1st Quarter 2009

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
President, Chief Executive Officer
Homeserve Technologies Inc.

Kevin Cash
Chief Financial Officer
Centract Residential Property Services

July 11, 2008

Management's Discussion and Analysis of Results and Financial Condition

The following Management's Discussion and Analysis of Results and Financial Condition ("MD&A") of Homeserve Technologies Inc. ("Homeserve" or the "Company") covers the period from March 1, 2008 to May 31, 2008. This MD&A has been prepared as at July 11, 2008. This MD&A should be read in conjunction with our audited financial statements for the 12 months ended February 29, 2008 and the attached interim unaudited financial statements for the quarter ended May 31, 2008. 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) ICON software and its development and support personnel, and (iii) our co-ownership of the Credit Adjudication & Lending Management System ("CALMS"). As at the date of this MD&A, these operations are supported by 30 personnel and Centract's shared management services platform.

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

OPERATIONS OVERVIEW

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

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

In April 2003, the Company acquired a perpetual, exclusive, royalty-free, transferable, license to use CARE in Canada and to sub-license its use to others in Canada. Homeserve has continued to enhance and upgrade CARE in order to meet new client requirements and opportunities. CARE currently delivers customer, call-centre and supplier facing interfaces allowing both real-time order placement and batch file delivery for supplier order management. CARE 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 to better manage their respective mortgage portfolios and customer base. There can be no assurance that such pilot projects will result in contract implementations.

RESULTS OF OPERATIONS: FIRST QUARTER 2009 COMPARED TO FIRST QUARTER 2008

Three months ended May 31 *($ thousands, except per share amounts)*	**2008**	2007
Revenue	**5,797**	5,648
Cost of sales	**68**	7
Gross margin	**5,729**	5,641
Operating costs – selling, general and administrative	**1,393**	1,852
Operating costs – amortization	**1,568**	1,506
Net income from operations	**2,768**	2,283
Investment income	**121**	376
Net income for the period	**2,889**	2,659
Preferred share dividends	**(992)**	(994)
Basic and diluted earnings available to common shareholders	**1,897**	1,665
Basic and diluted earnings per common share	**$0.27**	$0.24

As summarized in the table above, the Company reported net income of $2.9 million for the quarter ended May 31, 2008 (the "Quarter") as compared to net income of $2.7 million for the three months ended May 31, 2007, which after the payment of preferred share dividends for the Quarter represents a basic and diluted income per share to common shareholders of $0.27, as compared to basic and diluted income per share of $0.24 for the same period in Fiscal 2008. The most significant element contributing to the $0.2 million quarter-over-quarter increase in net income was the timing of advertising spending associated with our Aeromove™ program, partially offset by reduced investment income of $0.3 million due to a change in the Company's investment strategy (see Investment Income). 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)*	**2008**	2007
ICON licensing and consulting		
Revenue	**5,680**	5,632
Operating costs	**(411)**	(330)
	5,269	5,302
Software development and licensing		
Revenue	**117**	15
Cost of sales	**(68)**	(7)
Operating costs	**(839)**	(1,294)
	(790)	(1,286)
Home-Link operations		
Revenue	—	1
Operating costs	—	(29)
	—	(28)
Other		
General and administration	**(143)**	(199)
	(143)	(199)
Contribution margin	**4,336**	3,789
Comprised of:		
Revenue	**5,797**	5,648
Cost of sales	**(68)**	(7)
Operating costs – selling, general and administration	**(1,393)**	(1,852)
	4,336	3,789

ICON licensing and consulting ("ICON") revenue for the Quarter of $5.7 million was generated from our contracted relocation and asset recovery agreements (see ICON Transaction) with Centract, as compared to $5.6 million for the same period of Fiscal 2008. Of the $5.7 million in revenue for the Quarter, $5.5 million was earned from licensing revenue and $0.2 million from consulting services. The underlying relocation and asset recovery file activity summarized in the table below was up 0.7% over the same period in the prior year. Operating costs relate to staffing, selling, premises and administrative costs associated with our development and support personnel. The increase in operating costs during the Quarter is due primarily to additional staffing related to delivering our ICON licensing and consulting services.

