UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

[ ] Registration Statement Pursuant to Section 12 of the Securities Exchange Act of 1934
or
[x] Annual Report Pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended **December 31, 2018**

Commission file number **001-36897**

FirstService Corporation

(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English (if applicable))

Ontario, Canada
(Province or other jurisdiction of incorporation or organization)

6500
(Primary Standard Industrial Classification Code Number (if applicable))

N/A
(I.R.S. Employer Identification Number (if applicable))

1140 Bay Street, Suite 4000
Toronto, Ontario, Canada M5S 2B4
416-960-9500
(Address and telephone number of Registrant's principal executive offices)

Mr. Santino Ferrante, Ferrante & Associates
126 Prospect Street, Cambridge, MA 02139
617-868-5000
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Subordinate Voting Shares	**NASDAQ Stock Market** **Toronto Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:

[**x**] Annual information form [**x**] Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

34,654,353 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

[**x**] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

[**x**] Yes [ ] No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company [ ]

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

PRINCIPAL DOCUMENTS

The following documents have been filed as part of this Annual Report on Form 40-F:

A. Annual Information Form

For the Registrant's Annual Information Form for the year ended December 31, 2018, see Exhibit 1 of this Annual Report on Form 40-F.

B. Audited Annual Financial Statements

For the Registrant's audited consolidated financial statements as at December 31, 2018 and 2017 and for the years ended December 31, 2018 and 2017, see Exhibit 2 of this Annual Report on Form 40-F.

C. Management's Discussion and Analysis

For the Registrant's management's discussion and analysis for the year ended December 31, 2018, see Exhibit 3 of this Annual Report on Form 40-F.

DISCLOSURE CONTROLS AND PROCEDURES

The Registrant's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Registrant's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this annual report (the "Evaluation Date"). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, the Registrant's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Registrant in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC") and (ii) accumulated and communicated to the Registrant's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Registrant. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of its effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has excluded twelve individually insignificant entities acquired by the Registrant during the last fiscal period from its assessment of internal control over financial reporting as at December 31, 2018. The total assets and total revenues of the twelve majority-owned entities represent 3.2% and 5.3%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2018.

Management has assessed the effectiveness of the Registrant's internal control over financial reporting as at December 31, 2018, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2018, the Registrant's internal control over financial reporting was effective.

The effectiveness of the Registrant's internal control over financial reporting as at December 31, 2018 has been audited by PricewaterhouseCoopers LLP, the Registrant's independent registered public accounting firm, as stated in their report filed in Exhibit 2 of this Annual Report on Form 40-F.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year ended December 31, 2018, there were no changes in the Registrant's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Registrant sent during the year ended December 31, 2018 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant's board of directors (the "Board of Directors") has determined that it has at least one audit committee financial expert (as such term is defined in item 8(a) of General Instruction B to Form 40-F) serving on its audit committee (the "Audit Committee"). Mr. Bernard I. Ghert has been determined by the Board of Directors to be such audit committee financial expert and is independent (as such term is defined by the NASDAQ Stock Market's corporate governance standards applicable to the Registrant).

Mr. Ghert was previously President and Chief Executive Officer of the Cadillac Fairview Corporation Limited from 1981 to 1987 and President of Stelworth Investments Inc. from 1987 to 1992. Mr. Ghert has been a director of many organizations in the private and public sectors, including Cadillac Fairview, Stelworth, CT Financial and Canada Trust, Wellington Insurance and the Canada Deposit Insurance Corporation. Mr. Ghert has served as Director of the Managers of several Middlefield Funds, President of the Canadian Institute of Public Real Estate Companies and was a former member of the Advisory Board of the Office of the Superintendent of Financial Institutions. Mr. Ghert currently is the Lead Director of the Board of the Registrant, Chairman of the Independent Review Committee of Middlefield Fund Management Limited, President of the B.I. Ghert Family Foundation, President of Coppi Holdings Ltd., a Director on Sinai Health System's Board and Past Chair of the Mount Sinai Hospital Board of Directors.

The SEC has indicated that the designation of Mr. Bernard I. Ghert as an audit committee financial expert does not make him an "expert" for any purpose, impose on him any duties, obligations or liability that are greater than the duties, obligations or liability imposed on him as a member of the Audit Committee and the Board of Directors in absence of such designation, or affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

CODE OF ETHICS

The Registrant has adopted a Code of Ethics and Conduct that applies to all directors, officers and employees of the Registrant and its subsidiaries, and a Financial Management Code of Ethics, which applies to senior management and senior financial and accounting personnel of the Registrant and its subsidiaries. A copy of the Code of Ethics and Conduct and the Financial Management Code of Ethics can be obtained, free of charge, on the Registrant's website (www.firstservice.com) or by contacting the Registrant at (416) 960-9500.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets out the fees billed to the Registrant by PricewaterhouseCoopers LLP for professional services rendered for the fiscal period ended December 31, 2018 and 2017. During this period, PricewaterhouseCoopers LLP was the Registrant's only external auditor.

(in thousands of US$)	Year ended December 31, 2018	Year ended December 31, 2017
Audit fees (note 1)	$ 726	$ 783
Audit-related fees (note 2)	45	50
Tax fees (note 3)	50	220
All other fees (note 4)	118	127
	$ 939	$ 1,180

Notes:

1. Refers to the aggregate fees billed by the Registrant's external auditor for audit services relating to the audit of the Registrant and statutory audits required by subsidiaries.
2. Refers to the aggregate fees billed for assurance and related services by the Registrant's external auditor that are reasonably related to the performance of the audit or review of the Registrant's financial statements and are not reported under (1) above, including professional services rendered by the Registrant's external auditor for accounting consultations on proposed transactions and consultations related to accounting and reporting standards. Such fees included amounts incurred in respect of: due diligence and other work related to the disposition and acquisition of businesses, such work being unrelated to the audit of the Registrant's financial statements; accounting consultations with respect to proposed transactions, as well as other audit-related services.
3. Refers to the aggregate fees billed for professional services rendered by the Registrant's external auditor for tax compliance, tax advice and tax planning.
4. Refers to fees for licensing and subscriptions to accounting and tax research tools, as well as administration and out-of-pocket expenses.

The Registrant's Audit Committee pre-approves all audit services and permitted non-audit services provided to the Registrant by PricewaterhouseCoopers LLP. The Audit Committee has delegated to the Chair of the Audit Committee, who is independent, the authority to act on behalf of the Audit Committee with respect to the pre-approval of all audit and permitted non-audit services provided by its external auditors from time to time. Any approvals by the Chair are reported to the full Audit Committee at its next meeting. All of the services described in footnotes 2, 3 and 4 under "Principal Accountant Fees and Services" above were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

The Registrant does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Registrant's financial performance or financial condition other than the payments which may be required to be made under the sale of control arrangement contained in the restated management services agreement with the Registrant, Jayset Management FSV Inc. and Jay S. Hennick. A description of the sale of control arrangement is set out in Note 10 to the consolidated financial statements included as Exhibit 2 to this Annual Report on Form 40-F, and is incorporated herein by reference.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The information provided in the table entitled "Contractual Obligations" under the section entitled "Liquidity and Capital Resources" in the management's discussion and analysis included as Exhibit 3 to this Annual Report on Form 40-F, is incorporated herein by reference.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Messrs. Bernard I. Ghert (Chair), Michael Stein, and Joan Sproul.

CORPORATE GOVERNANCE

The Registrant is a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act and its Subordinate Voting Shares are listed on the Toronto Stock Exchange and The NASDAQ Global Select Market ("NASDAQ"). NASDAQ Marketplace Rule 5615(a)(3) permits a foreign private issuer to follow its home country practices in lieu of certain requirements in the NASDAQ Listing Rules. A foreign private issuer that follows home country practices in lieu of certain corporate governance provisions of the NASDAQ Listing Rules must disclose each NASDAQ corporate governance requirement that it does not follow and include a brief statement of the home country practice the issuer follows in lieu of the NASDAQ corporate governance requirement(s), either on its website or in its annual filings with the Commission. A description of the significant ways in which the Registrant’s corporate governance practices differ from those followed by domestic companies pursuant to the applicable NASDAQ Listing Rules is disclosed on the Registrant’s website at:
http://www.firstservice.ca/social_purpose/nasdaq_canadian_corporate_governance.html ..

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the SEC, and to furnish promptly, when requested to do so by the SEC staff, information relating to: the securities registered pursuant to Form 40-F, the securities in relation to which the obligation to file an Annual Report on Form 40-F arises, or transactions in said securities.

B. Consent to Service of Process

The Registrant has previously filed with the SEC an Appointment of Agent for Service of Process and Undertaking on Form F-X in connection with its Subordinate Voting Shares.

SIGNATURE

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

FIRSTSERVICE CORPORATION

Date: February 20, 2019

By: */s/ Jeremy Rakusin*

Name Jeremy Rakusin
Title: Chief Financial Officer

EXHIBIT INDEX

No.	Document
1.	Annual Information Form of the Registrant for the year ended December 31, 2018.
2.	Audited consolidated financial statements of the Registrant as at December 31, 2018 and 2017 and for the years ended December 31, 2018 and 2017, in accordance with generally accepted accounting principles in the United States.
3.	Management's discussion and analysis of the Registrant for the year ended December 31, 2018.
23.	Consent of PricewaterhouseCoopers LLP.
31.	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13(a)-14(a) or 15(d)-14 of the Securities Exchange Act of 1934.
32.	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.	Interactive Data File.

Exhibit 1



FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM

For the year ended December 31, 2018

February 20, 2019

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NOTICE TO READER

This is the annual information form of FirstService Corporation for the year ended December 31, 2018 (the "AIF"). In this AIF, unless otherwise specified or the context otherwise requires, reference to "we", "us", "our", "Company" or "FirstService" includes reference to the subsidiaries of, and other equity interests held by, FirstService Corporation and its subsidiaries on and after June 1, 2015. On June 1, 2015, former FirstService Corporation ("Old FSV") completed a plan of arrangement (the "Spin-off") which separated Old FSV into two independent publicly traded companies – Colliers International Group Inc. and us. The Spin-off is described in Old FSV's Management Information Circular dated March 16, 2015, which is available under Colliers' SEDAR profile at www.sedar.com.

Certain historical information contained in this AIF has been provided by, or derived from information provided by, certain third parties. Although we have no knowledge that would indicate that any such information is untrue or incomplete, we assume no responsibility for the completeness or accuracy of such information or the failure by such third parties to disclose events which may have occurred or may affect the completeness or accuracy of such information, but which are unknown to us.

PRESENTATION OF INFORMATION

Unless otherwise specified, all dollar amounts referred to in this AIF are expressed in United States dollars and all references to "US$" are to United States dollars and all references to "C$" are to Canadian dollars. Unless otherwise indicated, all financial statements and information included in, or incorporated by reference into, this AIF is determined using generally accepted accounting principles as in effect in the United States ("GAAP") and presented as at December 31, 2018.

FORWARD-LOOKING STATEMENTS

This AIF contains, and incorporates by reference, "forward looking statements" which reflect the current expectations, estimates, forecasts and projections of management regarding our future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may," "would," "could," "will," "anticipate," "believe," "plan," "expect," "intend," "estimate," "aim," "endeavour" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section of this AIF. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this AIF. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in, or incorporated by reference into, this AIF are based upon what management currently believes to be reasonable assumptions, we cannot assure readers that actual results, performance or achievements will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this AIF and, unless otherwise required by applicable securities laws, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking statements contained in this AIF to reflect subsequent information, events, results or circumstances or otherwise.

FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM
(February 20, 2019)

Corporate structure

FirstService Corporation was formed on October 6, 2014 under the *Business Corporations Act* (Ontario) as "*New FSV Corporation*" and, on June 1, 2015, our name was changed to "*FirstService Corporation*". Our head and registered office is located at 1140 Bay Street, Suite 4000, Toronto, Ontario, M5S 2B4. Our fiscal year-end is December 31.

Intercorporate Relationships

We have the following principal subsidiaries which have total assets or revenues which exceed 10% of our total consolidated assets or revenues as at and for the year ended December 31, 2018:

Name of subsidiary	Percentage of voting securities owned	Jurisdiction of incorporation, continuance, formation or organization
Century Fire Holdings, LLC.	93.1%	Delaware
FirstService CAM Holdings, Inc.	100.0%	Delaware
FirstService Residential, Inc.	97.6%	Delaware
FirstService Residential Florida, Inc.	97.6%	Florida
FirstService Residential Nevada, LLC	97.6%	Nevada
FS Brands, Inc.	95.7%	Delaware
California Closet Holdings, Inc.	99.1%	Delaware

The voting securities of the above noted subsidiaries not controlled by FirstService are owned by operating management of each respective subsidiary. The above table does not include all of the subsidiaries of FirstService. The assets and revenues of our unnamed subsidiaries did not exceed 20% of our total consolidated assets or total consolidated revenues as at and for the year ended December 31, 2018.

General development of the business

FirstService is the North American leader in residential property management and other essential property services to residential and commercial customers. We began independent operations on June 1, 2015 following the completion of the Spin-off, which included, among other things, the transfer to us of the FirstService Residential and FirstService Brands divisions of Old FSV, and the assets and liabilities referable thereto, as operated by Old FSV prior to June 1, 2015. Prior to completion of the Spin-off, we did not carry on any active business and did not issue any shares.

History

The businesses lines of FirstService were part of the foundation of our predecessor company, Old FSV, originally launched in 1989 by Jay S. Hennick, our Founder and Chairman, with a Toronto-based commercial swimming pool and recreational facility management business which he founded as a teenager in 1972. Over the past 30 years, the businesses of FirstService have grown their operations "one step at a time" both through internal growth and acquisitions. In addition to the Spin-off, the following chart summarizes key milestones in the evolution of the Company:

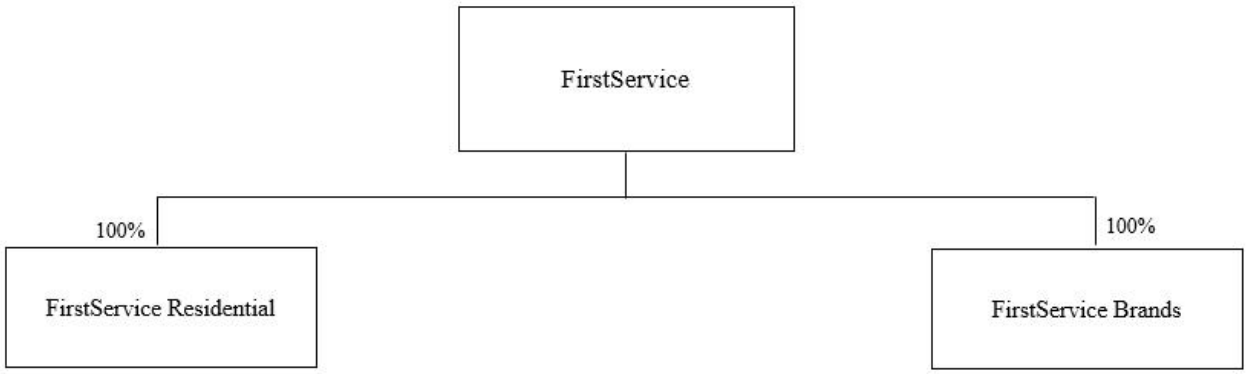
Year	Event
1989	Jay S. Hennick established Old FSV with a Toronto-based swimming pool management company Old FSV acquired College Pro Painters franchise system and established FirstService Brands
1994	D. Scott Patterson joined Old FSV as Vice President, Corporate Development and soon thereafter became Chief Financial Officer
1996	Old FSV established the FirstService Residential platform by acquiring two Florida-based property management firms, with follow-on acquisitions in the New York City and Northeast U.S. regions shortly thereafter
1997	FirstService Brands acquired Paul Davis Restoration
1997	FirstService Financial was established as part of the FirstService Residential platform service offering
1998	FirstService Brands acquired California Closets
2005	FirstService Brands exceeded 1,000 franchises
2007	FirstService Brands exceeded $1 billion in system-wide sales
2008	FirstService adopted Net Promoter System (NPS) across all of its businesses
2009	FS Energy was launched to add to FirstService Residential's comprehensive services
2010	FirstService Residential expanded into Canada Charles E. Chase was promoted to President and Chief Executive Officer of FirstService Brands
2013	Charles M. Fallon was named Chief Executive Officer of FirstService Residential *FirstService Residential* national brand was established from the re-branding of 18 regional brands
2016	FirstService acquired Century Fire Protection

Business description

FirstService is a leading provider of branded essential property services comprised of two operating divisions: (i) FirstService Residential, the largest provider of residential property management services in North America; and (ii) FirstService Brands, a leading provider of essential property services to residential and commercial customers through both franchise systems and company-owned operations.

FirstService Residential and FirstService Brands both rely on the same operational foundations for success – a core competency in managing and growing market-leading, value-added outsourced property services businesses; significant economies of scale that are leveraged wherever possible to create more value for clients; a focus on client service excellence; and a strong brand recognition. These pillars provide our businesses with competitive advantages that are difficult to replicate. Our two business lines also have similar highly attractive financial profiles, including a high proportion of recurring revenue streams, low capital expenditure and working capital requirements, high free cash flow generation, and significant financial strength to grow both organically and through consolidation of highly fragmented industries.

We conduct our business and report our financial performance through two operating segments as shown below:



The following charts summarize the revenues, operating earnings and adjusted EBITDA of our two operating segments over the past two fiscal years.

Revenues by operating segment	**Year ended December 31**	
(in thousands of US$)	**2018**	**2017**
FirstService Residential	1,254,840	1,174,332
FirstService Brands	676,633	554,699
Total	$1,931,473	$1,729,031

Operating earnings by operating segment	**Year ended December 31**	
(in thousands of US$)	**2018**	**2017**
FirstService Residential	89,043	77,569
FirstService Brands	54,988	43,990
Corporate	(16,463)	(16,597)
Total	$127,568	$104,962

Adjusted EBITDA[1] by operating segment	**Year ended December 31**	
(in thousands of US$)	**2018**	**2017**
FirstService Residential	112,753	99,869
FirstService Brands	88,368	71,740
Corporate	(10,510)	(12,297)
Total	$190,611	$159,312

FirstService Residential

FirstService Residential is North America's largest manager of private residential communities, offering a full range of services across multiple geographies to a wide variety of clients, including condominiums (high, medium and low-rise), co-operatives, homeowner associations, master-planned communities, active adult and lifestyle communities, and a variety of other residential developments governed by common interest or multi-unit residential community associations. Our more than 14,500 employees in approximately 100 offices across 25 U.S. states and 3 Canadian provinces manage approximately 8,500 communities, representing more than 4 million residents in over 1.7 million residential units. Our operational and client coverage footprint is extensive, with a presence in major markets that constitute over 70% of the North American population.

Typically, owners of residential units within these communities are required to pay monthly or quarterly fees to cover all expenses to operate and maintain the common areas of the communities. Resident owners elect volunteer homeowners to serve on a board of directors to oversee the operations of the community association. Historically, decision-making for the day-to-day operations of the communities was delegated to these volunteer board members, although, increasingly, these boards outsource this responsibility to professional property management companies like FirstService Residential.

There are two types of professional property management companies within the industry – traditional or full-service:

- *Traditional property management:* Traditional property managers focus principally on administrative and governance property management functions on behalf of community association clients, including advising homeowner boards on matters relating to the operation of their communities, collection of monthly maintenance fees, sourcing and payments to suppliers, financial statement preparation, and outsourcing of support services.

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1 Adjusted EBITDA is a financial measure that is not calculated in accordance with GAAP. For a reconciliation of this and other non-GAAP financial measures, see "Reconciliation of non-GAAP financial measures" in this AIF.

- *Full service property management:* Full service property managers provide all of the traditional functions, plus a range of ancillary services including, among other things, on-site staffing (in areas such as building engineering and maintenance, full-service amenity management, security and concierge/front desk), banking and insurance products, energy conservation and management solutions, and resale processing services.

Only a small number of industry participants have the expertise and capital to provide full-service property management services comparable to FirstService Residential. We have the scale, highly recognized brand, geographic footprint, resources, operating expertise and innovation to deliver a full-service offering. We combine our advantages of size and national presence with a local touch and dedication focusing on service excellence, which solidifies our client relationships and market-leading reputation. The annual aggregate budget of the community associations managed by FirstService Residential exceeds US$8 billion.

As a full-service property manager, FirstService Residential provides a full range of ancillary services, including on-site staffing for building engineering and maintenance, full-service swimming pool and amenity management, security and concierge/front desk, and landscaping. In most markets, we provide financial services (cash management, other banking transaction-related services, and specialized property insurance brokerage), energy management solutions and advisory services, and resale processing services, utilizing the scale of our operations to economically benefit clients.

We generally provide residential property management and recurring ancillary services under contract, with a fixed monthly fee. These contracts typically range in duration from one to three years, yet are generally cancellable by either party with 30 to 90 days' notice. Historically, a significant proportion of our revenue is recurring due to the nature of our contracts, which have a mid-90% retention rate and therefore have a long-term tenure.

FirstService Brands

FirstService Brands is a leading North American operator and provider of essential property services to residential and commercial customers. The principal brands in this division include Paul Davis Restoration, Century Fire Protection, CertaPro Painters, California Closets, Pillar to Post Home Inspectors, Floor Coverings International, and College Pro Painters.

Franchised Operations

We own and operate six franchise networks as follows:

(i) Paul Davis Restoration is a franchisor of residential and commercial restoration services serving the insurance industry in the United States and Canada through 325 franchises. Paul Davis provides full service water, fire and mold cleanup, construction rebuild and restoration services for property damaged by natural or man-made disasters. Royalties are earned from franchisees based on a percentage of franchisee gross revenues.

(ii) CertaPro Painters is the largest provider of residential and commercial painting services in North America. CertaPro has 353 franchises operating in major markets across the United States and Canada as well as master franchises in other countries around the world. CertaPro Painters focuses on high-end residential and commercial painting and decorating work. CertaPro completes more than 100,000 projects in a typical year. Royalties are earned based on a percentage of franchisee gross revenues or a fixed monthly fee, plus administrative fees for various ancillary services.

