



**Second Quarter Report  
August 31, 2003**

# **Management's Discussion and Analysis of Financial Condition and Results of Operations Second Quarter ending August 31, 2003**

You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the second quarter ended August 31, 2003 in conjunction with the unaudited consolidated financial statements for the period ending August 31, 2003 and the audited consolidated financial statements for the year ending February 28, 2003. The following discussion also contains forward-looking statements and should be read in conjunction with the factors described in the "Forward-looking statements" section of the MD&A.

## **Business Overview**

On September 5, 2003 Microforum Inc. shareholders agreed to change the name of their corporation to Homeserve Technologies Inc. ("Homeserve" or the "Company"). Homeserve has evolved into a technology company focusing on the development of proprietary software solutions and our Home-Link Services Canada Ltd. ("Home-Link") business unit. Our software development business units consists primarily of our co-ownership of the Credit Adjudication & Lending Management System ("CALMS") and the development of specific software applications on a client by client basis.

## **Home-Link Services Canada**

Management continues to focus on identifying and developing new streams of revenue for our Home-Link business. During the second quarter management made progress on this goal by entering into a joint venture agreement with Royal LePage Relocation Solutions ("Relocation Solutions") and AMJ Van Lines. The joint venture entails Home-Link providing its services to home buyers and sellers as a value added service to consumers using the moving services of AMJ Van Lines.

While at this time Home-Link has not achieved the critical mass of enrolled brokers and agents that management had anticipated, we continue to market the services of Home-Link to real estate brokers and agents and to enrol new suppliers in our service network.

## **Software Development**

As previously announced Homeserve intends to purchase a relocation software system called ICON from Relocation Solutions. However as a result of uncertainties created by a decision issued by the Canadian International Trade Tribunal the purchase of the ICON software has been delayed and was withdrawn from consideration by shareholders at the Company's annual meeting.

Our software development projects also include our ongoing development of CALMS and the further development and licensing of Home-Link's CRM Care II technology.

CALMS represents an opportunity to provide additional products and services to Home-Link clients and to clients of companies affiliated with the Company, including banks, trust companies and other mortgage lenders.

Home-Link's Care II technology is a robust CRM software technology, which provides a number of application and licensing opportunities within the Canadian marketplace. Management believes that further analysis and resourcing against this market opportunity has the potential to yield profitable results for the Company.

## **Second Quarter 2004 Compared to Second Quarter 2003**

### **Results of Operations**

The Company reported a loss of \$0.7 million (\$0.01 per share) for the three months ended August 31, 2003 as compared to a profit of \$0.7 million (\$0.02 per share) for the same period of last year. Of the loss reported for the three months ended August 31, 2003, \$0.9 million is attributable to the operations of Home-Link offset by \$0.2 million in investment income. The net loss for the second quarter ending August 31, 2003 from the software development business was negligible.

Revenues were \$0.5 million during the current quarter compared to \$2.7 million for the same period of last year. The \$0.5 million in revenues is comprised of \$0.1 million from Home-Link and \$0.4 million from our software development business.

Operating expenses were \$0.9 million for the three months ended August 31, 2003. Of the \$0.9 million, \$0.7 million in expenses were attributable to Home-Link with the balance attributable to operating expenses associated with our software development business and ongoing corporate operating costs. Operating expenses during the same period of the previous year were \$0.5 million.

Investment income increased to \$0.2 million in the second quarter of 2004, representing an increase of \$0.2 million from the second quarter of 2003. The increase is attributable to interest income earned from excess cash balances that the Company has as a result of Brascan Financial Corporation ("Brascan Financial") subscribing during the third quarter of the previous fiscal year for 20,000,000 Series B Preferred shares in exchange for cash proceeds of \$20 million.

