US 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, 2013**

Commission file number **0-24762**

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:

34,476,038 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

[**x**] Yes [ ] No

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, 2013, see Exhibit 1 of this Annual Report on Form 40-F.

B. Audited Annual Financial Statements

For the Registrant's consolidated audited annual financial statements as at December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, 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, 2013, 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 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 eleven 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, 2013. The total assets and total revenues of the eleven majority-owned entities represent 2.5% and 2.1%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2013.

Management has assessed the effectiveness of the Registrant's internal control over financial reporting as at December 31, 2013, based on the criteria set forth in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2013, the Registrant's internal control over financial reporting was effective.

The effectiveness of the Registrant's internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, the Registrant's independent registered public accounting firm. The attestation report of PricewaterhouseCoopers LLP is included in PricewaterhouseCoopers LLP's report to the shareholders of the Registrant dated February 24, 2014, which accompanies the Registrant's audited consolidated financial statements for the year ended December 31, 2013, filed as Exhibit 2 to this Annual Report on Form 40-F.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year ended December 31, 2013, 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, 2013 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. Peter F. Cohen 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. Cohen is a Chartered Professional Accountant and a former partner in an audit practice of a public accounting firm. Mr. Cohen is currently the Chair of the Board of the Registrant and President and Chief Executive Officer of the Dawsco Group, a private real estate and investment company owned by Mr. Cohen and his family. Mr. Cohen was a co-founder and Chair and Chief Executive Officer of Centrefund Realty Corporation, a publicly traded shopping center investment company until August 2000 when control of the company was sold. Mr. Cohen is a member of the boards of a number of private companies and charities.

The SEC has indicated that the designation of Mr. Peter F. Cohen 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 in each of the fiscal periods ended December 31, 2013 and 2012. During these periods, PricewaterhouseCoopers LLP was the Registrant's only external auditor.

(in thousands of C$)	Year ended December 31, 2013	Year ended December 31, 2012
Audit fees (note 1)	$ 2,254	$ 1,934
Audit-related fees (note 2)	55	33
Tax fees (note 3)	371	476
All other fees (note 4)	4	10
	$ 2,684	$ 2,453

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.

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 condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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), Peter F. Cohen and Michael Stein.

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 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 24, 2014

By: */s/ John B. Friedrichsen*
Name: John B. Friedrichsen
Title: Senior Vice President and
Chief Financial Officer

EXHIBIT INDEX

No.	Document
1.	Annual Information Form of the Registrant for the year ended December 31, 2013.
2.	Consolidated audited financial statements of the Registrant as at December 31, 2013 and 2012 and for years ended December 31, 2013, 2012 and 2011, 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, 2013.
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, 2013

February 24, 2014

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Forward-looking statements

This Annual Information Form contains "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 Annual Information Form. 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 Annual Information Form. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Annual Information Form are based upon what management currently believes to be reasonable assumptions, we cannot assure prospective investors 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 Annual Information Form and we do not intend, and do not assume any obligation, to update or revise these forward-looking statements.

FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM
February 24, 2014

All amounts referred to in this Annual Information Form ("AIF") are in United States dollars unless otherwise indicated. All financial and statistical data in this AIF is presented as at December 31, 2013 unless otherwise indicated.

Corporate structure

FirstService Corporation ("we," "us," "our," the "Company" or "FirstService") was formed under the *Business Corporations Act* (Ontario) by Certificate of Incorporation dated February 25, 1988. The Company amalgamated with Coloma Resources Limited pursuant to a Certificate of Amalgamation dated July 31, 1988, and the amalgamated corporation continued under the name "FirstService Corporation".

By Certificate of Amendment dated April 2, 1990, the Company: (i) consolidated each of its Class A Subordinate Voting Shares on a 30 to 1 basis and changed the designation of that class of shares to "Subordinate Voting Shares", each such share carrying one vote; and (ii) consolidated each of its Class B shares on a 30 to 1 basis and changed the designation of that class of shares to "Multiple Voting Shares", each such share carrying 20 votes.

By Certificate of Amendment dated June 27, 2007, the first series of Preference Shares of the Company were created and designated as 7% cumulative preference shares, series 1 (the "Preferred Shares"), with each Preferred Share having a stated value of US$25.00 and carrying a fixed cumulative annual dividend of US$1.75 payable quarterly. All outstanding Preferred Shares were eliminated on May 3, 2013 by way of a partial redemption for cash of $39.2 million immediately followed by a mandatory conversion of all then remaining Preferred Shares into Subordinate Voting Shares, which resulted in the issuance of 2.89 million new Subordinate Voting Shares.

Our Subordinate Voting Shares are publicly traded on both the Toronto Stock Exchange ("TSX") (symbol: FSV) and The NASDAQ Global Select Market ("NASDAQ") (symbol: FSRV). Our head and registered office is located at 1140 Bay Street, Suite 4000, Toronto, Ontario, M5S 2B4.

Our fiscal year-end is December 31. On May 14, 2008, our Board of Directors approved a change in year-end to December 31, effective December 31, 2008. Our previous fiscal year-end was March 31.

The following chart sets out the significant subsidiaries of the Company as of December 31, 2013. The voting securities of such subsidiaries not controlled by us are those owned by operating management of each respective subsidiary.

Name of subsidiary	Percentage of voting securities owned by FirstService	Jurisdiction of incorporation or formation
American Pool Enterprises, Inc.	96.4%	Delaware
Colliers Macaulay Nicolls Inc.	86.9%	Ontario
FirstService Commercial Real Estate Services Inc.	88.7%	Ontario
FirstService International Holdings s.a.r.l.	100.0%	Luxembourg
FirstService RE Holdings (USA), Inc.	99.0%	Delaware
FirstService Residential, Inc.	97.6%	Delaware
FirstService Residential Florida, Inc.	97.6%	Florida
FirstService Residential Management Canada Inc.	100.0%	Ontario
FirstService (USA), Inc.	100.0%	Delaware
FS Brands, Inc.	95.7%	Delaware

General development of the business

Our origins date back to 1972 when Jay S. Hennick, the Founder and CEO of the Company, started a Toronto commercial swimming pool and recreational facility management business, which became the foundation of FirstService. In 1993, we completed our initial public offering on the TSX, raising C$20 million. In 1995, our shares were listed on NASDAQ. In 1997, a second stock offering was completed in Canada and the United States raising US$20 million. In December 2004, a stock dividend was declared effectively achieving a 2-for-1 stock split for all outstanding Subordinate Voting Shares and Multiple Voting Shares (together, the "Common Shares").

From 1994 to present, we completed numerous acquisitions and selected divestitures, developing, growing and focusing on the real estate services provided by us today.

In 1996, we obtained a revolving credit facility from a syndicate of banks, which has been amended and restated at various times to the present, most recently on March 1, 2012 when the facility was increased to $350 million for a five year term. In October 2003, we completed a private placement of $50 million of 6.40% Senior Notes due September 30, 2015, of which $25 million remained outstanding as of December 31, 2013. In April 2005, we completed a private placement of $100 million of 5.44% Senior Notes due April 1, 2015, of which $40 million remained outstanding as of December 31, 2013. In January 2013, we completed a private placement of $150 million of 3.84% Senior Notes due 2025 with a group of U.S. institutional investors, all of which remained outstanding as of December 31, 2013. The proceeds from the issuance of the 3.84% Senior Notes were used to repay borrowings under our revolving credit facility.

In 2004, we established a new commercial real estate services division under the "Colliers International" brand with the acquisition of Colliers Macaulay Nicolls Inc. ("CMN"). CMN's real estate services offerings included brokerage (sale and leasing), property management, valuation and advisory services.

In 2006, we disposed of Resolve Corporation, our Business Services division, through an initial public offering of income trust units in Canada. In 2008, we disposed of our Integrated Security Services division, which included Intercon Security in Canada and SST in the United States, for gross cash proceeds of approximately $187.5 million. These disposals marked a significant milestone in the execution of our strategy of focusing on real estate services for future growth.

In November 2009, we completed a public offering in Canada of $77 million principal amount of 6.5% Convertible Unsecured Subordinated Debentures (the "Convertible Debentures"). The Convertible Debentures were convertible into Subordinated Voting Shares at the option of the holder at any time prior to the earlier of December 31, 2014 or the date specified by us for redemption, at a conversion price of $28.00 per Subordinate Voting Share, subject to adjustment in certain events. In September 2013, we completed the early redemption of our Convertible Debentures in accordance with the redemption rights attached to the Convertible Debentures. Leading up to the redemption, we received conversion requests from substantially all holders of the Convertible Debentures, which resulted in the issuance of 2.74 million new Subordinate Voting Shares.

In September 2013, we completed the sale of Field Asset Services, LLC, a property preservation and distressed asset management services provider within our Property Services segment, for gross cash proceeds of $55 million.

Business description

FirstService is a global leader in the rapidly growing real estate services sector. As one of the largest property managers in the world, FirstService manages more than 2.5 billion square feet of residential and commercial properties through its industry-leading service platforms in Commercial Real Estate Services, delivered through Colliers International, one of the top global players in commercial real estate services; Residential Real Estate Services, delivered through FirstService Residential, the largest provider of residential property management services in North America, and Property Services, delivered through FirstService Brands, a leading provider of essential property services through franchise systems and company-owned operations.

Each service line provides near-essential services, generates a significant percentage of recurring revenues, has substantial operating cash flow, generates superior returns on invested capital and can be leveraged through margin enhancement, cross-selling or consolidation.

Our business is conducted through three operating segments as shown below:



Revenues by operating segment	Year ended December 31			
(in thousands of US$)	**2013**	**2012**	**2011**	**2010**
Commercial Real Estate Services	$ 1,318,779	$ 1,170,427	$ 994,579	$ 861,917
Residential Real Estate Services [1]	884,334	814,617	736,029	643,050
Property Services	140,317	125,204	121,172	112,153
Corporate	204	218	188	180
Total	$ 2,343,634	$ 2,110,466	$ 1,851,968	$ 1,617,300

Adjusted EBITDA[2] by operating segment	Year ended December 31			
(in thousands of US$)	**2013**	**2012**	**2011**	**2010**
Commercial Real Estate Services	$ 116,003	$ 78,949	$ 51,900	$ 39,485
Residential Real Estate Services [1]	57,878	60,818	57,819	56,565
Property Services	28,878	24,113	19,960	16,403
Corporate	(17,298)	(11,617)	(14,362)	(19,511)
Total	$ 185,461	$ 152,263	$ 115,317	$ 92,942

Commercial Real Estate Services

FirstService, operating under the Colliers International brand name, is one of the world's largest commercial real estate services providers offering a full range of commercial real estate services in the United States, Canada, Australia, the United Kingdom, Germany and several other countries in Asia, Europe and Latin America. In 2013, operations in the Americas generated 56% of total revenues for this segment, while the Asia-Pacific region generated 27% and Europe generated 17%. We provide services to owners, investors and tenants, including brokerage (sale, leasing, and mortgage), property management and maintenance, valuation, project management and corporate advisory services.

Commercial real estate brokers match buyers and sellers of real estate (investors, developers or owners-users) as well as owners and tenants of space for lease in return for a commission generally based on the value of the transaction. Our brokerage activities focus primarily on office, industrial, retail and multi-unit residential properties. Brokerage activities represent approximately 63% of segment revenues and provide opportunities for cross selling other real estate services. In 2013, through a network of approximately 2,900 brokers in 211 offices in 35 countries, we executed transactions across a diverse client base, including corporations, financial institutions, governments and individuals. Typically, brokers earn a direct commission on individual transactions, which provides variability in the cost structure.

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1 Previously referred to as "Residential Property Management".

2 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.

Commercial property management focuses on the same client segments as brokerage; however, fees are typically multi-year fixed fee contracts that are largely recurring in nature.

Our international corporate advisory group partners with large corporations in managing their overall real estate portfolio and transactions. Professional staff combines proprietary technology with high level strategic planning, portfolio management, lease administration and facilities and project management. Fees in corporate advisory are derived from a combination of fixed fee services and transaction-based brokerage fees.

Commercial real estate brokerage is cyclical and seasonal in nature, affected by external factors, including interest rates, access to financing, investor and consumer confidence and other macroeconomic factors and political risk in any specific region. Our revenues in this segment are weighted more heavily to the latter half of the calendar year, with approximately 60% of transactions occurring in fiscal quarters ending in September and December.

We are the largest member and controlling shareholder of Colliers International Property Consultants ("CIPC"), the owner of the global "Colliers International" commercial real estate services brand and trademarks. Each member of CIPC is entitled to use the "Colliers International" brand and trademarks exclusively within a designated country (or region in the case of the United States). Colliers International is recognized (in The Lipsey Company's 2013 Top 25 Commercial Real Estate Brands Survey for service firms) as the number 2 most recognized commercial real estate services brand worldwide with 485 offices in 63 countries. Colliers International is a global brand name supported by local market intelligence to serve the international community of investors, owners and users of real estate. In addition to the Colliers International brand, we also own and operate the MHPM Project Leaders and PKF Hotel and Hospitality Consulting USA commercial real estate brands.

Commercial real estate firms can be segmented into two tiers: (i) large global full-service firms with international service capabilities; and (ii) regional and niche firms with strengths in their respective local markets. Recent industry trends have seen an increase in outsourcing by multi-national clients with global needs creating an opportunity for full-service global players like Colliers International, and by extension, FirstService. There has also been a recent trend amongst larger firms to further improve their market position through consolidation. However, the commercial real estate competitive landscape market remains highly fragmented.

Our growth strategy in this segment is to expand the suite of complementary service offerings and the geographical markets where services are offered. This will continue to be achieved both organically and through selective acquisitions. We also plan to enhance our brand and service delivery through increased recruiting of real estate professionals, broker training and continued development of proprietary market tools and research resources.

Residential Real Estate Services

We are a manager of private residential communities in North America. Private residential communities include condominiums, cooperatives, homeowner associations, master-planned communities and a variety of other residential developments governed by common interest or multi-unit residential community associations (collectively referred to as "community associations"). Residents of community associations appoint or elect volunteer homeowner board members to oversee the operations of the community associations. The board may choose to hire a professional property manager like FirstService. In total, we manage over 1.5 million residential units in more than 6,500 community associations in 21 American states and 3 Canadian provinces.

We operate under the brand name FirstService Residential. In June 2013, we re-branded and replaced 18 legacy regional brands with one brand to create a unified North American market presence to allow a simplified and consistent sales strategy, as well as to streamline certain operations. Approximately 92% of revenues are generated from U.S. operations, and 8% from Canadian operations.

In the Residential Real Estate Services industry, there are two types of professional property management companies: (i) traditional property managers; and (ii) full-service property managers. Traditional property managers primarily handle administrative property management functions on behalf of their community association clients, such as advising homeowner boards on matters relating to the operation of their communities, collecting monthly maintenance fees, sourcing and paying suppliers, preparing financial statements and contracting out support services. Full-service property managers provide the same services as traditional property managers but also provide a variety of other services under one comprehensive contract.

We are a full-service property manager and in many markets provide a full range of ancillary services, including facility maintenance, janitorial, front-desk, swimming pool management, heating and air conditioning, energy advisory, commercial association management, concierge services, resale processing, sales, leasing, landscaping and pest control. In most markets we provide financial services (cash management and other transaction-related services, collections, specialized property insurance brokerage and energy retrofit financing) utilizing the scale of our operations to economically benefit clients. Ancillary services are provided under the following brands: American Pool Enterprises, Planned Companies, Service America, FirstService Financial, MarWest Commercial, Abigail Michaels, FS Energy, and Superior Pool.

Residential property management and recurring ancillary services are generally provided under contract, with a fixed monthly fee. Contracts range in duration from 1 to 3 years, but are generally cancellable by either party with 30 to 90 days' notice.

The aggregate budget of all the community associations in the United States is estimated by the Community Associations Institute ("CAI") (a national U.S. organization dedicated to fostering community associations) to be approximately US$51 billion. The aggregate budget of the community associations managed by FirstService is estimated at approximately US$6 billion. Currently, we estimate that we access in the range of 12-15% of the aggregate budget of our communities through the various services that we offer. Our strategy is to continue to add communities under management while striving to earn a greater percentage of the aggregate budget by introducing additional value-added services and products, thereby offering clients a single point of accountability and leveraging our scale and purchasing power to the benefit of the community associations we serve.

Based on 2012 U.S. industry data compiled by the CAI in 2013, we estimate that: (i) approximately 63.4 million Americans, representing 25.9 million households, live in condominiums, cooperatives, planned communities and other residential developments governed by common interest or multiple unit residential community associations; this represents 24% of U.S. homes (ii) more than 50% of new homes currently being built in and around major metropolitan areas in the United States are within these categories; and (iii) there are approximately 323,600 community associations in the United States. The market is currently growing at a rate of approximately 2% per year as a result of the 4,000 to 8,000 new community associations formed each year. Similar growth rates are expected in Canada.

Typically, owners of private residential units are required to pay monthly or quarterly fees to cover the expenses of managing the community association's business activities and maintaining the common areas of the property. Historically, decision making for communities was delegated to volunteer boards of directors elected by the owners. Increasingly, these volunteer boards have outsourced the responsibility to manage the day-to-day operation and maintenance of community property to professional property management companies. The CAI estimates that 30-40% of community associations are self-managed by homeowner boards. There is a growing trend from self-management to professional management, which is believed to increase the effective growth rate for professional property management companies.

The residential property management industry is extremely fragmented and dominated by numerous local and regional management companies of which there are estimated to be 8,000 across North America. Only a small number of such companies, however, have the expertise and capital to provide both traditional property management services as well as the other support services provided by full-service property managers. We estimate our market share at 5% (based on the number of units we manage in the U.S. relative to the CAI's data for the number of households governed by community associations in the U.S.). We currently operate in major markets that constitute over 70% of the total North American market. We enjoy a competitive advantage because of our size and geographic footprint, depth of management and financial resources, and operating expertise.

Our business in this segment is subject to regulation by the U.S. states and Canadian provinces in which we operate. In many regions, laws require that property managers must be licensed, which involves certain examinations and continuing education. In addition, our residential real estate sales and leasing operations are subject to regulation as a real estate brokerage by the various states and provinces in which we operate.

