translates cash and cash equivalents, and investments denominated in the United States ("US") dollars according to the Bank of Canada foreign exchange rates. Gains and losses resulting from foreign exchange translation of cash and cash equivalents are recorded under general and administrative expenses. Gains and losses resulting from foreign exchange translation of investments are recorded under other comprehensive income (loss).

Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year.

Adoption of new accounting standards

Accounting changes

- a) Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. This Section, effective January 1, 2009, establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including intangible assets developed internally. The provisions of this Section were adopted retrospectively. The adoption of this Section did not have a significant impact on the financial statements of the Company or on the carrying value of the intangible assets.

Homeserve Technologies Inc.

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- b) In January 2009, the CICA issued new accounting standards concerning Business Combinations (“Section 1582”), Non-controlling Interests (“Section 1602”) and Consolidated Financial Statements (“Section 1601”), which is based on the IASB’s International Financial Reporting Standard 3 “Business Combinations”. The new standards replace the existing guidance on business combinations and consolidated financial statements. The objective of the new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards shall not be adjusted upon application of these new standards. The non-controlling interest standard should be applied retrospectively except for certain items. This standard does not have an impact on the Company’s financial statements as the Company has not undertaken any business combinations during the year.
- c) Emerging Issues Committee (“EIC”) EIC 173, Credit risk and the fair value of financial assets and financial liabilities. This Abstract concludes that an entity’s own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities including derivative instruments. This Abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this Abstract did not have a significant impact to the Company’s financial statements.
- d) Section 3862, Financial Instruments – Disclosures. In June 2009, the CICA amended Section 3862 to improve fair value and liquidity risk disclosures. Section 3862 now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The additional disclosures required as a result of the adoption of these standards are included in Note 12 of the financial statements.

Homeserve Technologies Inc.

NOTES TO FINANCIAL STATEMENTS

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

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Future accounting changes

International Financial Reporting Standards

The Company will apply the new accounting standards at the beginning of its 2012 fiscal year. As a result of the new standard, the Company has established an IFRS implementation committee with a mandate to oversee the conversion process, including any impact that the conversion may have on business practices, systems and internal controls over financial reporting. In the third quarter of fiscal 2009, the implementation committee initiated an analysis of the differences between IFRS and the Company's current accounting policies, as well as an assessment of the impact of various accounting alternatives offers pursuant to IFRS. The implementation committee also implemented an education program for key employees responsible for financial reporting. The impact of the new standards on the Company's results of operations, financial position and disclosures continue to be assessed as part of the Company's IFRS transition project.

EIC-175 Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC-175, Multiple Deliverable Revenue Arrangements ("EIC-175"). EIC-175, which replaces EIC-142, Revenue Arrangements with Multiple Deliverables, addresses some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. This new standard is effective for the Corporation's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Company is assessing the impact of the new standard on its 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 BRPS or its designee for the exclusive use of the ICON software in the North American relocation market for which BRPS 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 28, 2010, the Company earned \$10,392 in ICON licensing fees on 25,470 files opened [2009 - \$10,677 in ICON licensing fees on 26,987 files opened].

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NOTES TO FINANCIAL STATEMENTS

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As part of the licensing agreement, BRPS is to receive, at no additional cost, maintenance and technological support and normal course upgrades. Any development upgrades or modifications are provided to BRPS at cost plus 20%. During the year ended February 28, 2010, the Company earned \$nil [2009 - \$615] in consulting revenue from the development upgrades and modifications.

2. A five-year, non-transferable license with Asset Recovery, a division of BRPS, 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, which was renewed on October 15, 2009. During the year ended February 28, 2010, the Company earned \$128 in Asset Recovery licensing fees on 2,033 files opened [2009 - \$210 in Asset Recovery licensing fees on 2,975 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 programs called Aeromove™ and Move Services Affinity Program (“MSAP”), which utilizes the Company’s CARE 6 and ICON platforms. Aeromove™ and MSAP 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™ and MSAP programs. 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. During the year ended February 28, 2010, the Company earned \$866 from Aeromove™ licensing agreements [2009 - \$627].

4. SHORT-TERM INVESTMENTS

During the year, the Company acquired a 48% share of the High-Yield Advantage Fund (“the HYAF”) managed by Brookfield Investment Funds Management Inc. [“BIFMI”], a related party. The HYAF holds a diversified portfolio of high-yield 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 fair value of the investment in the HYAF as of February 28, 2010 is \$31,844 with a cost of \$27,941. The \$3,903 unrealized gain net of tax of \$488 in the HYAF is recorded in other comprehensive income (loss). The fair value of the investment in the HYAF is determined by published prices of the HYAF’s underlying assets.