(iii) California Closets is North America's largest provider of custom-designed and installed closet and home storage solutions. California Closets has 86 franchises in the United States and Canada as well as master franchises in other countries around the world. There are currently approximately 136 branded California Closets retail showrooms in operation in North America which are used by franchisees to demonstrate and sell the product. California Closets franchise and corporate locations install more than 64,000 jobs annually across North America. Royalties are earned based on a percentage of franchisee gross revenues.

(iv) Pillar to Post Home Inspectors is one of North America's largest home inspection service providers. Services are provided through a network of nearly 800 home inspectors in 523 franchises. Through its proprietary inspection model, Pillar to Post can assess up to 1,600 categories or items inside and outside the home as part of its evaluation process. Pillar to Post inspects more than US$50 billion in residential real estate each year. Royalties are earned on a percentage of franchisee gross revenues.

(v) Floor Coverings International is a residential and commercial floor coverings design and installation franchise system operating in North America with 126 franchises. Royalties are earned based on a percentage of franchisee gross revenues.

(vi) College Pro Painters is a seasonal exterior residential painting and window cleaning franchise system operating in most U.S. states and across Canada with 372 franchises. It recruits students and trains them to operate the business, including price estimating, marketing, operating procedures, hiring, customer service and safety. Royalties are earned based on a percentage of franchisee gross revenues. College Pro Painters' operations are seasonal with revenue and earnings generated in the June and September quarters followed by losses in the December and March quarters.

The aggregate system-wide revenues of our 1,794 franchisees were greater than $1.9 billion for 2018. Franchise agreements are for terms of five or ten years, with the exception of College Pro Painters where the agreements are for a term of one year. Royalties are reported and paid to us monthly in arrears. All franchise agreements contain renewal provisions that can be invoked by FirstService at little or no cost.

The franchised property services industry is highly fragmented, consisting principally of a large number of smaller, single-service or single-concept companies. Due to the large size of the overall market for these services, dominant market share is not considered necessary for becoming a major player in the industry. However, because of the low barriers to entry in this segment, we believe that brand name recognition among consumers is a critical factor in achieving long-term success in the businesses we operate.

Franchise businesses are subject to U.S. Federal Trade Commission regulations and state and provincial laws that regulate the offering and sale of franchises. Presently, the Company is authorized to sell franchises in 50 U.S. states, in all Canadian provinces and in several other countries around the world. In all jurisdictions, we endeavor to have our franchises meet or exceed regulatory standards.

Company-Owned Operations

FirstService owns and operates 18 California Closets locations, 9 Paul Davis Restoration locations and one independent non-Paul Davis restoration operation in major metropolitan markets in the United States and Canada. The California Closets and Paul Davis Restoration operations were acquired from franchisees with the goal of accelerating revenue growth and realizing operating margin expansion potential.

Century Fire Protection

FirstService acquired Century Fire Protection in April 2016. Century Fire Protection is one of the largest full-service fire protection companies in the Southeastern United States. The acquisition added an important service capability to FirstService's portfolio of essential property services. Headquartered in Duluth, Georgia, Century Fire Protection provides end-to-end fire protection solutions, including design, fabrication, installation, maintenance, repair, service and inspection services for commercial, residential, industrial and institutional clients. Century Fire Protection employs approximately 1,295 staff operating out of 22 offices throughout Georgia, Alabama, North Carolina, South Carolina, Tennessee and Texas. In late 2016, Century Fire Protection completed a tuck-under acquisition of Fort Lauderdale, Florida-based Advanced Fire, and since then, has completed tuck-under acquisitions of Georgia-based ASA Fire and Swift Fire, southwestern Florida-based Commercial Fire and North Carolina-based Allied Fire.

Wind-down Of Service America Operations

In November 2018, we made the decision to wind down operations at Service America, a Florida-based provider of heating, ventilation and air conditioning services and related service contracts to residential and commercial customers. The operations of Service America were not significant to FirstService. Service America was identified as a non-core business with declining revenues and limited growth prospects. As a result, we decided to reallocate our management resources and capital towards our other growing businesses.

Seasonality

Certain segments of the Company's operations are subject to seasonal variations. This seasonality results in variations in quarterly revenues and operating margins. Variations can also be caused by acquisitions or dispositions, which alter the consolidated service mix.

Trademarks

Our trademarks are important for the advertising and brand awareness of all of our businesses and franchises. We take precautions to defend the value of our trademarks by maintaining legal registrations and by litigating against alleged infringements, if necessary.

The FirstService Residential operating division operates under the FirstService Residential trademark. This common branding creates a unified North American market presence signifying our market leadership, to showcase our commitment to service excellence and to leverage our strengths to the benefit of current and future clients. No value has been ascribed to the FirstService Residential trademark in our consolidated financial statements.

In our FirstService Brands division, three franchise systems – California Closets, Paul Davis Restoration, and Pillar to Post Home Inspectors – have trademarks to which value has been ascribed in our consolidated financial statements. The value of these trademarks is derived from the recognition they enjoy among the target audiences for the respective property services. These trademarks have been in existence for many years, and their prominence among consumers has grown over time through the addition of franchisees and the ongoing marketing programs conducted by both franchisees and the Company.

Growth strategy

We maintain a leadership position in the residential property management and services industry, offering a full complement of services to a wide range of customers. We have an established track record of expanding our business through both organic and acquisition growth. Our growth plan involves five primary drivers: (i) capitalizing on our scale advantages to win new business; (ii) continuing to emphasize retention of our existing customer base, and leveraging referrals from past and existing customers; (iii) continuing to expand our ancillary services; (iv) realizing operational efficiencies; and (v) selectively pursuing strategic acquisitions.

Competition

We compete in the essential property services industry as one of the largest providers of such services to residential and commercial customers in North America.

FirstService Residential is the North American leader in residential property management with an estimated 6% market share. We operate in a highly fragmented market, with an estimated 8,000 local and regional management companies across North America. Only a relatively small number of our competitors are able to deliver the expertise and investment capital to compete broadly on a professional platform. Our primary competitors are smaller independent regional players, with only one other company having a North American presence. Our competitive position varies across geographies, property types, and services provided.

The essential property services industry in which FirstService Brands participates is highly fragmented and consists predominantly of small "mom & pop" businesses. Each of our service lines within FirstService Brands has professionalized its business category, and has a leading position within each market served. FirstService Brands competes primarily with local, regional and family-owned and operated enterprises or franchise businesses. There are several diversified property services franchise competitors including ServiceMaster, The Dwyer Group and Clockwork Services, which offer a variety of franchise service models for residential and commercial customers. Other facility and property services franchisors such as Jani-King, Jan-Pro, Roto-Rooter, Rooter-Man, and Servpro are single-concept franchise models, many of which are focused on cleaning services, and do not compete directly with FirstService Brands.

Employees

We have more than 20,000 employees.

Non-controlling interests

We own a majority interest in substantially all of our operations, while operating management of each non-wholly-owned subsidiary owns the remaining shares. This structure was designed to maintain control at FirstService while providing significant risks and rewards of equity ownership to management at the operating businesses. In almost all cases, we have the right to "call" management's shares, usually payable at our option with any combination of subordinate voting shares of FirstService (the "Subordinate Voting Shares") or cash. We may also be obligated to acquire certain of these non-controlling interests in the event of death, disability or cessation of employment or if the shares are "put" by the holder, subject to annual limitations on these puts imposed by the relevant shareholder agreements. These arrangements provide significant flexibility to us in connection with management succession planning and shareholder liquidity matters.

Dividends and dividend policy

Dividend policy

Our Board of Directors adopted a dividend policy pursuant to which we make quarterly cash dividends to holders of Subordinate Voting Shares and multiple voting shares of FirstService (the "Multiple Voting Shares", and together with the Subordinate Voting Shares, the "Common Shares") of record at the close of business on the last business day of each calendar quarter. The quarterly dividend post-Spin-off during 2015 was set at US$0.10 per Common Share (a rate of US$0.40 per annum), which was increased during 2016 to US$0.11 per Common Share (a rate of US$0.44 per annum), which was further increased during 2017 to US$0.1225 per Common Share (a rate of US$0.49 per annum), and which was further increased during 2018 to US$0.135 per Common Share (a rate of US$0.54 per annum), and which was again increased for 2019 to US$0.15 per Common Share (a rate of US$0.60 per annum). Each quarterly dividend is paid within 30 days after the record date. For the purposes of the *Income Tax Act* (Canada) and any similar provincial legislation, all dividends on the Common Shares will be eligible dividends unless indicated otherwise

The terms of the Common Share dividend policy remain, among other things, at the discretion of our Board of Directors. Future dividends on the Common Shares, if any, will depend on the results of FirstService's operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other relevant factors. Under the terms of our revolving credit facility, the Company is not permitted to pay dividends, whether in cash or *in specie*, in the circumstances of an event of default thereunder occurring and continuing or an event of default occurring as a consequence thereof. See "Material contracts" below.

Dividend history

The aggregate cash dividends declared per Common Share for the years ended December 31, 2018, 2017 and 2016 were US$0.54, US$0.49 and US$0.44, respectively.

Capital structure

Share capital

The authorized capital of the Company consists of an unlimited number of preference shares (the "Preference Shares"), issuable in series, an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. As of February 20, 2019, there were 34,690,753 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares issued and outstanding.

Common Shares

The Common Shares rank junior to the Preference Shares or series thereof ranking in priority with respect to the payment of dividends, return of capital and distribution of assets in the event of liquidation, dissolution or any distribution of the assets of FirstService for the purpose of winding-up its affairs. The holders of outstanding Common Shares are entitled to receive dividends and other distributions on a share-for-share basis (or, in the discretion of the directors, in a greater amount per Subordinate Voting Share than per Multiple Voting Share) out of the assets legally available therefor at such times and in such amounts as our Board of Directors may determine, but without preference or distinction between the Multiple Voting Shares and the Subordinate Voting Shares. The Subordinate Voting Shares carry one vote per share and the Multiple Voting Shares carry 20 votes per share. The holders of Subordinate Voting Shares and the holders of Multiple Voting Shares are entitled to receive notice of any meeting of shareholders and to attend and vote thereat as a single class on all matters to be voted on by the shareholders, except at meetings where the holders of shares of one class or of a particular series of shares are entitled to vote separately.

The rights, privileges, conditions and restrictions attaching to the Subordinate Voting Shares and the Multiple Voting Shares may be respectively modified if the amendment is authorized by at least two-thirds of the votes cast at a meeting of the holders of Subordinate Voting Shares and the holders of Multiple Voting Shares duly held for that purpose. However, if the holders of Subordinate Voting Shares, as a class, or the holders of Multiple Voting Shares, as a class, are to be affected in a manner different from the other classes of shares, such amendment must, in addition, be authorized by at least two-thirds of the votes cast at a meeting of the holders of the class of shares which is affected differently.

Each outstanding Multiple Voting Share is convertible at any time, at the option of the holder, into one Subordinate Voting Share. The Subordinate Voting Shares are not convertible into any other class of shares. No subdivision, consolidation, reclassification or other change of the Multiple Voting Shares or the Subordinate Voting Shares may be made without, concurrently, having the Multiple Voting Shares or Subordinate Voting Shares, as the case may be, subdivided, consolidated, reclassified or other change made under the same conditions. The Common Shares are not redeemable nor retractable but are able to be purchased for cancelation by FirstService in the open market, by private contract or otherwise. Upon the liquidation, dissolution or any distribution of the assets of FirstService for the purpose of winding-up its affairs, the holders of Common Shares are entitled to participate equally, on a share-for-share basis, in the remaining property and assets of FirstService available for distribution to such holders.

Preference Shares

The Preference Shares are issuable, from time to time, in one or more series, as determined by our Board of Directors. Our Board of Directors will determine, before the issue of any series of Preference Shares, the designation, preferences, rights, restrictions, conditions, limitations, priorities as to payment of dividends and/or distribution on liquidation, dissolution or winding-up, or prohibitions attaching to such series. The Preference Shares, if issued, will rank prior to the Common Shares with respect to the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of FirstService or any other distribution of assets of FirstService among its shareholders for the purpose of winding-up its affairs, and may also be given such other preferences over the Common Shares as may be determined with respect to the respective series authorized and issued. Except as required by law, the Preference Shares will not carry voting rights.

Certain Rights of Holders of Subordinate Voting Shares

A summary of the rights attaching to the Subordinate Voting Shares in the event that a take-over bid is made for Multiple Voting Shares is set out in the section entitled "Certain Rights of Holders of Subordinate Voting Shares" contained in our Management Information Circular to be filed in connection with our upcoming meeting of shareholders to be held on April 10, 2019 (the "Meeting Circular"), which section is incorporated by reference herein and will be available under our SEDAR profile at www.sedar.com. Reference should be made to our articles for the full text of these provisions.

Stock Option Plan

FirstService has a stock option plan (the "Option Plan") pursuant to which options to acquire Subordinate Voting Shares are granted to directors, officers and full-time employees of FirstService or its subsidiaries (other than Jay S. Hennick). A summary of the terms of the Option Plan is set out in the section entitled "Executive Compensation – Incentive Award Plans of FirstService – FirstService Stock Option Plan" contained in the Meeting Circular, which section is incorporated by reference herein and will be available under our SEDAR profile at www.sedar.com. The maximum number of Subordinate Voting Shares subject to grants of options under the Option Plan is limited to 3,913,500, of which: (i) options exercisable for 2,034,750 Subordinate Voting Shares have been granted and are outstanding as at the date hereof; and (ii) options which were exercisable for 1,189,250 Subordinate Voting Shares have been exercised or expired as at the date hereof, leaving options available for grant for 689,500 Subordinate Voting Shares.

Market for securities

The outstanding Subordinate Voting Shares are listed for trading on the Toronto Stock Exchange ("TSX") and The NASDAQ Global Select Market ("NASDAQ"), in each case, under the symbol "FSV". The Multiple Voting Shares are not listed and do not trade on any public market or quotation system.

The following table sets forth the reported high and low trading prices and the aggregate volume of trading of the Subordinate Voting Shares on NASDAQ (in United States dollars) and on the TSX (in Canadian dollars) for each month during 2018.

	NASDAQ			TSX		
Month	High Price (US$)	Low Price (US$)	Volume Traded	High Price (C$)	Low Price (C$)	Volume Traded
January 2018	70.28	66.36	560,189	87.68	81.66	848,913
February 2018	72.08	62.90	1,281,550	90.80	78.15	1,336,972
March 2018	73.51	68.30	554,098	94.64	88.13	789,561
April 2018	73.63	69.23	534,192	94.55	87.56	1,206,405
May 2018	71.92	69.29	486,085	93.29	88.63	833,682
June 2018	76.3199	70.05	330,291	101.00	90.86	783,060
July 2018	86.05	75.00	698,276	112.60	99.32	764,075
August 2018	90.205	80.82	557,482	114.13	105.72	910,597
September 2018	87.565	82.64	385,499	115.17	107.25	727,575
October 2018	86.08	70.75	836,513	109.66	92.30	1,342,438
November 2018	75.85	71.91	1,329,362	100.82	94.47	1,331,806
December 2018	78.28	64.87	796,929	103.35	88.45	1,012,243

Transfer agents and registrars

The transfer agent and registrar for the Subordinate Voting Shares is TSX Trust Company, 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1. The transfer agent and registrar for the Multiple Voting Shares is the Company at 1140 Bay Street, Suite 4000, Toronto, Ontario, M5S 2B4.

Directors and executive officers

Directors

Our Board of Directors is currently comprised of eight members. The following information is provided with respect to the directors of the Company as at February 20, 2019:

Name and municipality of residence	Age	Present position and tenure	Principal occupation during last five years
Brendan Calder [2,3] *Ontario, Canada*	72	Director since June 1, 2015	Mr. Calder has been a Professor and an Entrepreneur in Residence at the Rotman School of Management, University of Toronto since 2001 (currently conducting the MBA course, GettingItDone), is Chair of Rotman's Desautels Centre for Integrative Thinking, was the founding Chair of the Rotman International Centre for Pension Management and is a Senior Fellow at Massey College. Mr. Calder was a successful mortgage banker before that. Mr. Calder is also past Chair of the Peter F. Drucker Canadian Foundation and The Toronto International Film Festival Group and was a director of the public entities listed below. He is a director of EllisDon Corporation and Haventree Bank. Mr. Calder holds a Bachelor of Mathematics degree from the University of Waterloo and attended the Advance Management Program at Harvard University. Mr. Calder is an Institute of Corporate Directors certified director (ICD.D).

Name and municipality of residence	Age	Present position and tenure	Principal occupation during last five years
Bernard I. Ghert[1,2] *Ontario, Canada*	79	Director and Lead Director since June 1, 2015	Mr. Ghert was previously President and Chief Executive Officer of the Cadillac Fairview Corporation Limited from 1981 to 1987 and President of Stelworth Investments Inc. from 1987 to 1992. Mr. Ghert has been a director of many organizations in the private and public sectors, including Cadillac Fairview, Stelworth, CT Financial and Canada Trust, Wellington Insurance and the Canada Deposit Insurance Corporation. Mr. Ghert has served as Director of the Managers of several Middlefield Funds, President of the Canadian Institute of Public Real Estate Companies and was a former member of the Advisory Board of the Office of the Superintendent of Financial Institutions. Mr. Ghert currently is Chairman of the Independent Review Committee of Middlefield Fund Management Limited, President of the B.I. Ghert Family Foundation, President of Coppi Holdings Ltd., a Director on Sinai Health System's Board and Past Chair of the Mount Sinai Hospital Board of Directors.
Jay S. Hennick *Ontario, Canada*	62	Director and Founder and Chairman of the Board since June 1, 2015	Mr. Hennick is the Founder and Chairman of FirstService. In June 2015, Mr. Hennick became the Chairman and CEO of Colliers International Group Inc. Pre-spin-off, Mr. Hennick was the CEO of former FirstService Corporation from 1988 to 2015. In 1998, Mr. Hennick was awarded Canada's Entrepreneur of the Year, in 2001 he was named Canada's CEO of the Year by Canadian Business Magazine and in 2011, received an honorary Doctorate of Laws from York University and the University of Ottawa. Mr. Hennick has recently been recognized with an Order of Canada designation, and is also the 2019 International Horatio Alger Award recipient. Mr. Hennick served as past Chairman of the Board of Directors of the Sinai Health System, in Toronto and is the immediate past Chairman of The Mount Sinai Hospital Board of Directors. In addition, Mr. Hennick has endowed the Jay S. Hennick JD-MBA Program at the Faculty of Law and School of Management at the University of Ottawa Law School, his alma mater, and The Hennick Centre for Business and Law, a joint program of the Osgoode Hall Law School and the Schulich School of Business at York University. Mr. Hennick holds a Bachelor of Arts degree from York University in Toronto and a Doctorate of Laws from the University of Ottawa.
Michael Stein[1,2] *Ontario, Canada*	67	Director since June 1, 2015	Mr. Stein is the founder, Chairman and CEO of the MPI Group, a property development and investment group with a track record in incubating, investing in, and managing successful companies. Between 1978 and 1987, Mr. Stein held progressively senior positions with the Mortgage Insurance Company of Canada, ultimately holding the position of Executive Vice-President responsible for operations. Mr. Stein is a founder of CAPREIT, Canada's first TSX listed apartment REIT, where he continues to serve as chairman. He currently serves as a director of McEwen Mining Inc. (NYSE/TSX), chairman of Cliffside Capital Ltd. (TSX-V) and previously served as a director of Goldcorp Inc. Mr. Stein is a graduate engineer and has an MBA in finance and international business from Columbia University.
Frederick F. Reichheld[3] *Massachusetts, USA*	67	Director since June 1, 2015	Since 1977, Mr. Reichheld has been employed at Bain & Company, Inc., a global business consulting firm, and was elected to the partnership at Bain in 1982. Mr. Reichheld is the creator of the Net Promoter® system of management and founded Bain's Loyalty practice, which helps clients achieve superior results through improvements in customer, employee, partner and investor loyalty and has also served in a variety of other roles, including as a member of Bain & Company's Worldwide Management, Nominating, and Compensation Committees. In January 1999, he was elected by the firm to become the first Bain Fellow. Mr. Reichheld is a frequent speaker to major business forums and groups of CEOs and senior executives worldwide and has authored several books, including The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value (Harvard Business School Press, 1996), The Loyalty Rules!: How Today's Leaders Build Lasting Relationships (Harvard Business School Press 2003), The Ultimate Question (Harvard Business School Press, 2006) and The Ultimate Question 2.0 (Harvard Business School Press 2011). Mr. Reichheld received his BA from Harvard College and his MBA from Harvard Business School.