Property Services

In our Property Services division, we provide a variety of residential and commercial services in North America through franchise networks and company-owned locations. The principal brands in this division include Paul Davis Restoration, CertaPro Painters, California Closets, College Pro Painters, Pillar to Post Home Inspectors, and Floorcoverings International.

Franchise brands

We own and operate six franchise networks as follows:

(i) Paul Davis Restoration is a Jacksonville, Florida based franchisor of residential and commercial restoration services serving the insurance industry in the United States through 315 franchises. Paul Davis provides full service water, fire and mold cleanup 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 a residential and commercial painting franchise system with 351 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 and other programs for property managers who have portfolios of condominium and commercial properties. 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 a provider of installed closet and home storage solutions. Headquartered in San Francisco, 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 100 branded California Closets retail showrooms in operation in North America which are used by franchisees to demonstrate and sell the product. Royalties are earned based on a percentage of franchisee gross revenues.

(iv) College Pro Painters is a seasonal exterior residential painting and window cleaning franchise system operating in most U.S. states and across Canada with 639 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.

(v) Pillar to Post Home Inspectors is one of North America's largest home inspection service providers. Services are provided through a network of 367 franchises. Royalties are earned on a percentage of franchisee gross revenues.

(vi) Floorcoverings International is a residential and commercial floor coverings design and installation franchise system operating in North America with 88 franchises. Royalties are earned based on a percentage of franchisee gross revenues.

The aggregate system-wide revenues of our 1,846 franchisees were $1.1 billion for 2013. 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 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 40 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

We own and operate nine California Closets retail operations located in major population centers in the United States and Canada. These operations were acquired from franchisees with the goal of accelerating revenue growth, in part through investment in branded retail showrooms.

Business strategy

We operate in the real estate services sector. Our objective is to increase the revenues, profitability and market position of each operating unit and subsequently acquired business, while maintaining the highest level of service to our customers.

Over the course of time, and as we have grown, our management style and way of doing business has been refined and enhanced into an approach we call "The FirstService Way". Built on seven strategic pillars, it has guided our growth and attracted strong management teams with visions for the future success of their businesses. The seven principles of our business strategy are defined below:

1. Partnership philosophy. We believe equity ownership by our management teams is essential. Our partners enjoy autonomy over front-line operating decisions, while equity ownership allows direct participation in the financial outcomes of their decisions. With significant equity interests in the businesses they operate, management's interests are aligned with our shareholders in building long-term value. These interests are in the form of a non-transferable direct minority equity ownership position, stock options or in equity-like notional value appreciation plans. In almost all cases, we have the right to purchase ("call") the minority interest at a formula price based on a multiple of trailing adjusted EBITDA. Minority shareholders have the right to require us to purchase their shares at the same price, generally in tranches over a two or three year period.

2. Focus on internal growth. We have a keen focus on operational excellence. We set high internal growth targets and leverage our scale, competitive advantages, and sales channels by enhancing and broadening our service offerings. These differentiate us from competitors and support strong internal growth. Our performance-based compensation plan is structured to reward internal growth.

3. Performance-based compensation. Successful management teams are well compensated for driving growth. Aligning our key operating managers with our shareholders through generous performance-based compensation programs ensures that they have the incentive needed to continue growing the business. In general, senior managers receive bonuses that are based on a percentage of the amount by which their results exceed prior year adjusted EBITDA on a "same-store" basis. Lower level managers' incentives are also aligned with business unit adjusted EBITDA targets, but may include other measures deemed important for growing their business. We believe these programs are effective incentives to operating management to deliver internal growth and consistent, high-quality service in a cost-effective manner.

4. Acquisition strategy. Our disciplined approach to acquisitions ensures we invest in high-potential, well-managed businesses, at a fair price. New acquisitions are selected to augment our internal growth strategies and also to support the growth of the Company as a whole. The acquisition strategy entails the systematic acquisition of established, well managed, and profitable real estate service companies operating in fragmented industries that: (i) enhance the market position of an existing service line, provide an entry into a new geographic region/market, or introduce a new service line; and (ii) provide a return on invested capital that exceeds our weighted average cost of capital. Each acquisition must meet strict criteria that include the following:
   - Strong, experienced management teams in place that are interested in growing their businesses and in being rewarded through performance-based compensation;
   - History of consistent profitability, supported by significant contractual revenues;
   - Non-capital intensive operations with a variable cost structure;
   - Leading positions in the markets served; and
   - One or more senior managers who wish to retain a meaningful minority interest in the acquired company in order to participate directly in its future growth and development as part of FirstService.

5. People development process. Retaining and promoting key operating managers is one of our most important practices. Each year, the key people within our businesses are evaluated in a consistent manner; strength, weaknesses and internal career opportunities are discussed, as are opportunities for advancement with other FirstService business units.

6. Management and review process. We have a rigorous process of oversight and operational review to maximize cash flows, increase margins, manage operational risk and monitor performance indicators. Sharing of best practices is proactively incorporated into our management and review process to ensure that each business benefits from the experience of others.

7. Strategic planning process. We utilize a consistent strategic planning process to determine the major issues facing our operating units. Short-term and long-term goals are reviewed and agreed upon, barriers are discussed and solutions are developed. Progress in achieving goals is monitored to ensure that we successfully execute our strategy and adapt to changes in our markets.

Seasonality

Certain segments of the Company's operations are subject to seasonal variations. This seasonality results in variations in quarterly revenues and operating margins. In particular, the Commercial Real Estate Services operation generates peak revenues and earnings in the month of December followed by a low in January and February as a result of the timing of closings on commercial real estate brokerage transactions. Revenues and earnings during the balance of the year are relatively even. These brokerage operations comprised approximately 35% of 2013 consolidated revenues. 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.

In our Commercial Real Estate Services division, the Colliers International trademark is recorded as an acquired intangible asset in our consolidated financial statements. The Colliers International trademark is highly recognized in the commercial real estate industry.

Our Residential Real Estate Services operations adopted the FirstService Residential trademark in June 2013, replacing 18 legacy regional brands. The adoption of common branding was designed to create 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. The legacy regional brands were subject to accelerated amortization totaling $11.2 million in 2013, resulting in a carrying value of nil as of December 31, 2013.

In our Property Services unit, 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.

Employees

We have approximately 24,000 employees.

Non-controlling interests

We own a majority interest in substantially all of our operations, while operating management of each 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 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 new dividend policy, effective on May 3, 2013, pursuant to which we make quarterly cash dividends to holders of Common Shares of record at the close of business on the last business day of each calendar quarter. The quarterly dividend was initially set at US$0.10 per Common Share (a rate of US$0.40 per annum). Each quarterly dividend is paid within 30 days after the record date.

We commenced paying the quarterly Common Share dividend under the new dividend policy effective for the quarter ended June 30, 2013. 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.

Our outstanding Preferred Shares were eliminated effective May 3, 2013. The final quarterly Preferred Share dividend of US$0.4375 was paid on March 31, 2013.

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 the Company's amended and restated 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 in respect of the years ended December 31, 2013, December 31, 2012 and December 31, 2011 were US$0.30, nil and nil, respectively.

The aggregate of the cash dividends declared per Preferred Share in respect of the years ended December 31, 2013, December 31, 2012 and December 31, 2011 were US$0.4375, US$1.75 and US$1.75, respectively.

Capital structure

Share capital

The authorized capital of the Company consists of an unlimited number of preference shares, issuable in series, at the discretion of the Board of Directors of the Company, of which are authorized an unlimited number of Preferred Shares, an unlimited number of Subordinate Voting Shares and an unlimited number of convertible Multiple Voting Shares. As of February 24, 2014, there were 34,571,488 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares issued and outstanding.

The holders of Subordinate Voting Shares are entitled to one (1) 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 (20) 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 the option of the holder. Effective December 15, 2004, a stock dividend was declared, effectively achieving a 2-for-1 stock split for all outstanding Subordinate and Multiple Voting Shares.

On August 1, 2007 a stock dividend occurred in the amount of one Preferred Share for every five Common Shares. The Preferred Shares have a stated value of US$25.00, carry a fixed cumulative annual dividend of US$1.75 payable quarterly and are redeemable, in whole or in part, for cash or Subordinate Voting Shares at the option of the Company. The holders of the Preferred Shares are not entitled, except as otherwise provided by law or in the conditions attaching to the preference shares as a class, to receive notice of, attend or vote at any meeting of the shareholders of the Company. All outstanding Preferred Shares were eliminated on May 3, 2013 by way of a partial redemption for cash immediately followed by a mandatory conversion of all then remaining Preferred Shares into Subordinate Voting Shares.

A summary of certain rights attaching to the Subordinate Voting Shares is set out in the section entitled "Certain Rights of Holders of Subordinate Voting Shares" contained in the Company's Management Information Circular (the "Circular") to be filed in connection with the Company's annual meeting of shareholders to be held on April 8, 2014, which section is incorporated herein by reference.

Convertible Debentures

The Convertible Debentures were issued pursuant to a trust indenture between FirstService and TMX Equity Transfer Services (formerly known as Equity Financial Trust Company; formerly known as Equity Transfer & Trust Company), as trustee, dated November 10, 2009. In September 2013, we completed the early redemption of the Convertible Debentures in accordance with the redemption rights attached to the Convertible Debentures. Leading up to the redemption, we received conversion requests from substantially all holders of Convertible Debentures, which resulted in the issuance of 2.74 million new Subordinate Voting Shares.

Market for securities

The Company's Subordinate Voting Shares are listed for trading on the TSX and NASDAQ. The Company's Multiple Voting Shares are not listed and do not trade on any public market or quotation system.

The Company's Preferred Shares and Convertible Debentures were each listed for trading on the TSX, and traded in US$. The Preferred Shares and Convertible Debentures were delisted from trading on the TSX prior to the commencement of trading on May 3, 2013 and September 23, 2013, respectively.

The tables below detail the price ranges and volumes traded of Subordinate Voting Shares on NASDAQ in U.S. dollars, and the TSX in Canadian dollars and of Preferred Shares and Convertible Debentures on the TSX in US dollars, in each case, on a monthly basis, during the year ended December 31, 2013 (in the case of the Preferred Shares and Convertible Debentures, until they were delisted on the dates set out above):

	Subordinate Voting Shares					
	NASDAQ			**TSX**		
Month	**High Price (US$)**	**Low Price (US$)**	**Volume Traded**	**High Price (C$)**	**Low Price (C$)**	**Volume Traded**
January 2013	29.71	26.88	649,618	29.73	26.54	757,076
February 2013	32.29	29.35	509,713	32.94	29.37	831,783
March 2013	33.35	31.41	526,150	34.25	32.40	950,667
April 2013	34.77	32.12	1,476,474	35.34	32.65	1,873,550
May 2013	34.11	31.49	995,690	34.29	32.54	1,011,782
June 2013	32.19	29.00	493,612	33.30	30.51	1,734,723
July 2013	37.49	30.21	610,968	38.74	32.02	1,240,816
August 2013	37.27	34.39	525,638	38.60	36.22	988,825
September 2013	40.64	35.02	474,233	40.58	36.86	1,289,660
October 2013	42.55	38.65	307,046	44.50	39.90	1,453,898
November 2013	42.49	40.65	337,368	44.88	42.51	862,179
December 2013	43.34	39.84	304,481	46.00	42.55	827,454

	Preferred Shares			***Convertible Debentures***		
	TSX			**TSX**		
Month	**High Price (US$)**	**Low Price (US$)**	**Volume Traded**	**High Price (US$)**	**Low Price (US$)**	**Volume Traded**
January 2013	26.00	25.30	29,083	113.00	112.25	112,193
February 2013	25.99	25.31	144,516	121.00	113.50	62,621
March 2013	25.55	25.11	135,986	122.00	119.00	83,782
April 2013	27.50	25.00	637,506	125.00	119.50	26,640
May 2013	26.10	25.67	75,610	122.00	117.00	1,860
June 2013	–	–	–	118.00	112.00	43,170
July 2013	–	–	–	122.02	114.75	65,670
August 2013	–	–	–	130.00	123.64	2,870
September 2013	–	–	–	134.92	124.00	29,420
October 2013	–	–	–	–	–	–
November 2013	–	–	–	–	–	–
December 2013	–	–	–	–	–	–

Transfer agents and registrars

The transfer agent and registrar for the Subordinate Voting Shares, as well as the previously outstanding Preferred Shares and Convertible Debentures, is TMX Equity Transfer Services, 200 University Ave., Suite 300, 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 officers

Directors – The following are the directors of the Company as at February 24, 2014:

Name and province/country of residence	Age	Present position and tenure	Principal occupation during last five years
David R. Beatty [2,3] *Ontario, Canada*	72	Director since May 15, 2001	Corporate Director; Chair and CEO, Beatinvest Limited (an investment company); formerly the Managing Director of the Canadian Coalition for Good Governance; Director of the Institute of Corporate Directors; Director of the Clarkson Centre for Business Ethics and Board Effectiveness and Professor of Strategic Management at The Rotman School of Management, University of Toronto
Brendan Calder [2,3] *Ontario, Canada*	67	Director since June 14, 1996	Corporate Director; Effective Executive in Residence & Adjunct Professor of Strategic Management at the Rotman School of Management, University of Toronto; Chair of Rotman's Desautels Centre for Integrative Thinking; formerly the founding Chair of the Rotman International Centre for Pension Management
Peter F. Cohen [1,3] *Ontario, Canada*	61	Director since March 30, 1990; Chair of the Board since May 2005	President, Dawsco Group (an Ontario-based real estate and investment company)
Bernard I. Ghert [1] *Ontario, Canada*	74	Director since June 23, 2004	Corporate Director; Chairman of the Independent Review Committee of the Middlefield Group of Funds; President of the B.I. Ghert Family Foundation
Jay S. Hennick *Ontario, Canada*	57	Chief Executive Officer and Director since May 30, 1988	Founder and Chief Executive Officer of the Company
Steven S. Rogers *Ontario, Canada*	57	Director since August 30, 1989	President, Four Box Holdings Inc. (an investment holding company). Prior to July 2012 - President and Chief Executive Officer, Property Services division of the Company
Michael D. Harris [2] *Ontario, Canada*	69	Director since June 26, 2006	Senior Business Advisor, Fasken Martineau DuMoulin LLP; Former Senior Business Advisor, Cassels Brock & Blackwell LP; Former Senior Business Advisor, Goodmans LLP; President of own consulting firm, Steane Consulting Ltd.; Corporate Director; Senior Fellow, The Fraser Institute; Former Premier of the Province of Ontario
Michael Stein [1] *Ontario, Canada*	63	Director since December 12, 2013	Chairman and Chief Executive Officer of MPI Group Inc.; Chairman and Founder of Canadian Apartment Properties Real Estate Investment Trust (CAPREIT)

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 successor, unless he resigns, his office becomes vacant or he 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 is set out in the sections entitled "Business of the Meeting – Election of Directors" and "Statement of Corporate Governance Practices" contained in the Circular, which sections are incorporated herein by reference.

Officers – The following are the executive officers of the Company as at February 24, 2014:

Name and province/country of residence	Age	Present position with the Company	First became an officer
Jay S. Hennick *Ontario, Canada*	57	Founder and Chief Executive Officer	1988
D. Scott Patterson *Ontario, Canada*	53	President and Chief Operating Officer	1995
John B. Friedrichsen *Ontario, Canada*	52	Senior Vice President and Chief Financial Officer	1998
Elias Mulamoottil *Ontario, Canada*	44	Senior Vice President, Strategy and Corporate Development	2007
Douglas G. Cooke *Ontario, Canada*	54	Vice President, Corporate Controller and Corporate Secretary	1995
Christian Mayer *Ontario, Canada*	41	Vice President, Finance	2010
Neil Chander *Ontario, Canada*	41	Vice President, Tax	2010
Jeremy Rakusin *Ontario, Canada*	45	Vice President, Strategy and Corporate Development	2012

As of February 24, 2014, the directors and executive officers of the Company, as a group, owned or controlled 4,644,588 Subordinate Voting Shares, which represents 13.4% of the total Subordinate Voting Shares outstanding on such date. The directors and officers, as a group, controlled 51.0% 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 Company's Multiple Voting Shares.

Legal proceedings and regulatory actions

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.

Properties

The following chart provides a summary of the properties occupied by the Company and its subsidiaries as at December 31, 2013:

(square feet)	United States (leased)	United States (owned)	Canada (leased)	Canada (owned)	International (leased)	International (owned)
Commercial Real Estate Services	598,000	-	285,000	-	620,000	-
Residential Real Estate Services	1,020,000	114,000	70,000	-	-	-
Property Services	260,000	-	39,000	-	-	-
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 from continuing operations, adjusted to exclude: (i) income tax; (ii) other expense (income); (iii) interest expense; (iv) depreciation and amortization; (v) acquisition-related items; and (vi) 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 continuing 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 continuing operations to adjusted EBITDA appears below.

(in thousands of US$)	Year ended December 31		
	2013	2012	2011
Net earnings from continuing operations	**$ 47,640**	$ 42,217	$ 76,925
Income tax	**22,624**	21,007	(43,823)
Other expense (income)	**(1,531)**	(2,441)	6,317
Interest expense, net	**21,501**	19,565	16,798
Operating earnings	**90,234**	80,348	56,217
Depreciation and amortization	**71,995**	48,155	46,526
Acquisition-related items	**10,498**	16,326	4,649
Stock-based compensation expense	**12,734**	7,434	2,335
Reorganization charge	**-**	-	5,590
Adjusted EBITDA	**$ 185,461**	$ 152,263	$ 115,317

Adjusted EPS is defined as diluted net earnings (loss) per common share from continuing operations, 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; and (iv) stock-based compensation expense. 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 continuing 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 continuing operations to adjusted EPS appears below.

