home serve

TECHNOLOGIES INC

1st Quarter 2008

Notice of No Auditor Review of Interim Financial Statements

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Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Jim Dunbar	Plinio Cardoni
President and Chief Executive Officer	Vice President Finance

July 13, 2007

Management's Discussion and Analysis of Results and Financial Condition

The following Management's Discussion and Analysis of Results and Financial Condition ("MD&A") of Homeserve Technologies Inc. ("Homeserve" or the "Company") covers the period from March 1, 2007 to May 31, 2007. This MD&A has been prepared as at July 13, 2007. This MD&A should be read in conjunction with our audited financial statements for the 12 months ended February 28, 2007 and the attached interim unaudited financial statements for the three months ended May 31, 2007. These interim financial statements are prepared in accordance with Canadian generally accepted accounting principles. These interim financial statements have not been subject to a review by the Company's auditors. Additional information, including the Company's Annual Audited Financial Statements, Annual Information Form and Management Information Circular, are available on the Company's website at *www.homeserve.ca* or on SEDAR's website at *www.sedar.com*. External economic and industry factors remain substantially unchanged, unless otherwise noted.

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

Homeserve's software solutions are comprised of (i) CARE II Customer Relationship Management software ("CARE II CRM"), (ii) ICON software and its development and support personnel, and (iii) our co-ownership of the Credit Adjudication & Lending Management System ("CALMS"). As at the date of this MD&A, these operations are supported by 27 personnel and Centract's shared management services platform which the Company pays its share on an as needed basis.

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

OPERATIONS OVERVIEW

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

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

In April 2003, the Company acquired a perpetual, exclusive, royalty-free, transferable, license to use its CARE II CRM software in Canada and to sub-license its use to others in Canada. CARE II CRM provides solutions to banking and retail companies and we are currently in discussions with a number of Canadian financial institutions and retail companies to commence pilot operations, which will allow us to demonstrate the ability of CARE II CRM software to better manage their respective mortgage portfolios and customer base. No assurance is provided that such pilot projects will result in contract implementations.

In prior years, Home-Link's operations were downsized to better align with current transaction volume levels with a view to increasing operations as greater adoption of existing program offerings occur or as volumes are increased through new CARE II CRM initiatives. Substantially all of Home-Link's revenue is generated from Centract or supplier transaction fees derived from the Centract relationship.

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

Three months ended May 31 *($ thousands, except per share amounts)*	**2007**	2006
Revenue	**5,648**	5,434
Cost of sales	**7**	—
Margin	**5,641**	5,434
Operating costs – selling, general and administrative	**1,852**	810
Operating costs – amortization	**1,506**	885
Net income from operations	**2,283**	3,739
Investment income	**376**	366
Gain on sale of investments	**—**	23
Net income for the period	**2,659**	4,128
Basic and diluted earnings per common share		
Basic	**$ 0.24**	$ 0.48
Diluted	**$ 0.24**	$ 0.48

As summarized in the chart above, the Company reported net income of $2.7 million for the quarter ended May 31, 2007 (the "Quarter") as compared to income of $4.1 million for the three months ended May 31, 2006, which after the payment of preferred share dividends for the Quarter represents a basic and diluted earnings per share to common shareholders of $0.24, as compared to basic and diluted earnings per share of $0.48 for the same period in Fiscal 2007. The most significant elements contributing to the $1.4 million quarter-over-quarter decrease in net income were costs associated with the Aeromove program and increased amortization associated with the year-over-year increase in intangible assets resulting from additional consideration earned out under terms of the ICON acquisition. A summary of the contribution margin by business line is summarized in the table below and a more detailed discussion of the quarter-over-quarter results follows.

Contribution margin by segment **Three months ended May 31** *($ thousands)*	**2007**	2006
ICON licensing and consulting		
Revenue	**5,632**	5,422
Operating costs	**(330)**	(353)
	5,302	5,069
Software development and licensing		
Revenue	**15**	—
Cost of sales	**(7)**	—
Operating costs	**(1,294)**	(214)
	(1,286)	(214)
Home-Link operations		
Revenue	**1**	12
Operating costs	**(29)**	(111)
	(28)	(99)
Other		
General and administration	**(199)**	(132)
	(199)	(132)
Contribution margin	**3,789**	4,624
Comprised of:		
Revenue	**5,648**	5,434
Cost of sales	**(7)**	—
Operating costs – selling, general and administration	**(1,852)**	(810)
	3,789	4,624

ICON licensing and consulting ("ICON") activities consist of $5.6 million in revenue generated from our contracted relocation and asset recovery license agreements (see "ICON Transaction") with Centract, as compared to $5.4 million for the same period of Fiscal 2007. Of the $5.6 million in revenue for the Quarter, $5.4 million was earned from licensing revenue and $0.2 million from consulting services. The underlying relocation and asset recovery file activity for the Quarter as summarized in the chart below was up 6% over the same period in the prior year. Operating costs relate to staffing, selling, premises and administrative costs associated with our development and support personnel and were in line with management's expectations.

Three months ended May 31	**2007**	2006
Relocation files	**11,612**	10,990
Asset recovery files	**851**	761

Approximately 81% of Homeserve's ICON licensing revenue for the quarter are derived from two significant Centract contracts with the Government of Canada ("GOC") for the provision of relocation services, see Centract GOC Contracts for further information.

Software Development and Licensing ("SDL"), which includes consulting activities and development of the Company's CARE II CRM initiatives, generated a contribution margin loss of $1.3 million for the Quarter as compared to a contribution margin loss of $0.2 million for the same period of Fiscal 2007. The operating costs for the Quarter relate primarily to salary, selling and administrative costs associated with the development of the Company's CARE II CRM initiatives including the "Aeromove" program which launched on February 26, 2007.

Home-Link's operating activities consist of a contribution margin loss of less than $0.1 million for the Quarter as compared to a contribution margin loss of $0.1 million for the same period of Fiscal 2007. As described earlier, substantially all of Home-Link's revenue for the Quarter was generated from related parties or supplier transaction fees derived from the related-party relationship. Management continues to work with third-party clients and suppliers to enhance the Home-Link value proposition.