On January 28, 2002 the Company entered into a purchase and sale agreement with Cognicase Inc. for the sale of its Deployed Consulting Services Group ("DCS Group"). The purchase price of \$2 million was satisfied through the issuance of 196,329 shares of Cognicase Inc. The Company recognized a loss of \$0.8 million in the second quarter ended August 31, 2002 to reflect the decreased market value of these shares. There was no loss on the sale of marketable securities during the second quarter ending August 31, 2003 as all of the Company's marketable securities received from the sale of the DCS Group were sold during the third quarter ended November 30, 2002.

On July 19, 2002 the Company entered into an agreement to sell its CALMS Solution Group to White Clark North America ("WCG"). Homeserve recognized a gain on sale of the CALMS Solution Group of \$0.2 million. As part of the transaction, the Company retained a co-ownership interest in the CALMS software and has entered into a non-competition agreement with WCG in respect of certain businesses. No business units were sold during the quarter ending August 31, 2003.

During the second quarter ending August 31, 2002 both secured and unsecured creditors unanimously approved the restructuring of the Company under the Companies Creditors Arrangement Act ("CCAA"). As a result of the settlement of these creditors claims for less than their original amount, the Company recognized a gain during the second quarter ending August 31, 2002 from acceptance of the CCAA plan of \$0.8 million. As the impact of the CCAA restructuring on the financial results had previously been recorded, there was no effect on the current quarters results.

Amortization and write-down of property, plant and equipment was \$0.1 million for the three months ended August 31, 2003 as compared to nil for the same period last year. The increase is

the result of capital assets purchases with the Home-Link acquisition. All capital assets prior to the Home-Link acquisition were written off as part of the restructuring process in the first quarter of 2003 and as a result there was no amortization during the second quarter of 2003.

Amortization of intangible assets was \$0.3 million for the three months ended August 31, 2003 compared with nil for the previous period. The amortization relates to \$5.5 million of intangible assets acquired in the purchase of Home-Link.

## **Year to Date Results of 2004 Compared to Year to Date Results of 2003**

### **Results of Operations**

As previously mentioned, the Company received approval of its restructuring plan during the second quarter ending August 31, 2002. On September 13, 2002 the Company announced that it had purchased 49% of Home-Link Services Canada and that Brascan Financial was subscribing for 20,000,000 Series B Preferred Shares in exchange for proceeds of \$20 million. The remaining 51% of Home-Link was purchased on October 7, 2002. As such, the following comparison is for the six month period ending August 31, 2002 prior to the purchase of Home-Link and investment by Brascan Financial and the six month period ending August 31, 2003 which includes the results of Home-Link and investment income earned from cash balances arising from the Brascan Financial investment.

The Company reported a loss of \$1.8 million (\$0.02 per share) for the six months ended August 31, 2003 as compared to a loss of \$2.1 million (\$0.05 per share) for the same period of last year. Of the loss reported for the six months ended August 31, 2003, \$2.4 million is attributable to the operations of Home-Link offset by income of \$0.2 million from our software development business and \$0.4 million in investment income. All of the loss for the six month period ending August 31, 2002 is attributable to the software development business unit.

Revenues were \$1.3 million for the six months ending August 31, 2003 as compared to \$3.6 million for the same period of last year. The \$1.3 million in revenues is comprised of \$0.3 million from Home-Link and \$1.0 million from our software development business. All of the revenue from the six month period ending August 31, 2002 was attributable to the software development business unit.

Operating expenses were \$2.1 million for the six months ended August 31, 2003 as compared to \$1.7 million for the same period of last year. Of the \$2.1 million, \$1.8 million is attributable to Home-Link with the balance attributable to operating expenses associated with our software development business unit and ongoing corporate operating costs. The increase in operating costs is attributable to the acquisition of Home-Link where as for the same period of last year the Company only had its software development operations. Of the \$1.7 million in operating cost for the period ending August 31, 2002, \$0.5 million was attributable to restructuring and severance costs.

Investment income increased to \$0.5 million for the six months ended August 31, 2003 from a negligible amount for the same period of last year. The increase is attributable to interest income earned from excess cash balances that the Company has as a result of Brascan Financial subscribing for 20,000,000 Series B Preferred Shares.