(in US$)	Year ended December 31		
	2013	2012	2011
Diluted net (loss) earnings per common share from continuing operations	**$ (0.46)**	$ (0.08)	$ 1.35
Non-controlling interest redemption increment	**1.25**	0.69	0.42
Acquisition-related items	**0.30**	0.51	0.14
Amortization of intangible assets, net of tax	**0.73**	0.36	0.38
Stock-based compensation expense, net of tax	**0.33**	0.16	0.05
Impairment loss on equity investment	**-**	-	0.10
Reorganization charge	**-**	**-**	0.12
Deferred income tax asset valuation allowance	**-**	-	(1.52)
Adjusted EPS	**$ 2.15**	$ 1.64	$ 1.04

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

Investors in the Company's securities should carefully consider the following risks, as well as the other information contained in this AIF and Management's discussion and analysis of results of operations and financial condition for the year ended December 31, 2013. 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.

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

During periods of economic slowdown or contraction, our business is impacted directly. Credit conditions affect commercial real estate transactions, which reduces the demand for our services. Consumer spending directly impacts our Property Services 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.

Commercial real estate property values, vacancy rates and general conditions of financial liquidity for real estate transactions

Since our Commercial Real Estate Services segment accounted for 56% of our revenues in 2013, factors affecting the commercial real estate industry have a direct impact on our operations. Property values have a direct impact on the commissions earned on sales transactions. Vacancy rates affect market lease rates and the duration of lease commitments, which are the basis of leasing commissions earned. Both property values and vacancy rates can influence the number of sales transactions that occur.

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 Property Services and Residential Real Estate Services operations. 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 Property Services and Residential Real Estate Services 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. During the year ended December 31, 2009, we recorded a $29.6 million impairment charge to our Commercial Real Estate Services segment's goodwill. 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, 2013, we have $372.8 million of debt outstanding ($230.1 million net of cash) that will be required to be refinanced or repaid over the next eleven years. We also have $166.3 million of available un-drawn credit at December 31, 2013. 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 above, we also rely on surplus cash on hand to fund acquisitions. If cash on hand is not available and the 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, Australian dollar, UK pound sterling and Euro denominated revenues and expenses
We generate approximately 40% of our revenues outside the United States. Consequently, our consolidated results are impacted directly by fluctuations in the relative strength of the U.S. dollar versus the Canadian dollar, Australian dollar, UK pound sterling and Euro currencies.

In the future, we expect to acquire additional international operations. As a consequence, 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, real estate brokers, 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, 2013, we had $322.6 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
Although we have always been in compliance with our financial covenants, 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 amended and restated credit facility, 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 costs, such as fuel prices, 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 global 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.

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 the Company's amended and restated 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 the securities 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 (including "Colliers International"). We have not sought to register every one of our marks in every country 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 countries 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 our Company because of our global operations. Events could occur that may hamper our ability to manage operations, extract cash and implement FirstService policies in certain regions, particularly in developing countries that have had a recent history of political and economic instability.

Changes in government policies at the federal, state/provincial or local level that may adversely impact our businesses
As a multinational company, changes in laws and regulation at the different jurisdictional levels can have direct effect on our operations. It is difficult to predict the future impact of the 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

There are no material interests, direct or indirect, of directors or executive officers of the Company, any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding shares of the Company, or any known associate or affiliate of such persons in any transactions within the three most recently completed financial years of the Company or during the current financial year which has materially affected, or is reasonably expected to materially affect, the Company.

Material contracts

On February 1, 2004, the Company, upon the review, report and recommendation of the Executive Compensation Committee of the Board of Directors of the Company, entered into a management services agreement (the "Management Services Agreement") with Jayset Capital Corp. ("Jayset") and Jay S. Hennick. Mr. Hennick is the sole officer, director and shareholder of Jayset. The particulars of the Management Services Agreement are set out in the section entitled "Executive Compensation – Management Contract" contained in the Circular, which section is incorporated herein by reference.

The Company entered into a: (i) Note and Guarantee Agreement dated as of January 16, 2013 among the Company, FirstService Delaware LP and others in respect of the Company's 3.84% Guaranteed Senior Secured Notes due 2025; (ii) Amended and Restated Note and Guarantee Agreement dated as of January 16, 2013 (amending and restating the original agreement dated as of April 1, 2005) among the Company, FirstService Delaware, LP and others in respect of the Company's 5.44% Guaranteed Senior Secured Notes due 2015; and (iii) Amended and Restated Note and Guarantee Agreement dated as of January 16, 2013 (amending and restating the original agreement dated as of September 29, 2003) among the Company, FirstService Delaware, LP and others in respect of the Company's 6.40% Guaranteed Secured Notes due 2015. The foregoing Note and Guarantee Agreements were entered into in connection with the Company's issuance of guaranteed senior secured notes on the dates indicated. The Note and Guarantee Agreements, and subsequent amendments, are available on SEDAR.

On March 1, 2012, the Company entered into a sixth amended and restated credit agreement (the "Amended and Restated Credit Agreement") with a syndicate of lenders. The Amended and Restated Credit Agreement increased the committed senior revolving credit facility to $350 million from $275 million and includes an uncommitted accordion provision allowing for an additional $100 million of borrowing capacity under certain circumstances. Pursuant to the Amended and Restated Credit Agreement, the senior revolving credit facility has a five year term ending March 1, 2017 and bears interest at 1.25% to 3.00% over floating reference rates, depending on certain leverage ratios. The remaining terms were substantially unchanged from the prior credit agreement. The Amended and Restated Credit Agreement is available on SEDAR.

Cease trade orders, bankruptcies, penalties or sanctions

To the best of the knowledge of the Company:

(A) none of the directors or executive officers of the Company is, as at the date of this AIF, or has been, 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 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;

(B) 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 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;

except for: (i) David R. Beatty who was a director of Thistle Mining Inc. ("Thistle") when Thistle announced on December 21, 2004 that it intended to undertake a restructuring under the *Companies' Creditors Arrangement Act*. While Thistle completed the restructuring on June 30, 2005, its common shares were suspended from trading on the Alternative Investment Market from June 30, 2005 to July 13, 2005 and its common shares were suspended from trading on the TSX on December 31, 2004 due to the restructuring until Thistle delisted in February 2006. Mr. Beatty is no longer a director of Thistle; (ii) Michael D. Harris who (A) is a director of Grant Forest Products Inc., an Ontario corporation, which, among others, filed for and obtained protection under the *Companies' Creditors Arrangement Act* on June 25, 2009 and (B) was a director of Naturade, Inc., a company publicly traded in the United States, from December 2005 until August 2006, which company, within a year after Mr. Harris' resignation as a director, filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code; and (iii) Brendan Calder, who is a director of Coventree Inc. ("Coventree"). In 2009, staff of the Ontario Securities Commission ("OSC") commenced proceedings against Coventree with respect to alleged breaches of Ontario securities laws relating to Coventree's continuous disclosure obligations. In September 2011, the OSC released its decision and concluded that Coventree breached sections 75(1) and 75(2) of the *Securities Act* (Ontario) by (a) failing to file a news release and material change report in respect of the decision of Dominion Bond Rating Service in January of 2007 to change its credit rating methodology; and (b) failing to file a news release and a material change report with respect to liquidity and liquidity-related events and the risk of a market disruption in the days leading up to the ABCP market disruption that occurred on August 13, 2007. In a decision released on November 9, 2011, the OSC ordered Coventree to pay an administrative penalty of $1 million and to pay $250,000 of the costs incurred by OSC staff in connection with the hearing. The OSC also ordered that trading in any securities by Coventree cease and that any Ontario securities law exemptions not apply to Coventree until its winding up is completed, provided that these orders will not prevent the winding up of Coventree or trades in securities reasonably related to that winding up. Mr. Calder was a director of Coventree in 2007 during the period of time to which the OSC proceedings relate, however no proceedings were brought against Mr. Calder in his individual capacity with respect to these matters.

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 has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and 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 independent auditors' report dated February 24, 2014 in respect of the Company's consolidated financial statements as of December 31, 2013 and 2012 and for each of the years in the three year period ended December 31, 2013 and on the effectiveness of the Company's internal control over financial reporting as at December 31, 2013. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and the rules of the U.S. Securities and Exchange Commission.

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 during the year ended December 31, 2013 were Messrs. Ghert, Beatty and Cohen. On February 11, 2014, Mr. Stein was appointed to the Audit Committee and Mr. Beatty stepped down. Mr. Ghert was appointed Chair of the Audit Committee in May 2005. The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external auditors as well as to anyone in the Company. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. 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 the Board of Directors of the Company (the "Board") prior to their approval by the full Board. The Audit Committee is also responsible for the oversight of the integrity of the Company's internal accounting and control systems. The Audit Committee communicates directly with the Company's external auditors in order to discuss audit and related matters whenever appropriate. In addition, the Board may defer to the Audit Committee on other matters and questions relating to the financial position of the Company and its affiliates. All reports made to the Company's ethics hotline are reviewed by the Audit Committee at its next meeting. The Board 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.

Peter F. Cohen – Mr. Cohen is a Chartered Professional Accountant and a former partner in an audit practice of a public accounting firm. Mr. Cohen is currently the Chair of the Board of the Company and President and Chief Executive Officer of the Dawsco Group, a private real estate and investment company owned by Mr. Cohen and his family. Mr. Cohen was a co-founder and Chair and Chief Executive Officer of Centrefund Realty Corporation, a publicly traded shopping center investment company until August 2000 when control of the company was sold. Mr. Cohen is a member of the boards of a number of private companies and charities.

David R. Beatty – Mr. Beatty is currently the Chairman and Chief Executive Officer of Beatinvest Limited (an investment company), Director of the Institute of Corporate Directors, Director of the Clarkson Centre for Business Ethics and Board Effectiveness and Professor of Strategic Management at The Rotman School of Management, University of Toronto. Mr. Beatty was previously the founding Managing Director of the Canadian Coalition for Good Governance, founding Chairman of Orogen Minerals Limited, Chairman and Chief Executive Officer of Old Canada Investment Corporation Limited and President of Weston Foods. Mr. Beatty is Honorary Consul to Canada for the Government of Papua New Guinea and in 1993 was awarded the O.B.E. A graduate in economics from the University of Toronto (Trinity College), he was a Nuffield Scholar at the University of Cambridge (Queens' College) where he obtained a Master of Arts degree in Economics.

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.

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 mandate of the Audit Committee provides that it is such committee's responsibility to: (a) approve the appointment and, when circumstances warrant, discharge of the external auditor and monitor its qualifications, performance and independence; (b) approve and oversee the disclosure of all audit services provided by the external auditor to the Company or any of its subsidiaries, determining which non-audit services the external auditor are prohibited from providing and, exceptionally, pre-approve and oversee the disclosure of permitted non-audit services to be performed by the external auditor, in accordance with applicable laws and regulations; and (c) approve the basis and amount of the external auditor's fees and other significant compensation. 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 services as well as permitted non-audit services. 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.

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 for each of the Company's two most recently completed fiscal periods:

(in thousands of C$)	**Year ended December 31, 2013**	**Year ended December 31, 2012**
Audit fees (note 1)	$ 2,254	$ 1,934
Audit-related fees (note 2)	55	33
Tax fees (note 3)	371	476
All other fees (note 4)	4	10
	$ 2,684	$ 2,453

Notes:

1. Refers to the aggregate fees billed by the Company's external auditor for audit services relating to the audit of FirstService Corporation 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.

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 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. Additional financial information is provided in the Company's consolidated financial statements and Management's discussion and analysis of results of operations and financial condition for the year ended December 31, 2013.

Upon request, the Corporate Secretary of the Company will provide to any person or company:

(a) when the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities:
   (i) one copy of the current AIF of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF;
   (ii) one copy of the comparative consolidated financial statements of the Company for its most recently completed financial year for which financial statements have been filed together with the accompanying reports of the auditors and one copy of the most recent interim consolidated financial statements of the Company that have been filed, if any, for any period after the end of its most recently completed financial year;
   (iii) one copy of the information circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared instead of that information circular, as appropriate; and
   (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above.

(b) at any other time, one copy of any document referred to in (a)(i), (ii) and (iii) above, provided that the Company may require the payment of a reasonable charge if the request is made by a person or company who is not a shareholder of the Company.

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 accounting and financial controls, (v) appointing, overseeing and evaluating the work and independence 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 and operations 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 selected based upon the following, in accordance with applicable laws, rules and regulations:

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.

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.

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 or organizations, the Board shall determine that such simultaneous service does not impair the ability of such member to serve effectively on the Committee.

Chair and Secretary

The Chair of the 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 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 and procedures at 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 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 and authority to communicate directly 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:

Financial Reporting Process and Financial Statements
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; Review all material transactions and contracts entered into by the Company with any insider or related party of the Company, other than director, officer or employee compensation which is approved by the Compensation Committee; 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 Public Company Accounting Oversight Board (United States). This would include reviewing the annual audit committee 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; Following completion of the annual audit, review with management and the external auditors any significant issues, concerns or difficulties encountered and resolve any disagreements between management and the external auditors; 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; Review and be satisfied that adequate procedures are in place for the review of the public disclosure of financial information by the Company extracted or derived from the Company's financial statements, other than as referred to in (f), and periodically assess the adequacy of those procedures; and Meet separately with management and with the external auditors, including at the time of the annual audit plan review with management and the external auditors.

External Auditors
The Committee shall require the external auditor to report directly to it and 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; Pre-approve all audit engagements and the provision by the external auditors of all non-audit services, including fees and terms for all audit 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. The Committee may delegate the responsibility to pre-approve non-audit services to one of its members and any such delegated pre-approvals shall be presented to the Committee at its next scheduled meeting ; Review and approve the Company's policies for the hiring of partners and employees and former partners and employees of the external auditing firm; Consider, assess and report to the Board with regard to the independence and performance of the external auditors; and 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.

Internal Controls and Risk Management
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; Discuss with management the Company's approach to risk assessment and management, controls over fraud and assessment of the need for internal auditing; 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 complaints received regarding accounting, internal accounting controls or auditing matters.

Legal and Regulatory Requirements
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; Prepare the report of the Committee required to be included with the Company's periodic filings; and Assist the Board in the oversight of compliance with legal and regulatory matters.

Additional Responsibilities
Report regularly to the Board, including on 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 Reassess annually the adequacy of the Committee's Mandate and prepare and review with the Board an annual performance evaluation of the Committee.

EXHIBIT 2

FIRSTSERVICE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

Year ended

December 31, 2013

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. 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 eleven 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, 2013. The total assets and total revenues of the eleven majority-owned entities represent 2.5% and 2.1%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2013.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2013, based on the criteria set forth in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2013, 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, 2013, has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm as stated in their report which appears herein.

/s/ Jay S. Hennick
Chief Executive Officer
February 24, 2014

/s/ John B. Friedrichsen
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of FirstService Corporation

We have audited the accompanying consolidated balance sheets of FirstService Corporation and its subsidiaries as of December 31, 2013 and December 31, 2012 and the related consolidated statements of (loss) earnings, consolidated statements of comprehensive (loss) earnings, consolidated statements of shareholders' equity and consolidated statements of cash flows for each of the years in the three-year period ended December 31, 2013. We also have audited FirstService Corporation's and its subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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 an opinion on these consolidated financial statements and the company's internal control over financial reporting based on our integrated audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. 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.

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.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded eleven entities from its assessment of internal control over financial reporting as of December 31, 2013 because these entities were acquired by the company in purchase business combinations during 2013. We have also excluded these entities acquired from our audit of internal control over financial reporting. Total assets and total revenues of these majority-owned entities represent 2.5% and 2.1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2013.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FirstService Corporation and its subsidiaries as of December 31, 2013 and December 31, 2012 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, FirstService Corporation and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by COSO.