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

Investment income relates to income earned on the Company's short-term investments. Investment income of $0.4 million for the Quarter was in line with the same period of the prior fiscal year. Currently 55% of our investment portfolio is invested in the bonds of Real Estate Investment Trusts or companies with substantial real estate holdings. The remaining 45% is invested in short-term bankers' acceptances.

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

Income tax expense for the Quarter was nil as the Company is utilizing tax loss carryforwards to bring taxable income to nil. Due to continued uncertainty surrounding the duration of Centract's G of C relocations contracts and the start-up nature of the Aeromove operations, management recorded a future income tax asset ("FIT") in the amount of $2.5 million in Fiscal 2007, which represents the expected tax benefit to be realized in respect of Fiscal 2008 activity. This estimate is consistent with Fiscal 2006 when management recorded a FIT in the amount of $3 million which represented the expected tax benefit to be realized in respect of Fiscal 2007. Management assesses on a quarterly basis the likelihood of recovering these tax losses and adjusts the valuation allowance recorded against the future tax asset accordingly. No change in the valuation allowance was recorded in the Quarter due to continued uncertainty surrounding the G of C Contracts (see Centract GOC contracts) and the rollout of the Aeromove program. As at February 28, 2007, the total estimated FIT of the Company is $19.6 million of which $15.4 million is attributed to non-capital loss carryforwards of $11.4 million and capital losses of $4 million. The remaining $4.2 million is comprised of book to accounting differences on our capital and intangible assets.

LIQUIDITY AND CAPITAL RESOURCES

($ thousands)	**As at May 31, 2007**	As at February 28, 2007
Current assets		
Cash and cash equivalents	**15,228**	15,740
Short-term investments	**17,001**	14,701
Accounts receivable	**1,604**	893
Prepaid and other assets	**119**	167
Future tax assets	**2,500**	2,500
	36,452	34,001
Current liabilities		
Accounts payable and accrued liabilities	**828**	1,245
Income taxes payable	**368**	454
Dividend payable	**659**	3,244
	1,855	4,943
Net current asset position	**34,597**	29,058

As at May 31, 2007, and as summarized in the chart above, the Company had positive working capital of $34.6 million, up $5.5 million from February 28, 2007. The following items of note drive the net increase in working capital:

- $4.2 million cash flow generated from operations which after dividend payments of $3.6 million, capital expenditures of $0.3 million and a $0.7 million increase in receivables resulting from increased ICON file activity reduced cash and cash equivalents;
- $2.6 million decrease in dividends payable arising from the payment of the aggregate dividend due in respect of the additional Series C Preferred shares issued in the Quarter as a result of the ICON earn-out calculation; and
- $2.6 increase in short-term investments as a result of recording financial instruments at fair market value.

As at May 31, 2007, short-term investments were comprised of corporate bonds with a yield to maturity ranging from 4% to 8%.

In Fiscal 2007, approximately 99% of the Company's revenue was derived from the Company's ICON licensing and consulting arrangements with the bulk of this amount being attributed to a per file charge for the setup of a relocation file. The underlying relocation file activity is seasonal in nature with the most pronounced timing being the Government of Canada's active posting season which typically occurs in the spring. In addition to this variability, the Company's ICON licensing fees per file (see "ICON Transaction") decreases as certain volume thresholds are achieved, with these thresholds being met on a calendar year basis. In Fiscal 2007, the relocation file and ICON development and licensing fee revenue by quarter was earned as follows:

	Number of files	Revenue
Q1	45%	49%
Q2	22%	21%
Q3	16%	12%
Q4	17%	18%

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

CENTRACT GOC CONTRACTS

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

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

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

CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's contractual obligations as at May 31, 2007:

($ thousands)		Payments Due by Period			
Contractual Obligations	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Premises lease	468	144	288	36	Nil
Aeromove marketing	2,423	423	1,000	1,000	Nil
Aeromove mile commitment[1]	3,310	80	1,330	1,900	Nil

1. The mileage commitment of $3,310 has been assumed by a related party.

CAPITAL RESOURCES

The financial resources available to the Company include $15.2 million in cash and cash equivalents and $17.0 million in marketable securities. The Company currently has no debt financing arrangements in place.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

Share Ownership

The Company's most significant shareholder is Centract. As at May 31, 2007, Centract had the following shareholdings:

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

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

Transactions with Related Parties

Transactions with related parties are recorded at contracted rates or at exchange amounts approximating fair market value. A summary of these amounts for the Quarter with comparative figures for the prior year is as follows:

	Three months ended		Twelve months ended
	May 31,	May 31,	February 28,
($ millions)	**2007**	2006	2007
Revenue			
ICON	**5.6**	5.4	11.2
Home-Link service fees	**—**	—	—
Expenses			
Management fees	**0.1**	0.1	0.3
Premises rent	**—**	—	0.1
Dividends			
Series A preferred shares	**—**	—	0.1
Series B preferred shares	**0.5**	0.5	2.1
Series C preferred shares	**0.5**	0.5	3.6
Series D preferred shares	**—**	—	—

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

Capital Structure

The Company's capital structure as at May 31, 2007 is comprised of common shares, non-voting common shares and preferred shares. The Company's Series A preferred shares, Series B preferred shares and Series C preferred shares, can be redeemed by the Company for $1.00 per share. Redemption of the preferred shares could significantly reduce the Company's cash and cash equivalents and short-term investments.

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

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

($ thousands except number of shares and per share amounts)	Three months ended May 31, 2007	May 31, 2006
Net income	**$ 2,659**	$ 4,128
Preferred share dividends	**(994)**	(775)
Net income available to common shareholders	**$ 1,665**	$ 3,353
Weighted average outstanding common shares	**6,944**	6,944
Dilutive effect of the conversion of preferred shares	**—**	—
Common shares and common share equivalents	**6,944**	6,944
Adjustment to net income available to common shareholders	**—**	—
Diluted income per common share	**$ 0.24**	$ 0.48

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 consolidated pre-tax income of the Company as summarized in the chart below and discussed under ICON Transaction.