Name and municipality of residence	Age	Present position and tenure	Principal occupation during last five years
D. Scott Patterson *Ontario, Canada*	58	Director and Chief Executive Officer since June 1, 2015	Mr. Patterson is the President and CEO of FirstService. Pre-spin-off, Mr. Patterson was the President and Chief Operating Officer of former FirstService Corporation from 2003 to 2015. He joined former FirstService Corporation in 1994 as Vice President Corporate Development, and was its Chief Financial Officer from February 1995 until September 2003. Prior to joining former FirstService Corporation, Mr. Patterson was an investment banker at Bankers Trust. Mr. Patterson qualified as a Chartered Accountant in 1985 and began his career at PricewaterhouseCoopers. Mr. Patterson holds a Bachelor of Arts degree in Business Administration from the University of Western Ontario.
Joan Eloise Sproul[1] *Ontario, Canada*	62	Director since May 15, 2018	Ms. Sproul was most recently the Executive Vice President, Finance (CFO) & Chief Administrative Officer of the Sinai Health System in Toronto, Canada, which is comprised of Mount Sinai Hospital, Bridgepoint Active Healthcare and Lunenfeld-Tanenbaum Research Institute. In addition to serving more than 20 years in various finance and corporate-related roles at Mount Sinai Hospital, she previously held a number of senior financial positions in the hospitality industry. Ms. Sproul was named to the list of Canada's Most Powerful Women, Women's Executive Network, 2013. Ms. Sproul holds a Chartered Professional Accountant (CPA) designation, having qualified as a Chartered Accountant in 1981 and began her career at Ernst & Whinney. Ms. Sproul holds a Bachelor of Commerce degree from the University of Toronto.
Erin J. Wallace[3] *Illinois, USA*	59	Director since October 8, 2015	Ms. Wallace is the Chief Operating Officer at Great Wolf Resorts, Inc., a role she has held since August 2016. In this role, she is responsible for leading more than 8,600 Great Wolf Pack Member employees at 16 lodges throughout the Unites States. Great Wolf Resorts, Inc. is America's largest family of indoor water park resorts and had over 4.7 million guests in 2018. Before joining Great Wolf Resorts, Inc., Ms. Wallace was the Chief Operating Officer of Learning Care Group, Inc. from February 2015 to August 2016, where she led more than 16,000 Learning Care Group employees in delivering operational excellence to the families served at more than 900 schools throughout its umbrella of 5 brands. Prior to that, Ms. Wallace's nearly 30 year career at the Walt Disney Company spanned many roles in Theme Parks and Resorts concluding with Executive Vice President of Operations Strategy, Planning and Revenue Management, working with all of Disney Parks' domestic and international sites. After joining Disney as an industrial engineer in 1985, Ms. Wallace held a variety of managerial roles within Walt Disney Parks and Resorts, contributing to 30 years of leadership at The Walt Disney Company. Ms. Wallace's previous roles include Senior Vice President of Walt Disney World Operations – where she oversaw the largest and most popular resort destination in the world. She has also served as Vice President of Walt Disney World's Magic Kingdom® and general manager for Disney's Animal Kingdom® and Disney's All-Star Resort. Ms. Wallace graduated with honors from the University of Florida (UF) and was recognized with the Distinguished Alumni Award from UF in 2012. Ms. Wallace earned her MBA from Rollins College Crummer School of Business in 1993. In 2006, Ms. Wallace was inducted into the Crummer Graduate School of Business Alumni Hall of Fame. Ms. Wallace has been an active member of the Central Florida community, serving on numerous academic and civic boards and committees. She is also a member of the Institute of Industrial Engineers and the Society of Women Engineers.

Notes:
1. Member of Audit Committee
2. Member of Executive Compensation Committee
3. Member of Nominating and Corporate Governance Committee

Each director remains in office until the following annual shareholders' meeting of the Company or until the election or appointment of his or her successor, unless he or she resigns, his or her office becomes vacant or he or she becomes disqualified to act as a director. All directors stand for election or re-election annually.

Further background information regarding the directors of the Company will be set out in the Meeting Circular, the relevant sections of which are incorporated by reference herein and which will be available under our SEDAR profile at www.sedar.com.

Officers

The following information is provided with respect to the executive and other key officers of the Company as at February 20, 2019:

Name and municipality of residence	Age	Present position and tenure	Principal occupation during last five years
D. Scott Patterson *Ontario, Canada*	58	Chief Executive Officer since June 2015	See description above under "Directors".
Jeremy Rakusin *Ontario, Canada*	50	Chief Financial Officer since June 2015	Mr. Rakusin is the CFO of FirstService, and he is responsible for the overall financial management of FirstService, including external and internal financial reporting, budgeting, and capital market activities, including managing investor and lender relationships. Mr. Rakusin is also closely involved with all corporate communications and capital allocation decision making. Mr. Rakusin joined FirstService in September 2012 as Vice President, Strategy & Corporate Development and was responsible for sourcing and executing the company's acquisition strategy, as well as leading other corporate strategic and growth initiatives. Prior to joining FirstService, Mr. Rakusin was Mergers & Acquisitions Head at Raymond James Ltd. with responsibility for leading the firm's domestic and cross-border M&A practice. Mr. Rakusin's investment banking and corporate finance experience also includes more than 10 years at Bank of America, Merrill Lynch and TD Securities. Other career experience includes positions as a portfolio manager at a Toronto-based discretionary investment firm and as a securities and corporate lawyer at Toronto-based Goodmans LLP. Mr. Rakusin earned his joint MBA and Law degrees from the University of Toronto. He also received his Chartered Financial Analyst designation.
Douglas G. Cooke *Ontario, Canada*	59	Vice President, Corporate Controller and Corporate Secretary since June 2015	Mr. Cooke is the Vice President, Corporate Controller and Corporate Secretary of FirstService, and he is responsible for FirstService's external and internal corporate reporting and cash management functions. Mr. Cooke joined FirstService in 1995 as Controller, later assuming the position of Corporate Controller and Treasurer. In 2005, Mr. Cooke was appointed Vice President. Prior to joining FirstService, Mr. Cooke was Senior Internal Auditor for Unilever Canada, a subsidiary of Unilever PLC, one of the world's largest consumer product companies. Previously, Mr. Cooke has held senior financial reporting positions within the retail and financial sectors. Mr. Cooke is both a Chartered Professional Accountant and Chartered Financial Analyst, beginning his career with KPMG.
Alex Nguyen *Ontario, Canada*	36	Vice President, Strategy and Corporate Development, since June 2015	Mr. Nguyen is the Vice President, Strategy and Corporate Development, of FirstService. In this role, Mr. Nguyen is responsible for driving acquisition growth across all of FirstService's business platforms. Mr. Nguyen is also closely involved in the formulation and execution of the Company's corporate strategy and growth initiatives. Prior to FirstService, Mr. Nguyen worked at the Ontario Teachers' Pension Plan, one of the largest institutional investors in the world, where he was responsible for the execution and management of private equity investments. Formerly, Mr. Nguyen worked at RBC Capital Markets and CIT.

Name and municipality of residence	Age	Present position and tenure	Principal occupation during last five years
Chuck M. Fallon *Florida, USA*	56	Chief Executive Officer, FirstService Residential, since April 2013	Mr. Fallon is the CEO of FirstService Residential. He is a seasoned veteran of the customer service industry known for his leadership on client service excellence and a strong track record of driving growth for globally recognized Fortune 500 companies. Having joined as CEO in 2013, Mr. Fallon is responsible for identifying acquisitions, recruiting key employees, conceptualizing business initiatives and directing the company's overall expansion. Drawing on his extensive background in business strategy, operations, sales, marketing and network development, Mr. Fallon maintains the pillars of superior customer service, innovation and technology to continuously build on FirstService Residential's legacy of going the extra mile every day to make a difference for each resident and client served. Prior to FirstService Residential, he served as President of Terminix International from 2011 to 2013 and President, North America at Burger King Holdings from 2006 to 2011. Prior to that, Mr. Fallon led sales, marketing and revenue management at AvisBudget Group and began his career as an investment banker in New York and London.
Charlie E. Chase *Pennsylvania, USA*	58	President and Chief Executive Officer, FirstService Brands, since 2010	Mr. Chase is the President and CEO of FirstService Brands. Prior to his role as CEO, Mr. Chase served as the President of the Consumer Franchises of The Franchise Company and prior to that he was CEO of CertaPro Group. Throughout his 30 years with FirstService Brands he has held numerous roles, starting as a Franchise owner in 1982 at College Pro Painters. Believing that there was an opportunity to create a successful and significant full time painting company, in 1992 he became the founding President of CertaPro Painters.

Ownership

As of February 20, 2019, the directors and executive/key officers of the Company, as a group, owned, or controlled or directed, directly or indirectly, 2,690,295 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares, which represent 7.8% of the total Subordinate Voting Shares and 100% of the total Multiple Voting Shares, in each case, outstanding on such date. The directors and executive/key officers, as a group, controlled 50.5% of the total voting rights as of such date when all Multiple Voting Shares and Subordinate Voting Shares are considered. Mr. Hennick controls all of the Multiple Voting Shares.

Legal proceedings and regulatory actions

There are no legal proceedings to which FirstService is a party to, or in respect of which, any of the property of FirstService is the subject of, which is or was material to FirstService during 2018, and FirstService is not aware of any such legal proceedings that are contemplated. In the normal course of operations, FirstService is subject to routine immaterial claims and litigation incidental to its business. Litigation currently pending or threatened against FirstService includes disputes with former employees and commercial liability claims related to services provided by FirstService. FirstService believes resolution of such proceedings, combined with amounts set aside, will not have a material impact on the Company's financial condition or the results of operations.

During 2018, there were no penalties or sanctions imposed against FirstService by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor were there any other penalties or sanctions imposed by a court or regulatory body against FirstService and, during 2018, FirstService did not enter into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

Properties

The following chart provides a summary of the properties occupied by the Company and its subsidiaries as at December 31, 2018:

(square feet)	United States (leased)	United States (owned)	Canada (leased)	Canada (owned)	International (leased)	International (owned)
FirstService Residential	1,243,000	74,000	88,000	–	–	–
FirstService Brands	1,099,000	38,000	55,000	–	–	–
Corporate	-	-	20,000	–	–	–

Reconciliation of non-GAAP financial measures

In this AIF, we make reference to "adjusted EBITDA" and "adjusted EPS," which are financial measures that are not calculated in accordance with GAAP.

Adjusted EBITDA is defined as net earnings, adjusted to exclude: (i) income tax; (ii) other expense (income); (iii) interest expense; (iv) depreciation and amortization; (v) goodwill impairment charge; (vi) acquisition-related items; and (vii) stock-based compensation expense. The Company uses adjusted EBITDA to evaluate its own operating performance and its ability to service debt, as well as an integral part of its planning and reporting systems. Additionally, this measure is used in conjunction with discounted cash flow models to determine the Company's overall enterprise valuation and to evaluate acquisition targets. Adjusted EBITDA is presented as a supplemental measure because the Company believes such measure is useful to investors as a reasonable indicator of operating performance because of the low capital intensity of its service operations. The Company believes this measure is a financial metric used by many investors to compare companies, especially in the services industry. This measure is not a recognized measure of financial performance under GAAP in the United States, and should not be considered as a substitute for operating earnings, net earnings from operations or cash flow from operating activities, as determined in accordance with GAAP. The Company's method of calculating adjusted EBITDA may differ from other issuers and accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of net earnings from operations to adjusted EBITDA appears below.

(in thousands of US$)	Year ended December 31	
	2018	**2017**
Net earnings	$ 90,280	$ 75,047
Income tax	24,922	21,568
Other expense (income)	(254)	(1,520)
Interest expense, net	12,620	9,867
Operating earnings	127,568	104,962
Depreciation and amortization	52,772	42,049
Goodwill impairment charge	-	6,150
Acquisition-related items	4,504	2,019
Stock-based compensation expense	5,767	4,132
Adjusted EBITDA	$ 190,611	$ 159,312

Adjusted EPS is defined as diluted net earnings (loss) per share, adjusted for the effect, after income tax, of: (i) the non-controlling interest redemption increment; (ii) acquisition-related items; (iii) amortization of intangible assets recognized in connection with acquisitions; (iv) goodwill impairment charges; (v) stock-based compensation expense; (vi) a stock-based compensation tax adjustment related to a US GAAP change; and (vii) an income tax recovery on enactment of US Tax Reform. The Company believes this measure is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company and enhances the comparability of operating results from period to period. Adjusted EPS is not a recognized measure of financial performance under GAAP, and should not be considered as a substitute for diluted net earnings per common share from operations, as determined in accordance with GAAP. The Company's method of calculating this non-GAAP measure may differ from other issuers and, accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of diluted net earnings (loss) per common share from operations to adjusted EPS appears below.

(in US$)	Year ended December 31	
	2018	**2017**
Diluted net earnings per share	$ 1.80	$ 1.41
Non-controlling interest redemption increment	0.36	0.42
Acquisition-related items	0.09	0.05
Amortization of intangible assets, net of tax	0.35	0.23
Goodwill impairment charge, net of tax	-	0.10
Stock-based compensation expense, net of tax	0.12	0.08
Stock-based compensation tax adjustment for US GAAP change	(0.11)	(0.23)
Income tax recovery on enactment of US Tax Reform	-	(0.07)
Adjusted EPS	$ 2.61	$ 1.99

We believe that the presentation of adjusted EBITDA and adjusted EPS, which are non-GAAP financial measures, provides important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. We use these non-GAAP financial measures when evaluating operating performance because we believe that the inclusion or exclusion of the items described above, for which the amounts are non-cash or non-recurring in nature, provides a supplemental measure of our operating results that facilitates comparability of our operating performance from period to period, against our business model objectives, and against other companies in our industry. We have chosen to provide this information to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our core business and the valuation of the Company. Adjusted EBITDA and adjusted EPS are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs or benefits associated with the operations of our business as determined in accordance with GAAP. As a result, investors should not consider these measures in isolation or as a substitute for analysis of our results as reported under GAAP.

Risk factors

Readers should carefully consider the following risks, as well as the other information contained in this AIF and our management's discussion and analysis for the year ended December 31, 2018. If any of the following risks actually occurs, our business could be materially harmed. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those of which we are currently unaware or we currently deem immaterial, may also adversely affect our business.

Risks relating to our Business

Economic conditions, especially as they relate to credit conditions and consumer spending

During periods of economic slowdown or contraction, our business is impacted directly. Consumer spending directly impacts our FirstService Brands operations businesses because as consumers spend less on property services, our revenues decline. These factors could also negatively impact the timing or the ultimate collection of accounts receivable, which would negatively impact our operating revenues, profitability and cash flow.

Residential real estate property values, resale rates and general conditions of financial liquidity for real estate transactions

We provide various services at residential properties in our FirstService Residential and FirstService Brands operating divisions. Property values and consumer confidence are strongly correlated with demand for our services, including painting, closet installation, general maintenance, collections and resale processing.

Extreme weather conditions impact demand for our services or our ability to perform those services

Natural disasters, such as hurricanes, can have a direct impact in our FirstService Residential and FirstService Brands operations. These events damage property, which require various services that our companies offer, such as restoration and large-scale landscaping. They may also harm our employees, facilities and franchisees, resulting in an inability to serve clients and generate revenues.

Economic deterioration impacts our ability to recover goodwill and other intangible assets

Expectations of future earnings drive the recoverability of goodwill and other intangible assets, which are tested, at least, on an annual basis. A future deterioration of operating performance may necessitate additional non-cash impairment charges.

Ability to generate cash from our businesses to fund future acquisitions and meet our debt obligations

We rely on our businesses to generate the necessary cash to service our financial obligations. As at December 31, 2018, we have $330.6 million of debt outstanding ($268.2 million net of cash) that will be required to be refinanced or repaid over the next eight years. We also have $67.5 million of available un-drawn credit at December 31, 2018. To date, we have been able to meet all of our debt obligations, however with a decline in performance in some of our businesses, surplus cash may not be available to be remitted which may result in the inability to meet a debt repayment.

An important component of our growth strategy is strategic and selective acquisitions, which we tend to complete with cash. Although we have a revolving credit facility available to us as noted elsewhere in this AIF, we also rely on surplus cash on hand to fund acquisitions. If cash on hand is not available and our revolving credit facility is fully utilized, then future acquisitions may not be possible.

The effects of changes in foreign exchange rates in relation to the U.S. dollar on our Canadian dollar denominated revenues and expenses

We generate less than 10% of our revenues outside the United States. Consequently, a portion of our consolidated results are impacted directly by fluctuations in the relative strength of the U.S. dollar versus the Canadian dollar currency. In the future, we may acquire additional international operations. In such event, the impact of foreign currency exchange rate fluctuations may increase.

Competition in the markets served by the Company

We operate in highly competitive markets. Changes in the source and intensity of competition in the markets served by us impact the demand for our services and may result in additional pricing pressures. The relatively low capital cost of entry to certain of our businesses has led to strong competitive markets, including regional and local owner-operated companies. Regional and local competitors operating in a limited geographic area may have lower labour, benefits and overhead costs. The principal methods of competition in our businesses include name recognition, quality and speed of service, pricing, customer satisfaction and reputation. No assurance can be given that we will be able to compete successfully against current or future competitors and that the competitive pressures that we face will not result in reduced market share or negatively impact our financial performance.

Labour shortages or increases in wage and benefit costs

As a services company, our primary asset is the human capital that comprises our workforce. In particular, we rely on property managers, franchisees and other skilled staff to generate revenues. A shortage, or increase in wage and benefit costs, of this human capital could reduce our revenues and profitability.

The effects of changes in interest rates on our cost of borrowing

As at December 31, 2018, we had $177.2 million of debt at variable interest rates. As a result, changes in base rates such as LIBOR affect our interest expense as these base rates fluctuate. On our fixed rate debt, we have from time-to-time entered into fixed-for-floating interest rate swaps, where advantageous, to convert the fixed interest payments to floating. These swaps are intended to manage interest rate sensitivity and reduce overall interest costs.

Continued compliance with the financial covenants under our debt agreements, or our ability to negotiate a waiver of certain covenants with our lenders

A prolonged decline in our earnings performance could result in a non-compliance with one or more financial covenants. If the Company fails to meet its payment or other obligations under its debt agreements, the lenders will be entitled to demand immediate repayment of all amounts owing and thereafter, if unpaid, exercise their secured creditor rights.

Unexpected increases in operating costs, such as insurance, workers' compensation, health care and fuel prices

As a services company, the costs of providing services to our customers can fluctuate. Certain operating expenses are based on market rates which we cannot control and, absent an offsetting price increase in our services, have a direct impact on our operating margins.

Changes in the frequency or severity of insurance incidents relative to our historical experience

Adverse changes in claims experience could increase our insurance costs and/or increase the risk of being unable to renew insurance coverage at our operations. In each of our operating segments, we effectively self-insure certain risks, with a layer of third-party insurance for catastrophic claims. An increase in the frequency or severity of claims in these areas could materially affect our financial position and results of operations. There can be no assurance that we will be able to obtain insurance coverage on favourable economic terms in the future.

Our ability to make acquisitions at reasonable prices and successfully integrate acquired operations

As an acquisitive organization, we actively pursue acquisitions to expand our footprint and services offerings as well as supplement existing businesses. Not only does our acquisition strategy depend on the continued availability of suitable targets, it also depends on the ability to negotiate favorable terms and conditions. Another risk with acquisitions is the ability to integrate the acquired business into an existing service line.

Certain of our businesses operate in industries and are subject to a variety of changing laws and regulations

Certain of our operations and employees are subject to various licensing laws, codes and standards and other laws and regulations. Changes in laws or regulations could require us to change the way we operate or to utilize resources to maintain compliance, which could increase costs or otherwise alter operations. In addition, failure to comply with any applicable laws or regulations could result in fines or revocation of permits and licenses. If applicable laws and regulations were to change or if we failed to comply, our business, financial condition and results of operations could be adversely affected.

We are exposed to greater risks of liability for employee acts or omissions, or installation/system failure, in our fire protection businesses than may be inherent in other businesses

The nature of the fire protection services we provide exposes us to the risks that we may be held liable for employee acts or omissions or installation/system failures. In an attempt to reduce this risk, our installation, service and/or maintenance agreements and other contracts contain provisions limiting our liability in such circumstances, and we typically maintain liability insurance to mitigate such risk. However, in the event of litigation, it is possible that contract limitations may be deemed not applicable or unenforceable, that our insurance coverage is not adequate, or that insurance carriers deny coverage of our claims. As a result, such employee acts or omissions or installation/system failures could have an adverse effect on our business, financial condition, results of operations and cash flows.

Declaration of dividends on Common Shares

Future dividends on the Common Shares will depend on the Company's results of operations, financial condition, capital requirements, general business conditions and other factors that the Company's Board of Directors may deem relevant. Additionally, under our revolving credit facility, the Company is not permitted to pay dividends, whether in cash or *in specie*, in the circumstances of an event of default thereunder occurring and continuing or an event of default occurring as a consequence thereof.

Risks arising from any regulatory review and litigation

While management is not currently aware of any formal regulatory reviews or investigations, the commencement of any such reviews or investigations may result in the diversion of significant management attention and resources and, if securities or other regulators determine that a violation of securities or other laws may have occurred, or has occurred, the Company or its officers and directors may receive notices regarding potential enforcement action or prosecution and could be subject to civil or criminal penalties or other remedies. For example, the Company or its officers could be required to pay substantial damages, fines or other penalties, the regulators could seek an injunction against the Company or seek to ban an officer or director of the Company from acting as such, any of which actions would have a material adverse effect on the Company.

Intellectual property and other proprietary rights that are material to our business

Our ability to compete effectively depends in part on our rights to service marks, trademarks, trade names and other intellectual property rights we own or license. We have not sought to register every one of our marks in every jurisdiction in which they are used. Furthermore, because of the differences in foreign trademark, patent and other intellectual property or proprietary rights laws, we may not receive the same protection in other jurisdictions as we would in Canada or the United States. If we are unable to protect our proprietary information and brand names, we could suffer a material adverse effect on our business, financial condition or results of operations. Litigation may be necessary to enforce our intellectual property rights and protect our proprietary information, or to defend against claims by third parties that our products or services infringe their intellectual property rights. Any litigation or claims brought by or against us could result in substantial costs and diversion of our resources. A successful claim of trademark, patent or other intellectual property infringement against us, or any other successful challenge to the use of our intellectual property, could subject us to damages or prevent us from providing certain services under our recognized brand names, which could have a material adverse effect on our business, financial condition or results of operations.

Disruptions or security failures in our information technology systems

Our information technology systems facilitate our ability to monitor, operate and control our operations. While we have disaster recovery plans in place, any disruption in these plans or the failure of our information technology systems to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results by limiting, among other things, our capacity to monitor, operate and control our operations effectively. In addition, because our systems contain information about individuals and businesses, our failure to maintain the security of the data we hold, whether the result of our own error or the malfeasance or errors of others, could harm our reputation or give rise to legal liabilities relating to violations of privacy laws or otherwise, which may lead to lower revenues, increased costs and other material adverse effects on our results of operations.

Multiple Voting Shares and a change of control

The existence of the Multiple Voting Shares results in various impediments on the ability or desire of a third party to acquire control of the Company. This may discourage, delay or prevent a change of control of the Company or an acquisition of the Company at a price that shareholders may find attractive. The existence of the Multiple Voting Shares also may discourage proxy contests and make it difficult or impossible for the Company's holders of Subordinate Voting Shares to elect directors and take other corporate actions.

Blank cheque preference shares

The Company has the right to issue so-called "blank cheque" preference shares which may affect the voting and liquidation rights of holders of Common Shares. The Company's Board of Directors is authorized, without any further shareholder approval, to issue one or more additional series of preference shares in an unlimited number and to set the rights, privileges, restrictions and conditions attached thereto.