As at February 28, 2009, short-term investments were comprised of 3,500 units in a U.S. corporate bond with a yield to maturity of 5.75% valued at \$4,305 and a 15.6% share in the Brookfield Credit Opportunity Fund (“the BCOF”) valued at \$18,652, and was sold in Fiscal 2010 for proceeds of \$23,959 with fair value of \$23,903 [February 28, 2009 - \$22,957], initial cost of \$23,064 [February 28, 2009 - \$23,064], and realized a gain of \$839 [February 28, 2009 - \$nil]. Of the sales proceeds received, \$56 relates to interest income earned from the settlement of the U.S. bond and has been recorded as investment income.

Homeserve Technologies Inc.

NOTES TO FINANCIAL STATEMENTS

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

February 28, 2010

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	February 28, 2010			February 28, 2009		
	Cost \$	Accumulated amortization \$	Net book value \$	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment and software	1,289	(1,257)	32	1,287	1,091	196
Furniture and office equipment	275	(266)	9	275	262	13
Leasehold improvements	83	(83)	—	83	82	1
	1,647	(1,606)	41	1,645	1,435	210

Amortization for the year was \$171 [2009 - \$177].

6. INTANGIBLE ASSETS

Intangible assets consist of the following:

	February 28, 2010			February 28, 2009		
	Cost \$	Accumulated amortization \$	Net book value \$	Cost \$	Accumulated amortization \$	Net book value \$
Software systems	30,001	(24,680)	5,321	31,565	19,768	11,797
Less: impairment on software systems	—	—	—	(1,564)	—	(1,564)
	30,001	(24,680)	5,321	30,001	19,768	10,233

Included under software systems are the acquisition costs of the ICON software. The Company did not record an impairment charge during the year. In Fiscal 2009, the Company recorded an impairment charge in the amount of \$1,564 in respect of software related to the Aeromove™ and MSAP operations.

Amortization for the year was \$4,912 [2009 - \$5,932].

Homeserve Technologies Inc.

NOTES TO FINANCIAL STATEMENTS

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7. CAPITAL STOCK

Capital stock consists of the following:

	February 28, 2010	February 28, 2009
	\$	\$
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	18,500	18,500
3,443,687 common shares	3,012	3,012
3,500,000 non-voting common shares	3,500	3,500
	48,292	48,292

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. 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 annual Series A fixed preferential cumulative dividends paid and payable for the year ended February 28, 2010 was \$115 [2009 - \$115]. The annual Series B fixed preferential cumulative dividends paid and payable for the year ended February 28, 2010 was \$1,980 [2009 - \$1,975].

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 28, 2010 was \$nil [2009 - \$nil].

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 28, 2010 was \$nil [2009 - nil].

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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 annual Series C fixed preferential cumulative dividends paid and payable for the year ended February 28, 2010 was \$1,850 [2009 - \$1,846].

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 28, 2010 was \$nil [2009 - nil].

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

Loss per share

Basic loss per share have been calculated using the weighted average number of common shares outstanding of 6,943,687 for the years ended February 28, 2010 and February 29, 2009.

	2010	2009
	\$	\$
Net income (loss) for the year	3,105	(840)
Dividends paid on preferred shares	(3,945)	(3,936)
Net loss to common shareholders	(840)	(4,776)
Weighted average outstanding common shares	6,944	6,944
Basic and diluted loss per common share	\$(0.12)	\$(0.69)

8. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as the aggregate of its cash and cash equivalents, short-term investments, common shares, and retained earnings. The Company's objectives when managing capital are to ensure that the Company will continue as a going concern so that it can provide necessary services to its clients, and invest its excess cash in instruments that have a potential to generate a return that would offset, or partially offset, the dividends declared on the Company's preferred shares.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In order to maintain or adjust its capital structure, the Company may re-list on a public exchange and issue additional shares or debt in the future. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on such things as the Company's needs and economic conditions at the time of the transaction. As of February 28, 2010, the Company did not issue any additional shares and does not have any debt outstanding.

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NOTES TO FINANCIAL STATEMENTS

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

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9. RELATED PARTY TRANSACTIONS

The Company had the following transactions with related parties 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.

	2010	2009
	\$	\$
Revenue	11,343	11,969
Expenses		
Management fee and cost reimbursement	761	409
Rent	123	153
Preferred share dividends	3,945	3,936

As at February 28, 2010, the Company has accounts receivable of \$1,763 [2009 - \$793], dividends payable of \$638 [2009 - \$638] and accounts payable and accrued liabilities of \$153 [2009 - \$666] with related parties.