As previously mentioned the Company received 196,329 shares of Cognicase in exchange for its DCS Group. For the period ending August 31, 2002 the Company recognized a loss on the sale of these shares of \$1.4 million. As all of these shares were sold prior to the beginning of the current fiscal year, there was no loss on the sale of marketable securities for the six months ending August 31, 2003.

There were no additional gains or losses recognized from the sale of business units during either the six month period ending August 31, 2002 or August 31, 2003, other than the \$0.2 million gain from the CALMS Solution Group which was recognized during the second quarter ended August 31, 2002.

There were no additional gains or losses from the CCAA restructuring recorded during either the six month period ending August 31, 2002 or August 31, 2003 other than the gain from the acceptance of the CCAA plan recorded during the second quarter ended August 31, 2002.

Amortization and write-down of property, plant and equipment was \$0.2 million for the six months ended August 31, 2003 as compared to \$0.3 million for the same period last year. The amortization for the current year is the result of capital assets purchases with the Home-Link acquisition where as the amount in the prior year relates to the write off of the remaining assets of the Company prior to the acquisition of Home-Link

Amortization of intangible assets was \$0.6 million for the six months ended August 31, 2003 compared with nil for the previous period. The amortization relates to \$5.5 million of intangible assets acquired in the purchase of Home-Link.

## **Liquidity and Capital Resources**

As at August 31, 2003, the Company had positive working capital of \$15.2 million compared to working capital of \$17.3 million as at February 28, 2003. The decrease in working capital as at August 31, 2003 is the result of continuing to fund the operating losses of Home-Link.

Cash and short-term investments on hand at August 31, 2003 was \$16.6 million compared to \$19.7 million as at February 28, 2003. The Company has invested its cash in investment grade corporate bonds as it continues to evaluate higher yield investment opportunities. The increase in cash is attributable to the investment in Series B Preferred shares of the Company by Brascan Financial.

Accounts receivable was \$0.9 million at August 31, 2003 an increase of \$0.3 million from the balances at February 28, 2003. The increase in accounts receivable is primarily attributable to the signing of new contracts by Home-Link with a corresponding increase in deferred revenue.

Accounts payable and accrued charges were \$0.5 million as at August 31, 2003, unchanged from the balance at February 28, 2003.

Deferred revenue as at August 31, 2003 was \$0.8 million compared to \$1.7 million reported at February 28, 2002. The current deferred revenue balance is comprised of Relocation Solutions' prepayment to Homeserve for the development and upgrade of their IRP and related computer systems and deferred service and marketing fee revenue of Home-Link. The decrease of \$0.9 million is primarily the result of the recognition of revenue from Homeserve delivering products and services to Relocation Solutions during the first quarter offset by an increase from Home-Link entering into contracts with brokers and agents.

Homeserve believes it has sufficient liquid assets to meet its obligations and continue to fund the operations of Home-Link for the foreseeable future.

# Outlook

## Forward-looking statements

Certain statements in this Interim Report, contain words such as “could,” “expects,” “may,” “anticipates,” “believes,” “intends,” “estimates,” “plans,” “envisions,” and other similar language and are considered forward-looking statements. These statements are based on our expectations, estimates, forecasts and projections about the operating environment and markets in which we operate. In addition, other written or oral statements, which are considered forward-looking, may be made by us or others on our behalf. These statements are subject to important risks, uncertainties and assumptions, which are difficult to predict, and the actual outcome may be materially different. Some of the factors, which could cause results or events to differ from current expectations include, but are not limited to, the factors described below. Unless required by applicable securities law, we do not have any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## Future Capital Needs and Uncertainty of Additional Financing

The Corporation may need to raise additional funds in the future in order to take advantage of its growth opportunities. These opportunities may require a more rapid expansion or acquisitions of complementary businesses or technologies, the development of new products and other responses to competitive pressures. There can be no assurance that additional financing will be available on terms favourable to the Corporation, or at all. If adequate funds are not available or are not available on acceptable terms, the Corporation may not be able to take advantage of strategic opportunities, develop new products and services or otherwise respond to competitive pressures.