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

Toronto, Ontario
February 24, 2014

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

Years ended December 31	**2013**	2012	2011
Revenues	**$ 2,343,634**	$ 2,110,466	$ 1,851,968
Cost of revenues (exclusive of depreciation and amortization shown below)	**1,509,882**	1,362,980	1,162,770
Selling, general and administrative expenses	**661,025**	602,657	581,806
Depreciation	**34,782**	30,694	27,982
Amortization of intangible assets	**37,213**	17,461	18,544
Acquisition-related items (note 5)	**10,498**	16,326	4,649
Operating earnings	**90,234**	80,348	56,217
Interest expense	**22,547**	20,609	17,965
Interest income	**(1,046)**	(1,044)	(1,167)
Other (income) expense, net (note 6)	**(1,531)**	(2,441)	6,317
Earnings before income tax	**70,264**	63,224	33,102
Income tax expense (recovery) (note 16)	**22,624**	21,007	(43,823)
Net earnings from continuing operations	**47,640**	42,217	76,925
Net (loss) earnings from discontinued operations, net of income tax (note 4)	**(5,997)**	(1,328)	22,878
Net earnings	**41,643**	40,889	99,803
Non-controlling interest share of earnings	**18,252**	13,908	12,752
Non-controlling interest redemption increment (note 13)	**41,430**	21,131	12,941
Net (loss) earnings attributable to Company	**(18,039)**	5,850	74,110
Preferred share dividends	**3,146**	9,603	9,971
Net (loss) earnings attributable to common shareholders	**$ (21,185)**	$ (3,753)	$ 64,139
Net earnings (loss) per common share (note 17)			
Basic			
Continuing operations	**$ (0.46)**	$ (0.08)	$ 1.37
Discontinued operations	**(0.18)**	(0.04)	0.76
Basic	**$ (0.64)**	$ (0.12)	$ 2.13
Diluted			
Continuing operations	**$ (0.46)**	$ (0.08)	$ 1.35
Discontinued operations	**(0.18)**	(0.04)	0.75
Diluted	**$ (0.64)**	$ (0.12)	$ 2.10

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

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

Years ended December 31	**2013**	2012	2011
Net earnings	**$ 41,643**	$ 40,889	$ 99,803
Foreign currency translation (loss) gain	**(9,725)**	3,423	(4,185)
Reclassification to earnings of other comprehensive income on investment (note 5)	**-**	2,553	-
Comprehensive earnings	**31,918**	46,865	95,618
Less: Comprehensive earnings attributable to non-controlling shareholders	**57,795**	34,645	25,522
Comprehensive (loss) earnings attributable to Company	**(25,877)**	12,220	70,096

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	**2013**	2012
Assets		
Current assets		
Cash and cash equivalents	**$ 142,704**	$ 108,684
Restricted cash	**5,613**	3,649
Accounts receivable, net of allowance of $25,534 (December 31, 2011 - $22,357)	**371,423**	328,455
Income tax recoverable	**17,489**	2,503
Inventories (note 7)	**15,804**	14,918
Prepaid expenses and other current assets	**38,289**	34,197
Deferred income tax (note 16)	**23,938**	18,135
	615,260	510,541
Other receivables	**7,455**	6,328
Other assets (note 8)	**12,256**	13,972
Fixed assets (note 9)	**101,554**	107,011
Deferred income tax (note 16)	**102,629**	99,464
Intangible assets (note 10)	**177,179**	177,949
Goodwill (note 11)	**427,178**	402,645
	828,251	807,369
	$ 1,443,511	$ 1,317,910
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	**$ 92,937**	$ 88,593
Accrued liabilities (note 7)	**392,499**	313,212
Income tax payable	**18,317**	6,477
Unearned revenues	**20,199**	19,702
Long-term debt - current (note 12)	**44,785**	39,038
Deferred income tax (note 16)	**1,427**	875
	570,164	467,897
Long-term debt - non-current (note 12)	**328,009**	298,167
Convertible debentures (note 12)	**-**	77,000
Contingent acquisition consideration (note 19)	**8,618**	12,649
Other liabilities	**34,433**	35,610
Deferred income tax (note 16)	**31,165**	34,683
	402,225	458,109
Redeemable non-controlling interests (note 13)	**222,073**	147,751
Shareholders' equity		
Preferred shares (note 14)	**-**	130,762
Common shares (note 14)	**300,765**	118,821
Contributed surplus	**37,510**	29,781
Deficit	**(123,111)**	(74,024)
Accumulated other comprehensive earnings	**26,757**	34,595
Total Company shareholders' equity	**241,921**	239,935
Non-controlling interests	**7,128**	4,218
Total shareholders' equity	**249,049**	244,153
	$ 1,443,511	$ 1,317,910

Commitments and contingencies (notes 14 and 20)

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

On behalf of the Board of Directors,

/s/Bernard I. Ghert
Director

/s/Jay S. Hennick
Director

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

	Preferred shares		Common shares				Accumulated other		
	Issued and outstanding shares	Amount	Issued and outstanding shares	Amount	Contributed surplus	Deficit	comprehensive earnings	Non-controlling interests	Total shareholders' equity
Balance, December 31, 2010	5,772,274	$144,307	30,318,274	$106,473	$ 26,782	$(110,553)	$ 32,239	$ 2,083	$ 201,331
Net earnings	-	-	-	-	-	99,803	-	-	99,803
Other comprehensive earnings	-	-	-	-	-	-	(4,185)	-	(4,185)
Other comprehensive earnings attributable to NCI	-	-	-	-	-	-	171	(20)	151
NCI share of earnings	-	-	-	-	-	(14,692)	-	3,242	(11,450)
NCI share of earnings from discontinued operations	-	-	-	-	-	1,940	-	-	1,940
NCI redemption increment	-	-	-	-	-	(12,941)	-	-	(12,941)
Distributions to NCI	-	-	-	-	-	-	-	(2,627)	(2,627)
Acquisitions of businesses, net	-	-	-	-	-	-	-	225	225
Subsidiaries' equity transactions	-	-	-	-	310	-	-	-	310
Subordinate Voting Shares:									
Stock option expense	-	-	-	-	2,335	-	-	-	2,335
Stock options exercised	-	-	262,750	7,112	(1,922)	-	-	-	5,190
Tax benefit on options exercised	-	-	-	-	465	-	-	-	465
Purchased for cancellation	-	-	(639,770)	(2,764)	-	(17,544)	-	-	(20,308)
Preferred Shares:									
Purchased for cancellation	(149,640)	(3,746)	-	-	-	-	-	-	(3,746)
Dividends (note 14)	-	-	-	-	-	(9,971)	-	-	(9,971)
Balance, December 31, 2011	5,622,634	140,561	29,941,254	110,821	27,970	(63,958)	28,225	2,903	246,522
Net earnings	-	-	-	-	-	40,889	-	-	40,889
Other comprehensive earnings	-	-	-	-	-	-	5,976	-	5,976
Other comprehensive earnings attributable to NCI	-	-	-	-	-	-	394	51	445
NCI share of earnings	-	-	-	-	-	(13,952)	-	2,449	(11,503)
NCI share of earnings from discontinued operations	-	-	-	-	-	44	-	-	44
NCI redemption increment	-	-	-	-	-	(21,131)	-	-	(21,131)
Distributions to NCI	-	-	-	-	-	-	-	(2,333)	(2,333)
Acquisitions of businesses, net	-	-	-	-	-	-	-	1,148	1,148
Subsidiaries' equity transactions	-	-	-	-	607	-	-	-	607
Subordinate Voting Shares:									
Stock option expense	-	-	-	-	3,169	-	-	-	3,169
Stock options exercised	-	-	363,850	9,098	(2,165)	-	-	-	6,933
Tax benefit on options exercised	-	-	-	-	200	-	-	-	200
Purchased for cancellation	-	-	(235,000)	(1,098)	-	(6,216)	-	-	(7,314)
Preferred Shares:									
Purchased for cancellation	(392,000)	(9,799)	-	-	-	(97)	-	-	(9,896)
Dividends (note 14)	-	-	-	-	-	(9,603)	-	-	(9,603)
Balance, December 31, 2012	5,230,634	$130,762	30,070,104	$118,821	$ 29,781	$ (74,024)	$ 34,595	$ 4,218	$ 244,153

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

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

	Preferred shares		Common shares				Accumulated other		
	Issued and outstanding shares	Amount	Issued and outstanding shares	Amount	Contributed surplus	Deficit	comprehensive earnings	Non-controlling interests	Total shareholders' equity
Balance, December 31, 2012	5,230,634	$130,762	30,070,104	$118,821	$ 29,781	$ (74,024)	$ 34,595	$ 4,218	$ 244,153
Net earnings	-	-	-	-	-	41,643	-	-	41,643
Other comprehensive earnings	-	-	-	-	-	-	(9,725)	-	(9,725)
Other comprehensive earnings attributable to NCI	-	-	-	-	-	-	1,887	(392)	1,495
NCI share of earnings	-	-	-	-	-	(18,252)	-	4,276	(13,976)
NCI redemption increment	-	-	-	-	-	(41,430)	-	-	(41,430)
Distributions to NCI	-	-	-	-	-	-	-	(4,123)	(4,123)
Acquisition of businesses, net	-	-	-	-	-	-	-	3,149	3,149
Subsidiaries' equity transactions	-	-	-	-	3,520	-	-	-	3,520
Subordinate Voting Shares:									
Stock option expense	-	-	-	-	4,166	-	-	-	4,166
Stock options exercised	-	-	464,150	9,784	(2,317)	-	-	-	7,467
Tax benefit on options exercised	-	-	-	-	2,360	-	-	-	2,360
Dividends	-	-	-	-	-	(10,470)	-	-	(10,470)
Purchased for cancellation	-	-	(385,600)	(1,918)	-	(12,636)	-	-	(14,554)
Issued in settlement of convertible debentures	-	-	2,744,886	77,143	-	-	-	-	77,143
Preferred Shares:									
Redeemed for cash	(1,569,190)	(39,232)	-	-	-	-	-	-	(39,232)
Converted to Subordinate Voting Shares	(3,661,444)	(91,530)	2,889,900	96,326	-	(4,796)	-	-	-
Dividends (note 14)	-	-	18,292	609	-	(3,146)	-	-	(2,537)
Balance, December 31, 2013	**-**	**$ -**	**35,801,732**	**$300,765**	**$ 37,510**	**$(123,111)**	**$ 26,757**	**$ 7,128**	**$ 249,049**

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	**2013**	2012	2011
Cash provided by (used in)			
Operating activities			
Net earnings	**$ 41,643**	$ 40,889	$ 99,803
NCI share of earnings from discontinued operations	**-**	44	1,940
Items not affecting cash:			
Depreciation and amortization	**75,352**	53,502	50,926
Deferred income tax	**(23,868)**	(18,660)	(64,512)
(Earnings) loss from equity method investments	**(1,107)**	(1,230)	3,475
Stock option expense	**4,166**	3,169	2,335
Other	**4,899**	3,323	4,278
Incremental tax benefit on stock options exercised	**(2,360)**	(200)	(465)
Changes in non-cash working capital:			
Accounts receivable	**(33,613)**	(19,889)	(22,452)
Inventories	**(1,226)**	(3,046)	(2,359)
Prepaid expenses and other current assets	**(2,982)**	(3,897)	(1,796)
Accounts payable	**(2,455)**	(963)	10,956
Accrued liabilities	**44,447**	28,979	(7,325)
Income tax payable	**(421)**	11,842	(1,383)
Unearned revenues	**901**	48	(2,946)
Other liabilities	**12,901**	9,080	9,739
Net cash provided by operating activities	**116,277**	102,991	80,214
Investing activities			
Acquisitions of businesses, net of cash acquired (note 3)	**(37,735)**	(19,153)	(22,975)
Disposal of business, net of cash disposed (note 4)	**49,460**	-	-
Purchases of fixed assets	**(34,824)**	(44,395)	(37,400)
Changes in restricted cash	**(1,964)**	844	(156)
Other investing activities	**(2,234)**	850	1,685
Net cash used in investing activities	**(27,297)**	(61,854)	(58,846)
Financing activities			
Increase in long-term debt	**551,932**	395,584	207,816
Repayment of long-term debt	**(516,479)**	(376,349)	(133,854)
Financing fees paid	**(546)**	(1,808)	-
Purchases of non-controlling interests	**(6,937)**	(8,040)	(56,621)
Sale of interests in subsidiaries to non-controlling interests	**1,233**	1,608	1,014
Contingent acquisition consideration paid	**(1,994)**	(7,133)	(1,623)
Proceeds received on exercise of stock options	**7,467**	6,933	5,190
Incremental tax benefit on stock options exercised	**2,360**	200	465
Dividends paid to preferred shareholders	**(2,537)**	(9,603)	(9,971)
Dividends paid to common shareholders	**(6,890)**	-	-
Distributions paid to non-controlling interests	**(22,001)**	(16,321)	(10,617)
Repurchases of Subordinate Voting Shares	**(14,554)**	(7,314)	(20,308)
Repurchases of Preferred Shares	**-**	(9,896)	(3,746)
Redemption of Preferred Shares	**(39,232)**	-	-
Net cash used in financing activities	**(48,178)**	(32,139)	(22,255)
Effect of exchange rate changes on cash	**(6,782)**	1,887	(1,673)
Increase (decrease) in cash and cash equivalents	**34,020**	10,885	(2,560)
Cash and cash equivalents, beginning of year	**108,684**	97,799	100,359
Cash and cash equivalents, end of year	**$ 142,704**	$ 108,684	$ 97,799

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

1. Description of the business

FirstService Corporation (the "Company") is a provider of real estate-related services to the commercial, institutional and residential markets in North America and various countries around the world. The Company's operations are conducted in three segments: Commercial Real Estate Services ("CRE"), Residential Real Estate Services ("RRE") and Property Services. The Company operates as Colliers International within CRE; FirstService Residential and American Pool Enterprises within RRE; and Paul Davis, Certa Pro Painters, California Closets and several other franchise brands within Property Services.

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, recoverability of deferred income tax assets, quantification of uncertain tax positions 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.

Inventories
Inventories are carried at the lower of cost and market. Cost is determined using the weighted average method. Work-in-progress inventory relates to real estate project management and appraisal 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

Investments in securities
The Company classifies investments in securities under the caption "other assets". Investments in equity securities are accounted for using the equity method or cost method. The equity method is utilized where the Company has the ability to exercise significant influence on the investee. Realized gains or losses and equity earnings or losses are recorded in other (income) expense. Equity securities, including marketable equity securities as well as those accounted for under the equity method and cost method, are regularly reviewed for impairment based on both quantitative and qualitative criteria that include the extent to which cost exceeds fair value and the duration of the market decline, the Company's intent and ability to hold until forecasted recovery, and the financial health and near term prospects for the issuer. Other-than-temporary impairment losses on equity securities are recorded in earnings.

Financial instruments and derivatives
Derivative financial instruments are recorded on the consolidated balance sheets as other assets or other liabilities and carried at fair value. From time to time, the Company may use interest rate swaps to hedge a portion of its interest rate exposure on long term debt. Hedge accounting has been applied and the swaps are carried at fair value on the consolidated balance sheets, with gains or losses recognized in earnings. The carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged interest rate risk; the associated gain or loss is recognized currently in earnings. If swaps are terminated and the underlying item is not, the resulting gain or loss is deferred and recognized over the remaining life of the underlying item using the effective interest method.

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. An asset or liability's classification 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
Brokerage backlog	as underlying brokerage transactions are completed

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 discounted expected future cash flows.

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 seven 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 two-step goodwill impairment test is performed. In the first step, the reporting unit's carrying amount, including goodwill, is compared to the estimated fair value of the reporting unit. The fair values of the reporting units are estimated using a discounted cash flow approach. The fair value measurement is classified within Level 3 of the fair value hierarchy. If the carrying amount of the reporting unit exceeds its fair value, then a second step is performed to measure the amount of impairment loss, if any. Certain assumptions are used to determine the fair value of the reporting units, the most sensitive of which 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.

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

(a) Real estate brokerage operations

Commission revenues from real estate leasing transactions are recognized once performance obligations under the commission arrangement are satisfied. Terms and conditions of a commission arrangement include execution of the lease agreement and satisfaction of future contingencies such as tenant occupancy. In most cases, a portion of the commission is earned upon execution of the lease agreement, with the remaining portion contingent on a future event, typically tenant occupancy; revenue recognition for the remaining portion, contingent on occupancy, is deferred until all contingencies are satisfied.

Commission revenues from sales brokerage transactions are recognized at the time the service has been provided and the commission becomes legally due, except when future contingencies exist. In most cases, close of escrow or transfer of title is a future contingency, and accordingly, revenue recognition is deferred until this contingency is satisfied.

(b) Franchisor operations
The Company operates several franchise systems within its Property Services segment. Initial franchise fees are recognized when all material services or conditions related to the sale of the franchise have been performed or satisfied. 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.

(c) Service operations other than real estate brokerage and franchisor operations
Revenues are recognized at the time the service is rendered. Certain services including but not limited to real estate project management and appraisal projects in process, are recognized on the percentage of completion method, in the 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. For liability classified awards, the fair value of the award is measured each period it is outstanding and changes in fair value are recorded as compensation expense. 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 ten 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.

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. However, if the contingent consideration includes an element of compensation to the vendors (i.e. it is tied to continuing employment or it is not linked to the business valuation), then the portion of contingent consideration related to such element is treated as compensation expense over the expected employment period.

3. Acquisitions

2013 acquisitions:
The Company completed eleven individually insignificant acquisitions, eight in the CRE segment and three in the RRE segment. In the CRE segment, the Company acquired controlling interest in Colliers Schauer & Scholl GmbH, Colliers Brautigam & Kramer GmbH, Colliers Schon and Lopez Schmitt GmbH, and Trombello Kölbel Immobilienconsulting GmbH (collectively, "Colliers Germany") as well as four regional firms in the Netherlands, Australia, Canada and Brazil. These acquisitions expanded the CRE segment's geographic presence to new markets, including Munich, Stuttgart, Frankfurt, Dusseldorf and Berlin. In the RRE segment, the Company acquired firms operating in Missouri, Florida and Alberta, expanding FirstService's geographic presence in these markets.

Details of these acquisitions are as follows:

	Aggregate Acquisitions
Current assets	$ 25,723
Long term assets	2,733
Current liabilities	(35,308)
Long-term liabilities	(18,155)
Redeemable non-controlling interest	(43,531)
Non-controlling interests	(3,629)
	$ (72,167)
Note consideration	$ (776)
Cash consideration, net of cash acquired of $22,984	(37,735)
Acquisition date fair value of contingent consideration	(9,556)
Total purchase consideration	$ (48,067)
Gain on revaluation of previously held equity investment	$ (820)
Acquired intangible assets	$ 52,244
Goodwill	$ 68,810

During the year, the company recorded a gain upon obtaining control of a business previously accounted for as an equity investment totaling $820 (See note 5). The gain relates to the revaluation of the previously held equity investment to fair value.

2012 acquisitions:
The Company completed five individually insignificant acquisitions, two in the CRE segment, two in the RRE segment and one in the Property Services segment. In the CRE segment, the Company acquired assets and select liabilities of Colliers International UK plc (in administration) ("CI UK") and a regional firm operating in Victoria, Australia. These acquisitions expanded the CRE segment's geographic presence to new markets, including the United Kingdom, Ireland, Spain and Victoria, Australia. In the RRE segment, the acquired firms operate in California and Arizona and expand the Company's service offering in existing markets. In Property Services, the acquired firm operates in Florida and expands the Company's geographic presence in an existing market.

Details of these acquisitions are as follows:

	Aggregate Acquisitions
Current assets	$ 30,427
Long term assets	3,164
Current liabilities	(21,169)
Long-term liabilities	(1,080)
Redeemable non-controlling interests	(753)
Non-controlling interests	(1,153)
	$ 9,436
Note consideration	$ (655)
Cash consideration, net of cash acquired of $419	(19,153)
Acquisition date fair value of contingent consideration	(1,944)
Total purchase consideration	$ (21,752)
Acquired intangible assets	$ 7,420
Goodwill	$ 4,896

2011 acquisitions:
The Company completed six individually insignificant acquisitions, five in the RRE segment and one in the CRE segment. In the RRE segment, the acquired firms operate in North and South Carolina, Vancouver, Las Vegas, Toronto and Minneapolis. The CRE business operates in California. The acquisitions expand the Company's geographic presence to new and existing markets.