Three months ended May 31	**2008**	2007
Relocation files	**11,909**	11,612
Asset recovery files	**641**	851

Approximately 83% of Homeserve's ICON licensing revenue for the Quarter is derived from two significant Centract contracts with the Government of Canada ("GOC") for the provision of relocation services (see Centract GOC Contracts).

Software Development and Licensing ("SDL"), which includes consulting activities and development of the Company's CARE initiatives, generated a contribution margin loss of $0.8 million for the Quarter as compared to a contribution margin loss of $1.3 million for the same period of Fiscal 2008, due primarily to the timing of advertising spending associated with our Aeromove™ program. The operating costs for the Quarter relate primarily to salary, selling and administrative costs associated with the development of the Company's CARE initiatives which includes the Aeromove™ program which launched on February 26, 2007.

Home-Link has continued to sustain operating losses and accordingly management made the decision effective March 28, 2008 to transition the remainder of the Home-Link operations into the Software Development and Licensing segment.

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 $0.1 million of administrative costs for the Quarter are in line with the same period of Fiscal 2008 and management's expectations.

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 are recorded as part of accumulated other comprehensive income (see Comprehensive Income). During the Quarter, the Company recorded $0.1 million of investment income and $0.3 million of other comprehensive income. These results were down from $0.3 million and up from a $0.4 million loss, respectively, from the same period of Fiscal 2008 and reflect a shift from cash and cash equivalents to short-term investments.

The Company's investment portfolio as at May 31, 2008 of $31.9 million is comprised of cash and cash equivalents of $8.5 million and short-term investments of $22.9 million. Cash and cash equivalents are cash held at banks and short-term banker's acceptances with maturities of less than 90 days at the time of purchase while short-term investments are comprised of bonds of a Real Estate Investment Trust and a 15.6% share in a high-yield credit opportunity fund which is managed by a related party (see Transactions with Related Parties).

Amortization for the Quarter increased $0.1 million over the same period of Fiscal 2008 due primarily to amortization associated with the capitalized development costs to build the Aeromove™ system.

Income tax expense for the Quarter was $nil and was unchanged from the same period of the prior year. The Company is utilizing tax loss carryforwards to bring taxable income to $nil. Due to continued uncertainty surrounding the duration of Centract's GOC 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 as of February 29, 2008, which represents the expected tax benefit to be realized in respect of Fiscal 2009 activity. This estimate is consistent with Fiscal 2008 when management recorded a FIT in the amount of $2.5 million which represented the expected tax benefit to be realized in respect of Fiscal 2008. 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 GOC Contracts (see Centract GOC Contracts) and the rollout of the Aeromove™ program. As at February 29, 2008, the estimated FIT of the Company was $15.8 million of which $12.4 was attributed to non-capital losses of $8.9 million and capital losses of $3.5 million, $3.3 million to book to accounting differences on capital and intangible assets and the balance to investment tax credits.

Comprehensive Income relates to the Company's adoption of the Canadian Institute of Chartered Accountants ("CICA") Handbook sections: 3855, Financial Instruments – Recognition and Measurement, 1530, Comprehensive Income and 3251, Equity on March 1, 2007. These standards require that all financial assets be classified as "trading", "designated at fair value", "available-for-sale", "held-to-maturity", or "loans and receivables". In addition, the standards require that all financial assets, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, and available-for-sale equities that do not have quoted market values in an active market. During the Quarter the Company recognized $0.3 million of comprehensive income reflecting the increase in fair market value of our investment portfolio as compared to a loss of $0.4 million for the same period in Fiscal 2008.

LIQUIDITY AND CAPITAL RESOURCES

($ thousands)	**As at May 31, 2008**	As at February 29, 2008
Current assets		
Cash and cash equivalents	**8,542**	4,551
Short-term investments	**22,949**	25,647
Accounts receivable	**3,682**	1,210
Prepaid and other assets	**80**	161
Future tax assets	**2,500**	2,500
	37,753	34,069
Current liabilities		
Accounts payable and accrued liabilities	**495**	399
Income taxes payable	**368**	368
Dividend payable	**658**	647
	1,521	1,414
Net current asset position	**36,232**	32,655

As at May 31, 2008, and as summarized in the table above, the Company had positive working capital of $36.2 million, up $3.6 million from February 29, 2008. The following items of note drive the net increase in working capital:

- $4.5 million cash flow generated from operations which after dividend payments of $1.0 million, capital and intangible expenditures of $0.2 million, increased payables of $0.1 million and increased receivables of $2.5 million increased cash and cash equivalents;
- $2.7 million decrease in short-term investments as a result of the maturity of a corporate bond partially offset by recording financial instruments at fair market value.