## Competition

The U.S. market for the aggregation of real estate ancillary services is highly competitive. While the Corporation believes that there are no Canadian competitors who possess the same sophistication of model focused on home servicing as the Corporation with their Home-Link business, initiatives by large financial institutions could result in a significant competitive threat. These large financial institutions would be able to capture customers through their financial products and the level of trust, security, brand awareness and credibility these institutions enjoy in the marketplace. Existing or future competitors may develop or offer services that are comparable or superior to the Corporation at a lower price, which could have a material adverse effect on the Corporation's business, results of operations and financial condition.

## Dependence on Key Customers & Suppliers

Sales cycles for adoption of the Home-Link service by real estate agents and brokers requires considerable time. Initial introduction of the Corporation's Home-Link service was exclusively focused on Royal LePage (“RLP”) real estate brokerages and accordingly, a significant amount of current revenue from real estate brokerages is generated from RLP. The loss of Royal LePage could have an adverse impact on the Corporation's results of operations and may impede the Corporation's ability to introduce this service across Canada. Sales efforts in 2003 have generated some momentum, but national supplier sales are still in start-up mode. There can be no assurances that such contracts will be entered and/or renewed on favourable terms or at all at their scheduled expiration, which could have a material adverse effect on the Corporation's business, results of operations and financial condition.

### Dependence upon Key Personnel

The Corporation competes for qualified personnel and if qualified professionals cannot be attracted, motivated and retained, the business and results of operations and financial condition of the Corporation could be materially adversely affected.

### Dependence on Proprietary Technology

The Corporation relies on a combination of copyright and trade secret laws and contractual provisions to establish and protect its rights in its software and proprietary technology, namely its Canadian licensing rights to Home-Link's CARE II software. The Corporation generally enters into non-disclosure agreements with employees and customers and historically has restricted access to its software products' source codes. The Corporation regards its source code as proprietary information, and attempts to protect the source code versions of its products as trade secrets and as unpublished copyrighted works. In a few cases, the Corporation has provided copies of source codes for certain products to customers and strategic partners, for the purpose of special customization for identified projects. In these cases, the Company relies on non-disclosure and other contractual provisions to protect its proprietary rights. Despite the Corporation's precautions, it may be possible for unauthorized parties to copy or otherwise reverse engineer portions of the Corporation's products or otherwise obtain and use information that the Corporation regards as proprietary.

There can be no assurance that the steps taken by the Corporation to protect its proprietary rights will be adequate to deter misappropriation of its technology or independent development by others of technologies that are substantially equivalent or superior to the Corporation's technology. The Corporation could incur substantial costs in protecting and enforcing its intellectual property rights. Moreover, from time to time, third parties may assert patent, trademark, copyright and other intellectual property rights to technologies that are important to the Corporation. There can be no assurance that the assertion of such claims will not result in litigation or that the Corporation would prevail in such litigation or be able to obtain a license for the use of any infringed intellectual property from a third party or, if such a license is required, that it would be available on terms acceptable to the Corporation. Furthermore, litigation, regardless of its outcome, could result in substantial cost to the Corporation and divert management's attention and resources from the Corporation's operations. Any infringement claim or litigation against the Corporation could, therefore, materially adversely affect the Corporation's business, results of operations and financial condition.

### Limited Profitability

The Corporation has reported net losses and losses from continuing operations in each of the last three fiscal years. Home-Link is an early stage corporation that is currently implementing its development strategy throughout major Canadian markets. There can be no assurance that cash flow from operations in future periods will be sufficient to fund operations or that Home-Link will be profitable.