A summary of the Company's capital structure as at May 31, 2007 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 Centract**
Common	3,443,687	3,012	—	—	—	48%
Non-voting common[1,5]	3,500,000	3,500	—	—	—	100%
Series A preferred shares[2,3]	1,280,000	1,280	9.00	115	0.64%	100%
Series B preferred shares[2,3]	22,000,000	22,000	9.00	1,980	11.00%	100%
Series C preferred shares[3,4,5]	18,500,000	18,500	10.00	1,850	9.25%	100%
Series D preferred shares[1,5]	—	—	—	—	—	—
		48,292		3,945	20.89%	

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

OUTLOOK

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

ICON

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

Aeromove

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

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

New Business Initiatives

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

Home-Link

Our Home-Link initiative earns transaction-based revenue through the use of our CARE II CRM software and contact centre operations to facilitate the provision of services to consumers during the home purchasing and selling cycle. Home-Link has never been profitable and has incurred significant losses since it started business in mid-2000. We continue to develop our Home-Link service offering and expect to benefit from transaction volumes that would arise from the servicing of new CARE II CRM opportunities described above. While management believes that Home-Link will ultimately develop into a successful business, it is expected that Home-Link will continue to incur losses for the foreseeable future.

Investment Operations

The Company intends to invest its excess available cash in instruments that have the potential to generate a current yield that would offset, or partially offset, the dividend rate on the Company's preferred shares. The Company's existing investment portfolio of $17.0 million as at May 31, 2007 has a yield to maturity ranging from 4% to 8%. Management will continue to evaluate higher yield investment opportunities, which meets its risk and liquidity tolerances.

Forward-looking Statements

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

SUPPLEMENTAL INFORMATION

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

QUARTERLY RESULTS

The tables, Condensed Statements of Net Income on page 18 and Condensed Segmented Information on page 20 set forth selected unaudited financial information of the Company for the eight most recently completed quarters. In the opinion of management, this information has been prepared on the same basis as the audited financial statements to present fairly the unaudited quarterly results when read in conjunction with the Company's audited financial statements. The operating results for any quarter should not be relied upon as any indication of results for any future period.

For the First Quarter Ended May 31, 2007

Significant Items Causing Variations in Quarterly Results
For the first quarter ended May 31, 2007, the following are the significant items:

- Revenues are primarily attributed to licensing fees earned on Centract government and corporate relocation activity. The government volumes made up approximately 73% of the sales in the first quarter of Fiscal 2008 as compared to 72% for the same period of Fiscal 2007. The remaining government and corporate relocation file volumes are tied to client specific initiatives and as such can vary from quarter to quarter. In addition to this variability, the Company's ICON licensing fees per file (see "ICON Transaction") decreases as certain volume thresholds are achieved, with these thresholds being attained on a calendar year basis.
- Selling, general and administrative costs in the first quarter of Fiscal 2008 increased over the first quarter of Fiscal 2007 due primarily to costs associated with the Aeromove program which launched on February 26, 2007.
- Amortization expense increased quarter over quarter due to increased amortization associated with the increase in intangible assets arising from additional consideration provided under the ICON earn-out as previously described.
- The timing of gains and losses on sale of investments are dependent upon management realizing on these investments as the opportunities present themselves and as such the related gains and losses may vary from quarter to quarter. During the first quarter of Fiscal 2008, the Company did not realize a gain on the sale of certain holdings within the Company's investment portfolio as compared to a small gain during the same period of Fiscal 2007.

For the Four Quarters Ended February 28, 2007

Significant Items Causing Variations in Quarterly Results
For the four quarters ended February 28, 2007, the following are the significant items:

- Revenues are primarily attributed to licensing fees earned on Centract government and corporate relocation activity. The government volumes made up approximately 70% of the sales in Fiscal 2007 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 are tied to client specific initiatives and as such can vary from quarter to quarter. In addition to this variability, the Company's ICON licensing fees per file (see "ICON Transaction") decreases as certain volume thresholds are achieved, with these thresholds being attained on a calendar year basis.
- Selling, general and administrative costs in all four quarters of Fiscal 2007 increased over the four quarters of Fiscal 2006 due primarily to costs associated with the Aeromove program which launched on February 26, 2007.
- Amortization expense increased year over year and quarter over quarter due to increased amortization associated with the increase in intangible assets arising from additional consideration provided under the ICON earn-out as previously described.
- The timing of gains and losses on sale of investments are dependent upon management realizing on these investments as the opportunities present themselves and as such the related gains and losses may vary from quarter to quarter. During the fourth quarter of Fiscal 2007, the Company realized a gain of $1.0 million on the sale of certain holdings within the Company's investment portfolio which did not occur during the same period of 2006.
- During Fiscal 2007, the Company recorded an income tax expense of $0.5 million as compared to $0.2 million in Fiscal 2006. The income tax expense for Fiscal 2007 represents the adjustment required to bring the Company's FIT in line with management's estimated FIT of $2.5 million as at February 28, 2007.

For the Three Quarters Ended February 28, 2006

Significant Items Causing Variations in Quarterly Results

For the three quarters ended February 28, 2006, the following are the significant items:

- The variability of quarterly revenues and gain (loss) on sale of investments for Fiscal 2006 are effected by the same factors previously described for the four quarters ended February 28, 2007.
- Quarterly selling, general and administrative costs for Fiscal 2006 were lower then the same periods in Fiscal 2007 due primarily to costs associated with the development of the Aeromove program which occurred in Fiscal 2007, with exception of the fourth quarter of Fiscal 2006 which included a settlement of pre CCAA taxes.
- In the fourth quarter of Fiscal 2006, the Company recorded reduced amortization expense of $0.1 million due primarily to management's revision of the estimated useful life of the CARE II CRM system from five years to seven years proactive to the beginning of the fiscal year, with the full amount of the adjustment being booked in the fourth quarter of Fiscal 2006.
- Income tax expense for the fourth quarter of Fiscal 2006 was $0.2 million as compared to $0.5 million for the same period of Fiscal 2007. In Fiscal 2005, the Company recorded a $3.2 million income tax recovery and corresponding future tax asset ($2.7 million current, $0.5 million long-term) which represented the benefit of losses expected to be utilized to offset future taxable income. During the 12 months ended February 28, 2006, the full $3.2 million was utilized to offset taxable income in Fiscal 2006 and a further $3 million income tax recovery was recorded, resulting in a corresponding $0.2 million income tax expense for Fiscal 2006.