As at May 31, 2008, short-term investments were comprised of corporate bonds with a yield to maturity of 5.75% and an investment in a high-yield credit opportunity fund managed by a related party (see Transactions with Related Parties).

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

	Number of files	Revenue
Q1	44%	49%
Q2	22%	21%
Q3	16%	11%
Q4	18%	19%

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 with the Canadian Department of National Defense, Government of Canada and the Royal Canadian Mounted Police (collectively "GOC Contracts").

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

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

CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's contractual obligations as at May 31, 2008:

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

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

CAPITAL RESOURCES

The financial resources available to the Company include $8.5 million in cash and cash equivalents and $22.9 million in marketable securities. The Company currently has no debt financing arrangements in place.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

Share Ownership

The Company's most significant shareholder is Centract. As at May 31, 2008, Centract had the following shareholdings:

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

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

Transactions with Related Parties

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

	Three months ended		Twelve months ended
($ millions)	**May 31, 2008**	May 31, 2007	February 29, 2008
Revenue			
ICON	**5.7**	5.6	11.9
Expenses			
Management fees	**0.1**	0.1	0.4
Dividends			
Series A preferred shares	**—**	—	0.1
Series B preferred shares	**0.5**	0.5	2.0
Series C preferred shares	**0.5**	0.5	1.9
Series D preferred shares	**—**	—	—

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

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

CAPITAL STRUCTURE

The Company's capital structure as at May 31, 2008 is comprised of common shares, non-voting common shares and preferred shares. The Company's Series A preferred shares, Series B preferred shares and Series C preferred shares, can be redeemed by the Company for $1.00 per share. Redemption of the preferred shares could significantly reduce the Company's cash and cash equivalents and short-term investments.

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

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

($ thousands except number of shares and per share amounts)	Three months ended May 31, 2008	May 31, 2007
Net income	**$ 2,889**	$ 2,659
Preferred share dividends	**(992)**	(994)
Net income available to common shareholders	**$ 1,897**	$ 1,665
Weighted average outstanding common shares	**6,944**	6,944
Common shares and common share equivalents	**6,944**	6,944
Basic and diluted income per common share	**$ 0.27**	$ 0.24

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 table below and discussed under ICON Transaction.

A summary of the Company's capital structure as at May 31, 2008 is summarized in the table below.

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

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

OUTLOOK

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

ICON

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

Aeromove™

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

New Business Initiatives

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

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 quarterly 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 CONSOLIDATED QUARTERLY INFORMATION

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

	2009	2008	2008	2008	2008	2007	2007	2007
($ thousands)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	5,797	2,274	1,393	2,591	5,648	2,032	1,378	2,360
Cost of sales	68	66	61	61	7	—	—	—
Gross profit	5,729	2,208	1,332	2,530	5,641	2,032	1,378	2,360
Operating expenses	2,961	3,092	2,911	2,858	3,358	2,242	1,801	1,665
Selling, general and administration	1,393	1,588	1,421	1,343	1,852	1,353	914	769
Amortization of property, plant and equipment and intangible assets	1,568	1,504	1,490	1,515	1,506	889	887	896
Income (loss) from operations	2,768	(884)	(1,579)	(328)	2,283	(210)	(423)	695
Investment income	121	134	219	360	376	361	375	343
Gain on sale of short-term investments	—	—	2,225	—	—	962	226	—
Income (loss) before income taxes	2,889	(750)	865	32	2,659	1,113	178	1,038
Provision for income taxes	—	—	—	—	—	500	—	—
Net Income (loss)	2,889	(750)	865	32	2,659	613	178	1,038
Preferred share dividends	(992)	(984)	(984)	(994)	(994)	(3,505)	(766)	(775)
Basic earnings (loss) available to common shareholders	1,897	(1,734)	(119)	(962)	1,665	(2,892)	(588)	263
Basic earnings (loss) per common share	0.27	(0.25)	(0.02)	(0.14)	0.24	(0.42)	(0.08)	0.04
Diluted earnings (loss) available to common shareholders	1,897	(1,734)	(119)	(962)	1,665	(2,892)	(588)	263
Diluted earnings (loss) per common share	0.27	(0.25)	(0.02)	(0.14)	0.24	(0.42)	(0.08)	0.04