### Stock Listing

As a result of the Corporation's inability to meet the continued listing requirements, the TSX delisted the Common Shares effective August 29, 2002. In connection with the Brascan Transaction, the Corporation indicated that it would seek a listing for the Common Shares on a recognized Canadian stock exchange with twelve to eighteen months of the closing date of the Brascan Transaction. There can be no assurance as to whether the Corporation will be able to list its Common Shares on a recognized Canadian stock exchange or, if Common Shares are listed, an active and liquid trading market will develop.

Homeserve is currently comprised of two business units: Home-Link Services Canada Ltd and software development, as well as investment operations.

#### Home-Link

Home-Link is a start up business involved in providing 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. Home-Link continues to develop its service offerings and is in active negotiations with leading Canadian Financial Institutions to further its growth. 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.

#### Software Development

Our software development projects consist primarily of our ongoing development of CALMS, the further development and licensing of Home-Link's CRM Care II technology and subject to satisfactory resolution of the ongoing issues with Relocation Solutions contract to provide relocation services to the Canadian Government, the purchase, development and licensing of Relocation Solutions' Relocation Management Software system called ICON.

#### Investment Operations

The Company's existing investment portfolio of \$15.6 million as at August 31, 2003 has a yield to maturity ranging from 4.8% to 6.2% while the Company's \$21.280 million Preferred Shares have a 9% annual cumulative dividend requirement.

Management will continue to evaluate higher yield investment opportunities, which meets its risk and liquidity tolerances in conjunction with advice provided by Trilon Securities Corporation, a related company within the Brascan group of companies.

**Homeserve Technologies Inc.**  
**Consolidated Balance Sheet**

	August 31 2003 (unaudited)	February 28 2003 (audited)
<u>(thousands of dollars)</u>		
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,036	4,062
Short-term investments	15,585	15,659
Accounts receivable	937	660
Prepaid expenses and other assets	503	371
	<u>18,061</u>	<u>20,752</u>
Property, plant and equipment	688	894
Intangible assets	4,758	5,144
	<u>23,507</u>	<u>26,790</u>
 <b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts Payable and accrued liabilities	481	521
Income taxes payable	955	910
Due to related party	357	-
Dividends payable	325	310
Deferred revenue	750	1,674
	<u>2,868</u>	<u>3,415</u>
 <b>Shareholders' Equity</b>		
Share capital	27,652	27,652
Deficit	(7,013)	(4,277)
	<u>20,639</u>	<u>23,375</u>
	<u>23,507</u>	<u>26,790</u>

**Homeserve Technologies Inc.****Unaudited****Consolidated Statement of Operations and  
Statement of Retained Earnings and Deficit**

(thousands of dollars - except per share amounts)	Three months ended August 31		Six months ended August 31	
	2003	2002	2003	2002
Sales	546	2,724	1,264	3,551
Cost of sales	224	1,709	547	3,334
Gross profit	322	1,015	717	217
Operating expenses				
Selling, general and administration	878	305	2,106	1,151
Severance and other costs	-	218	-	543
	878	523	2,106	1,694
(Loss) income from continuing operations before the following	(556)	492	(1,389)	(1,477)
Investment income	244	16	477	33
Investment loss on marketable securities	-	(794)	-	(1,400)
Gain on sale of business unit	-	200	-	200
Gain from acceptance of CCAA Plan	-	835	-	835
Amortization and write-down of capital assets	(120)	-	(240)	(300)
Amortization of intangible assets	(300)	-	(575)	-
(Loss) income from continuing operations before income taxes	(732)	749	(1,727)	(2,109)
Provision for Income taxes	22	-	45	50
(Loss) income from continuing operations	(754)	749	(1,772)	(2,159)
Deficit beginning of period	(5,778)	(25,639)	(4,277)	(22,731)
Deficit applied to stated capital	-	25,639	-	25,639
Preferred share dividends	(481)	-	(964)	-
(Deficit) retained earnings, end of the period	(7,013)	749	(7,013)	749
(Loss) income per share	(0.01)	0.02	(0.02)	(0.05)