Political conditions, including any outbreak or escalation of terrorism or hostilities and the impact thereof on our business

Political events and situations can have an effect on the Company's operations. Events could occur that may hamper our ability to manage operations, extract cash and implement FirstService policies in certain regions.

Changes in government policies at the federal, state/provincial or local level that may adversely impact our businesses

Changes in laws and regulation at the different jurisdictional levels can have a direct effect on our operations. It is difficult to predict the future impact of a change in legislative and regulatory requirements affecting our businesses. The laws and regulations applicable to our businesses will likely change in the future and affect our operations and financial performance. In addition, if we were to fail to comply with any applicable law or regulation, we could be subject to substantial fines or damages, be involved in litigation, suffer losses to our reputation and suffer the loss of licenses or penalties that may affect how our business is operated, which, in turn, would have a material adverse effect on our business, financial condition and results of operations.

Interest of management and others in material transactions

Except as described below or elsewhere in this AIF, no director of FirstService, executive officer of FirstService, or person or company that beneficially owns, or controls or directs more than 10% of any class or series of voting securities of FirstService, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years, or during the current year, that has materially affected or is reasonably expected to materially affect FirstService or any of its subsidiaries.

Material contracts

The only contracts that can reasonably be regarded as material to us, other than contracts entered into in the ordinary course of business, are as follows:

(a) *Credit Facility*: The Company is party to a revolving credit facility (the "Credit Facility"), originally entered into on June 1, 2015 and subsequently amended on January 17, 2018, with a syndicate of banks providing for a committed multi-currency revolving credit facility of US$250 million. The Credit Facility has a term ending January 17, 2023 and bears interest at 0.25% to 2.50% over floating preference rates, depending on certain leverage ratios. The Credit Facility requires a commitment fee of 0.25% to 0.50% of the unused portion, depending on certain leverage ratios. At any time during the term, the Company has the right to increase the Credit Facility by up to US$100 million, on the same terms and conditions as the original Credit Facility. The Credit Facility is available to fund working capital requirements and other general corporate purposes, including acquisitions; and

(b) *Note Agreement*: On June 1, 2015, we entered into an Amended and Restated Note and Guarantee Agreement pursuant to which the Company assumed from Old FSV US$150 million of senior secured notes (the "Senior Notes") bearing interest at a rate of 3.84% to 4.84%, depending on leverage ratios. As of December 31, 2018, the current interest rate is 3.84% based on those financial covenant targets being met. The Senior Notes are due on January 16, 2025, with five annual equal repayments beginning on January 16, 2021.

Copies of the above material contracts are available on FirstService's SEDAR profile at www.sedar.com.

Cease trade orders, bankruptcies, penalties or sanctions

To the best of the knowledge of the Company:

(1) none of the directors or executive officers of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company) that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days (collectively, an "Order") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

(2) none of the directors or executive officers of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as at the date of this AIF, or has been, within 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Conflicts of interest

Certain directors and officers of the Company are engaged in and will continue to engage in activities outside the Company, and as a result, certain directors and officers of the Company may become subject to conflicts of interest. The *Business Corporations Act* (Ontario) provides that in the event that a director or officer has an interest in a contract or proposed contract or agreement, the director or officer shall disclose his or her interest in such contract or agreement and, in the case of directors, shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the *Business Corporations Act* (Ontario). To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the *Business Corporations Act* (Ontario).

As at the date hereof, the Company is not aware of any existing or potential material conflicts of interest between the Company and a director or officer of the Company.

Experts

The Company's independent registered public accounting firm is PricewaterhouseCoopers LLP, who has issued an integrated audit report dated February 20, 2019 in respect of the Company's consolidated financial statements as of December 31, 2018 and 2017 and on the effectiveness of the Company's internal control over financial reporting as at December 31, 2018. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario and the rules of the U.S. Securities and Exchange Commission and the Public Company Accounting Oversight Board.

Audit Committee

The Audit Committee is comprised of three members who are each "independent" and "financially literate" as required by Multilateral Instrument 52-110 *Audit Committees* (the "Audit Committee Rule"). The members of the Audit Committee are Mr. Ghert (Chair), Mr. Stein and Ms. Sproul. The Audit Committee has the resources and the authority to discharge its responsibilities, including the authority to engage, at the expense of FirstService, outside consultants, independent legal counsel and other advisors as it determines necessary to carry out its duties, without seeking approval of our Board of Directors or management. The Audit Committee also has the authority to conduct any investigation necessary and appropriate to fulfilling its responsibilities, and has direct access to communicate with the external auditors, legal counsel and officers and employees of FirstService. The Audit Committee meets at least four times annually, or more frequently as circumstances dictate.

The Audit Committee reviews the annual and interim financial statements intended for circulation among shareholders and reports upon these to our Board of Directors prior to their approval by the full Board. The Audit Committee is also responsible for reviewing the integrity of FirstService's financial reporting process, both internal and external, and any major issues as to the adequacy of the internal controls and any special audit procedures adopted in light of any material control deficiencies. The Audit Committee communicates directly with FirstService's external auditors in order to discuss audit and related matters whenever appropriate. In addition, the Board may refer to the Audit Committee such matters and questions relating to the financial position of FirstService and its subsidiaries. All reports made to FirstService's ethics hotline are reviewed by the Chair of the Audit Committee and then by the entire Audit Committee at its next meeting. Our Board of Directors has adopted an Audit Committee mandate, a copy of which is annexed as Exhibit "A" to this AIF. The Audit Committee mandate is also published on the Company's website (www.firstservice.com).

The education and related experience of each of the members of the Audit Committee that is relevant to the performance by such members of their responsibilities on such committee is described below.

Bernard I. Ghert (Chair) – Mr. Ghert holds a Master of Business Administration degree. Mr. Ghert was previously President and Chief Executive Officer of the Cadillac Fairview Corporation Limited from 1981 to 1987 and President of Stelworth Investments Inc. from 1987 to 1992. Mr. Ghert has been a director of many organizations in the private and public sectors, including Cadillac Fairview, Stelworth, CT Financial and Canada Trust, Wellington Insurance and the Canada Deposit Insurance Corporation. Mr. Ghert has served as Director of the Managers of several Middlefield Funds, President of the Canadian Institute of Public Real Estate Companies and was a former member of the Advisory Board of the Office of the Superintendent of Financial Institutions. Mr. Ghert currently is Chairman of the Independent Review Committee of the Middlefield Group of Funds and President of the B.I. Ghert Family Foundation. Mr. Ghert is a past Chair of the Mount Sinai Hospital Board of Directors.

Michael Stein – Mr. Stein is the Chairman and Founder of Canadian Apartment Properties Real Estate Investment Trust (CAPREIT), a publicly traded residential landlord, has served as a Director on its Board of Trustees of since 1997. He has been Chairman and Chief Executive Officer of MPI Group Inc., a company engaged in real estate investment and development, since 1994. Between 2000 and 2006, Mr. Stein served on the Board of Directors of Goldcorp Inc., a public natural resource company. Mr. Stein is a graduate engineer and holds a Master of Business Administration degree from Columbia University in New York.

Joan Eloise Sproul – Ms. Sproul was most recently the Executive Vice President, Finance (CFO) & Chief Administrative Officer of the Sinai Health System in Toronto, Canada, which is comprised of Mount Sinai Hospital, Bridgepoint Active Healthcare and Lunenfeld-Tanenbaum Research Institute. In addition to serving more than 20 years in various finance and corporate-related roles at Mount Sinai Hospital, she previously held a number of senior financial positions in the hospitality industry. Ms. Sproul was named to the list of Canada's Most Powerful Women, Women's Executive Network, 2013. Ms. Sproul holds a Chartered Professional Accountant (CPA) designation, having qualified as a Chartered Accountant in 1981 and began her career at Ernst & Whinney. Ms. Sproul holds a Bachelor of Commerce degree from the University of Toronto.

The Audit Committee Rule requires the Company to disclose whether its Audit Committee has adopted specific policies and procedures for the engagement of non-audit services and to prepare a summary of these policies and procedures. The Audit Committee is responsible for the selection, nomination, compensation, retention, termination and oversight of the work of the external auditors engaged for the purpose of issuing an auditor's report or performing other audit, review or attest services for FirstService and, in such regard, recommend to the Board the external auditors to be nominated for approval by FirstService shareholders. The Audit Committee will also consider, assess and report to the Board with regard to the independence and performance of the external auditors. The Audit Committee has adopted a pre-approval policy pursuant to which the Company may not engage the Company's external auditor to carry out certain non-audit services that are deemed inconsistent with the independence of auditors under U.S. and Canadian applicable laws. The Audit Committee must pre-approve all audit engagements and the provision by the external auditors of all non-audit services, including fees and terms for all audit engagements and non-audit engagements.

In addition to performing the audit of the Company's annual consolidated financial statements, PricewaterhouseCoopers LLP provided other services to the Company and they billed the Company the following fees during 2018:

(in thousands of US$)	Year ended December 31, 2018
Audit fees (note 1)	$726,000
Audit-related fees (note 2)	45,000
Tax fees (note 3)	50,000
All other fees (note 4)	6,000
Admin and disbursements (note 4)	112,000
	$939,000

Notes:

1. Refers to the aggregate fees billed by the Company's external auditor for audit services relating to the audit of FirstService and statutory audits required by subsidiaries.
2. Refers to the aggregate fees billed for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under (1) above, including professional services rendered by the Company's external auditor for accounting consultations on proposed transactions and consultations related to accounting and reporting standards. Such fees included amounts incurred in respect of: due diligence and other work related to the disposition and acquisition of businesses, such work being unrelated to the audit of the Company's financial statements; accounting consultations with respect to proposed transactions, as well as other audit-related services.
3. Refers to the aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.
4. Refers to fees for licensing and subscriptions to accounting and tax research tools, as well as administration and out-of-pocket expenses.

Additional information

Additional information, including the directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities, where applicable, is contained in the Meeting Circular.

Copies of publicly filed documents of the Company, including those incorporated herein by reference, can be found through the SEDAR web site at www.sedar.com and also via EDGAR at www.sec.gov. Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2018.

EXHIBIT "A"

AUDIT COMMITTEE MANDATE

Purpose

The Audit Committee (the "Committee") is appointed by and shall assist the Board of Directors (the "Board") of FirstService Corporation (the "Company") in fulfilling its oversight responsibilities in the following principal areas: (i) accounting policies and practices, (ii) the financial reporting process, (iii) financial statements provided by the Company to the public, (iv) risk management including systems of internal accounting and financial controls, (v) appointing, overseeing and evaluating the work of the external auditors, and (vi) compliance with applicable legal and regulatory requirements.

In addition to the responsibilities specifically enumerated in this Mandate, the Board may refer to the Committee such matters and questions relating to the financial position of the Company and its subsidiaries as the Board may from time to time see fit.

Membership

The Committee shall consist of at least three directors appointed annually by the Board and shall be selected based upon the following, in accordance with applicable rules and regulations:

a. *Independence*. Each member shall be independent in accordance with applicable legal and regulatory requirements and in such regard shall have no direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

b. *Financially Literate*. Each member shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee. For these purposes, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

c. *Commitment*. In addition to being a member of the Committee, if a member is also on the audit committee or board of directors of other public companies, the Board shall determine that such simultaneous service does not impair the ability of such member to serve effectively on the Company's Audit Committee.

Chair and Secretary

The Chair of the Audit Committee shall be selected by the Board. If the Chair is not present, the members of the Committee may designate a Chair for the meeting by majority vote of the members present. The Secretary of the Company shall be the Secretary of the Audit Committee, provided that if the Secretary is not present, the Chair of the meeting may appoint a secretary for the meeting with the consent of the other Committee members who are present.

Meetings

The times and locations of meetings of the Committee and the calling of such meetings, shall be determined from time to time by the Chair of the Committee, in consultation with management when necessary, provided that there shall be a minimum of four meetings per year. The Committee shall have sufficient notice in order to prepare for each meeting. Notice of each meeting shall also be given to the external auditors of the Company, and meetings shall be convened whenever requested by the external auditors or any member of the Committee in accordance with applicable law.

Meeting Agendas

Agendas for meetings of the Audit Committee shall be developed by the Chair of the Committee in consultation with management and the corporate secretary, and shall be circulated to the Committee members prior to any meetings.

Resources and Authority

The Committee shall have the resources and the authority to discharge its responsibilities, including the authority to engage, at the expense of the Company, outside consultants, independent legal counsel and other advisors as it determines necessary to carry out its duties, without seeking approval of the Board or management.

The Committee shall have the authority to conduct any investigation necessary and appropriate to fulfilling its responsibilities, and has direct access to communicate with the external auditors, legal counsel, and officers and employees of the Company.

The members of the Committee have the right, for the purpose of performing their duties, to inspect the books and records of the Company and to discuss such accounts and records and any matters relating to the financial position, risk management and internal controls of the Company with the officers and external auditors of the Company.

Responsibilities

The Company's management is responsible for preparing the Company's financial statements while the external auditors are responsible for auditing those financial statements. The Committee is responsible for overseeing the conduct of those activities by the Company's management and external auditors, and overseeing the activities of any internal audit initiatives. The Company's external auditors are accountable to the Committee as representatives of the Company's shareholders.

It is recognized that members of the Committee are not full-time employees of the Company and do not represent themselves to be accountants or auditors by profession or experts in the fields of accounting or auditing or the preparation of financial statements. It is not the duty or responsibility of the Committee or its members to conduct "*field work*" or other types of auditing or accounting reviews or procedures. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from whom it receives information, and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary.

The specific responsibilities of the Committee are as follows:

1. **Financial Reporting Process and Financial Statements**

    a. In consultation with the external auditors and management, review the integrity of the Company's financial reporting process, both internal and external, and any major issues as to the adequacy of the internal controls and any special audit procedures adopted in light of any material control deficiencies;

    b. Review all material transactions and contracts entered into by the Company with any insider or related party of the Company, other than officer or employee compensation arrangements which are approved by the Compensation Committee;

    c. Review with management and the external auditors the Company's annual audited consolidated financial statements and discuss with the external auditors all matters required to be discussed by generally accepted auditing standards (GAAS) in Canada and the United States. This would include reviewing an annual report prepared by the external auditors describing: (i) all critical accounting policies used by the Company, (ii) any material alternative accounting treatments within generally accepted accounting principles (GAAP) that have been discussed with management of the Company, including the ramifications of the use of such alternative treatments and disclosures, and (iii) any other material written communications between the external auditors and management;

d. Following completion of the annual audit, review with management and the external auditors any significant issues, concerns or difficulties encountered;

e. Resolve any disagreements between management and the external auditors regarding financial reporting;

f. Review the interim quarterly and annual financial statements and annual and interim press releases prior to the release of earnings information including earnings guidance provided to analysts;

g. Review and be satisfied that adequate procedures are in place for the review of the public disclosure of financial information by the Company and periodically assess the adequacy of those procedures; and

h. Meet separately, periodically, with management and with the external auditors.

2. **External Auditors**

a. The Committee is responsible for the selection, nomination, compensation, retention, termination and oversight of the work of the external auditors engaged for the purpose of issuing an auditor's report or performing other audit, review or attest services for the Company, and in such regard recommend to the Board the external auditors to be nominated for approval by the shareholders;

b. Pre-approve all audit engagements and the provision by the external auditors of all non-audit services, including fees and terms for all audit engagements and non-audit engagements, and in such regard the Committee may establish the types of non-audit services the external auditors shall be prohibited from providing and shall establish the types of audit, audit related and non-audit services for which the Committee will retain the external auditors;

c. Review and approve the Company's policies for the hiring of partners and employees and former partners and employees of the external auditing firm;

d. Consider, assess and report to the Board with regard to the independence and performance of the external auditors; and

e. Request and review annually a report by the external auditors regarding the auditing firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the past five years.

3. **Internal Controls and Risk Management**

a. Oversee management's design, implementation and evaluation of the Company's internal controls over financial reporting including compliance with the requirements of the Sarbanes-Oxley Act. Receive and review reports from management and the external auditors with regard to the reliability and effective operation of the Company's accounting systems and internal controls;

b. Discuss with management the Company's approach to risk assessment and risk management and it's assessment of the need for internal auditing. The Company's approach includes assessing and managing the risks related with personal and sensitive data that is collected, transmitted or stored by the Company and the control environment in place to protect the privacy of such data;

c. Establish policies and procedures for the confidential, anonymous submission by employees of the Company of any concerns regarding questionable accounting or other acts and for the receipt, retention and treatment of any such submissions.

4. **Legal and Regulatory Requirements**

a. Receive and review timely analysis by management of significant issues relating to public disclosure and reporting, including, prior to finalization, the Management's Discussion and Analysis and Annual Information Form;

b. Prepare the report of the Audit Committee required to be included with the Company's periodic filings; and

c. Assist the Board in the oversight of compliance with legal and regulatory matters.

5. **Additional Responsibilities**

a. Report regularly to the Board, including matters such as the quality and integrity of the Company's financial statements, compliance with legal and regulatory requirements, the results of any internal audit initiatives including evaluation of internal controls over financial reporting for purposes of compliance with Sarbanes-Oxley, and the performance and independence of the external auditors; and

b. Review and reassess annually the adequacy of the Audit Committee's Mandate and prepare and review with the Board an annual performance evaluation of the Audit Committee.

FIRSTSERVICE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

Year ended

December 31, 2018

FIRSTSERVICE CORPORATION

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements and management discussion and analysis ("MD&A") of **FirstService Corporation** (the "Company") and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America using the best estimates and judgments of management, where appropriate. The most significant of these accounting principles are set out in Note 2 to the consolidated financial statements. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

The MD&A has been prepared in accordance with National Instrument 51-102 of the Canadian Securities Administrators, taking into consideration other relevant guidance, including Regulation S-K of the US Securities and Exchange Commission.

The Board of Directors of the Company has an Audit Committee consisting of three independent directors. The Audit Committee meets regularly to review with management and the independent auditors any significant accounting, internal control, auditing and financial reporting matters.

These consolidated financial statements have been audited by PricewaterhouseCoopers LLP, which have been appointed as the independent registered public accounting firm of the Company by the shareholders. Their report outlines the scope of their examination and opinion on the consolidated financial statements and the effectiveness of ICFR at December 31, 2018. As auditors, PricewaterhouseCoopers LLP have full and independent access to the Audit Committee to discuss their findings.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of its effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has excluded twelve individually insignificant entities acquired by the Company during the last fiscal period from its assessment of internal control over financial reporting as at December 31, 2018. The total assets and total revenues of the twelve majority-owned entities represent 5.3% and 3.2%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2018.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2018, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2018, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as at December 31, 2018, has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm as stated in their report which appears herein.

/s/ Scott Patterson
Chief Executive Officer
February 20, 2019

/s/ Jeremy Rakusin
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of FirstService Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of FirstService Corporation and its subsidiaries (together, the Company) as of December 31, 2018 and 2017, and the related consolidated statements of earnings, consolidated statement of comprehensive earnings, consolidated statements of shareholders' equity and consolidated statements of cash flows for the two years in the period ended December 31, 2018, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017 and their results of operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America (US GAAP). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principles

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for revenue in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded twelve entities from its assessment of internal control over financial reporting as at December 31, 2018 because these entities were acquired by the Company in a purchase business combination during the year ended December 31, 2018. We have also excluded these entities from our audit of internal controls over financial reporting. Total assets and total revenues of these majority owned entities excluded from management's assessments and our audit of internal control over financial reporting represent 3.2% and 5.3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2018.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
February 20, 2019

We have served as the Company's auditor since 2014.

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands of US dollars, except per share amounts)

Years ended December 31		**2018**		2017
Revenues	**$**	**1,931,473**	$	1,729,031
Cost of revenues (exclusive of depreciation and amortization shown below)		**1,320,252**		1,188,814
Selling, general and administrative expenses		**426,377**		385,037
Depreciation		**35,257**		27,695
Amortization of intangible assets		**17,515**		14,354
Goodwill impairment charge (note 8)		**-**		6,150
Acquisition-related items (note 4)		**4,504**		2,019
Operating earnings		**127,568**		104,962
Interest expense, net		**12,620**		9,867
Other income, net		**(254)**		(1,520)
Earnings before income tax		**115,202**		96,615
Income tax (note 13)		**24,922**		21,568
Net earnings		**90,280**		75,047
Non-controlling interest share of earnings		**11,180**		8,228
Non-controlling interest redemption increment (note 10)		**13,235**		15,367
Net earnings attributable to Company	**$**	**65,865**	$	51,452
Net earnings per common share (note 14)				
Basic	**$**	**1.83**	$	1.43
Diluted	**$**	**1.80**	$	1.41

The accompanying notes are an integral part of these financial statements.

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(in thousands of US dollars)

Years ended December 31		**2018**		2017
Net earnings	**$**	**90,280**	$	75,047
Foreign currency translation (loss) gain		**(2,623)**		1,916
Comprehensive earnings		**87,657**		76,963
Less: Comprehensive earnings attributable to non-controlling shareholders		**24,415**		23,595
Comprehensive earnings attributable to Company	**$**	**63,242**	$	53,368

The accompanying notes are an integral part of these financial statements.

FIRSTSERVICE CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands of US dollars)

As at December 31		**2018**		2017
Assets				
Current assets				
Cash and cash equivalents	**$**	**66,340**	$	57,187
Restricted cash		**13,504**		9,707
Accounts receivable, net of allowance of $9,177 (December 31, 2017 - $10,751)		**239,925**		185,762
Income tax recoverable		**9,337**		4,400
Inventories (note 5)		**48,227**		37,956
Prepaid expenses and other current assets		**37,739**		31,367
		415,072		326,379
Other receivables		**4,212**		3,515
Other assets		**6,135**		6,404
Fixed assets (note 6)		**98,102**		85,424
Deferred income tax (note 13)		**-**		780
Intangible assets (note 7)		**148,798**		133,844
Goodwill (note 8)		**335,155**		291,920
		592,402		521,887
	$	**1,007,474**	$	848,266
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable	**$**	**41,709**	$	41,098
Accrued liabilities (note 5)		**132,572**		118,190
Unearned revenues		**36,746**		39,017
Long-term debt - current (note 9)		**3,915**		2,751
Contingent acquisition consideration - current (note 16)		**12,005**		12,640
		226,947		213,696
Long-term debt - non-current (note 9)		**330,608**		266,874
Contingent acquisition consideration (note 16)		**1,281**		5,778
Unearned revenues		**13,453**		15,552
Other liabilities		**40,797**		35,426
Deferred income tax (note 13)		**6,577**		946
		392,716		324,576
Redeemable non-controlling interests (note 10)		**151,585**		117,708
Shareholders' equity		**236,226**		192,286
	$	**1,007,474**	$	848,266

Commitments and contingencies (notes 11 and 17)

The accompanying notes are an integral part of these financial statements.