Details of these acquisitions are as follows:

	Aggregate Acquisitions
Current assets	$ 1,819
Long term assets	1,277
Current liabilities	(4,235)
Long-term liabilities	(1,779)
Redeemable non-controlling interests	(7,238)
	$ (10,156)
Cash consideration, net of cash acquired of $531	$ (22,975)
Acquisition date fair value of contingent consideration	(3,482)
Total purchase consideration	$ (26,457)
Acquired intangible assets	$ 16,586
Goodwill	$ 20,027

Acquisition-related transaction costs for the year ended December 31, 2013 totaled $3,336 (2012 - $5,032; 2011 - $861) and were recorded as expense under the caption "acquisition-related items".

In all years presented, the fair values of non-controlling interests were determined using an income approach with reference to a discounted free 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, 2013, goodwill in the amount of $2,823 is deductible for income tax purposes (2012 - $2,214; 2011 - $11,441).

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 four-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.

Unless it contains an element of compensation, contingent consideration is recorded at fair value each reporting period. The fair value recorded on the consolidated balance sheet as at December 31, 2013 was $8,740 (see note 19). 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 $10,500 to a maximum of $12,600. These contingencies will expire during the period extending to May 2017. During the year ended December 31, 2013, $1,994 was paid with reference to such contingent consideration (2012 - $5,492; 2011 - $1,806).

In addition, as at December 31, 2013, the Company had recorded in “Accrued liabilities” $13,727 of consideration payable related to acquisitions where all contingencies had been resolved (2012 - $658). During the year ended December 31, 2013, $658 was paid with reference to previously resolved contingencies (2012 - $2,451; 2011 - nil).

The compensation element is recorded on a straight line basis over the contingency period and, as at December 31, 2013 totaled $12,009 (2012 - $7,475), which was recorded in “Accrued liabilities” on the balance sheet. The contingencies related to the compensation element were resolved as of December 31, 2013.

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, 2013 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, 2013, and the supplemental pro forma revenues and earnings of the combined entity had the acquisition date been January 1, 2011, are as follows:

	Revenues	Net earnings from continuing operations
Actual from acquired entities for 2013	$ 59,564	$ 7,231
Supplemental pro forma for 2013 (unaudited)	2,396,038	50,012
Supplemental pro forma for 2012 (unaudited)	2,239,847	47,141
Supplemental pro forma for 2011 (unaudited)	2,090,509	82,292

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

4. Discontinued operations

On September 30, 2013, the Company completed the sale of its Field Asset Services operation for cash consideration of $49,460 (net of cash disposed of $5,177). In addition, the sale agreement provides for contingent consideration which will be recognized if and when realized. The pre-tax loss on disposal was $7,158, before an income tax recovery of $3,100, resulting in a net loss of $4,058. Field Asset Services is recorded as a discontinued operation and was previously reported within the Property Services segment.

As at December 31, 2013, the Company decided to sell its residential rental operations (“Rental”). These operations manage rental units on behalf of institutional owners and other investors. Rental is recorded as a discontinued operation for all periods presented and was previously reported within the RRE segment.

	2013	2012	2011
Revenues			
Field Asset Services	**$ 58,063**	$ 163,413	$ 339,416
Rental	**24,733**	31,658	32,787
	82,796	195,071	372,203
Operating earnings (loss) before income taxes			
Field Asset Services	**$ (3,623)**	$ (5,072)	$ 36,387
Rental	**(2,315)**	3,085	5,447
	(5,938)	(1,987)	41,834
(Recovery of) provision for income taxes	**(3,999)**	(703)	17,016
Net operating earnings (loss) from discontinued operations	**(1,939)**	(1,284)	24,818
Net loss on disposal	**(4,058)**	-	-
Non controlling interest share of earnings	**-**	(44)	(1,940)
Net earnings (loss) attributable to common shareholders from discontinued operations	**$ (5,997)**	$ (1,328)	$ 22,878
Net earnings (loss) per share from discontinued operations			
Basic	**$ (0.18)**	$ (0.04)	$ 0.76
Diluted	**(0.18)**	(0.04)	0.75

The assets and liabilities of Field Asset Services and Rental as at December 31, 2013 and 2012 are as follows:

	2013	2012
Current assets		
Field Asset Services	**$ -**	$ 15,358
Rental	**12,531**	14,323
	12,531	29,681
Non-current assets		
Field Asset Services	**-**	76,079
Rental	**1,259**	1,098
	1,259	77,177
Total assets	**$ 13,790**	$ 106,858
Current liabilities		
Field Asset Services	**$ -**	$ 14,982
Rental	**4,206**	4,999
	4,206	19,981
Non-current liabilities		
Field Asset Services	**-**	19,482
Rental	**290**	-
	290	19,482
Total liabilities	**$ 4,496**	$ 39,463

Included in non-current assets above for Field Asset Services is $37,195 of goodwill and $17,064 of intangible assets disposed on the date of sale.

5. Acquisition-related items

Acquisition-related expense (income) is comprised of the following:

	2013	2012	2011
Contingent consideration compensation expense	**$ 6,181**	$ 5,096	$ 2,819
Contingent consideration fair value adjustments	**1,801**	3,645	969
Transaction costs	**3,336**	5,032	861
Reclassification from accumulated other comprehensive loss	**-**	2,553	-
Gain on revaluation of previously held equity investment (note 3)	**(820)**	-	-
	$ 10,498	$ 16,326	$ 4,649

Contingent consideration compensation expense and contingent consideration fair value adjustments relate to acquisitions made in the current year as well as acquisitions made in the preceding four years.

On March 28, 2012, CI UK entered into an administration process, and as a result the Company's 29.5% equity investment, held since October 2009, ceased. As such, the company released $2,553 of accumulated other comprehensive loss related to this investment into earnings.

6. Other (income) expense

	2013	2012	2011
(Earnings) loss from equity method investments	**$ (1,107)**	$ (1,230)	$ 3,475
Other-than-temporary impairment of investment	**-**	-	3,092
Other	**(424)**	(1,211)	(250)
	$ (1,531)	$ (2,441)	$ 6,317

During the year ended December 31 2011, as a result of a sustained decline in the market price of the shares of the Company's investment in Colliers International UK plc, an other-than-temporary impairment charge of $3,092 was recorded in the statement of earnings.

7. Components of working capital accounts

	December 31, 2013	December 31, 2012
Inventories		
Work-in-progress	**$ 8,748**	$ 8,223
Finished goods	**2,973**	2,358
Supplies and other	**4,083**	4,337
	$ 15,804	$ 14,918
Accrued liabilities		
Accrued payroll, commission and benefits	**$ 278,641**	$ 222,671
Accrued interest	**3,584**	1,540
Customer advances	**5,505**	4,769
Acquisition consideration payable	**25,736**	658
Contingent acquisition consideration payable	**122**	351
Other	**78,911**	83,223
	$ 392,499	$ 313,212

8. Other assets

	December 31, 2013	December 31, 2012
Equity method investments	**$ 4,946**	$ 5,455
Financing fees, net of accumulated amortization of $3,329 (December 31, 2012 - $5,359)	**1,731**	3,199
Other	**5,579**	5,318
	$ 12,256	$ 13,972

9. Fixed assets

December 31, 2013	Cost	Accumulated depreciation	**Net**
Land	$ 2,527	$ -	**$ 2,527**
Buildings	11,803	4,213	**7,590**
Vehicles	30,516	22,901	**7,615**
Furniture and equipment	66,289	47,971	**18,318**
Computer equipment and software	123,637	87,121	**36,516**
Leasehold improvements	62,079	33,091	**28,988**
	$ 296,851	$ 195,297	**$ 101,554**

	Cost	Accumulated depreciation	Net
Land	$ 3,093	$ -	$ 3,093
Buildings	14,507	4,953	9,554
Vehicles	28,123	21,494	6,629
Furniture and equipment	71,906	51,047	20,859
Computer equipment and software	118,934	81,316	37,618
Leasehold improvements	59,549	30,291	29,258
	$ 296,112	$ 189,101	$ 107,011

Included in fixed assets are vehicles, office and computer equipment under capital lease at a cost of $8,140 (2012 - $8,077) and net book value of $4,028 (2012 - $4,409).

10. Intangible assets

December 31, 2013	Gross carrying amount	Accumulated amortization	**Net**
Customer lists and relationships	$ 168,966	$ 58,054	**$ 110,912**
Franchise rights	36,754	15,762	**20,992**
Trademarks and trade names:			
Indefinite life	24,720	-	**24,720**
Finite life	32,753	18,540	**14,213**
Management contracts and other	22,853	16,520	**6,333**
Brokerage backlog	2,452	2,443	**9**
	$ 288,498	$ 111,319	**$ 177,179**

December 31, 2012	Gross carrying amount	Accumulated amortization	Net
Customer lists and relationships	$ 159,242	$ 60,375	$ 98,867
Franchise rights	38,255	14,148	24,107
Trademarks and trade names:			
Indefinite life	20,995	-	20,995
Finite life	40,335	11,193	29,142
Management contracts and other	19,936	15,111	4,825
Brokerage backlog	2,389	2,376	13
	$ 281,152	$ 103,203	$ 177,949

During the year ended December 31, 2013, the Company acquired the following intangible assets:

	Amount	Estimated weighted average amortization period (years)
Customer lists and relationships	$ 42,627	11.0
Trademarks and trade names - indefinite life	3,755	-
Trademarks and trade names - finite life	960	5.0
Brokerage backlog	4,151	0.5
Other	751	5.0
	$ 52,244	9.2

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

2014	$ 18,907
2015	16,517
2016	16,152
2017	15,123
2018	13,716

11. Goodwill

	Commercial Real Estate Services	Residential Real Estate Services	Property Services	Consolidated
Balance, December 31, 2011	$ 150,715	$ 158,942	$ 85,830	$ 395,487
Goodwill acquired during the period	2,667	2,074	155	4,896
Other items	(243)	(227)	-	(470)
Foreign exchange	2,169	462	101	2,732
Balance, December 31, 2012	155,308	161,251	86,086	402,645
Goodwill acquired during the period	65,517	3,293	-	68,810
Goodwill disposed during the period	-	-	(37,195)	(37,195)
Other items	-	(217)	-	(217)
Foreign exchange	(5,116)	(1,449)	(300)	(6,865)
Balance, December 31, 2013	**215,709**	**162,878**	**48,591**	**427,178**
Goodwill	245,292	162,878	48,591	456,761
Accumulated impairment loss	(29,583)	-	-	(29,583)
	$ 215,709	**$ 162,878**	**$ 48,591**	**$ 427,178**

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 2013, 2012 or 2011.

12. Long-term debt and convertible debentures

	December 31, 2013	December 31, 2012
Revolving credit facility	**$ 148,647**	$ 230,740
3.84% Notes	**150,000**	-
6.40% Notes	**25,000**	37,500
5.44% Notes	**40,000**	60,000
Unamortized gain on settlement of interest rate swaps	**107**	229
Adjustments to long term debt resulting from interest rate swaps	**(5,196)**	358
Capital leases maturing at various dates through 2017	**2,555**	2,815
Other long-term debt maturing at various dates up to 2017	**11,681**	5,563
	372,794	337,205
Less: current portion	**44,785**	39,038
Long-term debt - non-current	**$ 328,009**	$ 298,167
Convertible Debentures	**-**	77,000
	$ 328,009	$ 375,167

On March 1, 2012, the Company entered into an amended and restated credit agreement with a syndicate of banks to provide a $350,000 committed revolving credit facility including an uncommitted accordion provision allowing for an additional $100,000 of borrowing capacity under the same terms. The revolving credit facility has a five-year term ending March 1, 2017 and bears interest at 1.25% to 3.00% over floating reference rates, depending on certain leverage ratios determined quarterly. The weighted average interest rate for 2013 was 2.0% (2012 - 2.2%). The revolving credit facility had $166,349 of available un-drawn credit as at December 31, 2013 ($81,247 was un-drawn at December 31, 2012). As of December 31, 2013, letters of credit in the amount of $7,770 were outstanding ($10,513 as at December 31, 2012). The revolving credit facility requires a commitment fee of 0.25% to 0.60% of the unused portion, depending on certain leverage ratios.

On January 16, 2013, the Company completed a private placement for $150,000 of senior secured notes with a fixed interest rate of 3.84% (the "3.84% Notes"). The 3.84% Notes were placed directly with two US based institutional investors. The 3.84% Notes have a twelve year term extending to January 16, 2025 with five annual principal repayments beginning on January 16, 2021.

The Company has outstanding $25,000 of 6.40% fixed-rate senior secured notes (the "6.40% Notes"). The 6.40% Notes have a final maturity of September 30, 2015 with four equal annual principal repayments which began on September 30, 2012. The Company also has outstanding $40,000 of 5.44% fixed-rate senior secured notes (the "5.44% Notes"). The 5.44% Notes have a final maturity of April 1, 2015 with five equal annual principal repayments which began on April 1, 2011.

The Company has indemnified the holders of the 3.84% Notes, the 6.40% Notes and the 5.44% Notes (collectively, the "Notes") from all withholding tax that is or may become applicable to any payments made by the Company on the Notes. The Company believes this exposure is not material as of December 31, 2013.

The revolving credit facility and the Notes rank equally in terms of seniority. The Company has granted these lenders collateral including the following: an interest in all of the assets of the Company including the Company's shares of its subsidiaries; an assignment of material contracts; and an assignment of the Company's "call" rights with respect to shares of the subsidiaries held by non-controlling interests.

The covenants of the revolving credit facility and the Notes agreements require the Company to maintain certain ratios including leverage, interest coverage and net worth. The Company is prohibited from undertaking certain mergers, acquisitions and dispositions without prior approval.

On September 24, 2013, the Company completed the redemption of its then outstanding $76,992 in principal amount of 6.50% Convertible Unsecured Subordinate Debentures ("Convertible Debentures") in accordance with the redemption rights attached to the Convertible Debentures. Prior to the redemption date, the Company received conversion requests that resulted in the issuance of 2,744,886 Subordinate Voting Shares based on a conversion price of $28.00 per share or 35.7143 shares for every $1 of principal amount of Convertible Debentures. The balance of the Convertible Debentures were redeemed for cash of $143.

The effective interest rate on the Company's long-term debt and Convertible Debentures for the year ended December 31, 2013 was 4.5% (2012 - 5.1%). 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:

2014	$ 44,785
2015	34,230
2016	346
2017	148,736
2018 and thereafter	144,697

13. 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:

	2013	2012
Balance, January 1	**$ 147,751**	$ 138,502
RNCI share of earnings	**13,976**	11,503
RNCI share of other comprehensive earnings	**(1,495)**	(445)
RNCI redemption increment	**41,430**	21,131
Distributions paid to RNCI	**(17,878)**	(13,988)
Purchases of interests from RNCI, net	**(5,242)**	(9,705)
RNCI recognized on business acquisitions	**43,531**	753
Balance, December 31	**$ 222,073**	$ 147,751

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, 2013 was $215,747 (2012 - $139,728). 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, 2013, approximately 5,100,000 (2012 - 4,800,000) such shares would be issued.

14. Capital stock

The authorized capital stock of the Company is as follows:

An unlimited number of Preferred Shares, issuable in series;
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:

	Preferred Shares		*Subordinate Voting Shares*		*Multiple Voting Shares*		*Total Common Shares*	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Balance, December 31, 2012	5,230,634	$ 130,762	28,744,410	$ 118,448	1,325,694	$ 373	30,070,104	$ 118,821
Balance, December 31, 2013	-	-	34,476,038	300,392	1,325,694	373	35,801,732	300,765

On May 3, 2013, the Company eliminated all of its outstanding Preferred Shares, redeeming 30% for cash consideration of $39,232 and converting all remaining Preferred Shares into Subordinate Voting Shares. The Preferred Shares were converted to Subordinate Voting Shares based on 95% of the weighted average trading price of the Subordinate Voting Shares on the NASDAQ stock market for the 20 trading days ended April 29, 2013 (such weighted average trading price being $33.34). As a result, 2,889,900 new Subordinate Voting Shares were issued from treasury.

On September 24, 2013, the Company redeemed its outstanding Convertible Debentures, issuing 2,744,886 of Subordinate Voting Shares. See note 12.

Pursuant to an agreement approved in February 2004, the Company agreed that it will make payments to its Chief Executive Officer ("CEO") that are contingent upon the arm's length sale of control of the Company or upon a distribution of the Company's assets to shareholders. The payment amounts will be determined with reference to the price per Subordinate Voting Share received by shareholders upon an arm's length sale or upon a distribution of assets. The right to receive the payments may be transferred among members of the CEO's family, their holding companies and trusts. The agreement provides for the CEO to receive each of 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 and (ii) the per share consideration received by holders of Subordinate and Multiple Voting Shares minus a base price of C$5.675. The second payment is an amount equal to 5% of the product of (i) the total number of shares outstanding on a fully diluted basis at the time of the sale and (ii) the per share consideration received by holders of Subordinate Voting Shares minus a base price of C$11.05. Assuming an arm's length sale of control of the Company took place on December 31, 2013, the amount required to be paid to the CEO would be $131,780.

15. Stock-based compensation

Company stock option plan
The Company has a stock option plan for certain officers and key full-time employees of the Company and its subsidiaries, other than its CEO. 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, 2013, there were 298,250 options available for future grants.

Grants under the Company's stock option plan are equity-classified awards. Stock option activity for the years ended December 31, 2013, 2012 and 2011 was as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Shares issuable under options - December 31, 2010	1,850,300	$ 19.03		
Granted	308,000	30.78		
Exercised	(262,750)	19.87		
Shares issuable under options - December 31, 2011	1,895,550	$ 20.83		
Granted	367,000	31.48		
Exercised	(363,850)	19.15		
Forfeited	(169,500)	32.38		
Shares issuable under options - December 31, 2012	1,729,200	$ 22.31		
Granted	422,000	31.35		
Exercised	(464,150)	16.20		
Shares issuable under options - December 31, 2013	1,687,050	$ 26.25	2.5	$ 28,345
Options exercisable - End of period	709,350	$ 21.97	1.6	$ 14,950

The Company incurred stock-based compensation expense related to these awards of $4,166 during the year ended December 31, 2013 (2012 - $3,169; 2011 - $2,335).