**Homeserve Technologies Inc.****Unaudited****Consolidated Statement of Cash Flow**

(thousands of dollars)	Three months ended August 31		Six months ended August 31	
	2003	2002	2003	2002
Cash provided by (used in):				
<b>Operating Activities</b>				
(Loss) income from continuing operations	(754)	749	(1,772)	(2,159)
Items not affecting cash				
Amortization of premium on bond purchase	36	-	74	
Amortization and write-down of capital assets	120	-	240	300
Amortization of intangible assets	300	-	575	-
Non-cash compensation expense				4
Gain from acceptance of CCAA Plan	-	(735)	-	(735)
	(298)	14	(883)	(2,590)
Decrease in non-cash working capital	(608)	(2,042)	(1,254)	(1,221)
	(906)	(2,028)	(2,137)	(3,811)
<b>Investing Activities</b>				
Purchase of property, plant and equipment	(9)	-	(35)	-
Purchase of intangible assets	-	-	(188)	-
	(9)	-	(223)	-
<b>Financing Activities</b>				
Amortization of premium on bond purchase	(36)	-	(74)	-
Payment of preferred share dividends	(477)	-	(949)	-
Advances from related party	(171)	-	357	-
	(684)	-	(666)	-
Decrease in cash during the period	(1,599)	(2,028)	(3,026)	(3,811)
Cash and cash equivalents, beginning of period	2,635	4,070	4,062	5,853
Cash and cash equivalents, end of period	1,036	2,042	1,036	2,042
<b>Supplemental Cash Flow Information</b>				
Interest paid	-	-	-	-
Income taxes paid	-	-	-	-
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>				
Common shares issued under Outside Directors				
Compensation program	-	-	-	4
Common shares issued as part of settlement with landlord	-	100	-	100
Conversion of receivable into common shares of Cognicase Inc.	-	-	-	2,000

## Notes to Unaudited Interim Consolidated Financial Statements

### 1. BASIS OF PRESENTATION

On September 5, 2003 Shareholders voted to change the name of Microforum Inc. to Homeserve Technologies Inc. Management has adopted this name change for the quarter ending August 31, 2003 and as such Microforum Inc. is now referred to as Homeserve Technologies Inc.

The unaudited interim financial statements of Homeserve Technologies Inc. ("Homeserve" or the "Company") for the period ending August 31, 2003 should be read in conjunction with the consolidated financial statements for the year ended February 28, 2003 as interim financial statements do not conform in all respects to the note disclosure requirements of generally accepted accounting principles for annual financial statements.

Except as otherwise noted in this interim report, the unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended February 28, 2003.

### 2. SEGMENTED REPORTING

#### General description

Homeserve operates in two reportable operating segments, Home-Link and CRM Software development and licensing.

Home-Link provides services to buyers and sellers throughout the home purchasing and selling cycle through a proprietary software solution. CRM Software development includes the Company's co-ownership of the CALMS software solution and the ongoing development, application and licensing of proprietary software solutions.

Homeserve'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 revenues, and selling, general and administrative expenses, for which the segment managers are held accountable. In addition, the CEO does not review asset information on a segmented basis in order to assess performance and allocate resources.

	<b>Three Months Ended August 31, 2003</b>	<b>Six Months Ended August 31, 2003</b>
(thousands of dollars)	\$	\$
<b>Revenues</b>		
Home-Link	137	280
CRM Software development and licensing	409	984
<b>Total</b>	<b>546</b>	<b>1,264</b>
<b>Contribution margin</b>		
Home-Link	(539)	(1,565)
CRM Software development and licensing	(17)	176
<b>Total contribution deficit</b>	<b>(556)</b>	<b>(1,389)</b>
Investment income	244	477
Amortization and write-down of property, plant and equipment	(120)	(240)
<u>Amortization of intangible assets</u>	<u>(300)</u>	<u>(575)</u>
<b>Loss from continuing operations before income taxes</b>	<b>(732)</b>	<b>(1,727)</b>