On behalf of the Board of Directors,

/s/Bernard I. Ghert
Director

/s/D. Scott Patterson
Director

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of US dollars, except share information)

	Common shares					
	Issued and outstanding shares	Amount	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2016	35,842,611	$ 138,189	$ 46,235	$ (10,309)	$ (2,408)	$ 171,707
Net earnings	-	-	-	51,452	-	51,452
Other comprehensive earnings	-	-	-	-	1,916	1,916
Tax re-allocation from spin-out	-	-	(7,221)	-	-	(7,221)
Subsidiaries' equity transactions	-	-	465	-	-	465
Subordinate Voting Shares:						
Stock option expense	-	-	4,132	-	-	4,132
Stock options exercised	345,150	6,666	(2,148)	-	-	4,518
Dividends	-	-	-	(17,598)	-	(17,598)
Purchased for cancellation	(271,378)	(1,085)	-	(16,000)	-	(17,085)
Balance, December 31, 2017	35,916,383	$ 143,770	$ 41,463	$ 7,545	$ (492)	$ 192,286
Net earnings	-	-	-	65,865	-	65,865
Other comprehensive loss	-	-	-	-	(2,623)	(2,623)
Subsidiaries' equity transactions	-	-	(336)	-	-	(336)
Subordinate Voting Shares:						
Stock option expense	-	-	5,767	-	-	5,767
Stock options exercised	194,100	5,479	(1,797)	-	-	3,682
Dividends	-	-	-	(19,417)	-	(19,417)
Purchased for cancellation	(130,436)	(542)	-	(8,456)	-	(8,998)
Balance, December 31, 2018	**35,980,047**	**$ 148,707**	**$ 45,097**	**$ 45,537**	**$ (3,115)**	**$ 236,226**

The accompanying notes are an integral part of these financial statements.

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of US dollars)

Years ended December 31	**2018**	2017
Cash provided by (used in)		
Operating activities		
Net earnings	**$ 90,280**	$ 75,047
Items not affecting cash:		
Depreciation and amortization	**52,772**	42,049
Goodwill impairment charge	**-**	6,150
Deferred income tax	**1,989**	(7,110)
Other	**5,837**	5,664
Changes in non-cash working capital:		
Accounts receivable	**(37,100)**	(38,604)
Inventories	**(5,780)**	(821)
Prepaid expenses and other current assets	**(6,152)**	(3,656)
Accounts payable	**(3,249)**	5,013
Accrued liabilities	**12,462**	21,308
Income tax payable	**(5,142)**	(12,421)
Unearned revenues	**(6,330)**	4,611
Other liabilities	**1,257**	18,598
Contingent acquisition consideration paid	**(1,383)**	(193)
Net cash provided by operating activities	**99,461**	115,635
Investing activities		
Acquisitions of businesses, net of cash acquired (note 4)	**(59,444)**	(39,573)
Purchases of fixed assets	**(40,597)**	(36,257)
Other investing activities	**(6,158)**	(3,831)
Net cash used in investing activities	**(106,199)**	(79,661)
Financing activities		
Increase in long-term debt	**103,914**	61,063
Repayment of long-term debt	**(41,626)**	(43,641)
Financing fees paid	**(575)**	-
Purchases of non-controlling interests	**(3,600)**	(7,782)
Sale of interests in subsidiaries to non-controlling interests	**1,200**	843
Contingent acquisition consideration paid	**(7,862)**	(2,599)
Proceeds received on exercise of stock options	**3,682**	4,518
Dividends paid to common shareholders	**(18,780)**	(17,141)
Distributions paid to non-controlling interests	**(6,913)**	(4,504)
Repurchases of Subordinate Voting Shares	**(8,998)**	(17,085)
Net cash provided by (used) in financing activities	**20,442**	(26,328)
Effect of exchange rate changes on cash	**(754)**	414
Increase in cash, cash equivalents and restricted cash	**12,950**	10,060
Cash, cash equivalents and restricted cash, beginning of year	**66,894**	56,834
Cash, cash equivalents and restricted cash, end of year	**$ 79,844**	$ 66,894

FIRSTSERVICE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of US dollars, except share and per share amounts)

1. Description of the business

FirstService Corporation (the "Company") is a North American provider of residential property management and other essential property services to residential and commercial customers. The Company's operations are conducted in two segments: FirstService Residential and FirstService Brands. The segments are grouped with reference to the nature of services provided and the types of clients that use those services.

FirstService Residential is a full-service property manager and in many markets provides a full range of ancillary services primarily in the following areas: (i) on-site staffing, including building engineering and maintenance, full-service amenity management, security, concierge and front desk personnel, and landscaping; (ii) proprietary banking and insurance products; and (iii) energy conservation and management solutions.

FirstService Brands provides a range of essential property services to residential and commercial customers in North America through franchise networks and company-owned locations. The principal brands in this division include Paul Davis Restoration, California Closets, CertaPro Painters, Pillar to Post Home Inspectors, Floor Coverings International, College Pro Painters, and Century Fire Protection.

2. Summary of significant accounting policies

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are related to the determination of fair values of assets acquired and liabilities assumed in business combinations, recoverability of goodwill and intangible assets, estimated fair value of contingent consideration related to acquisitions, and the collectability of accounts receivable. Actual results could be materially different from these estimates.

Significant accounting policies are summarized as follows:

Basis of consolidation
The consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and those variable interest entities where the Company is the primary beneficiary. Where the Company does not have a controlling interest but has the ability to exert significant influence, the equity method is used. Inter-company transactions and accounts are eliminated on consolidation.

Cash and cash equivalents
Cash equivalents consist of short-term interest-bearing securities, which are readily convertible into cash and have original maturities at the date of purchase of three months or less.

Restricted cash
Restricted cash consists of cash over which the Company has legal ownership but is restricted as to its availability or intended use, including funds held on behalf of clients and franchisees.

On January 1, 2018, the Company adopted updated guidance issued by the FASB on restricted cash (ASU No. 2016-18). This ASU requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. The Company's restricted cash balance consists primarily of cash related to our marketing funds in the FirstService Brands segment, cash held for certain employees' benefit plans, and cash held for insurance broker commissions owed in our FirstService Residential segment. This update has been applied retrospectively.

Inventories
Inventories are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method. Work-in-progress inventory relates to construction contracts and real estate project management projects in process and are accounted for using the percentage of completion method.

Fixed assets
Fixed assets are carried at cost less accumulated depreciation. The costs of additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. Fixed assets are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset group may not be recoverable. An impairment loss is recorded to the extent the carrying amount exceeds the estimated fair value of an asset group. Fixed assets are depreciated over their estimated useful lives as follows:

Buildings	20 to 40 years straight-line
Vehicles	3 to 5 years straight-line
Furniture and equipment	3 to 10 years straight-line
Computer equipment and software	3 to 5 years straight-line
Leasehold improvements	term of the lease to a maximum of 10 years

Fair value
The Company uses the fair value measurements framework for financial assets and liabilities and for non-financial assets and liabilities that are recognized or disclosed at fair value on a non-recurring basis. The framework defines fair value, gives guidance for measurement and disclosure, and establishes a three-level hierarchy for observable and unobservable inputs used to measure fair value. The classification of an asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities
Level 3 – Unobservable inputs for which there is little or no market data, which requires the Company to develop its own assumptions

Financing fees
Financing fees related to the revolving credit facility and Senior Notes are deferred and amortized to interest expense using the effective interest method.

Goodwill and intangible assets
Goodwill represents the excess of purchase price over the fair value of assets acquired and liabilities assumed in a business combination and is not subject to amortization.

Intangible assets are recorded at fair value on the date they are acquired. Indefinite life intangible assets are not subject to amortization. Where lives are finite, they are amortized over their estimated useful lives as follows:

Customer lists and relationships	straight-line over 4 to 20 years
Franchise rights	by pattern of use, currently estimated at 2.5% to 15% per year
Trademarks and trade names	straight-line over 5 to 35 years
Management contracts and other	straight-line over life of contract ranging from 2 to 15 years
Backlog	straight-line over 6 to 12 months

The Company reviews the carrying value of finite life intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset group, an impairment loss is recognized. Measurement of the impairment loss is based on the excess of the carrying amount of the asset group over the fair value calculated using an income approach.

Goodwill and indefinite life intangible assets are tested for impairment annually, on August 1, or more frequently if events or changes in circumstances indicate the asset might be impaired, in which case the carrying amount of the asset is written down to fair value.

Impairment of goodwill is tested at the reporting unit level. The Company has six reporting units determined with reference to business segment, customer type, service delivery model and geography. Impairment is tested by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Where it is determined to be more likely than not that its fair value is greater than its carrying amount, then no further testing is required. Where the qualitative analysis is not sufficient to support that the fair value exceeds the carrying amount then a goodwill impairment test is performed.

On August 1, 2017, the Company adopted updated guidance issued by the FASB on accounting for goodwill impairment (ASU No. 2017-04). The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts.

Impairment of indefinite life intangible assets is tested by comparing the carrying amount to the estimated fair value on an individual intangible asset basis.

Redeemable non-controlling interests
Redeemable non-controlling interests ("RNCI") are recorded at the greater of (i) the redemption amount or (ii) the amount initially recorded as RNCI at the date of inception of the minority equity position. This amount is recorded in the "mezzanine" section of the balance sheet, outside of shareholders' equity. Changes in the RNCI amount are recognized immediately as they occur.

Revenue recognition and unearned revenues
The Company accounts for a contract with a customer when there is approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company's revenues are measured based on consideration specified in the contract of each customer and recognizes revenues as the performance obligations are satisfied by transferring the control of the service or product to a customer.

(a) Franchisor operations
The Company operates several franchise systems within its FirstService Brands segment. Initial franchise fees are deferred and recognized over the term of the franchise agreement. Royalty revenues are recognized based on a contracted percentage of franchisee revenues, as reported by the franchisees. Revenues from administrative and other support services, as applicable, are recognized as the services are provided.

The Company's franchise systems operate marketing funds on behalf of franchisees. Advertising fund contributions from franchisees are reported as revenues and advertising fund expenditures are reported as expenses in our statements of earnings. To the extent that contributions received exceed advertising expenditures, the excess amount is accrued and offset as a deferred liability, whereas any expenditures in excess of contributions are expensed as incurred. As such, advertising fund contributions and the related revenues and expenses may be reported in different periods.

On January 1, 2018, the Company adopted the new revenue recognition standard Accounting Standard Codification 606 "Revenues from Contracts with Customers" ("ASC 606") by using the full retrospective method. The Company has recast its consolidated financial statements and disclosures from amounts previously reported to comply with ASC 606. See note 3 for further information.

(b) Revenues from construction contracts and service operations other than franchisor operations
Revenues are recognized at the time the service is rendered. Certain services including but not limited to construction contracts and real estate project management work-in-process, are recognized over time based on percentage of completion, based on a ratio of actual costs to total estimated contract costs. In cases where anticipated costs to complete a project exceed the revenue to be recognized, a provision for the additional estimated losses is recorded in the period when the loss becomes apparent. Amounts received from customers in advance of services being provided are recorded as unearned revenues when received.

Stock-based compensation
For equity classified awards, compensation cost is measured at the grant date based on the estimated fair value of the award. The related stock option compensation expense is allocated using the graded attribution method.

Notional value appreciation plans
Under these plans, subsidiary employees are compensated if the notional value of the subsidiary increases. Awards under these plans generally have a term of up to fifteen years and a vesting period of five years. The increase in notional value is calculated with reference to growth in earnings relative to a fixed threshold amount plus or minus changes in indebtedness relative to a fixed opening amount. If an award is subject to a vesting condition, then graded attribution is applied to the intrinsic value. The related compensation expense is recorded in selling, general and administrative expenses and the liability is recorded in accrued liabilities.

Foreign currency translation
Assets, liabilities and operations of foreign subsidiaries are recorded based on the functional currency of each entity. For certain foreign operations, the functional currency is the local currency, in which case the assets, liabilities and operations are translated at current exchange rates from the local currency to the reporting currency, the US dollar. The resulting unrealized gains or losses are reported as a component of accumulated other comprehensive earnings. Realized and unrealized foreign currency gains or losses related to any foreign dollar denominated monetary assets and liabilities are included in net earnings.

Income tax
Income tax has been provided using the asset and liability method whereby deferred income tax assets and liabilities are recognized for the expected future income tax consequences of events that have been recognized in the consolidated financial statements or income tax returns. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to reverse, be recovered or settled. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in earnings in the period in which the change occurs. A valuation allowance is recorded unless it is more likely than not that realization of a deferred income tax asset will occur based on available evidence.

On January 1, 2017, the Company adopted updated guidance issued by the Financial Accounting Standards Board ("FASB") on balance sheet classification of deferred taxes, Accounting Standards Update ("ASU") No. 2015-17. This update simplifies the presentation of all tax assets and liabilities by no longer requiring an allocation between current and non-current. The Company now records all deferred tax assets and liabilities, along with any related valuation allowance as non-current on the balance sheet. The guidance did not have any impact on the Company's results of operations.

On January 1, 2017, the Company adopted updated guidance issued by the FASB on share-based compensation (ASU No. 2016-09). This update simplifies how share-based payments are accounted for and presented. Income tax expense is impacted as entities are required to record all of the tax effects related to share-based payments at settlement through the income statement. The ASU permits entities to make an accounting policy election for the impact of forfeitures by allowing them to be estimated or recognized when they occur. The Company has elected to account for forfeitures when they occur. The impact on current year tax expense is a recovery of $3,893. The cash flow impacts of tax windfalls are all recognized with operating cash-flows.

The Company recognizes uncertainty in tax positions taken or expected to be taken in a tax return by recording a liability for unrecognized tax benefits on its balance sheet. Uncertainties are quantified by applying a prescribed recognition threshold and measurement attribute.

The Company classifies interest and penalties associated with income tax positions in income tax expense.

Business combinations
All business combinations are accounted for using the purchase method of accounting. Transaction costs are expensed as incurred.

The fair value of the contingent consideration is classified as a financial liability and is recorded on the balance sheet at the acquisition date and is re-measured at fair value at the end of each period until the end of the contingency period, with fair value adjustments recognized in earnings.

3. Revenue recognition standard

On January 1, 2018, the Company adopted the new accounting standard ASC 606, Revenue from Contracts with Customers and all the related amendments ("new revenue standard") to all open contracts using the full retrospective method. The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to retained earnings on January 1, 2017. The comparative information has been recast to reflect the new revenue standard.

The new revenue standard resulted in the deferral of some revenues relating to franchise fees that were previously recognized at a point in time and will now be recognized over time, during the term of the franchise agreement. The application of the new standard also resulted in gross revenue recognition of certain ancillary fees related to marketing funds in the FirstService Brands segment. Previously, these amounts were recorded on a net basis.

The Company has adjusted its comparative consolidated financial statements from amounts previously reported due to the retrospective adoption of ASC 606. Select Consolidated Statements of Earnings line items, which reflect the adoption of ASC 606 are as follows:

	Year ended, December 31, 2017		
(In thousands, except per share amounts)	**As Previously Reported**	**Adjustments**	**As Adjusted**
Revenues	$ 1,705,456	$ 23,575	$ 1,729,031
Cost of revenues	1,189,373	(559)	1,188,814
Selling, general and administrative expenses	358,238	26,799	385,037
Operating earnings	107,627	(2,665)	104,962
Net earnings	76,673	(1,626)	75,047
Diluted net earnings per share	1.45	(0.04)	1.41

Select Consolidated Balance Sheet line items, which reflect the adoption of ASC 606 are as follows:

(In thousands)	December 31, 2017		
	As Previously Reported	Adjustments	As Adjusted
Assets:			
Accounts Receivable	$ 182,442	$ 3,320	$ 185,762
Prepaid expenses and other current assets	29,631	1,736	31,367
Other assets - non-current	1,401	5,003	6,404
Fixed assets	85,056	368	85,424
Deferred income tax - non-current	674	106	780
Liabilities and equity:			
Accounts Payable	40,184	914	41,098
Accrued liabilities	114,096	4,094	118,190
Unearned revenues - current	34,358	4,659	39,017
Unearned revenues - non-current	-	15,552	15,552
Deferred income tax	4,685	(3,739)	946
Retained earnings	18,492	(10,947)	7,545

Adoption of ASC 606 had no impact on net cash from or used in operating, investing or financing activities in the Company's Consolidated Statements of Cash Flows.

Within the FirstService Brands segment, franchise fee revenue recognized during the year ended December 31, 2018 that was included in deferred revenue at the beginning of the period was $3,392 (2017 - $3,716). These fees are recognized over the life of the underlying franchise agreement, usually between 5 - 10 years.

External broker costs and employee sales commissions in obtaining new franchisees are capitalized in accordance with the new revenue standard and are amortized over the life of the underlying franchise agreement. Costs amortized during the year ended December 31, 2018 were $1,220 (2017 - $1,331). The closing amount of the capitalized costs to obtain contracts on the balance sheet as at December 31, 2018 was $7,031 (2017 - $6,223). There were no impairment losses recognized related to those assets in the quarter.

The Company’s backlog represents remaining performance obligations and is comprised of contracted work yet to be performed. As at December 31, 2018, the aggregate amount of backlog was $151,890. The Company expects to recognize revenue on the remaining backlog over the next 12 months.

Disaggregated revenues are as follows:

Revenues	Year ended December 31	
	2018	2017
FirstService Residential	$ 1,254,840	$ 1,174,332
FirstService Brands company-owned operations	540,058	428,961
FirstService Brands franchisor	132,079	122,620
FirstService Brands franchise fee	4,496	3,118

The Company disaggregates revenue by segment, and within the FirstService Brands segment, further disaggregates its company-owned operations revenue; these businesses primarily recognize revenue over time as they perform because of continuous transfer of control to the customer. As such, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Company generally uses the cost-to-cost measure of progress method. The extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred.

We believe this disaggregation best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors.

4. Acquisitions

2018 acquisitions:
The Company acquired controlling interests in twelve businesses, three in the FirstService Residential segment and nine in the FirstService Brands segment. In the FirstService Residential segment, the Company acquired regional firms operating in South Carolina, Georgia, and Ontario. In the FirstService Brands segment, the Company acquired two California Closets franchises located in Las Vegas and Houston, an independent restoration company in the U.S., three Paul Davis Restoration franchises based in Alberta, Kentucky, and Seattle, and three fire protection companies operating in the Southeastern U.S., all of which will be operated as company-owned locations.

Details of these acquisitions are as follows:

		Aggregate Acquisitions
Current assets	**$**	**22,383**
Long-term assets		**6,961**
Current liabilities		**(12,049)**
Deferred Tax Liabilities		**(4,230)**
Redeemable non-controlling interest		**(19,889)**
	$	**(6,824)**
Note consideration	**$**	**(1,035)**
Cash consideration, net of cash acquired of $3,038		**(59,444)**
Acquisition date fair value of contingent consideration		**(4,536)**
Total purchase consideration	**$**	**(65,015)**
Acquired intangible assets	**$**	**28,960**
Goodwill	**$**	**42,879**

2017 acquisitions:
The Company acquired controlling interests in nine businesses, five in the FirstService Residential segment and four in the FirstService Brands segment. In the FirstService Residential segment, the Company acquired regional firms operating in Minnesota, Washington D.C., Florida, Massachusetts, and Ontario. In the FirstService Brands segment, the Company acquired California Closets franchises located in Southern California and Atlanta, as well as Paul Davis Restoration franchises based in Omaha, Nebraska and Washington D.C., all of which will be operated as company-owned locations.

Details of these acquisitions are as follows:

		Aggregate Acquisitions
Current assets	$	9,593
Non-current assets		3,394
Current liabilities		(8,495)
Long-term liabilities		(850)
Deferred Tax Liabilities		(3,408)
Redeemable non-controlling interest		(3,360)
	$	(3,126)
Note consideration		(1,000)
Cash consideration, net of cash acquired of $1,426	$	(39,573)
Acquisition date fair value of contingent consideration		(9,280)
Total purchase consideration	$	(49,853)
Acquired intangible assets	$	23,589
Goodwill	$	29,390

“Acquisition-related items” included both transaction costs and contingent acquisition consideration fair value adjustments. Acquisition-related transaction costs for the year ended December 31, 2018 totaled $4,671 (2017 - $705). Also included in acquisition-related items was a reversal of $167 related to contingent acquisition consideration fair value adjustments (2017 – expense of $1,314).

In all years presented, the fair values of non-controlling interests were determined using an income approach with reference to a discounted cash flow model using the same assumptions implied in determining the purchase consideration.

The purchase price allocations of acquisitions resulted in the recognition of goodwill. The primary factors contributing to goodwill are assembled workforces, synergies with existing operations and future growth prospects. For acquisitions completed during the year ended December 31, 2018, goodwill in the amount of $26,401 is deductible for income tax purposes (2017 - $10,218).

The Company typically structures its business acquisitions to include contingent consideration. Vendors, at the time of acquisition, are entitled to receive a contingent consideration payment if the acquired businesses achieve specified earnings levels during the one- to two-year periods following the dates of acquisition. The ultimate amount of payment is determined based on a formula, the key inputs to which are (i) a contractually agreed maximum payment; (ii) a contractually specified earnings level and (iii) the actual earnings for the contingency period. If the acquired business does not achieve the specified earnings level, the maximum payment is reduced for any shortfall, potentially to nil.

The fair value of the contingent consideration liability recorded on the consolidated balance sheet as at December 31, 2018 was $13,286 (see note 16). The estimated range of outcomes (undiscounted) for these contingent consideration arrangements is determined based on the formula price and the likelihood of achieving specified earnings levels over the contingency period, and ranges from $11,314 to a maximum of $13,311. These contingencies will expire during the period extending to September 2020. During the year ended December 31, 2018, $9,245 was paid with reference to such contingent consideration (2017 - $2,792).