During the year, the Company divested its investment in BCOF for \$19,728 and reinvested \$27,941 for a 48% interest in the HYAF. The Company realized a gain of \$772 [February 28, 2009 - \$nil] from the divestiture of its interest in the BCOF. Both the BCOF and the HYAF are managed by BIFMI, a related party [See Note 4].

10. 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:

	2010	2009
	\$	\$
Statutory income tax rate	32.84%	33.42%
Income tax expense (recovery) based on statutory income tax rate	989	(281)
Non-deductible charges	14	4
Portion of capital gains not taxed	(125)	—
Changes in enacted tax rates	64	(101)
Increase (decrease) in valuation allowance	(725)	378
Provision for future income tax expense	217	—
Decrease in tax exposure reserve	(320)	—
Net income tax recovery	(103)	—

Significant components of the Company's future tax assets as at February 28, 2010 and February 29, 2009 are as follows:

Homeserve Technologies Inc.

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February 28, 2010

	2010	2009
	\$	\$
Future tax assets		
Tax loss carryforwards	3,601	8,616
Tax asset values in excess of accounting values	4,034	7,785
Investment tax credits	(27)	(27)
Other	13	26
	7,621	16,400
Less valuation allowance	(5,826)	(13,900)
Net future tax assets	1,795	2,500

The Company has recognized future tax assets of \$1,795 based on the current estimate of taxable income that will be available in the future loss carryforward periods.

For taxation years ended after December 31, 2008, the Canada Revenue Agency will administer Ontario's corporate income and capital tax. As a result of harmonization of Federal and Ontario corporate taxes, if there is a difference between Federal and Ontario tax attributes, companies that are subject to tax in Ontario are required to adopt the Federal balance.

As at February 28, 2010, the Company has approximately \$23,347 in capital losses. In addition, the Company has non-capital tax losses of \$2,244. 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:

	\$
2011	1,670
2015	574
	2,244

11. COMMITMENTS

AEROPLAN

On October 1, 2009, the Company amended its agreement with Aeroplan® with reduced cost per mile on certain MSAP products and lower mile commitments over the next two calendar years. Mile commitments are expressed in a range as different cost per miles are applied against different MSAP products. A summary of the Company's Aeroplan® commitments on a calendar year basis is as follows:

	Miles	Marketing
	\$	\$
2010	330 – 380	250
2011	413 – 475	250
	743 – 855	500

Homeserve Technologies Inc.

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The mile commitment is based on the minimum number of miles that the Company is required to purchase and have been assumed by a related party of a significant shareholder of the Company. The related party is a wholly-owned subsidiary of Brookfield Asset Management Inc. operating through certain subsidiaries as BRPS.

LEASES

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

	\$
2011	38
	38

12. FINANCIAL INSTRUMENTS

Financial instruments primarily consist of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, and dividends payable.

Held-For-Trading

Cash and cash equivalents are designated as held-for-trading financial asset. The Company deposits its excess cash with a highly rated Canadian financial institution and from time-to-time invests in short term guaranteed investment certificates ("GIC") or bankers' acceptances ("BA"). As at February 28, 2010, the Company did not have any investments in daily GIC's or BA's [February 28, 2009 - \$10,000].

Available-For-Sale

As at February 28, 2010, short-term investment is comprised of a 48% share in the HYAF with a fair value of \$31,844 [2009 - \$22,957 in a corporate bond and a high-yield credit opportunity fund instrument].

Loans and Receivable

Accounts receivable are designated as loans and receivable. The Company's accounts receivable consist of trade accounts receivable recorded at fair value. A substantial portion of the Company's accounts receivable is from a related party, and the associated credit risks are minimal.

Other Financial Liabilities

The Company's accounts payable and accrued liabilities and dividend payable are short-term liabilities with carrying values that approximate their fair values.

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Fair values

The carrying values reported in the balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividends payable 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 \$31,844 [2009 - \$22,957].

The following table summarizes the financial instruments measured at fair value in the balance sheet as at February 28, 2010, classified using the fair value hierarchy described in Note 2:

	Level 1	Level 2	Level 3	Total
Financial asset or liability				
Cash	\$ 8,621	\$ -	\$ -	\$ 8,621
Short-term investments	-	31,844		31,844
Total	\$ 8,621	\$31,844	\$ -	\$ 40,465

The Company's valuation techniques used include credit risk spreads upon adoption of EIC 173, credit risk and the fair value of financial assets and liabilities. The adoption of this Abstract did not have a significant impact to the fair values established.

Interest rate risks

As at February 28, 2010, short-term investments were comprised of a 48% share in the HYAF.

The Company mitigates its exposure to interest rate risks by restricting investments to high-grade securities.