As at December 31, 2013, the range of option exercise prices was $11.74 to $40.66 per share. Also as at December 31, 2013, the aggregate intrinsic value and weighted average remaining contractual life for in-the-money options vested and expected to vest were $28,345 and 2.5 years, respectively.

The following table summarizes information about option exercises during years ended December 31, 2013, 2012 and 2011:

	2013	2012	2011
Number of options exercised	**464,150**	363,850	262,750
Aggregate fair value	**$ 16,780**	$ 11,198	$ 8,510
Intrinsic value	**9,313**	4,265	3,320
Amount of cash received	**7,467**	6,933	5,190
Tax benefit recognized	**$ 3,148**	$ 1,438	$ 1,119

As at December 31, 2013, there was $4,351 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, 2013, the fair value of options vested was $3,956 (2012 - $3,485; 2011 - $2,606).

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:

	2013	2012	2011
Risk free rate	**0.4%**	0.4%	1.0%
Expected life in years	**4.75**	4.75	4.75
Expected volatility	**37.5%**	40.3%	39.4%
Dividend yield	**0.0%**	0.0%	0.0%
Weighted average fair value per option granted	**$ 10.13**	$ 10.87	$ 10.73

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. The dividend yield assumption for 2013 option grants was nil as the grants preceded the Company's new dividend policy.

Subsidiary stock option plans

The Company has stock option plans at its Commercial Real Estate subsidiary entitling the holders to acquire up to a 1.0% interest in the subsidiary as at December 31, 2013. Since the inception of the plan, stock options representing a 7.2% interest in the subsidiary were exercised. Options, as well as shares acquired upon option exercise under the subsidiary stock option plan, are liability classified awards because the underlying stock is also classified as a liability. The fair value of the liability relating to these awards is calculated each period using the Black-Scholes option pricing model. The fair value of the liability related to these awards as at December 31, 2013 was $12,834 (2012 - $4,266) and compensation expense recognized related to the awards for the year ended December 31, 2013 was $8,568 (2012 - $4,266; 2011 - nil).

16. 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:

	2013	2012	2011
Income tax expense using combined statutory rate of 26.5% (2012 - 26.5%, 2011 - 28.3%)	**$ 18,622**	$ 16,754	$ 9,351
Permanent differences	**4,125**	3,327	4,434
Tax effect of flow through entities	**(2,156)**	(3,663)	(3,462)
Goodwill or other investment impairment charge	**-**	676	874
Impact of changes in foreign exchange rates	**(518)**	1,546	(679)
Adjustments to tax liabilities for prior periods	**925**	721	762
Effects of changes in enacted tax rates	**250**	(14)	52
Changes in liability for unrecognized tax benefits	**181**	352	(342)
Stock-based compensation	**2,791**	128	(386)
Foreign, state and provincial tax rate differential	**(4,285)**	(946)	(6,728)
Tax on preferred shares	**880**	-	-
Other taxes	**1,906**	93	2,046
Change in valuation allowances	**(97)**	2,033	(49,745)
Provision for (recovery of) income taxes as reported	**$ 22,624**	$ 21,007	$ (43,823)

Earnings before income tax by jurisdiction comprise the following:

	2013	2012	2011
Canada	**$ 1,977**	$ 22,438	$ 33,331
United States	**4,613**	9,811	(20,662)
Australia	**33,061**	25,800	21,791
Foreign	**30,613**	5,175	(1,358)
Total	**$ 70,264**	$ 63,224	$ 33,102

Income tax expense (recovery) comprises the following:

	2013	2012	2011
Current			
Canada	**$ 11,137**	$ 5,771	$ 4,630
United States	**3,008**	18,139	8,839
Australia	**11,088**	8,526	7,206
Foreign	**11,860**	4,729	3,708
	37,093	37,165	24,383
Deferred			
Canada	**(7,627)**	364	(275)
United States	**(2,435)**	(14,500)	(67,279)
Australia	**(1,079)**	(743)	(729)
Foreign	**(3,328)**	(1,279)	77
	(14,469)	(16,158)	(68,206)
Total	**$ 22,624**	$ 21,007	$ (43,823)

The significant components of deferred income tax are as follows:

	2013	2012
Deferred income tax assets		
Loss carry-forwards	**$ 91,957**	$ 88,318
Expenses not currently deductible	**23,467**	17,255
Stock-based compensation	**3,956**	3,317
Basis differences of partnerships and other entities	**14,173**	15,685
Allowance for doubtful accounts	**4,580**	3,324
Inventory and other reserves	**2,554**	1,611
	140,687	129,510
Less: valuation allowance	**(14,120)**	(11,911)
	126,567	117,599
Deferred income tax liabilities		
Depreciation and amortization	**31,165**	33,751
Unrealized foreign exchange gains	**-**	932
Prepaid and other expenses deducted for tax purposes	**1,427**	875
	32,592	35,558
Net deferred income tax asset	**$ 93,975**	$ 82,041

From 2008 to 2011, the Company recognized valuation allowances with respect to deferred income tax assets in its CRE operations, primarily in the United States, due to a history of operating losses. During the fourth quarter of 2011, the Company completed a reorganization of certain operations in the United States. As a result, a valuation allowance in the amount of $48,351 related to the United States CRE operations was reversed as of December 31, 2011. 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	
	2013	2012	**2013**	2012	**2013**	2012
Canada	**$ 72,526**	$ 53,866	**$ 2,438**	$ 4,228	**$ 70,088**	$ 49,638
United States	**164,414**	172,155	**4,099**	4,098	**160,315**	168,057
Australia	**304**	889	**-**	-	**304**	889
Foreign	**46,901**	43,578	**41,412**	40,413	**5,489**	3,165

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

	Loss carry forward		Gross losses not recognized		Net	
	2013	2012	**2013**	2012	**2013**	2012
Canada	**$ 939**	$ 1,224	**$ 939**	$ 1,224	**$ -**	$ -
United States	**4,197**	1,068	**4,197**	1,068	**-**	-
Australia	**8,123**	9,455	**8,123**	9,455	**-**	-

These amounts above are available to reduce future federal 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 14 to 20 years. Net operating loss carry-forward balances attributable to Australia are carried forward indefinitely subject to certain continuity of ownership conditions.

Cumulative unremitted earnings of US and foreign subsidiaries approximated $186,121 as at December 31, 2013 (2012 - $149,249). 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.

A reconciliation of the beginning and ending amounts of the liability for unrecognized tax benefits is as follows:

Balance, December 31, 2011	$ 7,602
Increases based on tax positions related to 2012	1,093
Reduction for lapses in applicable statutes of limitations	(781)
Balance, December 31, 2012	7,914
Increases based on tax positions related to 2013	384
Increases for tax positions of prior periods	562
Reduction for lapses in applicable statutes of limitations	(840)
Balance, December 31, 2013	$ 8,020

Of the $8,020 (2012 - $7,914) in gross unrecognized tax benefits, $8,226, (2012 - $7,914) would affect the Company's effective tax rate if recognized. For the year ended December 31, 2013, an expense of $29 in interest and penalties related to provisions for income tax was recorded in income tax expense (2012 - recovery of $38; 2011 - recovery of $238). As at December 31, 2013, the Company had accrued $151 (2012 - $122) for potential income tax related interest and penalties.

Within the next twelve months, the Company believes it is reasonably possible that $1,500 of unrecognized tax benefits associated with uncertain tax positions may be reduced due to lapses in statutes of limitations.

The Company's significant tax jurisdictions include the United States, Canada and Australia. 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. Tax returns in Australia are generally open for four years.

The Canada Revenue Agency commenced an examination of the Company's Canadian income tax return for the years 2010 and 2011 that is anticipated to be completed by the end of 2014. There have not been any proposed adjustments.

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.

17. Net (loss) earnings per common share

Earnings per share calculations cannot be anti-dilutive, therefore diluted shares are not used in the denominator when the numerator is in a loss position. The following table reconciles the denominator used to calculate earnings per common share:

	2013	2012	2011
Shares issued and outstanding at beginning of period	**30,070,104**	29,941,254	30,318,274
Weighted average number of shares:			
Issued during the period	**2,968,064**	250,868	218,418
Repurchased during the period	**(110,455)**	(165,703)	(443,081)
Weighted average number of shares used in computing basic earnings per share	**32,927,713**	30,026,419	30,093,611
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	**334,586**	349,531	457,404
Number of shares used in computing diluted earnings per share	**33,262,299**	30,375,950	30,551,015

18. Other supplemental information

	2013	2012	2011
Franchisor operations			
Revenues	**$ 80,450**	$ 75,025	$ 74,429
Operating earnings	**19,435**	16,801	16,110
Initial franchise fee revenues	**5,817**	5,950	5,857
Cash payments made during the period			
Income taxes	**$ 46,159**	$ 25,673	$ 43,897
Interest	**17,314**	18,860	16,240
Non-cash financing activities			
Increases in capital lease obligations	**$ 2,215**	$ 2,948	$ 1,540
Other expenses			
Rent expense	**$ 69,489**	$ 68,580	$ 65,992

19. 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 in various countries.

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. Fluctuations in interest rates affect the fair value of the hedging contracts as their value depends on the prevailing market interest rate. Hedging contracts are monitored on a monthly basis.

As of December 31, 2013, the Company was party to two interest rate swap agreements to exchange the fixed rate on a portion of its debt to a floating rate. On the 3.84% Notes, an interest rate swap exchanges the fixed rate on $150,000 of principal for LIBOR (3 months in arrears) +1.35%. The terms of the swap match the term of the 3.84% Senior Notes with a maturity of January 16, 2025. On the 5.44% Senior Notes, an interest rate swap exchanges the fixed rate on $20,000 of principal for LIBOR (6 month in arrears) + 3.87%. The terms of the swap match the term of the 5.44% Senior Notes with a maturity of April 1, 2015.

The interest rate swaps are being accounted for as fair value hedges. The swaps are carried at fair value on the balance sheet, with gains or losses recognized in earnings. The carrying value of the hedged debt is adjusted for changes in fair value attributable to the hedged interest rate risk; the associated gains or losses are recognized concurrently in earnings. So long as the hedges are considered highly effective, the net impact on earnings is nil.

The following tables provide fair value information of the hedging instruments and the effect of the hedging instruments during the period:

	2013	
Derivative designated as hedging instrument	Balance sheet location	Fair Value
Interest rate swap asset	Other assets (non-current)	$ 148
Interest rate swap liability	Other liabilities (non-current)	$ 5,344

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, 2013:

	Carrying value at December 31, 2013	Fair value measurements		
		Level 1	Level 2	Level 3
Interest rate swap asset	$ 148	$ -	$ 148	$ -
Interest rate swap liability	5,344	-	5,344	-
Contingent consideration liability	8,740	-	-	8,740

The fair values of the interest rate swap asset and liability was determined using widely accepted valuation techniques. 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 flows approach; significant model inputs were expected future operating cash flows (determined with reference to each specific acquired business) and discount rates (which range from 9.0% to 12.5%). Changes in the fair value of the contingent consideration liability are comprised of the following:

Balance, December 31, 2012	$ 13,000
Amounts recognized on acquisitions	9,556
Fair value adjustments (note 5)	1,801
Resolved and settled in cash	(1,994)
Resolved and recorded in "Accrued liabilities"	(13,727)
Other	104
Balance, December 31, 2013	$ 8,740
Less: current portion	$ 122
Non-current portion	$ 8,618

The carrying amounts for cash and cash equivalents, 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 0.1% to 3.0%). The following are estimates of the fair values for other financial instruments:

	2013		2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Other receivables	**$ 7,455**	**$ 7,455**	$ 6,328	$ 6,328
Long-term debt	**372,794**	**386,952**	337,205	347,319
Convertible debentures	**-**	**-**	77,000	86,048

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

20. Commitments and contingencies

(a) Lease commitments

Minimum operating lease payments are as follows:

Year ended December 31	
2014	$ 65,095
2015	55,342
2016	43,743
2017	32,445
2018	26,669
Thereafter	83,424

(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.

21. 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, 2013 was $950 (2012 - $1,573; 2011 - $3,363). The recorded amount of the property management revenues for year ended December 31, 2013 was $12,988 (2012 - $16,198; 2011 - $15,821). These amounts are settled monthly in cash, and are priced at market rates. The rental arrangements have fixed terms of up to 10 years. The property management contracts have terms of 1 to 3 years.

As at December 31, 2013, the Company had $4,696 of loans receivable from non-controlling shareholders (2012 - $3,487) and $5,081 of loans payable to minority shareholders (2012 - $2,180). The business purpose of the loans receivable is to finance the sale of non-controlling interests in subsidiaries to senior managers. The business purpose of the loans payable is to finance purchases of non-controlling interests. The loan amounts are measured based on the formula price of the underlying non-controlling interests, and interest rates are determined based on the Company's cost of borrowing plus a spread. The loans have terms of 1 to 10 years, but are open for repayment without penalty at any time.

22. Segmented information

Operating segments
The Company has three 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. CRE provides commercial property brokerage and other advisory services to clients in North America and in various other countries around the world. RRE provides property management and related property services to residential communities in North America. Property Services provides franchised and Company-owned property services to customers in North America. Corporate includes the costs of operating the Company's corporate head office.

Included in total assets of the CRE segment at December 31, 2013 is $4,744 (2012 - $5,226) of investments in subsidiaries accounted for under the equity method. The reportable segment information excludes intersegment transactions.

2013	Commercial Real Estate Services	Residential Real Estate Services	Property Services	Corporate	Consolidated
Revenues	$ 1,318,779	$ 884,334	$ 140,317	$ 204	$ 2,343,634
Depreciation and amortization	32,539	30,655	8,557	244	71,995
Operating earnings (loss)	60,663	30,509	20,305	(21,243)	90,234
Other income, net					1,531
Interest expense, net					(21,501)
Income taxes					(22,624)
Net earnings from continuing operations					$ 47,640
Net loss from discontinued operations					$ (5,997)
Net earnings					$ 41,643
Total assets	$ 797,520	$ 467,480	$ 171,028	$ 7,483	$ 1,443,511
Total additions to long lived assets	129,904	21,854	823	(76)	152,505

2012	Commercial Real Estate Services	Residential Real Estate Services	Property Services	Corporate	Consolidated
Revenues	$ 1,170,427	$ 814,617	$ 125,204	$ 218	$ 2,110,466
Depreciation and amortization	24,106	18,530	5,155	364	48,155
Operating earnings (loss)	33,796	42,574	18,991	(15,013)	80,348
Other expense, net					2,441
Interest expense, net					(19,565)
Income taxes					(21,007)
Net earnings from continuing operations					$ 42,217
Net earnings from discontinued operations					$ (1,328)
Net earnings					$ 40,889
Total assets	$ 633,439	$ 444,037	$ 232,757	$ 7,677	$ 1,317,910
Total additions to long lived assets	35,031	19,689	7,767	73	62,560

2011	Commercial Real Estate Services	Residential Real Estate Services	Property Services	Corporate	Consolidated
Revenues	$ 994,579	$ 736,029	$ 121,172	$ 188	$ 1,851,968
Depreciation and amortization	22,073	17,887	6,427	139	46,526
Operating earnings (loss)	22,379	42,736	8,043	(16,941)	56,217
Other expense, net					(6,317)
Interest expense, net					(16,798)
Income taxes					43,823
Net earnings from continuing operations					$ 76,925
Net earnings from discontinued operations					$ 22,878
Net earnings					$ 99,803
Total assets	$ 576,268	$ 423,328	$ 210,898	$ 23,224	$ 1,233,718
Total additions to long lived assets	14,997	49,071	6,441	68	70,577

Geographic information
Revenues in each geographic region are reported by customer locations. Amounts reported in geographic regions other than the United States, Canada and Australia are primarily denominated in US dollars, UK pounds and Euros.

	2013	2012	2011
United States			
Revenues	**$ 1,391,450**	$ 1,295,692	$ 1,151,709
Total long-lived assets	**395,069**	468,602	476,530
Canada			
Revenues	**$ 341,491**	$ 330,622	$ 310,912
Total long-lived assets	**88,660**	99,529	91,821
Australia			
Revenues	**$ 199,221**	$ 177,677	$ 171,873
Total long-lived assets	**44,811**	49,269	54,701
Other			
Revenues	**$ 411,472**	$ 306,475	$ 217,474
Total long-lived assets	**177,371**	70,205	55,494
Consolidated			
Revenues	**$ 2,343,634**	$ 2,110,466	$ 1,851,968
Total long-lived assets	**705,911**	687,605	678,546

23. Impact of recently issued accounting standards

On January 1, 2013, the Company adopted updated guidance issued by the Financial Accounting Standards Board ("FASB") on comprehensive income (ASU 2013-02). This update requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. The guidance did not have a material impact on the Company's results of operations, financial position or disclosure.

In July 2013, the FASB issued updated guidance on the presentation of unrecognized tax benefits (ASU 2013-11). This update provides explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward exists. The updated guidance is expected to reduce diversity in practice by providing guidance on the presentation of unrecognized tax benefits and will better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carry-forwards, similar tax losses, or tax credit carry-forwards exist. The amendments in this update should be applied prospectively to all unrecognized tax benefits that existed at the effective date, which for the Company is January 1, 2014. The Company is currently evaluating the impact, if any, of this guidance on its results of operations, financial position and disclosure.

24. Reclassifications

Certain balances on the consolidated balance sheets have been reclassified to conform to the current year's presentation.

EXHIBIT 3

FIRSTSERVICE CORPORATION
Management's discussion and analysis for the year ended December 31, 2013
(in US dollars)
February 24, 2014

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, 2013. 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, 2013 and up to and including February 24, 2014.

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 the U.S. Securities and Exchange Commission website 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."

Consolidated review
Our consolidated revenues for 2013 were $2.34 billion, an increase of 12% over the prior year measured in local currencies (11% measured in the reporting currency), attributable to a combination of internal growth and recent acquisitions. Each of our three operating segments generated strong internal revenue growth.