The acquisitions referred to above were accounted for by the purchase method of accounting for business combinations. Accordingly, the accompanying consolidated statements of earnings do not include any revenues or expenses related to these acquisitions prior to their respective closing dates. The consideration for the acquisitions during the year ended December 31, 2018 was financed from borrowings on the Company’s revolving credit facility and cash on hand.

The amounts of revenues and earnings contributed from the date of acquisition and included in the Company's consolidated results for the year ended December 31, 2018, and the supplemental pro forma revenues and earnings of the combined entity had the acquisition date been January 1, 2017, are as follows:

	Revenues	Net earnings
Actual from acquired entities for 2018	$ 54,458	$ 5,695
Supplemental pro forma for 2018 (unaudited)	1,985,656	92,371
Supplemental pro forma for 2017 (unaudited)	1,876,724	82,635

Supplemental pro forma results were adjusted for non-recurring items.

5. Components of working capital accounts

	December 31, 2018	December 31, 2017
Inventories		
Work-in-progress	**$ 26,534**	$ 18,545
Finished goods	**11,843**	9,964
Supplies and other	**9,850**	9,447
	$ 48,227	$ 37,956
Accrued liabilities		
Accrued payroll and benefits	**$ 73,454**	$ 65,967
Value appreciation plans	**8,860**	2,883
Customer advances	**1,365**	1,468
Other	**48,893**	47,872
	$ 132,572	$ 118,190

6. Fixed assets

December 31, 2018

	Cost	Accumulated depreciation	**Net**
Land	$ 2,521	$ -	**$ 2,521**
Buildings	10,581	4,952	**5,629**
Vehicles	67,441	40,821	**26,620**
Furniture and equipment	74,052	49,275	**24,777**
Computer equipment and software	100,743	76,108	**24,635**
Leasehold improvements	34,477	20,557	**13,920**
	$ 289,815	$ 191,713	**$ 98,102**

December 31, 2017

	Cost	Accumulated depreciation	Net
Land	$ 2,521	$ -	$ 2,521
Buildings	10,456	4,701	5,755
Vehicles	60,227	37,934	22,293
Furniture and equipment	64,003	44,565	19,438
Computer equipment and software	93,007	69,309	23,698
Leasehold improvements	29,757	18,038	11,719
	$ 259,971	$ 174,547	$ 85,424

Included in fixed assets are vehicles, office and computer equipment under capital lease at a cost of $9,628 (2017 - $8,109) and net book value of $4,404 (2017 - $3,935).

7. Intangible assets

December 31, 2018

	Gross carrying amount	Accumulated amortization	**Net**
Customer lists and relationships	$ 135,844	$ 52,600	**$ 83,244**
Franchise rights	48,558	22,500	**26,058**
Trademarks and trade names	27,506	16,360	**11,146**
Management contracts and other	50,290	21,940	**28,350**
	$ 262,198	$ 113,400	**$ 148,798**

December 31, 2017

	Gross carrying amount	Accumulated amortization	Net
Customer lists and relationships	$ 116,938	$ 48,698	$ 68,240
Franchise rights	44,392	19,695	24,697
Trademarks and trade names	26,766	13,742	13,024
Management contracts and other	45,621	17,738	27,883
	$ 233,717	$ 99,873	$ 133,844

During the year ended December 31, 2018, the Company acquired the following intangible assets:

	Amount	Estimated weighted average amortization period (years)
Customer lists and relationships	$ 20,472	13.4
Franchise rights	1,294	4.5
Trademarks and trade names	1,312	8.1
Management Contracts and other	5,882	8.3
	$ 28,960	11.7

The following is the estimated annual amortization expense for recorded intangible assets for each of the next five years ending December 31:

2019	$ 16,943
2020	16,264
2021	13,544
2022	13,535
2023	12,423

8. Goodwill

	FirstService Residential	FirstService Brands	Consolidated
Balance, December 31, 2016	$ 173,673	$ 92,493	$ 266,166
Goodwill acquired during the year	13,358	16,032	29,390
Accumulated goodwill impairment loss	-	(6,150)	(6,150)
Other items	(32)	898	866
Foreign exchange	1,224	424	1,648
Balance, December 31, 2017	188,223	103,697	291,920
Goodwill acquired during the year	6,248	36,631	42,879
Other items	922	1,633	2,555
Foreign exchange	(1,450)	(749)	(2,199)
Balance, December 31, 2018	**$ 193,943**	**$ 141,212**	**$ 335,155**

A test for goodwill impairment is required to be completed annually, in the Company's case as of August 1, or more frequently if events or changes in circumstances indicate the asset might be impaired. No goodwill impairments were identified in 2018. On August 1, 2017, the Company determined that there was impairment in the Service America reporting unit within the FirstService Brands segment driven by weak performance. The fair value of the reporting unit was determined using a discounted cash flow model, which falls within level 3 of the fair value hierarchy and is based on management's forecast and current trends. The amount of the impairment loss related to the reporting unit was $3,752 (net of income taxes of $2,398).

9. Long-term debt

	December 31, 2018
Revolving credit facility	**$ 177,246**
3.84% Notes	**150,000**
Capital leases maturing at various dates through 2022	**2,693**
Other long-term debt maturing at various dates up to 2023	**4,584**
	334,523
Less: current portion	**3,915**
Long-term debt - non-current	**$ 330,608**

The Company has $150 million of senior secured notes (the "Senior Notes") bearing interest at a rate of 3.84%. The Senior Notes are due on January 16, 2025, with five annual equal repayments beginning on January 16, 2021.

The Company has a credit agreement with a syndicate of banks to provide a committed multi-currency revolving credit facility (the "Facility") of $250 million. The Facility has a 5-year term ending January 2023 and bears interest at 0.25% to 2.50% over floating reference rates, depending on certain leverage ratios. The weighted average interest rate for 2018 was 3.75%. The revolving credit facility had $67,540 of available un-drawn credit as at December 31, 2018. As of December 31, 2018, letters of credit in the amount of $5,214 were outstanding ($5,389 as at December 31, 2017). The Facility requires a commitment fee of 0.25% to 0.50% of the unused portion, depending on certain leverage ratios. At any time during the term, the Company has the right to increase the Facility by up to $100 million, on the same terms and conditions as the original Facility. The Facility is available to fund working capital requirements and other general corporate purposes.

The Facility and the Senior Notes rank equally in terms of seniority. The Company has granted the lenders under the Facility and holders of the Senior Notes various collateral, including an interest in all of the assets of the Company. The covenants under the Facility and the Senior Notes require the Company to maintain certain ratios, including financial leverage, interest coverage and net worth. The Company is limited from undertaking certain mergers, acquisitions and dispositions without prior approval.

The effective interest rate on the Company's long-term debt for the year ended December 31, 2018 was 3.8%. The estimated aggregate amount of principal repayments on long-term debt required in each of the next five years ending December 31 and thereafter to meet the retirement provisions are as follows:

2019	$ 3,914
2020	1,916
2021	30,584
2022	30,434
2023 and thereafter	267,675

10. Redeemable non-controlling interests

The minority equity positions in the Company's subsidiaries are referred to as redeemable non-controlling interests ("RNCI"). The RNCI are considered to be redeemable securities. Accordingly, the RNCI is recorded at the greater of (i) the redemption amount or (ii) the amount initially recorded as RNCI at the date of inception of the minority equity position. This amount is recorded in the "mezzanine" section of the balance sheet, outside of shareholders' equity. Changes in the RNCI amount are recognized immediately as they occur. The following table provides a reconciliation of the beginning and ending RNCI amounts:

	2018	2017
Balance, January 1	**$ 117,708**	$ 102,352
RNCI share of earnings	**11,180**	8,228
RNCI redemption increment	**13,235**	15,367
Distributions paid to RNCI	**(6,913)**	(4,504)
Purchases of interests from RNCI, net	**(3,890)**	(6,939)
RNCI recognized on business acquisitions	**19,889**	3,360
Other	**376**	(156)
Balance, December 31	**$ 151,585**	$ 117,708

The Company has shareholders' agreements in place at each of its non-wholly owned subsidiaries. These agreements allow the Company to "call" the non-controlling interest at a price determined with the use of a formula price, which is usually equal to a fixed multiple of average annual net earnings before extraordinary items, income taxes, interest, depreciation, and amortization. The agreements also have redemption features which allow the owners of the RNCI to "put" their equity to the Company at the same price subject to certain limitations. The formula price is referred to as the redemption amount and may be paid in cash or in Subordinate Voting Shares. The redemption amount as of December 31, 2018 was $149,132 (2017 - $116,558). The redemption amount is lower than that recorded on the balance sheet as the formula price of certain RNCI are lower than the amount initially recorded at the inception of the minority equity position. If all put or call options were settled with Subordinate Voting Shares as at December 31, 2018, approximately 2,100,000 such shares would be issued, and would have resulted in an increase of $0.53 to diluted earnings per share for the year ended December 31, 2018.

11. Capital stock

The authorized capital stock of the Company is as follows:

An unlimited number of Preferred Shares;
An unlimited number of Subordinate Voting Shares having one vote per share; and
An unlimited number of Multiple Voting Shares having 20 votes per share, convertible at any time into Subordinate Voting Shares at a rate of one Subordinate Voting Share for each Multiple Voting Share outstanding.

The following table provides a summary of total capital stock issued and outstanding:

	Subordinate Voting Shares		*Multiple Voting Shares*		*Total Common Shares*	
	Number	Amount	Number	Amount	Number	Amount
Balance, December 31, 2018	34,654,353	$ 148,559	1,325,694	$ 148	35,980,047	$ 148,707

Pursuant to the amended management services agreement with the Company dated and effective as of the 1st day of June, 2015, the Company agreed to make payments to a company ("FC Co") indirectly owned by its Founder and Chairman that are contingent upon an arm's length sale of control of the Company or upon a distribution of the Company's assets to its shareholders. The payment amounts will be determined with reference to the consideration per Subordinate Voting Share received or deemed received by shareholders upon an arm's length sale or upon a distribution of assets. The right to receive the payments may be transferred to person(s) who are not at arm's length to FC Co. The agreement provides for FC Co to receive the following two payments. The first payment is an amount equal to 5% of the product of: (i) the total number of Subordinate and Multiple Voting Shares outstanding on a fully diluted basis at the time of the sale or distribution; and (ii) the per share consideration received or deemed received by holders of Subordinate Voting Shares minus a base price of C$2.351. The second payment is an amount equal to 5% of the product of: (i) the total number of Subordinate and Multiple Voting Shares outstanding on a fully diluted basis at the time of the sale or distribution; and (ii) the per share consideration received or deemed received by holders of Subordinate Voting Shares minus a base price of C$4.578. Assuming an arm's length sale of control of the Company had occurred on December 31, 2018, the aggregate amount required to be paid to FC Co, based on a market price of C$93.69 (being the closing price per Subordinate Voting Share on the Toronto Stock Exchange on December 31, 2018), would have been US$248,756.

12. Stock-based compensation

The Company has a stock option plan for certain officers and key full-time employees of the Company and its subsidiaries. Options are granted at the market price for the underlying shares on the date of grant. Each option vests over a four-year term, expires five years from the date granted and allows for the purchase of one Subordinate Voting Share. All Subordinate Voting Shares issued are new shares. As at December 31, 2018, there were 1,127,500 options available for future grants.

Grants under the Company's stock option plan are equity-classified awards. Stock option activity for the year ended December 31, 2018 is follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Shares issuable under options - Beginning of period	1,396,750	$ 34.41		
Granted	430,500	66.39		
Exercised	(194,100)	18.96		
Shares issuable under options - December 31, 2018	1,633,150	$ 44.68	2.5	$ 38,889
Options exercisable - End of period	667,977	$ 33.01	1.6	$ 23,693

The Company incurred stock-based compensation expense related to these awards of $5,767 during the year ended December 31, 2018 (2017 - $4,132).

As at December 31, 2018, the range of option exercise prices was $20.52 to $70.40 per share. Also as at December 31, 2018, the aggregate intrinsic value and weighted average remaining contractual life for in-the-money options vested and expected to vest were $38,889 and 2.5 years, respectively.

The following table summarizes information about option exercises during year ended December 31, 2018:

	2018
Number of options exercised	**194,100**
Aggregate fair value	**$ 6,382**
Intrinsic value	**5,083**
Amount of cash received	**1,299**
Tax benefit recognized	**$ 2,440**

As at December 31, 2018, there was $6,703 of unrecognized compensation cost related to non-vested awards which is expected to be recognized over the next 4 years. During the year ended December 31, 2018, the fair value of options vested was $11,670 (2017 - $11,363).

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model, utilizing the following weighted average assumptions:

	2018
Risk free rate	**2.2%**
Expected life in years	**4.75**
Expected volatility	**30.5%**
Dividend yield	**0.7%**
Weighted average fair value per option granted	**$ 17.91**

The risk-free interest rate is based on the implied yield of a zero-coupon US Treasury bond with a term equal to the option's expected term. The expected life in years represents the estimated period of time until exercise and is based on historical experience. The expected volatility is based on the historical prices of the Company's shares over the previous four years.

13. Income tax

Income tax differs from the amounts that would be obtained by applying the statutory rate to the respective year's earnings before tax. Differences result from the following items:

	2018	2017
Income tax expense using combined statutory rate of 26.5% (2017 - 26.5%, 2016 - 26.5%)	$ 30,529	$ 25,603
Permanent differences	**785**	359
Tax effect of flow through entities	**(491)**	(186)
Adjustments to tax liabilities for prior periods	**(526)**	(1,712)
Effects of changes in U.S. enacted tax rates	**-**	(2,514)
Non-deductible stock-based compensation	**1,528**	1,095
Excess tax benefits related to stock-based compensation	**(3,968)**	(5,749)
Foreign, state and provincial tax rate differential	**(2,863)**	4,914
Other taxes	**(72)**	(242)
Provision for income taxes as reported	**$ 24,922**	$ 21,568

Earnings before income tax by jurisdiction comprise the following:

	2018	2017
Canada	**$ 6,854**	$ 4,375
United States	**108,348**	92,240
Total	**$ 115,202**	$ 96,615

Income tax expense (recovery) comprises the following:

	2018	2017
Current		
Canada	**$ (554)**	$ (791)
United States	**23,615**	29,966
	23,061	29,175
Deferred		
Canada	**403**	(294)
United States	**1,458**	(7,313)
	1,861	(7,607)
Total	**$ 24,922**	$ 21,568

The significant components of deferred income tax are as follows:

	2018	2017
Deferred income tax assets		
Loss carry-forwards	**$ 1,567**	$ 1,580
Expenses not currently deductible	**20,440**	18,029
Stock-based compensation	**1,312**	1,602
Basis differences of partnerships and other entities	**-**	683
Allowance for doubtful accounts	**2,018**	1,596
Inventory and other reserves	**113**	191
	25,450	23,681
Deferred income tax liabilities		
Depreciation and amortization	**29,393**	21,631
Basis differences of partnerships and other entities	**166**	-
Prepaid and other expenses deducted for tax purposes	**1,689**	1,423
	31,248	23,054
Net deferred income tax asset (liability) before valuation allowance	**(5,798)**	627
Valuation allowance	**779**	793
Net deferred income tax asset (liability)	**$ (6,577)**	$ (166)

The recoverability of deferred income tax assets is dependent on generating sufficient taxable income before the 20 year loss carry-forward limitation. Although realization is not assured, the Company believes it is more likely than not that the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

The Company has gross operating loss carry-forwards as follows:

	Loss carry forward		Gross losses not recognized		Net	
	2018	2017	**2018**	2017	**2018**	2017
Canada	**$ 1,638**	$ 2,167	**$ -**	$ -	**$ 1,638**	$ 2,167
United States	**12,562**	10,575	**10,529**	6,870	**2,033**	3,705

These amounts above are available to reduce future federal, state, and provincial income taxes in their respective jurisdictions. Net operating loss carry-forward balances attributable to the United States and Canada expire over the next 6 to 20 years.

Cumulative unremitted earnings of US and foreign subsidiaries approximated $429,173 as at December 31, 2018 (2017 - $353,976). Income tax is not provided on the unremitted earnings of US and foreign subsidiaries because it has been the practice and is the intention of the Company to reinvest these earnings indefinitely in these subsidiaries.

The gross unrecognized tax benefits are $148 (2017 - $148). Of this balance, $148 (2017 - $148) would affect the Company's effective tax rate if recognized. For the year ended December 31, 2018, there was no adjustment to interest and penalties related to provisions for income tax (2017 - nil). As at December 31, 2018, the Company had accrued $38 (2017 - $38) for potential income tax related interest and penalties.

The Company's significant tax jurisdictions include the United States and Canada. The number of years with open tax audits varies depending on the tax jurisdictions. Generally, income tax returns filed with the Canada Revenue Agency and related provinces are open for three to four years and income tax returns filed with the U.S. Internal Revenue Service and related states are open for three to five years.

The Company does not currently expect any other material impact on earnings to result from the resolution of matters related to open taxation years, other than noted above. Actual settlements may differ from the amounts accrued. The Company has, as part of its analysis, made its current estimates based on facts and circumstances known to date and cannot predict changes in facts and circumstances that may affect its current estimates.

14. Net earnings per common share

The following table reconciles the denominator used to calculate earnings per common share:

	2018	**2017**
Shares issued and outstanding at beginning of period	**35,916,383**	35,842,611
Weighted average number of shares:		
Issued during the period	**111,904**	203,725
Repurchased during the period	**(76,076)**	(137,596)
Weighted average number of shares used in computing basic earnings per share	**35,952,211**	35,908,740
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	**619,089**	650,536
Number of shares used in computing diluted earnings per share	**36,571,300**	36,559,276

15. Other supplemental information

	2018	2017
Franchisor operations		
Revenues	**$ 132,079**	$ 122,620
Operating earnings	**37,709**	33,960
Initial franchise fee revenues	**4,496**	3,118
Depreciation and amortization	**5,893**	5,030
Total assets	**128,627**	109,889
Cash payments made during the period		
Income taxes	**$ 28,221**	$ 43,893
Interest	**11,714**	9,489
Non-cash financing activities		
Increases in capital lease obligations	**$ 1,919**	$ 1,235
Other expenses		
Rent expense	**$ 32,045**	$ 28,977

16. Financial instruments

Concentration of credit risk
The Company is subject to credit risk with respect to its cash and cash equivalents, accounts receivable and other receivables. Concentrations of credit risk with respect to cash and cash equivalents are limited by the use of multiple large and reputable banks. Concentrations of credit risk with respect to the receivables are limited due to the large number of entities comprising the Company's customer base and their dispersion across many different service lines.

Interest rate risk
The Company maintains an interest rate risk management strategy that uses interest rate hedging contracts from time to time. The Company's specific goals are to: (i) manage interest rate sensitivity by modifying the characteristics of its debt and (ii) lower the long-term cost of its borrowed funds.

Foreign currency risk
Foreign currency risk is related to the portion of the Company's business transactions denominated in currencies other than U.S. dollars. A portion of revenue is generated by the Company's Canadian operations. The Company's head office expenses are incurred in Canadian dollars which is hedged by Canadian dollar denominated revenue.

Fair values of financial instruments
The following table provides the financial assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2018:

	Carrying value at December 31, 2018	Fair value measurements Level 1	Level 2	Level 3
Contingent consideration liability	$ 13,286	$ -	$ -	$ 13,286

The inputs to the measurement of the fair value of contingent consideration related to acquisitions are Level 3 inputs. The fair value measurements were made using a discounted cash flow model; significant model inputs were expected future operating cash flows (determined with reference to each specific acquired business) and discount rates (which range from 8% to 10%). The range of discount rates is attributable to level of risk related to economic growth factors combined with the length of the contingent payment periods; and the dispersion was driven by unique characteristics of the businesses acquired and the respective terms for these contingent payments. Within the range of discount rates, there is a data point concentration at 9%. A 2% increase in the weighted average discount rate would reduce the fair value of contingent consideration by $18.

Balance, December 31, 2017	$ 18,418
Amounts recognized on acquisitions	4,536
Fair value adjustments	(167)
Resolved and settled in cash	(9,245)
Other	(256)
Balance, December 31, 2018	$ 13,286
Less: current portion	$ 12,005
Non-current portion	$ 1,281

The carrying amounts for cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate fair values due to the short maturity of these instruments, unless otherwise indicated. The inputs to the measurement of the fair value of long term debt are Level 3 inputs. The fair value measurements were made using a net present value approach; significant model inputs were expected future cash outflows and discount rates (which range from 2.0% to 2.5%). The following are estimates of the fair values for other financial instruments:

	2018		2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Other receivables	**$ 4,212**	**$ 4,212**	$ 3,515	$ 3,515
Long-term debt	**334,523**	**344,198**	269,625	282,109

Other receivables include notes receivable from non-controlling shareholders and other non-current receivables.

17. Commitments and contingencies

(a) Lease commitments

Minimum operating lease payments are as follows:

Year ended December 31		
2019	$	24,505
2020		23,124
2021		19,643
2022		15,384
2023		11,946
Thereafter		21,446

(b) Contingencies

In the normal course of operations, the Company is subject to routine claims and litigation incidental to its business. Litigation currently pending or threatened against the Company includes disputes with former employees and commercial liability claims related to services provided by the Company. The Company believes resolution of such proceedings, combined with amounts set aside, will not have a material impact on the Company's financial condition or the results of operations.

18. Related party transactions

The Company has entered into office space rental arrangements and property management contracts with senior managers of certain subsidiaries. These senior managers are usually also minority shareholders of the subsidiaries. The business purpose of the transactions is to rent office space for the Company and to generate property management revenues for the Company. The recorded amount of the rent expense for the year ended December 31, 2018 was $1.2 million (2017 - $1.4 million). These amounts are settled monthly in cash, and are priced at market rates. The rental arrangements have fixed terms of up to 10 years.

As at December 31, 2018, the Company had $2.1 million of loans receivable from minority shareholders (December 31, 2017 - $2.5 million). The business purpose of the loans receivable was to finance the sale of non-controlling interests in subsidiaries to senior managers. The loan amounts are measured based on the formula price of the underlying non-controlling interests, and interest rates are determined based on market rates plus a spread. The loans generally have terms of 5 to 10 years, but are open for repayment without penalty at any time.