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

ICON TRANSACTION

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

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

- An earn-out option, which provides for the issuance of up to 18,500,000 Series C preferred shares at $1.00 per share upon meeting certain pre-defined criteria (see Outstanding Shares). As at May 31, 2008, 18,500,000 of these shares have been earned and issued; plus
- An increase in the Series B preferred share cumulative aggregate preferential annual participation dividend from 10% to 11% of pre-defined consolidated pre-tax income of the Company based on the weighted average number of Series B preferred shares outstanding divided by 22,000,000. As at May 31, 2008, there are 22,000,000 Series B preferred shares outstanding.

As at May 31, 2008, the Company has recorded $24.5 million with respect to our purchase of ICON, which is represented by $23.9 million in intangible assets, $0.1 million in capital assets and $0.5 million in legal, valuation, accounting and shareholder communication costs associated with the transaction. The amount recorded for the purchase of ICON and subsequent amortization of this asset increased in accordance with the earn-out provisions of the purchase and sale agreement as described earlier.

ICON LICENSING ARRANGEMENTS

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

1. A seven-year transferable and renewable license with Centract or its designee for the exclusive use of the ICON software in the North American relocation market for which Centract will pay the Company a license fee equal to: (i) $500 per file for the first 10,000 files opened in any calendar year, (ii) $400 per file opened for the next 10,000 files in any calendar year and (iii) $250 per file opened in excess of 20,000 files in any calendar year. The license agreement commenced on April 13, 2004 with an initial term to March 31, 2011 with successive two-year renewal terms. On renewal, the license fee during such renewal period will be equal to the lower of $200 per file opened or the lowest fee charged by the Company to any licensee from whom the Company generates annual license fees in excess of $0.5 million. During the three months ended May 31, 2008, the Company earned $5.4 million in related licensing fees on 11,909 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, 2008, 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, 2008, the Company earned less than $0.1 million in related fees on 641 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, 2008, the number of issued and outstanding shares of the Company are as follows:

Description	**As at May 31, 2008**
Common shares	**3,443,687**
Series A preferred shares	**1,280,000**
Series B preferred shares	**22,000,000**
Series C preferred shares	**18,500,000**
Series D preferred shares	**—**
Non-voting common shares	**3,500,000**

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

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

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

Impairment

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

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

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

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

The Company has recorded intangible assets related to the purchase of Home-Link, the purchase of the license and sub-license for use of Home-Link's CRM software in Canada, the ICON Transaction and the build-out of the Aeromove™ system. The original allocation to the intangible Home-Link assets and CRM software, and the costs incurred to develop the Aeromove™ software was $7.4 million. These intangible assets are being amortized over a seven-year and five-year period, respectively and had a net book value of $2.4 million as at May 31, 2008. The allocation to May 31, 2008 (see ICON Transaction) to the Company's intangible ICON assets was $24.5 million. These assets are being amortized over a seven-year period and had a net book value of $13.9 million as at May 31, 2008. The valuation of these intangible assets is subject to management's estimates and is reviewed each year to ensure that there is no impairment in the carrying value of these assets. A change in the estimate would affect the net earnings of the Company, but would have no direct cash flow implications.

Accounting for income taxes

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

Valuation allowances primarily relate to potential future tax assets arising from accounting depreciation claimed in excess of tax depreciation and tax losses carried forward. Management must assess both positive and negative evidence when determining whether it is more likely than not that future tax assets will be recoverable in future periods. Based on this assessment, a valuation allowance must be established where management has determined, based on current facts and reasonable assumptions, that such future tax assets will not likely be realized by the Company. Realization is based on the Company's ability to generate sufficient future taxable income. During the fourth quarter of Fiscal 2007, the Company recognized a $2.5 million future tax asset of which $2.5 million was utilized to offset Fiscal 2008 income tax expense. During the fourth quarter of Fiscal 2008, the Company recorded an income tax recovery of $2.5 million. The $2.5 million represents the benefit of the tax losses which the Company expects to utilize in Fiscal 2009 based on management's current estimate of income that will more likely than not be generated by the Company to utilize these tax losses. The Company intends to maintain a valuation allowance for the balance of the future tax asset until sufficient positive evidence exists to support its reversal. Changes in material assumptions can occur from period to period due to the aging of prior year's losses, the cumulative effect of current period taxable income and other sources of positive and negative evidence. If these changes in material assumptions were to provide sufficient positive evidence, the Company could record the net benefit of $13.3 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