ICON TRANSACTION

On April 13, 2004, the Company's shareholders approved the ICON Transaction, which resulted in Centract selling its interest in the ICON software and entering into licensing, premises lease and employment arrangements with the Company for potential consideration of up to $24 million. The full amount of this consideration has been earned as at February 28, 2007. This consideration was comprised of:

- A $2 million debenture which was converted into 2,000,000 Series B preferred shares on July 12, 2004; plus
- $3.5 million paid by the issuance of 3,500,000 Series D preferred shares with a non-cumulative annual dividend of 3.5%. In accordance with the automatic conversion terms of these shares, these shares were converted in Fiscal 2007 into 3,500,000 non-voting common shares; plus
- An earn-out option, which provides for the issuance of up to 18,500,000 Series C preferred shares at $1.00 per share upon meeting certain pre-defined criteria (see "Outstanding shares"). As at February 28, 2007, 18,500,000 of these shares have been earned of which 9,787,250 have been issued and 8,712,750 which were earned in Fiscal 2007 are expected to be issued subsequent to year end; plus
- An increase in the Series B preferred share cumulative aggregate preferential annual participation dividend from 10% to 11% of pre-defined consolidated pre-tax income of the Company based on the weighted average number of Series B preferred shares outstanding divided by 22,000,000. As at February 28, 2007, there are 22,000,000 Series B preferred shares outstanding.

As at May 31, 2007, the Company has recorded $24.5 million with respect to our purchase of ICON, which is represented by $23.9 million in intangible assets, $0.1 million in capital assets and $0.5 million in legal, valuation, accounting and shareholder communication costs associated with the transaction. The amount recorded for the purchase of ICON and subsequent amortization of this asset increased in accordance with the earn-out provisions of the purchase and sale agreement as described earlier.

ICON LICENSING ARRANGEMENTS

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

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

to any licensee from whom the Company generates annual license fees in excess of $500,000. During the three months ended May 31, 2007, the Company earned $5.4 million in related licensing fees on 11,612 files opened.

As part of the licensing agreement Centract is to receive at no additional cost, maintenance and technological support and normal course upgrades. Consulting services provided for development upgrades or modifications are provided to Centract at cost plus 20%. During the three months ended May 31, 2007, the Company earned $0.2 million from these services.

2. A five-year, non-transferable license with Asset Recovery, a division of Centract, which currently uses ICON in exchange for a monthly license fee equal to $50 per administrative file and $100 per Home Sale file. The license agreement commenced on April 13, 2004 with an initial term to March 31, 2009 with successive two-year renewal terms. During the three months ended May 31, 2007, the Company earned $0.1 million in related fees on 566 files opened.

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

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

OUTSTANDING SHARES

As at May 31, 2007 the number of issued and outstanding shares of the Company are as follows:

Description	**As at May 31, 2007**
Common shares	**3,443,687**
Series A preferred shares	**1,280,000**
Series B preferred shares	**22,000,000**
Series C preferred shares	**18,500,000**
Series D preferred shares	**—**
Non-voting common shares	**3,500,000**

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

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

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

Impairment

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

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

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

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

The Company has recorded intangible assets related to the purchase of Home-Link, the purchase of the license and sub-license for use of Home-Link's CRM software in Canada, the ICON Transaction and the build-out of the Aeromove system. The original allocation to the intangible Home-Link assets and CRM software was $5.7 million. These intangible assets are being amortized over a seven-year period and had a net book value of $1.4 million as at May 31, 2007. The allocation to May 31, 2007 (see "ICON Transaction") to the Company's intangible ICON assets was $24.5 million. These assets are being amortized over a seven-year period and had a net book value of $18.8 million as at May 31, 2007. The costs incurred to develop the Aeromove software was $1.4 million as at May 31, 2007. These assets are being amortized over a five-year period and had a net book value of $1.3 million as at May 31, 2007. The valuation of these intangible assets is subject to management's estimates and is reviewed each year to ensure that there is no impairment in the carrying value of these assets. A change in the estimate would affect the net earnings of the Company, but would have no direct cash flow implications.

Accounting for income taxes

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

Valuation allowances primarily relate to potential future tax assets arising from accounting depreciation claimed in excess of tax depreciation and tax losses carried forward. Management must assess both positive and negative evidence when determining whether it is more likely than not that future tax assets will be recoverable in future periods. Based on this assessment, a valuation allowance must be established where management has determined, based on current facts and reasonable assumptions, that such future tax assets will not likely be realized by the Company. Realization is based on the Company's ability to generate sufficient future taxable income. During the fourth quarter of Fiscal 2006, the Company recognized a $3.0 million future tax asset of which $2.4 million was utilized to offset Fiscal 2007 income tax expense. During the fourth quarter of Fiscal 2007, the Company recorded an income tax recovery of $2.5 million and reversed the $0.6 million remaining from the future tax asset recorded as of Fiscal 2006. The $2.5 million represents the benefit of the tax losses which the Company expects to utilize in Fiscal 2008 based on management's current estimate of income that will more likely than not be generated by the Company to utilize these tax losses. The Company intends to maintain a valuation allowance for the balance of the future tax asset until sufficient positive evidence exists to support its reversal. Changes in material assumptions can occur from period to period due to the aging of prior year's losses, the cumulative effect of current period taxable income and other sources of positive and negative evidence. If these changes in material assumptions were to provide sufficient positive evidence, the Company could record the net benefit of $17.2 million, or a portion thereof, as a recovery of income taxes in the period when realization becomes more likely than not and a corresponding increase in net future income tax assets.

Financial Instruments

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

RECENT CHANGES TO ACCOUNTING STANDARDS AND ACCOUNTING POLICIES

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

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

On adoption of the new financial instruments framework on March 1, 2007, Homeserve recorded an opening Accumulated other comprehensive income adjustment of $3,052 with an offsetting increase in short-term investments as a result of recording these investments at fair market value.

FUTURE CHANGES TO ACCOUNTING STANDARDS

Capital Disclosures

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

Financial Instruments – Disclosures and Presentation

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

CONTROLS AND PROCEDURES

The Company maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. Our Chief Executive Officer and Vice President Finance evaluated, or caused an evaluation under their direct supervision of, the design and effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at May 31, 2007 and have concluded that such disclosure controls and procedures are operating effectively.