Our adjusted EPS (see definition and reconciliation below) were $2.15 for the year, up 31% from 2012. The diluted net loss per share from continuing operations calculated in accordance with GAAP was $0.46 versus a loss of $0.08 in the prior year. Our 2013 earnings were negatively affected by the re-branding of our Residential Real Estate Services operations to "FirstService Residential", which resulted in re-branding and related information technology enhancement costs of $6.0 million as well as accelerated amortization of intangible assets of $11.2 million.

We acquired controlling interests in eleven businesses during 2013. The aggregate initial cash purchase price for these acquisitions was $60.7 million ($37.7 million net of cash acquired) and was comprised of Colliers International Germany (four commercial real estate services business operating in Munich, Stuttgart, Frankfurt, Dusseldorf and Berlin), four other commercial real estate entities operating in The Netherlands, Australia, Brazil and Canada, and three residential real estate services companies operating in the U.S. and Canada. We also acquired net non-controlling interests valued at $5.7 million, primarily in the Residential Real Estate Services segment. The purchase prices of these acquisitions were funded with cash on hand and borrowings under our revolving credit facility.

In January 2013, we completed a private placement of $150 million of 3.84% Senior Notes with a group of US institutional investors. The proceeds from the issuance of the 3.84% Senior Notes were applied to repay borrowings under our revolving credit facility. The 3.84% Senior Notes are required to be repaid in five equal annual installments beginning in January 2021.

In May 2013, all of our outstanding 7% cumulative preference shares, series 1 (the "Preferred Shares") were eliminated by way of a partial redemption for cash (totalling $39.2 million) immediately followed by a mandatory conversion of all then remaining Preferred Shares into 2.89 million new Subordinate Voting Shares.

In June 2013, our Residential Real Estate Services operations, which had operated as 18 separate brands in markets across North America, re-branded under the "FirstService Residential" name. The adoption of common branding was designed to signify our market leadership, our commitment to service excellence and to leverage our industry-leading strengths to the benefit of current and future clients.

In September 2013, we completed the early redemption of our 6.5% Convertible Unsecured Subordinated Debentures originally due December 31, 2014 (the "Convertible Debentures") in accordance with the redemption rights attached to the Convertible Debentures. Leading up to the redemption, we received conversion requests from substantially all holders of Convertible Debentures, which resulted in the issuance of 2.74 million new Subordinate Voting Shares.

On September 30, 2013, we completed the sale of Field Asset Services, LLC ("FAS"), a property preservation and distressed asset management services provider within our Property Services segment, for gross cash proceeds of $55.0 million. As of December 31, 2013, our residential rental operation ("Rental") within our Residential Real Estate Services segment was classified as held for sale. FAS and Rental have been reported as discontinued operations in the statements of (loss) earnings for all periods presented.

Results of operations – year ended December 31, 2013
Our revenues were $2.34 billion for the year ended December 31, 2013, up 12% relative to 2012 measured in local currencies. The increase was comprised of internal revenue growth 8% and the positive impact of acquisitions of 4%.

Operating earnings increased 12% to $90.2 million in 2013, while adjusted EBITDA rose 22% to $185.5 million. The Commercial Real Estate Services operations generated significant increases in profitability in 2013. Current year consolidated operating earnings were negatively impacted by $11.2 million of accelerated amortization of intangible assets and $6.0 million of re-branding related costs, both related to our adoption of the "FirstService Residential" brand in our Residential Real Estate Services operations.

Depreciation expense was $34.8 million relative to $30.7 million in the prior year. The increase was attributable to increased investments in office leaseholds and information technology systems, in our Commercial Real Estate Services and Residential Real Estate Services operations.

Amortization expense was $37.2 million in 2013, and included accelerated amortization on (i) $11.2 million of legacy trademarks and trade names in our Residential Real Estate Services operations; (ii) $4.3 million of brokerage backlog primarily related to the newly acquired Colliers Germany operations and (iii) $2.8 million of franchise rights in our Property Services segment.

Net interest expense increased to $21.5 million from $19.6 million in the prior year. Our weighted average interest rate decreased to 4.5% from 5.1% in the prior year. The conversion of the Convertible Debentures in September 2013, which had an effective interest rate of 7.4%, had the impact of reducing interest costs in the fourth quarter and going forward. In November 2013, we put an interest rate swap in place to exchange the fixed rate on the 3.84% Senior Notes for variable rates, bringing the total notional amount swapped to $170.0 million. The swaps resulted in a modest reduction in interest expense for 2013 and are expected to result in lower interest expense in 2014.

Other income for 2013 was $1.5 million, and was primarily comprised of income from investments accounted for under the equity method in the Commercial Real Estate Services segment, similar to 2012.

Our consolidated income tax rate for the year ended December 31, 2013 was 32% versus 33% in 2012. The 2012 tax rate was impacted by additional tax of $1.5 million from realized foreign exchange gains, which had the effect of increasing the 2012 tax rate by 2%.

Net earnings from continuing operations were $47.6 million, compared to $42.2 million in the prior year. The increase was primarily attributable to improvements in revenues and earnings at the Commercial Real Estate Services operations, offset by the impact of accelerated intangible asset amortization and Residential Real Estate Services re-branding costs noted above.

The net loss from discontinued operations was $6.0 million and was comprised of a $4.1 million loss on the sale of FAS, as well as operating losses at both FAS and Rental. Revenues from discontinued operations, which have been removed from the statements of earnings and segment results for all periods presented, were $82.8 million for 2013.

The Commercial Real Estate Services segment reported revenues of $1.32 billion for 2013, up 14% relative to the prior year measured in local currencies. Internal revenue growth measured in local currencies was 8%, and was comprised primarily of increased investment sales, leasing and property management activity, and growth of 6% was attributable to acquisitions. Regionally and on a local currency basis, Americas revenues were up 6% (5% excluding acquisitions), Asia Pacific revenues were up 14% (12% excluding acquisitions), and Europe revenues were up 62% (13% excluding acquisitions). Acquisitions for 2013 were comprised of controlling ownership stakes in the four businesses comprising Colliers Germany, as well as four other operations in Australia, the Netherlands, Brazil and Canada. Adjusted EBITDA in this segment was $116.0 million, at a margin of 8.8%, versus $78.9 million at a margin of 6.7% in the prior year. The margin increase was attributable to operating leverage, improvements in broker productivity in the Americas region, and the favorable impact of recent acquisitions.

In Residential Real Estate Services, revenues were $884.3 million, an increase of 9% compared to the prior year. Internal growth was 8% and was attributable to property management contract wins, while recent acquisitions contributed 1%. During the year, we acquired three property management businesses operating in Missouri, Florida and Alberta. In mid-2013, the residential property management businesses within this segment re-branded as “FirstService Residential”. This segment reported adjusted EBITDA of $57.9 million or 6.5% of revenues, relative to $60.8 million or 7.5% of revenues in the prior year. The decline in margin was largely attributable to investments in re-branding and related information technology enhancements totalling $6.0 million, as well as a $2.0 million charge taken in the third quarter to down-size our homeowner fee collection operations in line with current reduced volumes of delinquencies and changes in the regulatory environment in several states.

Our Property Services operations reported revenues of $140.3 million, an increase of 12% versus the prior year, comprised entirely of internal growth, which was attributable to royalties from increased system-wide sales at our franchise brands. Adjusted EBITDA was $28.9 million, up 20% relative to the prior year, with the margin increasing to 20.6% from 19.3% on account of operating leverage.

Corporate costs were $17.3 million relative to $11.6 million in the prior year. The 2013 cost increase was attributable to performance-based incentive compensation accruals which are based on increased adjusted EPS including both continuing and discontinued operations, relative to the prior year.

Results of operations – year ended December 31, 2012
Revenues were $2.11 billion for the year ended December 31, 2012, up 15% from 2011 measured in local currencies. The increase was due to internal growth of 8% and the positive impact of acquisitions of 7%.

2012 operating earnings increased 43% from the prior year to $80.3 million, while adjusted EBITDA increased 32% to $152.3 million. Operating earnings for 2012 were impacted by $16.3 million in acquisition-related items, primarily in our Commercial Real Estate Services segment. These acquisition-related items largely consisted of transaction costs related to the Colliers International UK acquisition, as well as fair value adjustments on contingent acquisition consideration related to acquisitions completed in the previous two years.

Depreciation expense was $30.7 million in 2012, up 10% versus the prior year. The increase was attributable to investments in information technology systems and leasehold improvements. Amortization expense was $17.5 million in 2012, down 5% versus the prior year as a result of a reduction in additions due to a slower pace of acquisitions during the period.

Net interest expense in 2012 increased 17% from the prior year, to $19.6 million, primarily attributable to higher average borrowings. Our weighted average interest rate increased to 5.1% from 4.8% in the prior year, as a result of the renewal of our revolving credit facility, which resulted in higher floating interest rates compared to our previous credit facility in place during the prior year, partially offset by repayments of fixed interest rate senior notes. We also had an interest rate swap in place to exchange the fixed rate on $30 million of notional value on our Senior Notes for variable rates. The swap resulted in a modest reduction in interest expense.

Other income for 2012 was $2.4 million, comprised primarily of income from non-consolidated investments in the Commercial Real Estate Services segment. Other expense for 2011 included a net loss of $3.5 million from investments accounted for under the equity method, including our 29.5% stake in Colliers International UK plc (the publicly-traded predecessor to the business we acquired in March 2012), as well as an other-than-temporary impairment loss of $3.1 million recorded as of December 31, 2011 on the same investment.

Our consolidated income tax rate for the year ended December 31, 2012 was 33% versus a recovery of 132% in 2011. The most significant item impacting the tax rate for 2012 was additional tax of $1.5 million from realized foreign exchange losses, which had the effect of increasing the tax rate by 2%. The 2011 rate was impacted by the reversal of deferred income tax valuation allowances (see discussion below), which reduced income tax expense by $49.7 million. After considering the impact of the valuation allowances, the tax rate for 2011 was approximately 20%.

Net earnings from continuing operations for 2012 were $42.2 million, compared to $76.9 million in the prior year. The variance was primarily attributable to the reversal of the deferred income tax valuation allowance in 2011, partially offset by stronger operating results in 2012.

The net loss from discontinued operations was $1.3 million, which included the results of FAS and Rental. The revenues of these businesses for 2012, which have been removed from the statements of earnings and segment results for all periods presented, were $195.1 million.

The Commercial Real Estate Services segment reported revenues of $1.17 billion for 2012, up 19% relative to the prior year measured in local currencies. Internal revenue growth was 9%, and was comprised primarily of increased investment sale and lease brokerage, property management and project management activity. Growth of 10% was attributable to acquisitions. Regionally and in local currencies, Americas revenues were up 14%, Asia Pacific revenues were up 7%, and Europe revenues were up 112% (down 3% excluding acquisitions). Adjusted EBITDA in this segment for 2012 was $78.9 million, at a margin of 6.7%, versus $51.9 million at a margin of 5.2% in the prior year. The margin increase was attributable to operating leverage and greater back office efficiency.

In the Residential Real Estate Services segment, revenues were $814.6 million for 2012, an increase of 11% compared to the prior year. Internal growth was 8% and was driven primarily by new property management contracts, while 3% growth was attributable to acquisitions. This segment reported adjusted EBITDA of $60.8 million at a margin of 7.5% for 2012, compared to $57.8 million at a margin of 7.9% in the prior year. The decline in margin was attributable to pricing pressure on contract renewals in our core property management operations and changes in service mix, with a reduction in higher-margin ancillary service fees.

Our Property Services segment reported revenues of $125.2 million for 2012, an increase of 3% versus the prior year. Adjusted EBITDA in this segment for 2012 was $24.1 million, up 21% from the prior year, and the margin was 19.3% in 2012 relative to 16.5% in the prior year. The margin increase was primarily attributable to operating leverage in the franchised services operations.

Corporate costs for 2012 were $11.6 million relative to $14.4 million in the prior year. The 2012 results were impacted by the elimination of performance-based executive compensation relative to the prior year. Performance-based compensation is based on year over year growth in adjusted EPS, including both continuing and discontinued operations.

Results of operations – year ended December 31, 2011
Revenues were $1.85 billion for the year ended December 31, 2011, up 12% from 2010 measured in local currencies as the US dollar depreciated in value relative to local currencies at many of our operations around the world. The increase was comprised of internal revenue growth of 7% and the positive impact of acquisitions of 5%,

2011 operating earnings increased 20% to $56.2 million from $46.7 million, while adjusted EBITDA rose 24% to $115.3 million. Operating earnings were impacted by $5.6 million of reorganization costs related to the Property Services segment, including severance costs and professional fees, as well as $4.6 million in acquisition-related items, primarily fair value adjustments on contingent acquisition consideration.

Depreciation expense was $28.0 million in 2011 relative to $26.0 million in the prior year. The increase was attributable to investments in information technology systems during 2011. Amortization expense was $18.5 million in 2011, up slightly versus the prior year as a result of acquisitions during the period.

Interest expense in 2011 decreased to $16.8 million from $17.4 million in the prior year. Our weighted average interest rate decreased to 4.8% from 5.8% in the prior year, as a result of increased borrowings on our revolving credit facility, which had lower floating interest rates compared to the prior year, combined with repayments of fixed interest rate senior notes. We also had an interest rate swap in place during the year to exchange the fixed rate on $40 million of notional value on our Senior Notes for variable rates. The swap resulted in a modest reduction in interest expense.

Other expense for 2011 included a net loss of $3.5 million from investments accounted for under the equity method in the Commercial Real Estate Services segment, including our then 29.5% stake in Colliers International UK plc. In addition, as of December 31, 2011, we determined that the carrying value of this investment was other-than-temporarily impaired and recorded an impairment loss of $3.1 million.

Our consolidated income tax rate for the year ended December 31, 2011 was a recovery of 132% versus 34% in 2010. The 2011 rate was impacted by the reversal of deferred income tax valuation allowances (see discussion below), which reduced income tax expense by $49.7 million. The 2010 tax rate was affected by the recognition of an $11.8 million valuation allowance on deferred tax assets. After considering the impact of the valuation allowances, the tax rate for 2011 was approximately 20%, compared to 28% for 2010.

Net earnings from continuing operations for 2011 were $76.9 million, compared to $17.5 million in the prior year. The increase was attributable to the reversal of the deferred income tax valuation allowance, as well as improved operating performance.

The net earnings from discontinued operations were $24.8 million, which included the results of FAS and Rental. The revenues of these two businesses, which have been removed from the statement of operations and segment results for all periods presented, were $372.2 million for 2011.

The Commercial Real Estate Services segment reported revenues of $994.6 million for 2011, up 11% measured in local currencies relative to the prior year. Internal revenue growth was 8%, and was comprised primarily of increased investment sales and lease brokerage, property management and project management activity. Growth of 3% was attributable to acquisitions. Regionally and on a local currency basis, North America revenues were up 9% excluding acquisitions, Asia Pacific revenues were up 3%, and Europe & Latin America revenues were up 17% excluding acquisitions. Adjusted EBITDA in this segment for 2011 was $51.9 million, at a margin of 5.2%, versus $39.5 million at a margin of 4.6% in the prior year. The margin increase was attributable to operating leverage and greater administrative efficiency, as well as $2.7 million of Colliers International branding costs incurred in 2010 that did not recur in 2011.

In the Residential Real Estate Services segment, revenues were $736.0 million for 2011, an increase of 15% compared to the prior year. Acquisitions during the period accounted for the majority of the increase, while internal growth was 6% and was attributable to net new property management client wins. This segment reported adjusted EBITDA of $57.8 million or 7.9% of revenues for 2011, relative to $56.6 million or 8.8% of revenues in the prior year. The decline in margin was attributable to increases in operating costs outpacing the ability to pass price increases through to clients.

Our Property Services segment reported revenues of $121.2 million for 2011, an increase of 8% versus the prior year, comprised of internal growth. Adjusted EBITDA in this segment for 2011 was $20.0 million, up 22% relative to the prior year, and the margin was 16.5% relative to 14.6%, with the increase attributable to operating leverage in our franchised operations.

Corporate costs for 2011 were $14.4 million relative to $19.5 million in the prior year. The 2011 results were impacted by a reduction in performance-based executive compensation relative to the prior year. Performance-based compensation is based on year over year growth in adjusted EPS from both continuing and discontinued operations.

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

	Year ended December 31				
	2013	**2012**	**2011**	**2010**	**2009**
Operations					
Revenues	$ 2,343,634	$2,110,466	$1,851,968	$1,617,300	$1,378,519
Operating earnings	90,234	80,348	56,217	46,731	(16,966)
Net earnings (loss) from continuing operations	47,640	42,217	76,925	17,477	(40,386)
Net earnings (loss) from discontinued operations	(5,997)	(1,328)	22,878	24,979	23,677
Net earnings (loss)	41,643	40,889	99,803	42,456	(16,709)
Financial position					
Total assets	$ 1,443,511	$1,317,910	$1,233,718	$1,129,541	$1,009,530
Long-term debt	372,794	337,205	316,415	240,740	235,994
Convertible debentures	-	77,000	77,000	77,000	77,000
Redeemable non-controlling interests	222,073	147,751	138,501	172,275	164,168
Shareholders' equity	249,049	244,153	246,522	201,331	166,034
Common share data					
Net earnings (loss) per common share:					
Basic					
Continuing operations	$ (0.46)	$ (0.08)	$ 1.37	$ (0.71)	$ (2.67)
Discontinued operations	(0.18)	(0.04)	0.76	0.83	0.80
	(0.64)	(0.12)	2.13	0.12	(1.87)
Diluted					
Continuing operations	(0.46)	(0.08)	1.35	(0.71)	(2.67)
Discontinued operations	(0.18)	(0.04)	0.75	0.82	0.80
	(0.64)	(0.12)	2.10	0.11	(1.87)
Weighted average common shares outstanding (thousands)					
Basic	32,928	30,026	30,094	30,081	29,438
Diluted	33,262	30,376	30,551	30,367	29,516
Cash dividends per common share	$ 0.20	$ -	$ -	$ -	$ -
Preferred share data					
Number outstanding (thousands)	-	5,231	5,623	5,772	5,772
Cash dividends per preferred share	$ 0.4375	$ 1.75	$ 1.75	$ 1.75	$ 1.75
Other data					
Adjusted EBITDA	$ 185,461	$ 152,263	$ 115,317	$ 92,942	$ 61,646
Adjusted EPS	2.15	1.64	1.04	0.76	0.60

Deferred income tax asset valuation allowance
From 2008 to the third quarter of 2011, net operating loss carry-forwards for tax purposes accumulated in our Commercial Real Estate Services operations in the United States, giving rise to a deferred income tax asset. Our ongoing assessment of all available objective evidence, both positive and negative, supporting recoverability of these tax losses in accordance with GAAP resulted in the recognition of a full valuation allowance against the deferred income tax asset, reducing its net value to nil in each period.