In December 2006, the CICA issued new Handbook sections: Section 1535, Capital Disclosures, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation for annual and interim periods beginning on or after October 1, 2007. Section 1535 establishes disclosure requirements about capital. Sections 3862 and 3863 replace Section 3861, revising and enhancing its disclosure requirements and carrying forward its presentation requirements. The adoption of these new standards resulted in additional disclosure with regard to Homeserve's financial instruments and the objectives, policies and processes for managing capital but did not otherwise affect the Company's consolidated financial statements.

In April 2007, the CICA Accounting Standards Board amended Section 1400, General Standards of Financial Statement Presentation. These amendments require management to disclose any uncertainties that cast significant doubt upon an entity's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management must take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. The new standard must be adopted for interim and annual financial statements on January 1, 2008 on a prospective basis. Management does not believe that there is any material uncertainties related to events or conditions that may cast significant doubt upon the Fund's ability to continue as a going concern.

FUTURE CHANGES TO ACCOUNTING STANDARDS

In February 2008, the CICA issued new Handbook Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new standard addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The Section also issued amendments to Section 1000, Financial Statement Concepts. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and will be adopted by the Company effective March 1, 2009. The objectives of the changes are to reinforce a principle-based approach to the recognition of costs as assets and to clarify the application of the concept of matching revenues and expenses in Section 1000. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards ("IFRS") by eliminating the practice of recognizing as assets a variety of startup, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. The Company is currently evaluating the effects of adopting these changes.

In 2006, the Accounting Standards Board ratified a strategic plan that will result in the adoption by Canadian public companies of IFRS. Homeserve will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. It is premature to currently assess the impact of the Canadian adoption on the Company's consolidated financial statements.

CONTROLS AND PROCEDURES

The Company maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. Our Chief Executive Officer and 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 May 31, 2008 and have concluded that such disclosure controls and procedures are operating effectively.

Management is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our Chief Executive and 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 May 31, 2008 and, based on the assessment, determined that the Company's internal controls over financial reporting were appropriately designed. No changes were made to the design of the Company's internal controls over financial reporting during the three months ended May 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

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

Interim Financial Statements

Homeserve Technologies Inc.

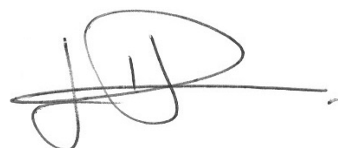
May 31, 2008

Homeserve Technologies Inc.
Interim Balance Sheets

($ thousands)	As at May 31, 2008 (unaudited)	As at February 29, 2008
Assets		
Current		
Cash and cash equivalents	**8,542**	4,551
Short-term investments	**22,949**	25,647
Accounts receivable *[note 5]*	**3,682**	1,210
Prepaid expenses and other assets	**80**	161
Future tax assets	**2,500**	2,500
Total current assets	**37,753**	34,069
Property, plant and equipment, net	**320**	353
Intangible assets, net	**16,347**	17,692
	54,420	52,114
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities *[note 5]*	**495**	399
Income and other taxes payable	**368**	368
Dividends payable *[note 5]*	**658**	647
Total current liabilities	**1,521**	1,414
Commitments and contingencies		
Shareholders' equity		
Capital stock *[note 4]*	**48,292**	48,292
Retained earnings	**4,722**	2,825
Accumulated other comprehensive income (loss) *[note 9]*	**(115)**	(417)
Total shareholders' equity	**52,899**	50,700
	54,420	52,114