Management is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our Chief Executive and Vice President Finance assessed, or caused an assessment under their direct supervision of, the design of the Company's internal controls over financial reporting (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at May 31, 2007 and, based on the assessment, determined that the Company's internal controls over financial reporting were appropriately designed. No changes were made to the design of the Company's internal controls over financial reporting during the three months ended May 31, 2007 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.

Homeserve Technologies Inc.
Condensed Balance Sheets

As at *($ thousands, unaudited)*	**Aug. 31, 2005**	**Nov. 30, 2005**	**Feb. 28, 2006**	**May 31, 2006**	**Aug. 31, 2006**	**Nov. 30, 2006**	**Feb. 28, 2007**	**May 31, 2007**
ASSETS								
Current								
Cash and cash equivalents	7,216	6,675	7,634	5,138	6,180	12,112	15,740	15,228
Short-term investments	17,905	19,494	18,972	23,019	23,021	17,414	14,701	17,001
	25,121	26,169	26,606	28,157	29,201	29,526	30,441	32,229
Accounts receivable, prepaids and other assets	1,147	1,029	1,192	1,407	1,298	853	1,060	1,723
Future tax asset	2,660	2,660	3,000	3,000	3,000	3,000	2,500	2,500
Total current assets	28,928	29,858	30,798	32,564	33,499	33,379	34,001	36,452
Future tax asset	540	540	—	—	—	—	—	—
Capital assets, net	59	43	49	44	51	59	424	416
Intangible assets, net	7,236	6,737	16,426	15,597	14,967	14,629	22,785	21,547
	36,763	37,178	47,273	48,205	48,517	48,067	57,210	58,415
LIABILITIES AND SHAREHOLDERS' EQUITY								
Current								
Accounts payable and accrued liabilities	421	472	446	427	468	614	1,245	828
Income and other taxes payable	515	538	493	493	493	493	454	368
Deferred payable	408	432	2,916	514	522	514	3,244	659
Total current liabilities	1,344	1,442	3,855	1,434	1,483	1,621	4,943	1,855
Shareholders' equity								
Capital stock	29,816	29,816	29,816	39,579	39,579	39,579	39,579	48,292
Shares to be issued	—	—	9,763	—	—	—	8,713	—
Retained earnings	5,603	5,920	3,839	7,192	7,455	6,867	3,975	5,640
Accumulated other comprehensive income	—	—	—	—	—	—	—	2,628
Total shareholders' equity	35,419	35,736	43,418	46,771	47,034	46,446	52,267	56,560
	36,763	37,178	47,273	48,205	48,517	48,067	57,210	58,415

Homeserve Technologies Inc.
Condensed Statements of Retained Earnings

As at *($ thousands, unaudited)*	**Aug. 31, 2005**	**Nov. 30, 2005**	**Feb. 28, 2006**	**May 31, 2006**	**Aug. 31, 2006**	**Nov. 30, 2006**	**Feb. 28, 2007**	**May 31, 2007**
Net income for the three-month period	1,382	869	933	4,128	1,038	178	613	2,659
Preferred share dividends	(563)	(552)	(3,014)	(775)	(775)	(766)	(3,505)	(994)
Change in period	819	317	(2,081)	3,353	263	(588)	(2,892)	1,665
Retained earnings, beginning of the period	4,784	5,603	5,920	3,839	7,192	7,455	6,867	3,975
Retained earnings, end of period	5,603	5,920	3,839	7,192	7,455	6,867	3,975	5,640

Homeserve Technologies Inc.
Condensed Statements of Net Income

($ thousands, except per share amounts, unaudited)	**Six months ended Aug. 31, 2005** (reported)	**Nine months ended Nov. 30, 2005** (reported)	**Twelve months ended Feb. 28, 2006** (reported)	**Three months ended May 31, 2006** (reported)	**Six months ended Aug. 31, 2006** (reported)	**Nine months ended Nov. 30, 2006** (reported)	**Twelve months ended Feb. 28, 2007** (reported)	**Three months ended May 31, 2007** (reported)
Sales	7,321	8,742	10,467	5,434	7,793	9,171	11,204	5,648
Cost of sales	—	—	—	—	—	—	—	7
Gross profit	—	—	—	—	—	—	—	5,641
Operating costs								
Selling, general and administration	1,088	1,651	2,530	810	1,579	2,493	3,846	1,852
Amortization of property, plant and equipment and intangible assets	1,063	1,580	1,661	885	1,781	2,668	3,557	1,506
	2,151	3,231	4,191	1,695	3,360	5,161	7,403	3,358
Income from operations before undernoted	5,170	5,511	6,276	3,739	4,433	4,010	3,801	2,283
Investment income	508	782	1,119	366	709	1,084	1,445	376
Gain (loss) on sale of investments	(41)	211	244	23	23	250	1,211	—
Net income for the period before income taxes	5,637	6,504	7,639	4,128	5,165	5,344	6,457	2,659
Income tax expense	—	—	(200)	—	—	—	(500)	—
Net income for the period	5,637	6,504	7,439	4,128	5,165	5,344	5,957	2,659
Basic income per common share	1.31	1.40	0.80	0.48	0.52	0.44	0.02	0.24
Diluted income per common share	0.66	0.71	0.41	0.48	0.52	0.44	0.02	0.24
File Activity:								
Relocations	15,423	19,074	22,553	10,990	16,348	20,199	24,397	11,612
Asset Recovery	1,482	2,132	2,885	761	1,511	2,445	3,177	851