19. Segmented information

Operating segments

The Company has two reportable operating segments. The segments are grouped with reference to the nature of services provided and the types of clients that use those services. The Company assesses each segment's performance based on operating earnings or operating earnings before depreciation and amortization. FirstService Residential provides property management and related property services to residential communities in North America. FirstService Brands provides franchised and Company-owned property services to customers in North America. Corporate includes the costs of operating the Company's corporate head office. The reportable segment information excludes intersegment transactions.

2018	FirstService Residential	FirstService Brands	Corporate	Consolidated
Revenues	$ 1,254,840	$ 676,633	$ -	$ 1,931,473
Depreciation and amortization	23,045	29,686	41	52,772
Operating earnings (loss)	89,043	54,988	(16,463)	127,568
Other income, net				254
Interest expense, net				(12,620)
Income taxes				(24,922)
Net earnings				$ 90,280
Total assets	$ 474,837	$ 525,850	$ 6,787	$ 1,007,474
Total additions to long lived assets	31,548	90,592	-	122,140

2017	FirstService Residential	FirstService Brands	Corporate	Consolidated
Revenues	$ 1,174,332	$ 554,699	$ -	$ 1,729,031
Depreciation and amortization	21,794	20,244	11	42,049
Goodwill impairment charge	-	6,150	-	6,150
Operating earnings (loss)	77,569	43,990	(16,597)	104,962
Other expense, net				1,520
Interest expense, net				(9,867)
Income taxes				(21,568)
Net earnings				$ 75,047
Total assets	$ 403,408	$ 436,445	$ 8,413	$ 848,266
Total additions to long lived assets	47,227	53,689	-	100,916

Geographic information
Revenues in each geographic region are reported by customer locations.

		2018		2017
United States				
Revenues	**$**	**1,822,688**	$	1,632,019
Total long-lived assets		**539,645**		470,287
Canada				
Revenues	**$**	**108,785**	$	97,012
Total long-lived assets		**42,410**		40,901
Consolidated				
Revenues	**$**	**1,931,473**	$	1,729,031
Total long-lived assets		**582,055**		511,188

20. Impact of recently issued accounting standards

In February 2016, FASB issued ASU No. 2016-02, Leases. This ASU affects all aspects of lease accounting and has a significant impact to lessees as it requires the recognition of a right-of use asset and a lease liability for virtually all leases including operating leases. In addition to balance sheet recognition, additional quantitative and qualitative disclosures will be required. The standard was effective on January 1, 2019, at which time the Company elected to adopt the ASU using a modified retrospective transition. The Company is currently finalizing the impact of this standard on its financial position and results of operations. The Company expects the impact to be material to its balance sheet, but minimal impact to its statements of earnings and statements of cash-flows. The Company has selected and implemented an IT solution to address the change in the standard.

In June 2016, FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. In November 2018, FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, which amends the scope and transition requirements of ASU 2016-13. The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The standard will become effective for the Company beginning January 1, 2020 and will require a cumulative-effect adjustment to Accumulated retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Exhibit 3

FIRSTSERVICE CORPORATION
Management's discussion and analysis for the year ended December 31, 2018
(in US dollars)
February 20, 2019

The following management's discussion and analysis ("MD&A") should be read together with the audited consolidated financial statements and the accompanying notes (the "Consolidated Financial Statements") of FirstService Corporation ("we," "us," "our," the "Company" or "FirstService") for the year ended December 31, 2018. The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). All financial information herein is presented in United States dollars.

The Company has prepared this MD&A with reference to National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators (the "CSA"). Under the U.S./Canada Multijurisdictional Disclosure System, the Company is permitted to prepare this MD&A in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. This MD&A provides information for the year ended December 31, 2018 and up to and including February 20, 2019.

Additional information about the Company, including the Company's current Annual Information Form, which is included in FirstService's Annual Report on Form 40-F, can be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

This MD&A includes references to "Adjusted EBITDA" and "Adjusted EPS", which are financial measures that are not calculated in accordance with GAAP. For a reconciliation of these non-GAAP measures to the most directly comparable GAAP financial measures, see "Reconciliation of non-GAAP financial measures."

FirstService's business
FirstService is a leading provider of branded essential property services comprised of two reportable operating segments: (i) FirstService Residential, the largest provider of residential property management services in North America; and (ii) FirstService Brands, a leading provider of essential property services to residential and commercial customers through both franchise systems and company-owned operations. The segments are grouped with reference to the nature of services provided and the types of clients that use those services. FirstService Residential and FirstService Brands are described in further detail in our Annual Information Form.

Consolidated review
Our consolidated revenues for the year ended December 31, 2018 were $1.93 billion, an increase of 12% over the prior year, attributable to a combination of organic growth and acquisitions during the period.

Our diluted net earnings per share was $1.80 in the year ended December 31, 2018 versus $1.41 in the prior year. Our Adjusted EPS (see definition and reconciliation below) was $2.61 for the year ended December 31, 2018, up 31% from $1.99 in the prior year.

We acquired controlling interests in twelve businesses in 2018, including three in our FirstService Residential segment and nine in our FirstService Brands segment. The total initial cash consideration for these acquisitions was $59.4 million. Our tuck-under acquisitions increase the geographic footprint and broaden our service offering at FirstService Residential. The acquisitions also support the execution of our company-owned strategy at FirstService Brands to acquire California Closets and Paul Davis Restoration franchises in selected key markets and expand our operations and broaden our service capabilities at Century Fire.

Results of operations – year ended December 31, 2018
Our revenues were $1.93 billion for 2018, up 12% relative to 2017. The increase was comprised of organic revenue growth of 6%, with the balance coming from recent acquisitions.

Operating earnings increased 22% to $127.6 million in 2018, while Adjusted EBITDA rose 20% to $190.6 million. Our FirstService Residential division generated earnings growth in 2018 as a result of continued operating margin improvements. Our FirstService Brands division was positively impacted by significant organic revenue growth and acquisition activity in 2018. During the fourth quarter of 2018, we made the decision to wind-down our Service America operations, one of eight property service lines reported within the FirstService Brands division. We have previously indicated that Service America was a small, non-core business, with declining revenues, poor profitability and limited growth prospects. The wind-down of Service America during 2018 did not significantly impact our consolidated full year results.

Depreciation expense was $35.3 million in 2018 relative to $27.7 million in the prior year, with the increase primarily related to recently acquired company-owned operations in our FirstService Brands segment. We also incurred accelerated software depreciation in relation to the wind-down of our Service America operations.

Amortization expense was $17.5 million in 2018 relative to $14.4 million in 2017, with the increase attributable to recent acquisitions in the FirstService Brands segment.

Net interest expense increased to $12.7 million in 2018 from $9.9 million in the prior year, which was attributable to the increase in our average outstanding debt, as well as our weighted average interest rate increasing to 4.0% in 2018 from 3.6% in the prior year.

Our consolidated income tax rate for 2018 was 22%, flat versus the prior year period.

Net earnings were $90.3 million in 2018, compared to $75.0 million in the prior year. The increase was primarily attributable to strong profitability driven mainly by operating margin improvements in the FirstService Residential division and strong organic revenue growth and significant acquisition activity in the FirstService Brands division.

At FirstService Residential, revenues were $1.25 billion in 2018, an increase of 7% compared to the prior year. Organic growth was 4% and was primarily driven by competitive contract wins across our markets. This segment reported Adjusted EBITDA of $112.8 million in 2018 or 9.0% of revenues, relative to $99.9 million or 8.5% of revenues in the prior year. Operating earnings for 2018 were $89.0 million or 7.1% of revenues, relative to $77.6 million or 6.6% of revenues in the prior year. Margin expansion in this division was driven by continued operating improvements and further optimization of labour resources.

Our FirstService Brands operations reported revenues of $676.6 million in 2018, an increase of 22% versus the prior year. Organic growth of 9% was largely attributable to double-digit revenue growth at our California Closets and Century Fire company-owned operations, and within our franchised operations which largely benefit from strong home improvement spending. Adjusted EBITDA for this segment was $88.4 million in 2018 or 13.1% of revenues, relative to $71.7 million or 12.9% of revenues in the prior year. Operating earnings were $55.0 million or 8.1% of revenues, versus $44.0 million or 7.9% of revenues a year ago.

Corporate costs, as presented in Adjusted EBITDA were $10.5 million in 2018 relative to $12.3 million in the prior year. The year-over-year decrease primarily reflects the impact of foreign exchange. On a GAAP basis, corporate costs for 2018 were $16.5 million, compared to $16.6 million a year ago.

Results of operations – year ended December 31, 2017
Our revenues were $1.73 billion for 2017, up 17% relative to 2016. The increase was comprised of organic revenue growth of 6%, with the balance coming from acquisitions.

Operating earnings increased 16% to $105.0 million in 2017, while Adjusted EBITDA rose 22% to $159.3 million. Our FirstService Residential division generated significant earnings growth in 2017 as a result of continued operating margin improvements. Our FirstService Brands division was positively impacted by significant organic revenue growth and acquisition activity in 2017.

Depreciation expense was $27.7 million in 2017 relative to $22.8 million in the prior year. The increase was primarily attributable to increased investments in office leaseholds and information technology systems at FirstService Residential and at our FirstService Brands company-owned operations.

Amortization expense was $14.4 million in 2017 relative to $14.2 million in 2016.

We recorded a goodwill impairment charge in the amount of $6.2 million in 2017. We performed our annual August 1st test and determined there was impairment in the Service America reporting unit within the FirstService Brands segment. The impairment was driven by weak financial performance and a resulting decline in estimated future discounted cash flows. No goodwill impairment charges were recorded in the prior year period.

Net interest expense increased to $9.9 million in 2017 from $9.2 million in the prior year. Our weighted average interest rate decreased to 3.6% in 2017 from 3.9% in the prior year.

Our consolidated income tax rate for 2017 was 22% versus 34% in 2016. Relative to 2016, the 2017 tax rate was impacted primarily by ASU No. 2016-09, Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting, which provides that tax effects of deductions in excess of compensation costs (“windfalls”) and tax deficiencies (“shortfalls”) be recorded in income tax expense. Prior to this update, the tax effects of windfalls and shortfalls were recorded primarily through equity. Our tax rate was also lower relative to the prior year as a result of the Tax Cuts and Jobs Act which was enacted in the United States (“US Tax Reform”) on December 22, 2017, lowering US corporate income tax rates as of January 1, 2018. The impact of US Tax Reform is a one-time decrease in income tax expense of $2.5 million, as a result of the re-measurement of certain deferred tax balances.

Net earnings were $75.0 million in 2017, compared to $54.2 million in the prior year. The increase was primarily attributable to strong profitability driven mainly by operating margin improvements in the FirstService Residential division and strong organic revenue growth and significant acquisition activity in the FirstService Brands division.

At FirstService Residential, revenues were $1.17 billion in 2017, an increase of 6% compared to the prior year. Organic growth was 4% and was primarily driven by competitive property management contract wins across our markets. This segment reported Adjusted EBITDA of $99.9 million in 2017 or 8.5% of revenues, relative to $84.2 million or 7.6% of revenues in the prior year. Operating earnings for 2017 were $77.6 million or 6.6% of revenues, relative to $62.5 million or 5.6% of revenues in the prior year. Margin expansion in this division was driven by continued operating improvements and further optimization of labour resources.

Our FirstService Brands operations reported revenues of $554.7 million in 2017, an increase of 50% versus the prior year. Organic growth of 12% was largely attributable to very strong growth from our Paul Davis company-owned operations, particularly Paul Davis National, as well as double digit revenue growth at our California Closets and Century Fire company-owned operations and within our CertaPro Painters, California Closets and Floor Coverings International franchised systems. Adjusted EBITDA for this segment was $71.7 million in 2017 or 12.9% of revenues, relative to $56.3 million or 15.2% of revenues in the prior year. Operating earnings were $44.0 million or 7.9% of revenues, versus $41.2 million or 11.1% of revenues a year ago. The Adjusted EBITDA margin was impacted by the increased revenue mix from our faster-growing, lower-margin company-owned operations, as well as weak performance at Service America. The operating earnings margin was impacted by the increased contribution from company-owned operations as noted above, as well as the effect from the goodwill impairment charge at Service America.

Corporate costs, as presented in Adjusted EBITDA were $12.3 million in 2017 relative to $10.1 million in the prior year. On a GAAP basis, corporate costs for 2017 were $16.6 million, compared to $13.2 million a year ago. The increase reflects headcount additions at our corporate office, as well as the impact of foreign exchange.

Selected annual information - last five years
(in thousands of US$, except share and per share amounts)

	Year ended December 31				
	2018	**2017**	**2016**	**2015**	**2014**
Operations					
Revenues	$ 1,931,473	$ 1,729,031	$ 1,482,889	$ 1,264,077	$ 1,132,002
Operating earnings	127,568	104,962	90,550	70,747	45,621
Net earnings	90,280	75,047	54,243	38,198	26,192
Financial position					
Total assets	$ 1,007,474	$ 848,266	$ 770,964	$ 600,483	$ 615,544
Long-term debt	334,523	269,625	250,909	201,199	239,357
Redeemable non-controlling interests	151,585	117,708	102,352	77,559	80,926
Shareholders' equity	236,226	192,286	181,028	167,026	158,749
Common share data					
Net earnings (loss) per common share:					
Basic	$ 1.83	1.43	0.93	0.59	0.36
Diluted	1.80	1.41	0.92	0.59	0.36
Weighted average common shares outstanding (thousands)					
Basic	35,952	35,909	35,966	36,013	35,971
Diluted	36,571	36,559	36,366	36,425	36,363
Cash dividends per common share	$ 0.54	0.49	0.44	0.40	
Other data					
Adjusted EBITDA	$ 190,611	$ 159,312	$ 130,324	$ 103,038	$ 74,997
Adjusted EPS	2.61	1.99	1.62	1.20	0.84

Note: Any per share amounts prior to June 1, 2015 in the table above have been calculated using former FirstService Corporation's share balances and the terms of the June 1, 2015 spin-off.

Results of operations – fourth quarter ended December 31, 2018
Consolidated operating results for the fourth quarter ended December 31, 2018 were up significantly relative to the results experienced in the comparable prior year quarter, driven by strong top-line growth at our FirstService Brands division and improved margins at our FirstService Residential operations.

FirstService Residential revenues increased 7% in the fourth quarter ended December 31, 2018, compared to the prior year quarter, with Adjusted EBITDA increasing 11% and operating earnings increasing 16% in the fourth quarter ended December 31, 2018 versus the prior year quarter as a result of effective labour cost management relative to the prior year quarter.

Our FirstService Brands operations experienced substantial revenue growth of 25% in the fourth quarter ended December 31, 2018 compared to the prior year quarter, with strong contribution from both organic growth and tuck-under acquisition activity. Very strong organic growth of 14% for the quarter was driven by our company-owned operations at Paul Davis Restoration, California Closets, and Century Fire, as well as our largest franchised service lines. FirstService Brands Adjusted EBITDA increased 24% in the fourth quarter versus the prior year quarter. Operating earnings decreased 16% versus the prior year quarter. The divisional Adjusted EBITDA margin decreased to 12.5% from 12.6% in the prior year quarter. The divisional operating earnings margin decreased to 5.8% from 8.6% in the prior year quarter, as a result of expenses related to the Service America wind-down, including accelerated software depreciation and other non-recurring shut-down costs.

Summary of quarterly results - years ended December 31, 2018 and 2017
(in thousands of US$, except per share amounts)

(unaudited)	Q1	Q2	Q3	Q4	Year
Year ended December 31, 2018					
Revenues	$ 426,456	$ 495,348	$ 506,356	$ 503,313	$ 1,931,473
Operating earnings	11,073	42,350	45,298	28,847	127,568
Net earnings	8,935	29,894	31,664	19,787	90,280
Net earnings per share:					
Basic	0.17	0.63	0.72	0.32	1.83
Diluted	0.17	0.62	0.70	0.31	1.80
Year ended December 31, 2017					
Revenues	$ 380,349	$ 441,666	$ 463,379	$ 443,637	$ 1,729,031
Operating earnings	8,971	35,266	34,019	26,706	104,962
Net earnings	8,268	21,934	20,821	24,024	75,047
Net earnings per share:					
Basic	0.12	0.50	0.42	0.39	1.43
Diluted	0.12	0.49	0.41	0.38	1.41
Other data					
Adjusted EBITDA - 2018	$ 25,414	$ 57,118	$ 59,426	$ 48,653	$ 190,611
Adjusted EBITDA - 2017	20,127	47,076	52,624	39,485	159,312
Adjusted EPS - 2018	0.25	0.86	0.89	0.62	2.61
Adjusted EPS - 2017	0.16	0.60	0.73	0.49	1.99

Operating outlook
We are committed to a long-term growth strategy that includes average annual organic revenue growth in the mid-single digit range, combined with tuck-under acquisitions within each of our service platforms, resulting in targeted average annual growth in revenues of 10% or higher. We are targeting some incremental operating leverage and higher growth rates for operating earnings, and earnings per share. Economic conditions will negatively or positively impact these target growth rates in any given year.

In our FirstService Residential segment, revenues are expected to increase at a low-to-mid single digit percentage organic growth rate in 2019 primarily from new business wins. Any additional tuck-under acquisitions will augment organic growth. Operating margins for 2019 are expected to be in-line with 2018.

Our FirstService Brands segment is expected to generate mid-to-high single digit percentage organic revenue growth in 2019 primarily from growth of our company-owned operations at California Closets, Paul Davis Restoration and Century Fire, as well as increases in franchisee productivity and the addition of new franchisees in some of our less mature service lines within our franchised operations. Tuck-under acquisitions from our ongoing company-owned acquisition strategy at California Closets and Paul Davis Restoration, as well as opportunities at Century Fire will add to organic growth. Operating margins are expected to remain in the low-teens, with any margin decrease most likely to come from the increased mix and further acquisitions of lower margin company-owned operations.

The foregoing contains forward-looking statements, and readers should refer to “Forward-looking statements and risks” below regarding our cautions relating to these forward-looking statements and the material risk factors that could cause actual results to differ materially from these forward-looking statements. The above forward-looking statements are made on the assumption that general economic conditions and the conduct of the Company’s businesses remain as they exist on the date hereof, with none of the material risk factors (as noted under “Forward-looking statements and risks” below) occurring during 2019.

Seasonality and quarterly fluctuations
Certain segments of the Company's operations are subject to seasonal variations. The seasonality of the service lines results in variations in quarterly revenues and operating margins. Variations can also be caused by acquisitions or dispositions, which alter the consolidated service mix.

FirstService Residential generates peak revenues and earnings in the third quarter, as seasonal ancillary swimming pool management revenues are earned. FirstService Brands includes outdoor painting and franchise operations, which generate the majority of their revenues during the second and third quarters.

Liquidity and capital resources
The Company generated cash flow from operating activities of $99.4 million for the year ended December 31, 2018, relative to $115.6 million in the prior year. Operating cash flow was favourably impacted by strong profitability at both of our divisions, offset by increases in non-cash working capital primarily attributable to growth within our company-owned operations in our FirstService Brands division. We believe that cash from operations and other existing resources, including our revolving credit facility described below, will continue to be adequate to satisfy the ongoing working capital needs of the Company.

On January 17, 2018, the Company expanded and extended its revolving credit facility. Under the amended facility, borrowing capacity has been increased to $250 million, up from $200 million, and the maturity date has been extended to January 2023 from June 2020. The amended facility bears interest at 0.25% to 2.50% over floating reference rates, depending on certain leverage ratios. At any time during the term, the Company has the right to increase the facility by up to $100 million on the same terms and conditions as the original facility.

We have outstanding $150 million of senior secured notes bearing interest at a rate of 3.84% to 4.84%, depending on leverage ratios. As of December 31, 2018, the current interest rate is 3.84%. The senior secured notes are due on January 16, 2025, with five annual equal repayments beginning on January 16, 2021.

During 2018, we invested cash in acquisitions as follows: an aggregate of $59.4 million (net of cash acquired) in twelve new business acquisitions, $9.2 million in contingent consideration payments related to previously completed acquisitions, and $2.4 million in acquisitions of redeemable non-controlling interests ("RNCI").

In relation to acquisitions completed during the past three years, we have outstanding contingent consideration, assuming all contingencies are satisfied and payment is due in full, totalling $13.3 million as at December 31, 2018 (December 31, 2017 - $18.4 million). The contingent consideration liability is recognized at fair value upon acquisition and is updated to fair value each quarter, unless it contains an element of compensation, in which case such element is treated as compensation expense over the contingency period. The contingent consideration is based on achieving specified earnings levels, and is paid or payable after the end of the contingency period, which extends to September 2020. We estimate that a majority of the contingent consideration outstanding as of December 31, 2018 will ultimately be paid.

Capital expenditures for the year were $40.6 million (2017 - $36.3 million), which consisted primarily of office leasehold improvements, new vehicles and productivity-enhancing information technology systems in both of our operating divisions.

Net indebtedness as at December 31, 2018 was $268.2 million, versus $212.4 million at December 31, 2017. Net indebtedness is calculated as the current and non-current portions of long-term debt less cash and cash equivalents. We were in compliance with the covenants of our agreements relating to our credit facility and our senior secured notes as at December 31, 2018 and we expect to remain in compliance with such covenants going forward.

The Company declared common share dividends totalling $0.54 per share during 2018, with $0.5275 paid in cash during the year and $0.135 paid in January 2019. In February 2019, our Board of Directors approved an increase to our dividend such that, commencing with the quarter ended March 31, 2019, the quarterly dividend would be US$0.15 (a rate of US$0.60 per annum). The Company's policy is to pay quarterly dividends on its common shares in the future, subject to the discretion of our Board of Directors.

During the year we distributed $6.9 million (2017 - $4.5 million) to non-controlling shareholders of subsidiaries, in part to facilitate the payment of income taxes on account of those subsidiaries organized as flow-through entities.