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 *($ thousands, except per common share amounts)*	**2008** *(unaudited)*	2007 *(unaudited)*
Revenue *[note 5]*	**5,797**	5,648
Cost of sales	**68**	7
Gross profit	**5,729**	5,641
Operating expenses		
Selling, general and administrative	**1,393**	1,852
Amortization of property, plant and equipment	**43**	38
Amortization of intangible assets	**1,525**	1,468
Income from operations before the undernoted	**2,768**	2,283
Investment income	**121**	376
Net income for the period	**2,889**	2,659
Preferred share dividends *[notes 4 and 5]*	**(992)**	(994)
Basic earnings available to common shareholders	**1,897**	1,665
Retained earnings, beginning of period	**2,825**	3,975
Retained earnings, end of period	**4,722**	5,640
Basic and diluted earnings available to common shareholders *[note 4]*	**1,897**	1,665
Basic and diluted earnings per common share *[note 4]*	**$0.27**	$0.24

See accompanying notes

Interim Statements of Comprehensive Income

Three months ended May 31 *($ thousands, except per common share amounts)*	**2008** *(unaudited)*	2007 *(unaudited)*
Net income for the period	**2,889**	2,659
Other comprehensive income – net of income taxes		
Unrealized income (loss) on short-term investments	**302**	(424)
Other comprehensive income (loss) for the period	**302**	(424)
Comprehensive income	**3,191**	2,235

See accompanying notes

Homeserve Technologies Inc.
Interim Statements of Cash Flows

Three months ended May 31 ($ thousands)	2008 (unaudited)	2007 (unaudited)
Operating Activities		
Net income for the period	**2,889**	2,659
Add (deduct) items not affecting cash		
Amortization of property, plant and equipment	**43**	38
Amortization of intangible assets	**1,525**	1,468
	4,457	4,165
Net change in non-cash working capital balances related to operations	**(2,295)**	(1,167)
	2,162	2,998
Financing Activities		
Payment of preferred share dividends	**(981)**	(3,579)
	(981)	(3,579)
Investing Activities		
Net decrease in short-term investments	**3,001**	328
Acquisition of property, plant and equipment	**(11)**	(29)
Acquisition of intangible assets	**(180)**	(230)
	2,810	69
Net increase (decrease) in cash and cash equivalents during the period	**3,991**	(512)
Cash and cash equivalents, beginning of period	**4,551**	15,740
Cash and cash equivalents, end of period	**8,542**	15,228

See accompanying notes

Notes to Financial Statements

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

May 31, 2008

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, 2008, 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 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.

Short-term investments

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

Property, plant and equipment

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

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

Management reviews the carrying value of property, plant and equipment on a periodic basis to determine if 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.

Notes to Financial Statements

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

May 31, 2008

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

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 December 2006, the CICA issued new Handbook sections: Section 1535, Capital Disclosures, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation for annual and interim periods beginning on or after October 1, 2007. Section 1535 establishes disclosure requirements about capital. Sections 3862 and 3863 replace Section 3861, revising and enhancing its disclosure requirements and carrying forward its presentation requirements. The adoption of these new standards resulted in additional disclosure with regard to Homeserve's financial instruments and the objectives, policies and processes for managing capital but did not otherwise affect the Company's consolidated financial statements.

In April 2007, the CICA Accounting Standards Board amended Section 1400, General Standards of Financial Statement Presentation. These amendments require management to disclose any uncertainties that cast significant doubt upon an entity's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management must take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. The new standard must be adopted for interim and annual financial statements on January 1, 2008 on a prospective basis. Management does not believe that there is any material uncertainties related to events or conditions that may cast significant doubt upon the Fund's ability to continue as a going concern.

Recent accounting pronouncements

In February 2008, the CICA issued new Handbook Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new standard addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The Section also issued amendments to Section 1000, Financial Statement Concepts. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and will be adopted by the Company effective March 1, 2009. The objectives of the changes are to reinforce a principle-based approach to the recognition of costs as assets and to clarify the application of the concept of matching revenues and expenses in Section 1000. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards ("IFRS") by eliminating the practice of recognizing as assets a variety of startup, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. The Company is currently evaluating the effects of adopting these changes.

In 2006, the Accounting Standards Board ratified a strategic plan that will result in the adoption by Canadian public companies of IFRS. Homeserve will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. It is premature to currently assess the impact of the Canadian adoption on the Company's consolidated financial statements.