Homeserve Technologies Inc.
Condensed Statements of Net Income

Three months ended *($ thousands, except per share amounts, unaudited)*	**Aug. 31, 2005** (reported)	**Nov. 30, 2005** (reported)	**Feb. 28, 2006** (reported)	**May 31, 2006** (reported)	**Aug. 31, 2006** (reported)	**Nov. 30, 2006** (reported)	**Feb. 28, 2007** (reported)	**May 31, 2007** (reported)
Sales	2,232	1,420	1,726	5,434	2,360	1,378	2,032	5,648
Cost of sales	—	—	—	—	—	—	—	7
Gross profit	—	—	—	—	—	—	—	5,641
Operating costs								
Selling, general and administration	561	562	880	810	769	914	1,353	1,852
Amortization of property, plant and equipment and intangible assets	530	516	82	885	896	887	889	1,506
	1,091	1,078	962	1,695	1,665	1,801	2,242	3,358
Income (loss) from operations before undernoted	1,141	342	764	3,739	695	(423)	(210)	2,283
Investment income	241	274	337	366	343	375	361	376
Gain on sale of investments	—	253	32	23	—	226	962	—
Net income for the period before income taxes	1,382	869	1,133	4,128	1,038	178	1,113	2,659
Income tax recovery (expense)	—	—	(200)	—	—	—	(500)	—
Net income for the period	1,382	869	933	4,128	1,038	178	613	2,659
Basic income (loss) per common share	0.24	0.09	(0.60)	0.48	0.04	(0.08)	(0.42)	0.24
Diluted income (loss) per common share	0.12	0.05	(0.30)	0.48	0.04	(0.08)	(0.42)	0.24
File Activity:								
Relocations	5,114	3,651	3,479	10,990	5,358	3,851	4,198	11,612
Asset Recovery	741	650	753	761	750	934	732	851

Homeserve Technologies Inc.
Condensed Statements of Cash Flows

Three months ended	Aug. 31, 2005	Nov. 30, 2005	Feb. 28, 2006	May 31, 2006	Aug. 31, 2006	Nov. 30, 2006	Feb. 28, 2007	May 31, 2007
($ thousands, unaudited)	(reported)	(reported)	(reported)	(reported)	(reported)	(reported)	(reported)	(reported)
OPERATING ACTIVITIES								
Net income for the period	1,382	869	933	4,128	1,038	178	613	2,659
Add (deduct) items not affecting cash	532	265	253	861	894	660	430	1,506
Net change in non-cash working capital balances	254	192	(195)	(235)	150	591	385	(1,167)
	2,168	1,326	991	4,754	2,082	1,429	1,428	2,998
FINANCING ACTIVITIES								
Payment of preferred dividends	(922)	(529)	(529)	(3,178)	(766)	(775)	(775)	(3,579)
	(922)	(529)	(529)	(3,178)	(766)	(775)	(775)	(3,579)
INVESTING ACTIVITIES								
Sale (purchase) of short-term investments	—	(1,339)	585	(4,023)	—	5,835	3,672	328
Capital expenditures and other	38	1	(88)	(49)	(274)	(557)	(697)	(259)
	38	(1,338)	497	(4,072)	(274)	5,278	2,975	69
Cash and cash equivalents								
Increase (decrease) during the period	1,284	(541)	959	(2,496)	1,042	5,932	3,628	(512)
Balance, beginning of period	5,932	7,216	6,675	7,634	5,138	6,180	12,112	15,740
Balance, end of period	7,216	6,675	7,634	5,138	6,180	12,112	15,740	15,228

Homeserve Technologies Inc.
Condensed Segmented Information
Contribution Margin

Three months ended	**Aug. 31, 2005**	**Nov. 30, 2005**	**Feb. 28, 2006**	**May 31, 2006**	**Aug. 31, 2006**	**Nov. 30, 2006**	**Feb. 28, 2007**	**May 31, 2007**
($ thousands, unaudited)	(reported)	(reported)	(reported)	(reported)	(reported)	(reported)	(reported)	(reported)
Segmented information								
ICON development and licensing								
Revenue	2,211	1,415	1,722	5,422	2,348	1,365	2,011	5,632
Operating costs	(222)	(277)	(273)	(353)	(295)	(299)	(303)	(330)
	1,989	1,138	1,449	5,069	2,053	1,066	1,708	5,302
Software development and licensing								
Revenue	—	—	—	—	—	—	—	15
Cost of sales	—	—	—	—	—	—	—	(7)
Operating costs	(52)	(72)	(106)	(214)	(269)	(412)	(803)	(1,294)
	(52)	(72)	(106)	(214)	(269)	(412)	(803)	(1,286)
Home-Link operations								
Revenue	21	5	4	12	12	13	21	1
Operating costs	(128)	(99)	(103)	(111)	(85)	(71)	(39)	(29)
	(107)	(94)	(99)	(99)	(73)	(58)	(18)	(28)
Other								
General and administration	(159)	(114)	(398)	(132)	(120)	(132)	(208)	(199)
	(159)	(114)	(398)	(132)	(120)	(132)	(208)	(199)
Contribution margin	1,671	858	846	4,624	1,591	464	679	3,789
Comprised of:								
Revenue	2,232	1,420	1,726	5,434	2,360	1,378	2,032	5,648
Cost of sales	—	—	—	—	—	—	—	(7)
Operating costs – selling, general and administration	(561)	(562)	(880)	(810)	(769)	(914)	(1,353)	(1,852)
	1,671	858	846	4,624	1,591	464	679	3,789

Interim Financial Statements

Homeserve Technologies Inc.

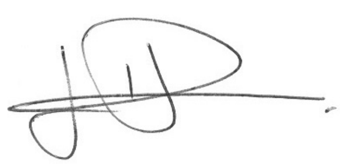
May 31, 2007

HOMESERVE TECHNOLOGIES INC.
Interim Balance Sheets

($ thousands)	As at May 31, 2007 (unaudited)	As at February 28, 2007 (unaudited)
ASSETS		
Current		
Cash and cash equivalents	**15,228**	15,740
Short-term investments	**17,001**	14,701
Accounts receivable *[note 6]*	**1,604**	893
Prepaid expenses and other assets	**119**	167
Future tax assets	**2,500**	2,500
Total current assets	**36,452**	34,001
Property, plant and equipment, net	**416**	424
Intangible assets, net	**21,547**	22,785
	58,415	57,210
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[note 6]*	**828**	1,245
Income and other taxes payable	**368**	454
Dividends payable *[note 6]*	**659**	3,244
Total current liabilities	**1,855**	4,943
Commitments and contingencies		
Shareholders' equity		
Capital stock *[note 5]*	**48,292**	39,579
Shares to be issued *[note 5]*	**—**	8,713
Retained earnings	**5,640**	3,975
Accumulated other comprehensive income *[note 8]*	**2,628**	—
Total shareholders' equity	**56,560**	52,267
	58,415	57,210

See accompanying notes

On behalf of the Board:



James B. Dunbar
Director

Joseph S. Freedman
Director

HOMESERVE TECHNOLOGIES INC.
Interim Statements of Income and Retained Earnings

Three months ended May 31		
	2007	2006
($ thousands, except per common share amounts)	*(unaudited)*	*(unaudited)*
Revenue *[note 6]*	**5,648**	5,434
Cost of sales	**7**	—
Gross profit	**5,641**	5,434
Operating expenses		
Selling, general and administrative	**1,852**	810
Amortization of property, plant and equipment	**38**	12
Amortization of intangible assets	**1,468**	873
Income from operations before the undernoted	**2,283**	3,739
Investment income	**376**	366
Gain on sale of short-term investments	**—**	23
Net income for the period	**2,659**	4,128
Preferred share dividends *[notes 5 and 6]*	**(994)**	(775)
Basic earnings available to common shareholders	**1,665**	3,353
Retained earnings, beginning of year	**3,975**	3,839
Retained earnings, end of period	**5,640**	7,192
Basic earnings available to common shareholders *[note 5]*	**1,665**	3,353
Basic earnings per common share *[note 5]*	**$0.24**	$0.48
Diluted earnings available to common shareholders *[note 5]*	**1,665**	3,353
Diluted earnings per common share *[note 5]*	**$0.24**	$0.48

See accompanying notes

Interim Statement of Comprehensive Income

Three months ended May 31	
	2007
($ thousands, except per common share amounts)	*(unaudited)*
Net income for the period	**2,659**
Other comprehensive income – net of income taxes	
Unrealized loss on short-term investments	**(424)**
Other comprehensive loss for the period	**(424)**
Comprehensive income	**2,235**

See accompanying notes

Homeserve Technologies Inc.
Interim Statements of Cash Flows

Three months ended May 31 *($ thousands)*	**2007**	2006
Operating Activities		
Net income for the period	**2,659**	4,128
Add (deduct) items not affecting cash		
Amortization of bond premium (discount)	**—**	(1)
Amortization of property, plant and equipment	**38**	12
Amortization of intangible assets	**1,468**	872
Gain on sale of short-term investments	**—**	(23)
	4,165	4,988
Net change in non-cash working capital balances related to operations	**(1,167)**	(234)
	2,998	4,754
Financing Activities		
Payment of preferred share dividends	**(3,579)**	(3,178)
	(3,579)	(3,178)
Investing Activities		
Net decrease (increase) in short-term investments	**328**	(4,023)
Acquisition of property, plant and equipment	**(259)**	(49)
	69	(4,072)
Net decrease in cash and cash equivalents during the period	**(512)**	(2,496)
Cash and cash equivalents, beginning of period	**15,740**	7,634
Cash and cash equivalents, end of period	**15,228**	5,138

See accompanying notes

Notes to Financial Statements

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

May 31, 2007

1. BASIS OF PRESENTATION AND NATURE OF OPERATIONS

These interim financial statements have not been subject to an interim review by the Company's auditors.

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

As at May 31, 2007, the Company had four reportable segments, ICON, Home-Link, Software Development and Licensing, and General and Administration. ICON is a customizable software application that manages all aspects of a residential home relocation service. The Company earns licensing fees by providing a license to use this software to companies in the business of managing residential relocations. Home-Link revenues are generated from service fees, transaction fees, and marketing fees. Software development and licensing revenues are generated from software licensing and royalty fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles [“GAAP”]. The accounting principles used in these interim financial statements are consistent with those used in the annual financial statements. However, these financial statements do not include all information and disclosure required by Canadian GAAP for annual financial statements, and should be read in conjunction with the audited annual financial statements. 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.

Property, plant and equipment

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

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

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

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

Intangible assets

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

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

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

Revenue recognition

ICON software and development

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

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

Adoption of New Accounting Standards

Accounting Changes

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

Financial Instruments

We adopted CICA Handbook Section 3855, *Financial Instruments-Recognition and Measurement*; Section 3865, *Hedges*; and Section 1530, *Comprehensive Income* as of March 1, 2007. The initial adoption of these new standards resulted in a $3,052 Accumulated other comprehensive income balance and a corresponding increase in short-term investments. Details of the transition adjustments are presented in Note 8, *Accumulated Other Comprehensive Income*. The resulting changes in our accounting policies are described below.

Available-for-sale financial assets

We generally classify our short-term investments as available for sale. They are classified in the balance sheet as Short-term investments. These investments are initially recorded at their acquisition cost, including related transaction costs, on the date of trade. Short-term investments are subsequently adjusted to fair value as at the date of the balance sheet, and the corresponding unrealized gains and losses are recorded in other comprehensive income. As of May 31, 2007 we recognized unrealized gains on our available-for-sale financial assets of $2,628.

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

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

3. ACQUISITIONS

Acquisition of ICON
On April 13, 2004, the Company acquired Centract's interest in its ICON software and entered into licensing, premises lease and employment arrangements with Centract for potential consideration of $24 million which has been earned as at February 28, 2007. This consideration was comprised of:

- A $2.0 million debenture that was converted to 2,000,000 Series B preferred shares on July 12, 2004; plus
- $3.5 million paid by the issuance of 3,500,000 Series D preferred shares with a non-cumulative annual dividend of 3.5% and conversion option to non-voting common shares of the Company [*see note 8 – Capital Stock*]. In accordance with the automatic conversion terms of these shares, these shares were converted in the first quarter of Fiscal 2007 into 3,500,000 non-voting common shares; plus
- An earn-out option which provides for issuances of up to 18,500,000 Series C preferred shares issuable on the basis of one Series C preferred share for each $1.00 of cumulative licensing fee revenue earned by the Company from its two license arrangements, in excess of $8 million for the period from April 13, 2004 to February 29, 2008, plus an amount in cash equal to the aggregate dividends that would have been received by Centract if Centract had received the Series C preferred shares on April 13, 2004. The Series C preferred shares are also entitled to a cumulative quarterly dividend of 2.5% and a cumulative aggregate preferential annual participation dividend of 9.25% of pre-defined pre-tax income of the Company [*see note 8 – Capital Stock*]. In Fiscal 2006, 24,189 Series C preferred shares were issued under the earn-out for Fiscal 2005, an additional 9,763,061 Series C preferred shares were issued in Fiscal 2007 under the earn-out for Fiscal 2006, and an additional 8,712,750 Series C preferred shares were issued in Fiscal 2008 [*see note 8 – Capital Stock*]; plus
- An increase in the Series B preferred share cumulative aggregate preferential annual participation dividend from 10% to 11% of pre-defined pre-tax income of the Company based on the weighted average number of Series B preferred shares outstanding divided by 22,000,000. As at February 28, 2007, there are 22,000,000 Series B preferred shares outstanding.