Credit risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, short-term investments, and accounts receivable. The Company deposits its cash with a reputable financial institution and therefore management believes the risk of loss of these amounts to be remote. As at February 28, 2010, the Company had cash and cash equivalents of \$8,621 [February 28, 2009 - \$11,271].

Concentration of credit risk arises when a group of customers have a similar characteristic, such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. The Company's largest customer is BRPS, a related party, which accounts for substantially all of accounts receivable at February 28, 2010 with regular payment terms of 60 days. As at February 28, 2010, \$56 in accounts receivable due from a related party were 60 days past due [February 28, 2009 - \$6]. Management does not believe that the Company runs a significant credit risk with respect to this customer. The maximum exposure in respect of accounts receivable is equal to their carrying value.

As at February 28, 2010, an allowance for doubtful account of \$2 [February 28, 2009 - \$2] has been provided against accounts receivable.

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Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and short-term investments. As at February 28, 2010, the Company had cash and cash equivalents of \$8,621 [2009 - \$11,271] and short-term investments of \$31,844 [2009 - \$22,957].

Sensitivity Analysis

CICA Handbook Section 3862 requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of changes in market variables [foreign exchange rates and interest rates] to the Company's financial position and performance as a result of changes in the fair value of cash flows associated with the Company's financial instruments. The sensitivity analysis provided below discloses the effect on profit or loss for the year ended February 28, 2010, assuming that a reasonably possible change in the relevant risk variable has occurred during the year and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities where available or historical data. The sensitivity analysis has been prepared based on February 28, 2010 balances and on the basis that the balances, and the financial instruments in foreign currencies in place at February 28, 2010 are all constant. Excluded from this analysis are all non-financial assets and liabilities that are not classified as financial instruments under CICA Handbook Section 3855. The sensitivity analysis provided is hypothetical and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced because the Company's actual exposure to market rates is constantly changing as the Company's portfolio of financial instruments change. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates, and strategies employed by the Company or other mitigating actions that would be taken by the Company.

	Carrying Amount	Interest Rate Risk		Foreign Exchange Risk	
		-1% Income	+1% Income	-10% Income	+10% Income
As at February 28, 2010					
Financial Assets:					
Cash and cash equivalents	8,621	(86)	86	-	-
Short term investments	31,844	(318)	318	(3,025)	3,025

	Carrying Amount	Interest Rate Risk		Foreign Exchange Risk	
		-1% Income	+1% Income	-10% Income	+10% Income
As at February 28, 2009					
Financial Assets:					
Cash and cash equivalents	11,271	(113)	113	-	-
Short term investments	22,957	(230)	230	(2,986)	2,986

Homeserve Technologies Inc.

NOTES TO FINANCIAL STATEMENTS

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

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13. ECONOMIC DEPENDENCE

For the year ended February 28, 2010, the Company derived \$11,343 or 99.4% [2009 - \$11,969 or 98.7%] of its revenue from BRPS.

14. STATEMENTS OF CASH FLOWS

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

	2010	2009
	\$	\$
Accounts receivable	(1,094)	359
Prepaid expenses and other assets	(179)	68
Accounts payable and accrued liabilities	(638)	448
Dividends payable	-	(9)
Income and other taxes payable	(320)	28
	(2,231)	894

15. SEGMENTED REPORTING

General description

The Company has three reportable operating segments: ICON, Software Development and Licensing, and General and Administration.

ICON is a customizable software application that manages all aspects of a residential home relocation service. Software development and licensing includes the Company's Aeromove™ and MSAP operations. General and Administration provides support to the two 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:

Homeserve Technologies Inc.

NOTES TO FINANCIAL STATEMENTS

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	2010 \$	2009 \$
Revenue		
ICON	10,520	11,502
Software development and licensing	887	627
	11,407	12,129
Contribution margin		
ICON	9,479	9,825
Software development and licensing	(1,174)	(3,128)
General and administration	(1,202)	(286)
	7,103	6,411
Investment income	143	422
Gain on sale of short-term investments	839	—
Amortization of property, plant and equipment	(171)	(177)
Amortization of intangible assets	(4,912)	(5,932)
Impairment of intangible assets	—	(1,564)
Current income tax recovery	320	—
Provision for future income tax expense	(217)	—
Net income (loss) for the year	3,105	(840)
Total Assets		
ICON	5,321	10,233
Software development and licensing	—	—
General and administration	41	210
	5,362	10,443

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	2010 \$	2009 \$
Balance, beginning of year	(107)	(417)
Add: unrealized gain on short-term investments, net of tax	3,415	310
Less: sale of short-term investments	(946)	—
Balance, end of year	3,415	(107)