The following table summarizes our contractual obligations as at December 31, 2018:

Contractual obligations (in thousands of US$)	**Payments due by period**				
	Total	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long-term debt	$ 331,830	$ 1,994	$ 31,732	$ 238,104	$ 60,000
Interest on long term debt	44,996	12,262	20,814	10,192	1,728
Capital lease obligations	2,693	1,920	768	5	—
Contingent acquisition consideration	13,286	12,005	1,281	—	—
Operating leases	116,048	24,505	42,767	27,330	21,446
Total contractual obligations	$ 508,853	$ 52,686	$ 97,362	$ 275,631	$ 83,174

At December 31, 2018, we had commercial commitments totaling $5.2 million comprised of letters of credit outstanding due to expire within one year. We are required to make semi-annual payments of interest on our senior secured notes at an interest rate of 3.84%.

To manage our insurance costs, we take on risk in the form of high deductibles on many of our coverages. We believe this step reduces overall insurance costs in the long term, but may cause fluctuations in the short term depending on the frequency and severity of insurance incidents.

In most operations where managers or employees are also non-controlling owners, the Company is party to shareholders' agreements. These agreements allow us to "call" the minority position at a value determined with the use of a formula price, which is in most cases equal to a multiple of trailing two-year average earnings, less debt. Non-controlling owners may also "put" their interest to the Company at the same price, with certain limitations including (i) the inability to "put" more than 33% or 50% of their holdings in any twelve-month period and (ii) the inability to "put" any holdings for at least one year after the date of our initial acquisition of the business or the date the non-controlling shareholder acquired their interest, as the case may be. The total value of the RNCI (the "redemption amount"), as calculated in accordance with shareholders' agreements, was as follows.

(in thousands of US$)	**December 31 2018**	December 31 2017
FirstService Residential	**$ 80,631**	$ 70,906
FirstService Brands	**68,501**	45,652
	$ 149,132	$ 116,558

The amount recorded on our balance sheet under the caption "redeemable non-controlling interests" is the greater of (i) the redemption amount (as above) or (ii) the amount initially recorded as RNCI at the date of inception of the minority equity position. As at December 31, 2018, the RNCI recorded on the balance sheet was $151.6 million. The purchase prices of the RNCI may be paid in cash or in Subordinate Voting Shares of FirstService. If all RNCI were redeemed in cash, the pro forma estimated accretion to diluted net earnings per share for 2018 would be $0.55, and the accretion to Adjusted EPS would be $0.19.

Stock-based compensation expense

One of our key operating principles is for senior management to have a significant long-term equity stake in the businesses they operate. The equity owned by senior management takes the form of stock, stock options or notional value appreciation plans, the latter two of which require the recognition of compensation expense under GAAP. The amount of expense recognized with respect to stock options is determined for the Company plan by allocating the grant-date fair value of each option over the expected term of the option. The amount of expense recognized with respect to the notional value appreciation plans is re-measured quarterly.

Critical accounting estimates
Critical accounting estimates are those that management deems to be most important to the portrayal of our financial condition and results of operations, and that require management's most difficult, subjective or complex judgments, due to the need to make estimates about the effects of matters that are inherently uncertain. We have identified three critical accounting estimates: determination of fair values of assets acquired and liabilities assumed in business combinations, impairment testing of the carrying value of goodwill, and the collectability of accounts receivable.

The determination of fair values of assets acquired and liabilities assumed in business combinations requires the use of estimates and judgment by management, particularly in determining fair values of intangible assets acquired. For example, if different assumptions were used regarding the profitability and expected attrition rates of acquired customer relationships, different amounts of intangible assets and related amortization could be reported.

Goodwill impairment testing involves assessing whether events have occurred that would indicate potential impairment and making estimates concerning the fair values of reporting units and then comparing the fair value to the carrying amount of each unit. The determination of what constitutes a reporting unit requires significant management judgment. We have five reporting units determined with reference to service type, customer type, service delivery model and geography. Goodwill is attributed to the reporting units at the time of acquisition. Estimates of fair value can be impacted by sudden changes in the business environment, prolonged economic downturns or declines in the market value of the Company's own shares and therefore require significant management judgment in their determination. When events have occurred that which would suggest a potential decrease in fair value, the determination of fair value is done with reference to a discounted cash flow model which requires management to make certain estimates. The most sensitive estimates are estimated future cash flows and the discount rate applied to future cash flows. Changes in these assumptions could result in a materially different fair value.

Accounts receivable allowances are determined using a combination of historical experience, current information, and management judgment. Actual collections may differ from our estimates. A 10% increase in the accounts receivable allowance would increase bad debt expense by $0.9 million.

Reconciliation of non-GAAP financial measures
In this MD&A, we make reference to "Adjusted EBITDA" and "Adjusted EPS," which are financial measures that are not calculated in accordance with GAAP.

Adjusted EBITDA is defined as net earnings, adjusted to exclude: (i) income tax; (ii) other expense (income); (iii) interest expense; (iv) depreciation and amortization; (v) goodwill impairment charges; (vi) acquisition-related items; and (vii) stock-based compensation expense. The Company uses Adjusted EBITDA to evaluate its own operating performance and its ability to service debt, as well as an integral part of its planning and reporting systems. Additionally, this measure is used in conjunction with discounted cash flow models to determine the Company's overall enterprise valuation and to evaluate acquisition targets. Adjusted EBITDA is presented as a supplemental measure because the Company believes such measure is useful to investors as a reasonable indicator of operating performance because of the low capital intensity of its service operations. The Company believes this measure is a financial metric used by many investors to compare companies, especially in the services industry. This measure is not a recognized measure of financial performance under GAAP in the United States, and should not be considered as a substitute for operating earnings, net earnings or cash flow from operating activities, as determined in accordance with GAAP. The Company's method of calculating Adjusted EBITDA may differ from other issuers and accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of net earnings to Adjusted EBITDA appears below.

(in thousands of US$)	Year ended December 31	
	2018	2017
Net earnings	**$ 90,280**	$ 75,047
Income tax	**24,922**	21,568
Other income	**(254)**	(1,520)
Interest expense, net	**12,620**	9,867
Operating earnings	**127,568**	104,962
Depreciation and amortization	**52,772**	42,049
Goodwill impairment charge	**—**	6,150
Acquisition-related items	**4,504**	2,019
Stock-based compensation expense	**5,767**	4,132
Adjusted EBITDA	**$ 190,611**	$ 159,312

Adjusted EPS is defined as diluted net earnings per share, adjusted for the effect, after income tax, of: (i) the non-controlling interest redemption increment; (ii) acquisition-related items; (iii) amortization of intangible assets recognized in connection with acquisitions; (iv) goodwill impairment charges; (v) stock-based compensation expense; (vi) a stock-based compensation tax adjustment related to a US GAAP change; and (vii) an income tax recovery on the enactment of US Tax Reform. The Company believes this measure is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company and enhances the comparability of operating results from period to period. Adjusted EPS is not a recognized measure of financial performance under GAAP, and should not be considered as a substitute for diluted net earnings per common share, as determined in accordance with GAAP. The Company's method of calculating this non-GAAP measure may differ from other issuers and, accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of diluted net earnings per common share to Adjusted EPS appears below.

(in US$)	Year ended December 31	
	2018	2017
Diluted net earnings per share	**$ 1.80**	$ 1.41
Non-controlling interest redemption increment	**0.36**	0.42
Acquisition-related items	**0.09**	0.05
Amortization of intangible assets, net of tax	**0.35**	0.23
Goodwill impairment charge, net of tax	**—**	0.10
Stock-based compensation expense, net of tax	**0.12**	0.08
Stock-based compensation tax adjustment for US GAAP change	**(0.11)**	(0.23)
Income tax recovery on enactment of US Tax Reform	**—**	(0.07)
Adjusted EPS	**$ 2.61**	$ 1.99

We believe that the presentation of Adjusted EBITDA and Adjusted EPS, which are non-GAAP financial measures, provides important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. We use these non-GAAP financial measures when evaluating operating performance because we believe that the inclusion or exclusion of the items described above, for which the amounts are non-cash or non-recurring in nature, provides a supplemental measure of our operating results that facilitates comparability of our operating performance from period to period, against our business model objectives, and against other companies in our industry. We have chosen to provide this information to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our core business and the valuation of the Company. Adjusted EBITDA and Adjusted EPS are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs or benefits associated with the operations of our business as determined in accordance with GAAP. As a result, investors should not consider these measures in isolation or as a substitute for analysis of our results as reported under GAAP.

Initial adoption of, and changes in, accounting policies
On January 1, 2018, as a result of required changes under GAAP, FirstService adopted the new accounting standard ASC 606, Revenue from Contracts with Customers and all the related amendments ("New Revenue Standard") to all contracts using the full retrospective method. Our prior year 2017 financial results as reported herein have been recast in accordance with the New Revenue Standard to provide a consistent comparison to current year results. The impact is confined to our franchised operations within our FirstService Brands segment, particularly as it relates to the timing and recognition of franchise fees, as well as the gross revenue recognition of marketing fund fees. As a result, the effect of the New Revenue Standard on the prior year fourth quarter results was an increase of $5.5 million to our consolidated revenues, a decrease of $0.6 million to our consolidated Adjusted EBITDA and our consolidated operating earnings, resulting in a 40 basis points decrease to our consolidated Adjusted EBITDA margin, a 30 basis point decrease to our consolidated operating earnings margin, and a decrease of $0.02 to our earnings per share. The same $5.5 million increase to our FirstService Brands revenues and $0.6 million decrease to our FirstService Brands Adjusted EBITDA and our FirstService Brands operating earnings resulted in a 120 basis point decrease to our FirstService Brands Adjusted EBITDA margin and a 100 basis point decrease to our FirstService Brands operating earnings margin for our recast segmented 2017 fourth quarter results. On a full year basis, our prior year 2017 recast consolidated results include a $23.6 million increase in revenues, a $2.7 million decrease in Adjusted EBITDA and a $0.04 decrease to our Adjusted EPS. The New Revenue Recognition Standard does not have any impact on our cash flow from operations.

In February 2016, FASB issued ASU No. 2016-02, Leases. This ASU affects all aspects of lease accounting and has a significant impact to lessees as it requires the recognition of a right-of use asset and a lease liability for virtually all leases including operating leases. In addition to balance sheet recognition, additional quantitative and qualitative disclosures will be required. The standard was effective on January 1, 2019, at which time the Company elected to adopt the ASU using a modified retrospective transition. The Company is currently finalizing the impact of this standard on its financial position and results of operations. The Company expects the impact to be material to its balance sheet, but minimal impact to its statements of earnings and statements of cash-flows. The Company has selected and implemented an IT solution to address the change in the standard.

In June 2016, FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. In November 2018, FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, which amends the scope and transition requirements of ASU 2016-13. The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The standard will become effective for the Company beginning January 1, 2020 and will require a cumulative-effect adjustment to Accumulated retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Off-balance sheet arrangements
The Company does not believe that it has off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial performance or financial condition other than the payments which may be required to be made by us under the sale of control arrangement contained in the restated management services agreement with FirstService, Jayset Management FSV Inc. and Jay S. Hennick, a description of which is set out in Note 11 to the Consolidated Financial Statements (which is incorporated by reference herein and available on the SEDAR website at www.sedar.com and EDGAR at www.sec.gov).

Transactions with related parties
The Company has entered into office space rental arrangements and property management contracts with senior managers of certain subsidiaries. These senior managers are usually also minority shareholders of the subsidiaries. The business purpose of the transactions is to rent office space for the Company and to generate property management revenues for the Company. The recorded amount of the rent expense for the year ended December 31, 2018 was $1.2 million (2017 - $1.4 million). These amounts are settled monthly in cash, and are priced at market rates. The rental arrangements have fixed terms of up to 10 years.

As at December 31, 2018, the Company had $2.1 million of loans receivable from minority shareholders (December 31, 2017 - $2.5 million). The business purpose of the loans receivable was to finance the sale of non-controlling interests in subsidiaries to senior managers. The loan amounts are measured based on the formula price of the underlying non-controlling interests, and interest rates are determined based on market rates plus a spread. The loans generally have terms of 5 to 10 years, but are open for repayment without penalty at any time.

Outstanding share data
The authorized capital of the Company consists of an unlimited number of preference shares, issuable in series, an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. The holders of Subordinate Voting Shares are entitled to one vote in respect of each Subordinate Voting Share held at all meetings of the shareholders of the Company. The holders of Multiple Voting Shares are entitled to twenty votes in respect of each Multiple Voting Share held at all meetings of the shareholders of the Company. Each Multiple Voting Share is convertible into one Subordinate Voting Share at any time at the election of the holders thereof.

As of the date hereof, the Company has outstanding 34,690,753 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares. In addition, as at the date hereof 2,034,750 Subordinate Voting Shares are issuable upon exercise of options granted under the Company's stock option plan.

During the year ended December 31, 2018, the Company repurchased 130,436 Subordinate Voting Shares under its Normal Course Issuer Bid ("NCIB") at an average price of $68.98 per share. All shares purchased under the NCIB were cancelled. The Company is authorized to repurchase up to an additional 3,099,564 Subordinate Voting Shares under its NCIB, which expires on August 23, 2019.

Canadian tax treatment of common share dividends

For the purposes of the enhanced dividend tax credit rules contained in the *Income Tax Act (Canada)* and any corresponding provincial and territorial tax legislation, all dividends (and deemed dividends) paid by us to Canadian residents on our Subordinate Voting Shares and Multiple Voting Shares are designated as "eligible dividends". Unless stated otherwise, all dividends (and deemed dividends) paid by us hereafter are designated as "eligible dividends" for the purposes of such rules.

Disclosure controls and procedures

Our Chief Executive Officer and Chief Financial Officer, with the assistance and participation of other Company management, have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Canada by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings and in the United States by Rules 13a-15(e) and 15d-15(e) of the United States Securities and Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2018. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of December 31, 2018, the Company's disclosure controls and procedures were effective to give reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under Canadian securities legislation and the Exchange Act is: (i) recorded, processed, summarized and reported within the time periods specified therein; and (ii) accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have excluded twelve individually insignificant entities acquired by the Company during the 2018 fiscal year from our assessment of internal control over financial reporting as at December 31, 2018. The total assets and total revenues of the twelve majority-owned entities represent 3.2% and 5.3%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2018.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2018, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2018, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as at December 31, 2018, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report dated February 20, 2019 which accompanies the Company's audited consolidated financial statements for the year ended December 31, 2018.

Changes in internal control over financial reporting
During the year ended December 31, 2018, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Legal proceedings
FirstService is involved in litigation in the normal course of its business, both as a defendant and as a plaintiff. Management reviews all of the relevant facts for each claim and applies judgment in evaluating the likelihood and, if applicable, the amount of any potential loss. Where a potential loss is considered probable and the amount is reasonably estimable, provisions for loss are made based on management's assessment of the likely outcome. Where a range of loss can be reasonably estimated with no best estimate in the range, FirstService records the minimum amount in the range. FirstService does not provision for claims for which the outcome is not determinable or claims for which the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provisioned for when reasonably determinable.

As of February 20, 2019, there are no claims outstanding for which FirstService has assessed the potential loss as both probable to result and reasonably estimable, therefore no accrual has been made.

Market risk of financial instruments

FirstService is engaged in operating and financing activities that generate risk in three primary areas as set out below. See Note 16 to the Consolidated Financial Statements for additional information regarding these risks. FirstService's overall risk management program and business practices seek to minimize any potential adverse effects on FirstService's financial performance. Risk management is carried out by the senior management team and is reviewed by FirstService's board of directors.

For an understanding of other potential risks, including non-financial risks, see the section entitled "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2018 available on SEDAR at www.sedar.com, which is also included in the Company's Annual Report on Form 40-F available on EDGAR at www.sec.gov.

Foreign exchange

FirstService is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency, the U.S. dollar. A majority of FirstService's revenues in fiscal 2018 were transacted in U.S. dollars. A portion of FirstService's revenues were denominated in Canadian dollars, which results in foreign currency exposure related to fluctuations between the Canadian and U.S. dollars. FirstService's head office expenses are incurred in Canadian dollars, which is hedged by Canadian dollar denominated revenue. As an additional part of its risk management strategy, FirstService maintains net monetary asset and/or liability balances in foreign currencies and may engage in foreign currency hedging activities using financial instruments, including currency forward contracts and currency options. FirstService does not use financial instruments for speculative purposes. As at the date of this MD&A, FirstService does not have any such financial instruments.

FirstService's credit facility allows FirstService to borrow in Canadian and U.S. dollars. To mitigate any foreign exchange risk related to its Canadian dollar denominated debt, FirstService may from time to time enter into forward foreign exchange contracts to sell Canadian dollars in an amount equal to the principal amount of its Canadian dollar denominated borrowings. As at the date of this MD&A, FirstService does not have any such foreign exchange contracts.

Interest rate

FirstService has no significant interest-bearing assets. FirstService's income and operating cash flows are substantially independent of changes in market interest rates.

FirstService's primary interest rate risk arises from its long-term debt under its credit facility and senior secured notes. FirstService manages its exposure to changes in interest rates by using a combination of fixed and variable rate debt, varying lengths of terms to achieve the desired proportion of variable and fixed rate debt and, from time to time, may enter into hedging/interest rate swap contracts. Fluctuations in interest rates affect the fair value of any hedging/interest rate swap contracts as their value depends on the prevailing market interest rate. Hedging/interest rate swap contracts are monitored on a monthly basis. As at the date of this MD&A, FirstService does not have any such hedging/interest rate swap contracts. An increase (or decrease) in interest rates by 1% would result in a $1.7 million increase (or decrease) in annual interest expense under FirstService's credit facility.

Credit risk

Credit risk refers to the risk of losses due to failure of FirstService's customers or other counterparties to meet their payment obligations. Credit risk also arises from deposits with banks. Credit risk with respect to the customer receivables are limited due to the large number of entities comprising FirstService's customer base and their dispersion across many different service lines. Credit risk with respect to deposits is limited by the use of multiple large and reputable banks.

Forward-looking statements and risks

This MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe," "anticipate," "estimate," "plan," "expect," "intend," "may," "project," "will," "would," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risk and uncertainties. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Factors which may cause such differences include, but are not limited to those set out below and those set out in detail in the "Risk Factors" section of the Company's Annual Information Form for the year ended December 31, 2018 available on SEDAR at www.sedar.com, which is also included in the Company's Annual Report on Form 40-F available on EDGAR at www.sec.gov:

- Economic conditions, especially as they relate to commercial and consumer credit conditions and consumer spending, particularly in regions where our business may be concentrated.
- Residential real estate property values, resale rates and general conditions of financial liquidity for real estate transactions.
- Extreme weather conditions impacting demand for our services or our ability to perform those services.
- Economic deterioration impacting our ability to recover goodwill and other intangible assets.
- Our ability to generate cash from our businesses to fund future acquisitions and meet our debt obligations.
- Competition in the markets served by the Company.
- The ability to attract new customers and to retain major customers and renew related contracts.
- The ability to retain and incentivize employees.
- Labour shortages or increases in wage and benefit costs.
- The effects of changes in interest rates on our cost of borrowing.
- Unexpected increases in operating costs, such as insurance, workers' compensation, health care and fuel prices.
- Changes in the frequency or severity of insurance incidents relative to our historical experience.
- The effects of changes in foreign exchange rates in relation to the US dollar on the Company's Canadian dollar denominated revenues and expenses.
- Continued compliance with the financial covenants under our debt agreements, or our ability to negotiate a waiver of certain covenants with our lenders.
- We are exposed to greater risks of liability for employee acts or omissions, or installation/system failure, in our fire protection businesses than may be inherent in other businesses.
- Our ability to identify and make acquisitions at reasonable prices and successfully integrate acquired operations.
- The ability to execute on, and adapt to, information technology strategies and trends.
- Disruptions or security failures in our information technology systems.
- The ability to comply with laws and regulations related to our operations, including licensure, labour and employment laws and regulations, as well as the anti-corruption laws and trade sanctions.
- Political conditions, including political instability and any outbreak or escalation of terrorism or hostilities and the impact thereof on our business.
- Changes in government laws and policies at the federal, state/provincial or local level that may adversely impact our businesses.
- Although the spin-off is complete, the transaction exposes FirstService to certain ongoing tax and indemnification risks.

We caution that the foregoing list is not exhaustive of all possible factors, as other factors could adversely affect our results, performance or achievements. The reader is cautioned against undue reliance on these forward-looking statements. Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in such forward-looking statements will be realized. The inclusion of such forward-looking statements should not be regarded as a representation by the Company or any other person that the future events, plans or expectations contemplated by the Company will be achieved. We note that past performance in operations and share price are not necessarily predictive of future performance. All forward-looking statements in this MD&A are qualified by these cautionary statements. The forward-looking statements are made as of the date of this MD&A and, unless otherwise required by applicable securities laws, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking statements contained in this MD&A to reflect subsequent information, events, results or circumstances or otherwise.

Additional information

Copies of publicly filed documents of the Company, including our Annual Information Form, can be found through the SEDAR website at www.sedar.com and on EDGAR at www.sec.gov.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Annual Report on Form 40-F for the year ended December 31, 2018 of FirstService Corporation of our report dated February 20, 2019, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in Exhibit 2 to this Annual Report on Form 40-F.

We also consent to reference to us under the heading " Experts," which appears in the Annual Information Form included in the Exhibit 1 incorporated by reference in this Annual Report on Form 40-F.

/s/ PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
February 20, 2019

Exhibit 31

CERTIFICATION
PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, D. Scott Patterson, certify that:

1. I have reviewed this annual report on Form 40-F of FirstService Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

February 20, 2019

/s/ D. Scott Patterson
D. Scott Patterson
Chief Executive Officer

CERTIFICATION
PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Jeremy Rakusin, certify that:

1. I have reviewed this annual report on Form 40-F of FirstService Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

February 20, 2019

/s/ Jeremy Rakusin
Jeremy Rakusin
Chief Financial Officer

Exhibit 32

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 40-F of FirstService Corporation (the "Company") for the year ended December 31, 2018 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, D. Scott Patterson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 20, 2019

/s/ D. Scott Patterson
D. Scott Patterson
Chief Executive Officer

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 40-F of FirstService Corporation (the "Company") for the year ended December 31, 2018 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, Jeremy Rakusin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 20, 2019

/s/ Jeremy Rakusin
Jeremy Rakusin
Chief Financial Officer