3. MATERIAL CONTRACTS

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

[a] ICON licensing arrangements

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

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

   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 6 and ICON platforms. Aeromove™ generates revenue for the Company through a combination of fees earned from the move, service participants and a margin on Aeroplan® miles earned through the Aeromove™ program. The program formally launched on February 26, 2007.

4. CAPITAL STOCK

Capital stock consists of the following:

		As at May 31, 2008 $	As at February 29, 2008 $
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 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, 2009 was $nil [2007 – $6].

The holders of the Series B preferred shares are also entitled to receive a cumulative aggregate preferential annual participation dividend of up to 11% of the Company's annual 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 29, 2008 was $nil [2007 – $96].

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

The holders of the Series C preferred shares are also entitled to receive a cumulative aggregate preferential annual participation dividend of up to 9.25% of the Company's annual 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 29, 2008 was $nil [2007 – $43].

Under the terms of the agreement to purchase ICON, the Company will issue one Series C preferred share at a par value of $1.00 per share with a cumulative quarterly dividend of 2.5% and cumulative aggregate preferential annual participation dividend of 9.25% of pre-defined pre-tax income of the Company. As at May 31, 2008, 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 and recorded.

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.

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, 2008 and May 31, 2007.

Three months ended May 31	**2008** **$**	2007 $
Net income for the period	**2,889**	2,659
Dividends paid on preferred shares	**(992)**	(994)
Basic and diluted earnings available to common shareholders	**1,897**	1,665

5. 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	**2008** **$**	2007 $
Revenue	**5,792**	5,644
Expenses		
Management fee and cost reimbursement	**100**	100
Rent	**38**	36
Preferred share dividends	**992**	994

As at May 31, 2008, the Company has accounts receivable of $3,677 [February 29, 2008 – $1,104], dividends payable of $658 [February 29, 2008 – $647] and accounts payable of $38 [February 29, 2008 – $39] with related parties.

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

6. FINANCIAL INSTRUMENTS

Fair values

The carrying values reported in the balance sheets for cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial instruments. The fair value of the short-term investments, which are comprised of high-grade securities, is $22,949.

Interest rate and credit risks

As at May 31, 2008, short-term investments were comprised of corporate bonds with a yield to maturity of 5.75% and a high-yield credit opportunity fund instrument.

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

Accounts receivable

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. For the Company significant concentrations of credit risk are related to the real estate market. The Company's largest customer is Centract, a related party, which accounts for 99% of accounts receivable at May 31, 2008. 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.

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 May 31, 2008, the Company had cash and cash equivalents of $8,542 and short-term investments of $22,949.

7. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as the aggregate of preferred shares, common shares, non-voting 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 products and services to its customers and returns to its shareholders.

Total managed capital comprised:

	As at May 31, 2008 $	As at February 29, 2008 $
Series A preferred shares	**1,280**	1,280
Series B preferred shares	**22,000**	22,000
Series C preferred shares	**18,500**	18,500
Common shares	**3,012**	3,012
Non-voting common shares	**3,500**	3,500
Retained earnings	**4,722**	2,825
	53,014	51,117

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

Consistent with others in a high technology service based industry the Company does not have third-party debt and as such is not subject to externally imposed capital requirements outside of its current capital structure.

The Company is not listed for trading on any recognized exchange, but continues to comply with related listing and filing requirements in the event that it seeks a re-listing of the Company's common shares. Such re-listing would only occur 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.

8. 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. Home-Link provides services to buyers and sellers throughout the home purchasing and selling cycle through a proprietary software solution. The Home-Link unit has continued to sustain operating losses and accordingly management made the decision effective March 28, 2008 to transition the remainder of the operations into the Software Development and Licensing segment. 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:

Three months ended May 31	**2008** **$**	2007 $
Revenue		
ICON	**5,680**	5,632
Software development and licensing	**117**	15
	5,797	5,648
Contribution margin		
ICON	**5,269**	5,302
Home-Link	**—**	(28)
Software development and licensing	**(790)**	(1,286)
General and administration	**(143)**	(199)
	4,336	3,789
Investment income	**121**	376
Amortization of property, plant and equipment	**(43)**	(38)
Amortization of intangible assets	**(1,525)**	(1,468)
Income from operations before income taxes	**2,889**	2,659

9. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	$
Balance March 1, 2008	**(417)**
Other comprehensive income for the period	**302**
Balance May 31, 2008	**(115)**