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

The initial ICON purchase price consideration was $6.0 million and was comprised of $5.5 million of intangible assets and property, plant and equipment and $0.5 million in legal, valuation, accounting and shareholder communication costs associated with the transaction. As a result of the earn-out option, an additional $9.8 million and $8.7 million of intangible assets were added during Fiscal 2006 and Fiscal 2007, respectively, bringing the total ICON intangible assets and property, plant and equipment related consideration to $24.0 million as summarized in the table below.

	($)
Assets acquired	
Intangible assets	23,946
Property, plant and equipment	54
	24,000
Consideration provided	
Convertible debenture	2,000
Series C preferred shares	18,500
Series D preferred shares	3,500
	24,000

4. MATERIAL CONTRACTS

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

[a] ICON licensing arrangements

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

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

   As part of the licensing agreement, Centract is to receive, at no additional cost, maintenance and technological support and normal course upgrades. Any development upgrades or modifications are provided to Centract at cost plus 20%.

2. A five-year, non-transferable license with Asset Recovery, a division of Centract, which currently uses the modules of ICON in exchange for a monthly license fee equal to $50 per administrative file and $100 per home sale file. The license agreement commenced on April 13, 2004 with an initial term to March 31, 2009 with successive two-year renewal terms.

[b] *Aeromove*™ licensing arrangements

On August 2, 2006, the Company signed a national, multi-year agreement with Aeroplan to offer Aeroplan members the opportunity to earn Aeroplan miles through a move and home CRM program called Aeromove, which utilizes the Company's CARE II and ICON platforms. Aeromove generates revenue for the Company through a combination of fees earned from the move, service participants and a margin on Aeroplan miles earned through the Aeromove program. The program formally launched on February 26, 2007.

Notes to Financial Statements

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

May 31, 2007

5. CAPITAL STOCK

Capital stock consists of the following:

($)		As at May 31, 2007	As at Feb. 28, 2007
Authorized			
Unlimited preference 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 (February 28, 2007 – 9,787,250)	**18,500**	9,787
Nil	Series D preferred shares	**—**	—
3,443,687	Common shares	**3,012**	3,012
3,500,000	Non-voting common shares	**3,500**	3,500
		48,292	39,579

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

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

The holders of the Series A preferred shares are also entitled to receive a cumulative aggregate preferential annual participation dividend of 0.64% of the Company's annual net income before tax 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, 2007 was $6 [2006 – $23].

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 net income before tax 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, 2007 was $96 [2006 – $394].

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

The holders of the Series C preferred shares are also entitled to receive a cumulative aggregate preferential annual participation dividend of up to 9.25% of the Company's annual net income before tax 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, 2007 was $43 [2006 – $1].

As outlined in note 3, under the terms of the agreement to purchase ICON, the Company will issue one Series C preferred share at a par value of $1.00 per share with a cumulative quarterly dividend of 2.5% and cumulative aggregate preferential annual participation dividend of 9.25% of pre-defined pre-tax income of the Company. As at May 31, 2007, 18,500,000 Series C preferred shares have been issued in respect of Fiscal 2005, 2006 and 2007 earn-outs. The full $24 million of consideration available under the ICON acquisition has been earned.

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

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

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

Earnings per share
Basic earnings per share have been calculated using the weighted average number of common shares outstanding of 6,943,687 for the three months ended May 31, 2007 and May 31, 2006.

Three months ended May 31 *($)*	**2007**	2006
Net income for the period	**2,659**	4,128
Dividends paid on preferred shares	**(994)**	(775)
Basic earnings available to common shareholders	**1,665**	3,353
Adjustment to net income on conversion of Series D preferred shares	**—**	—
Diluted earnings available to common shareholders	**1,665**	3,353

6. RELATED PARTY TRANSACTIONS

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

Three months ended May 31 *($)*	**2007**	2006
Revenue	**5,644**	5,432
Expenses		
Management fee and cost reimbursement	**100**	96
Rent	**36**	20
Preferred share dividends	**994**	775

As at May 31, 2007, the Company has accounts receivable of $1,471 [February 28, 2007 – $672], dividends payable of $659 [February 28, 2007 – $3,244] and accounts payable of $450 [February 28, 2007 – $208] with related parties.

7. SEGMENTED REPORTING

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

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

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

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

Three months ended May 31 *($)*	**2007**	2006
Revenue		
ICON	**5,632**	5,422
Home-Link	**1**	12
Software Development and Licensing	**15**	—
	5,648	5,434
Contribution margin		
ICON	**5,302**	5,069
Home-Link	**(28)**	(99)
Software development and licensing	**(1,286)**	(214)
General and administration	**(199)**	(132)
	3,789	4,624
Investment income	**376**	366
Gain on sale of short-term investments	**—**	23
Amortization of property, plant and equipment	**(38)**	(12)
Amortization of intangible assets	**(1,468)**	(873)
Income from operations before income taxes	**2,659**	4,128

8. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table summarizes the changes within accumulated other comprehensive income.

Balance February 28, 2007	**$ —**
Cumulative effect of adopting new financial instruments on March 1, 2007	**3,052**
Balance, March 1, 2007	**3,052**
Other comprehensive loss for the period	**(424)**
Balance, May 31, 2007	**$ 2,628**

Corporate Information

BOARD OF DIRECTORS

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

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

William J. Danis

Jason D. Meretsky

Donald W. Paterson

SENIOR MANAGEMENT

James B. Dunbar
President &
Chief Executive Officer

Plinio Cardoni
Vice President Finance &
Secretary

CORPORATE HEADQUARTERS

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M5K 1J7

REGISTRAR & TRANSFER AGENT

Computershare Investor Services
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Toronto, Ontario
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STOCK LISTING

The Company's shares are currently unlisted.

INVESTORS RELATIONS

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

Mansfield Communications Inc.
Attention: Susana Hsu

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