## Notes to Unaudited Interim Consolidated Financial Statements

(thousands of dollars)	Three Months Ended August 31, 2002 \$	Six Months Ended August 31, 2002 \$
<b>Revenues</b>		
Home-Link	-	-
CRM Software development and licensing	2,724	3,551
<b>Total</b>	<b>2,724</b>	<b>3,551</b>
<b>Contribution margin</b>		
Home-Link	-	-
CRM Software development and licensing	492	(1,477)
<b>Total margin (deficit)</b>	<b>492</b>	<b>(1,477)</b>
Investment income	16	33
Loss on sale of marketable securities	(794)	(1,400)
Gain on sale of business unit	200	200
Gain from acceptance of CCAA Plan	835	835
<del>Amortization and write-down of property, plant and equipment</del>	<del>-</del>	<del>(300)</del>
Loss from continuing operations before income taxes	749	(2,109)

### 3. STOCK OPTIONS

For the quarter and ended August 31, 2003, the Company did not grant any options under its stock-based compensation plan. As a result, the fair value method of valuing stock based compensation plans, applied prospectively in accordance with CICA 3870, resulted in no pro-forma compensation charge or pro-forma earnings per share adjustment.

As at August 31, 2003 87,500 (February 28, 2003 – 755,969) options were outstanding at a weighted average exercise price of \$0.97 (February 28, 2003 - \$2.94)

As a result of the divestiture and sale of substantially all of the Company's previous operating business units, substantially all of the stock options outstanding under both the fixed and performance based programs will expire by September 2003.

### 4. RELATED PARTY TRANSACTIONS

The amount due to the related part is unsecured, non-interest bearing and has no fixed terms of repayment.

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

(thousands of dollars)	Three months Ended August 31, 2003	Six months Ended August 31, 2003
a) Expenses		
Management fee	83	167
Rent expense	46	87
b) Revenue	330	946
c) Dividends paid	478	950

There were no related party transactions during either the three or six month period ending August 31, 2002

## Notes to Unaudited Interim Consolidated Financial Statements

### 5. CONTINGENCIES

In the ordinary course of business, the Company may be contingently liable for litigation and claims with customers or suppliers. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the financial position of the Company.

### 6. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's financial statement presentation.

### 7. SUBSEQUENT EVENT

At the annual meeting of shareholders held on September 5, 2003 a number of resolutions were approved by shareholders. These resolutions include the following:

Authorization for the Company to change its name to Homeserve Technologies Inc. from Microforum Inc.

Authorization for the Company to consolidate its common shares on the basis of one common share for each 25 common shares currently issued or authorized.

Authorization to reduce the stated capital of the corporation by \$3,360,000. The amount will be offset against the deficit of the Company with no overall change to Shareholders Equity.

## **Corporate Information**

### **BOARD OF DIRECTORS**

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

**Simon P. Dean**  
President &  
Chief Executive Officer,  
Homeserve Technologies Inc.

**Jason D. Meretsky**  
Secretary,  
Homeserve Technologies Inc.

**Donald W. Paterson**

**Craig Wallace**

### **SENIOR MANAGEMENT**

**Simon P. Dean**  
President &  
Chief Executive Officer

**Kevin Cash**  
Chief Financial Officer

**Max M. Cohen**  
General Counsel &  
Assistant Secretary

**CORPORATE HEADQUARTERS**  
39 Wynford Drive  
4th Floor  
Toronto, Ontario  
M3C 3K5

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

[www.homeserve.ca](http://www.homeserve.ca)

**AUDITORS**  
Ernst & Young LLP  
222 Bay Street  
29th Floor  
Toronto, Ontario  
M5K 1J7

### **REGISTRAR & TRANSFER AGENT**

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

### **STOCK LISTING**

The Company's shares are currently unlisted.

### **INVESTOR RELATIONS**

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

Mansfield Communications  
Inc.

Attention: Eliza Walsh

Tel: (416) 599-0024

[eliza@mcipr.com](mailto:eliza@mcipr.com)