We completed a reorganization of certain operations in the US during the fourth quarter of 2011. As a result, we determined that it was more likely than not that the deferred income tax assets in the US will be realized, resulting in the de-recognition of the full valuation allowance and a corresponding reduction of 2011 income tax expense in the amount of $49.7 million.

In 2012 and 2013, we completed ongoing assessments of all available objective and subjective evidence, both positive and negative, supporting recoverability of these tax losses in accordance with GAAP. 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, we believe 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 in the US during the carry-forward period are reduced. We concluded that as of December 31, 2012 and December 31, 2013, the deferred income tax assets are recoverable.

Results of operations – fourth quarter ended December 31, 2013

Consolidated operating results for the fourth quarter ended December 31, 2013 were up significantly relative to the results experienced in the comparable prior year quarter. In particular, Commercial Real Estate Services revenues increased 21% versus the prior year quarter measured in local currencies (14% excluding acquisitions) led by strong investment sales and leasing activity in the Asia Pacific region. Net earnings from continuing operations, operating earnings and adjusted EBITDA increased in the fourth quarter on account of a significant improvement in margins in our Commercial Real Estate Services segment, attributable to operating leverage, improvements in broker productivity, and the favorable impact of recent acquisitions.

Quarterly results - years ended December 31, 2013 and 2012
(in thousands of US$, except per share amounts)

	Q1	Q2	Q3	Q4	Year
Year ended December 31, 2013					
Revenues	$ 473,107	$ 575,979	$ 602,816	$ 691,732	$2,343,634
Operating earnings (loss)	(4,501)	11,384	34,338	49,013	90,234
Net earnings (loss) from continuing operations	(7,770)	4,618	22,441	28,351	47,640
Net earnings (loss) from discontinued operations	(449)	(127)	(2,469)	(2,952)	(5,997)
Net earnings (loss)	(8,219)	4,491	19,972	25,399	41,643
Diluted net earnings (loss) per common share:					
Continuing operations	(0.53)	(0.21)	0.10	0.12	(0.46)
Discontinued operations	(0.02)	-	(0.07)	(0.09)	(0.18)
	(0.55)	(0.21)	0.03	0.03	(0.64)
Year ended December 31, 2012					
Revenues	$ 422,719	$ 532,638	$ 550,990	$ 604,119	$2,110,466
Operating earnings (loss)	(12,965)	25,120	32,363	35,830	80,348
Net earnings (loss) from continuing operations	(13,129)	14,507	20,282	20,557	42,217
Net earnings (loss) from discontinued operations	2,275	136	(721)	(3,018)	(1,328)
Net earnings (loss)	(10,854)	14,643	19,561	17,539	40,889
Diluted net earnings (loss) per common share:					
Continuing operations	(0.62)	0.27	0.02	0.24	(0.08)
Discontinued operations	0.08	-	(0.02)	(0.10)	(0.04)
	(0.54)	0.27	-	0.14	(0.12)
Other data					
Adjusted EBITDA - 2013	$ 10,447	$ 45,732	$ 56,005	$ 73,277	$ 185,461
Adjusted EBITDA - 2012	5,983	40,107	48,828	57,345	152,263
Adjusted EPS - 2013	(0.20)	0.58	0.70	0.97	2.15
Adjusted EPS - 2012	(0.18)	0.44	0.61	0.77	1.64

Operating outlook

We are committed to a long-term growth strategy that includes average internal revenue growth in the 5-10% range, combined with acquisitions to build each of our service platforms, resulting in targeted average annual growth in revenues, adjusted EBITDA and adjusted EPS in excess of 15%. Economic conditions will negatively or positively impact these percentage growth rates in any given year.

Our expectations for 2014 in our Commercial Real Estate Services segment are for moderate year-over-year revenue gains across most regions, with an ongoing increase in operating margins as a result of operating leverage and the favorable impact of acquisitions.

In our Residential Real Estate Services segment, revenues are expected to grow solidly in 2014 from continuing new business wins and strong client retention. Operating margins are expected to trend upwards in 2014 as expenses incurred in 2013 with respect to re-branding, related information technology enhancements and homeowner collection services operations are not expected to recur.

Our Property Services segment is expected to continue to grow in 2014, as each franchise brand expands its franchisee base, while at the same time focusing on improving franchisee productivity, all of which is expected to result in increasing royalties.

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.

The Commercial Real Estate Services segment generates peak revenues and earnings in the month of December followed by a low in January and February as a result of the timing of closings on commercial real estate brokerage transactions. Revenues and earnings during the balance of the year are relatively even. These brokerage operations comprised approximately 35% of 2013 consolidated revenues (2012 - 34%).

Liquidity and capital resources
The Company generated cash flow from operating activities of $116.3 million for the year ended December 31, 2013, relative to $103.0 million in the prior year. Operating cash flow increased as result of a significant increase in operating earnings, particularly in the Commercial Real Estate Services segment, partially offset by additional working capital usage, particularly in accounts receivable, to support revenue growth. 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.

We have a credit agreement with a syndicate of lenders which contains a senior revolving credit facility of $350 million and includes an uncommitted accordion provision allowing for an additional $100 million of borrowing capacity under certain circumstances. The credit agreement has a five year term ending March 1, 2017 and bears interest at 1.25% to 3.00% over floating reference rates, depending on certain leverage ratios.

In January 2013, we completed a private placement of $150 million in 3.84% Senior Notes with a twelve year term, due January 16, 2025 with a group of US institutional investors. The 3.84% Senior Notes are repayable in 5 equal annual instalments beginning on January 16, 2021. The proceeds from the 3.84% Senior Notes were used to repay borrowings under our revolving credit facility.

During 2013, we invested cash in acquisitions as follows: an aggregate of $37.7 million (net of cash acquired) in eleven new business acquisitions, $2.0 million in contingent consideration payments related to previously completed acquisitions, and $5.7 million in acquisitions of redeemable non-controlling interests (“RNCI”). We also realized net proceeds on sale (net of cash sold) of $49.5 million on the disposal of FAS in September 2013.

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 $12.6 million as at December 31, 2013 (December 31, 2012 - $27.8 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 May 2017. We estimate that, based on current operating results, approximately 80% of the contingent consideration outstanding as of December 31, 2013 will ultimately be paid.

Capital expenditures for the year were $34.8 million (2011 - $44.4 million), which consisted primarily of investments in productivity-enhancing information technology systems in all three operating segments as well as office leasehold improvements. Included in 2012 expenditures was $6.0 million for the relocation of the London, UK offices of Colliers International to a new premise, and an accompanying modernization of its technology infrastructure.

In May 2013, we completed the partial redemption and conversion of our Preferred Shares, which resulted in the elimination of the Preferred Shares from our capital structure. The redemption was completed with a cash outlay of $39.2 million. The conversion resulted in the issuance of 2.89 million new Subordinate Voting Shares from treasury.

In September 2013, we completed the early redemption of our $77.0 million Convertible Debentures in accordance with the redemption rights attached to the Convertible Debentures. Leading up to the redemption, we received conversion requests from substantially all holders of Convertible Debentures, which resulted in the issuance of 2.74 million new Subordinate Voting Shares from treasury.

Net indebtedness as at December 31, 2013 was $230.1 million, versus $305.5 million at December 31, 2012. 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 financing agreements as at December 31, 2013 and we expect to remain in compliance with such covenants going forward.

In conjunction with the elimination of our Preferred Shares, we announced a common share dividend policy where by the Company intends to pay a quarterly dividend of $0.10 per share on our common shares. The Company declared common share dividends of $0.30 per share during 2013, with $0.20 paid in cash during the year and $0.10 paid in January 2014. 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.

Prior to their elimination in May 2013, we paid $2.5 million of dividends on the Preferred Shares. During the year we also distributed $22.0 million (2012 - $16.3 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, 2013:

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	$ 370,239	$ 43,577	$ 33,359	$ 148,647	$ 144,656
Interest on long term debt	50,432	10,389	17,058	14,835	8,150
Capital lease obligations	2,555	1,208	1,217	130	-
Contingent acquisition consideration	8,740	122	8,020	598	-
Operating leases	306,718	65,095	99,085	59,114	83,424
Total contractual obligations	$ 738,684	$ 120,391	$ 158,739	$ 223,324	$ 236,230

At December 31, 2013, we had commercial commitments totaling $7.8 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 Notes at a weighted average interest rate of 4.5%.

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 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$)	**December 31 2013**	December 31 2012
Commercial Real Estate Services	**$ 135,515**	$ 67,179
Residential Real Estate Services	**64,312**	60,661
Property Services	**15,920**	11,888
	$ 215,747	$ 139,728

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, 2013, the RNCI recorded on the balance sheet was $222.1 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 from continuing operations for 2013 would be $1.60, and the accretion to adjusted EPS would be $0.36.

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 subsidiary stock option plan and notional value appreciation plans is re-measured quarterly.

With respect to the subsidiary stock option plan, which is in the Commercial Real Estate Services segment, compensation expense of $8.6 million was recognized in 2013 (2012 - $4.3 million; 2011 - nil). The fair value of the underlying subsidiary shares as of December 31, 2013 is $12.9 million (December 31, 2012 - $4.3 million). Holders of subsidiary stock options become subject to a shareholders' agreement upon the exercise of the options, subject to the same conditions as described above.

Discussion of critical accounting estimates and judgments

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 six critical accounting estimates: the recoverability of deferred income tax assets, determination of fair values of assets acquired and liabilities assumed in business combinations, impairment testing of the carrying value of goodwill, valuation of contingent consideration related to acquisitions, quantification of uncertain income tax positions, and the collectability of accounts receivable.

Deferred income tax assets arise from the recognition of the benefit of certain net operating loss carry-forwards. Management must weigh the positive and negative evidence surrounding the future realization of the deferred income tax assets to determine whether a valuation allowance is required, or whether an existing valuation allowance should remain in place. These determinations require significant management judgment. Changes in judgments, in particular of future US taxable earnings, could result in the recognition or de-recognition of a valuation allowance which could impact income tax expense materially.

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 seven 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.

Contingent consideration is required to be measured at fair value at the acquisition date and at each balance sheet date until the contingency expires or is settled. The fair value at the acquisition date is a component of the purchase price; subsequent changes in fair value are reflected in earnings. Most acquisitions made by us have a contingent consideration feature, which is usually based on the acquired entity's profitability (measured in terms of Adjusted EBITDA) during a one to three year period after the acquisition date. Significant estimates are required to measure the fair value of contingent consideration, including forecasting profitability for the contingency period and the selection of an appropriate discount rate. Increasing forecasted profitability by 10% has the effect of increasing the fair value of contingent consideration outstanding as of December 31, 2013 by $1.0 million. Increasing the discount rate by 10% has the effect of reducing the fair value of the contingent consideration outstanding as of December 31, 2013 by $0.5 million.

In the ordinary course of business, there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination by tax authorities based upon an evaluation of the facts and circumstances at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a tax authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

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 $2.5 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 from continuing operations, adjusted to exclude: (i) income tax; (ii) other expense (income); (iii) interest expense; (iv) depreciation and amortization; (v) acquisition-related items; and (vi) 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 continuing 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 continuing operations to adjusted EBITDA appears below.

(in thousands of US$)	Year ended December 31		
	2013	2012	2011
Net earnings from continuing operations	**$ 47,640**	$ 42,217	$ 76,925
Income tax	**22,624**	21,007	(43,823)
Other expense (income)	**(1,531)**	(2,441)	6,317
Interest expense, net	**21,501**	19,565	16,798
Operating earnings	**90,234**	80,348	56,217
Depreciation and amortization	**71,995**	48,155	46,526
Acquisition-related items	**10,498**	16,326	4,649
Stock-based compensation expense	**12,734**	7,434	2,335
Reorganization charge	**-**	-	5,590
Adjusted EBITDA	**$ 185,461**	$ 152,263	$ 115,317

Adjusted EPS is defined as diluted net earnings (loss) per common share from continuing operations, 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; and (iv) stock-based compensation expense. 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 continuing 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 continuing operations to adjusted EPS appears below.

(in US$)	Year ended December 31		
	2013	2012	2011
Diluted net (loss) earnings per common share from continuing operations	**$ (0.46)**	$ (0.08)	$ 1.35
Non-controlling interest redemption increment	**1.25**	0.69	0.42
Acquisition-related items	**0.30**	0.51	0.14
Amortization of intangible assets, net of tax	**0.73**	0.36	0.38
Stock-based compensation expense, net of tax	**0.33**	0.16	0.05
Impairment loss on equity investment	**-**	-	0.10
Reorganization charge	**-**	**-**	0.12
Deferred income tax asset valuation allowance	**-**	-	(1.52)
Adjusted EPS	**$ 2.15**	$ 1.64	$ 1.04

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.

Impact of recently issued accounting standards
On January 1, 2013, the Company adopted updated guidance issued by the Financial Accounting Standards Board ("FASB") on comprehensive income (ASU 2013-02). This update requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. The guidance did not have a material impact on the Company's results of operations, financial position or disclosure.

In July 2013, the FASB issued updated guidance on the presentation of unrecognized tax benefits (ASU 2013-11). This update provides explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward exists. The updated guidance is expected to reduce diversity in practice by providing guidance on the presentation of unrecognized tax benefits and will better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carry-forwards, similar tax losses, or tax credit carry-forwards exist. The amendments in this update are effective for the Company effective January 1, 2014. The Company is currently evaluating the impact, if any, of this guidance on its results of operations, financial position and disclosure.

Impact of IFRS
On January 1, 2011, many Canadian companies were required to adopt International Financial Reporting Standards ("IFRS"). In 2004, in accordance the rules of the CSA, the Company elected to report exclusively using U.S. GAAP. Under the rules of the CSA, the Company is permitted to continue preparing its financial statements in accordance with U.S. GAAP and, as a result, did not adopt IFRS on January 1, 2011.

Financial instruments
We use financial instruments as part of our strategy to manage the risk associated with interest rates and currency exchange rates. We do not use financial instruments for trading or speculative purposes. As at the date of this MD&A, the Company had two interest rate swaps in place to exchange the fixed interest rate on (i) $150.0 million of notional value on the 3.84% Senior Notes for a floating rate of LIBOR + 1.35% and (ii) $20.0 million of notional value on the 5.44% Senior Notes for a floating rate of LIBOR + 3.87%. These interest rate swaps involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements. If such events occur, our results of operations may be adversely affected.

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, 2013 was $1.0 million (2012 - $1.6 million; 2011 - $3.4 million). The recorded amount of the property management revenues for year ended December 31, 2013 was $13.0 million (2012 - $16.2 million; 2011 - $15.8 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. The property management contracts have terms of 1 to 3 years.

As at December 31, 2013, the Company had $4.7 million of loans receivable from minority shareholders (2012 - $3.5 million) and $5.1 million of loans payable to minority shareholders (2012 - $2.2 million). The business purpose of the loans receivable is to finance the sale of non-controlling interests in subsidiaries to senior managers. The business purpose of the loans payable is to finance purchases of non-controlling interests. The loan amounts are measured based on the formula price of the underlying non-controlling interests, and interest rates are determined based on the Company's cost of borrowing plus a spread. The loans have terms of 1 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, of which are authorized an unlimited number of Preferred Shares, 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 34,571,488 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares. In addition, as at the date hereof 1,591,600 Subordinate Voting Shares are issuable upon exercise of options granted under the Company's stock option plan.

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, 2013 (the "Evaluation Date"). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the Evaluation Date, 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 eleven individually insignificant entities acquired by the Company during the last fiscal period from our assessment of internal control over financial reporting as at December 31, 2013. The total assets and total revenues of the eleven majority-owned entities represent 2.5% and 2.1%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2013.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2013, based on the criteria set forth in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2013, 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, 2013, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report dated February 24, 2014 which accompanies the Company's audited consolidated financial statements for the year ended December 31, 2013.

Changes in internal control over financial reporting
During the year ended December 31, 2013, 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.

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.

Forward-looking statements
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, 2013, which is included in the Company's Annual Report on Form 40-F:

- Economic conditions, especially as they relate to credit conditions and consumer spending.
- Commercial real estate property values, vacancy rates and general conditions of financial liquidity for real estate transactions.
- 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.
- Competition in the markets served by the Company.
- 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, Australian dollar, UK pound and Euro denominated revenues and expenses.
- Our ability to make acquisitions at reasonable prices and successfully integrate acquired operations.
- Political conditions, including any outbreak or escalation of terrorism or hostilities and the impact thereof on our business.
- Changes in government policies at the federal, state/provincial or local level that may adversely impact our businesses.

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. We disclaim any intention and assume no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

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, 2013 of FirstService Corporation of our report dated February 24, 2014, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting which appears in Exhibit 2 incorporated by reference in this Annual Report.

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

Toronto, Canada
February 24, 2014

EXHIBIT 31

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

I, Jay S. Hennick, 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 cause 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 general 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 24, 2014

/s/ Jay S. Hennick
Jay S. Hennick
Chief Executive Officer

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

I, John B. Friedrichsen, 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 cause 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 general 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 24, 2014

/s/ John B. Friedrichsen
John B. Friedrichsen
Senior Vice President and 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, 2013 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, Jay S. Hennick, 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 24, 2014

/s/ Jay S. Hennick
Jay S. Hennick
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, 2013 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, John B. Friedrichsen, Senior Vice President and 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 24, 2014

/s/ John B. Friedrichsen
John B. Friedrichsen
Senior Vice President and Chief Financial Officer