EQUITY FINANCIAL HOLDINGS INC.

CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements for Equity Financial Holdings Inc. ("EQI" or "the Corporation") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Estimates and approximations have been made using careful judgment. Recognizing that the Corporation is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Equity Financial Holdings Inc.

We have audited the accompanying consolidated financial statements of Equity Financial Holdings Inc., which comprise the consolidated balance sheet as at December 31, 2013, and the consolidated statement of operations and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Equity Financial Holdings Inc. as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements of Equity Financial Holdings Inc. for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on February 12, 2013.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 30, 2014

EQUITY FINANCIAL HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS

($000s Canadian dollars)	As at December 31, **2013**		2012	
Assets				
Cash and cash equivalents	**$**	**43,376**	$	34,429
Mortgages receivable (Note 6)		**394,812**		198,147
Assets held for sale (Note 12)		**-**		13,305
Current income taxes receivable		**211**		598
Deferred tax assets (Note 13)		**221**		261
Other assets (Note 8)		**512**		610
Property, plant and equipment (Note 10)		**745**		916
Intangibles (Note 11)		**2,616**		3,176
	$	**442,493**	$	251,442
Liabilities and Shareholders' Equity				
Liabilities				
Customer deposits (Note 7)	**$**	**332,437**	$	192,757
Liabilities held for sale (Note 12)		**-**		1,965
Current income taxes payable		**7,287**		-
Deferred tax liabilities (Note 13)		**745**		685
Other liabilities (Note 9)		**5,914**		3,768
		346,383		199,175
Shareholders' Equity				
Share capital (Note 14)		**31,735**		29,549
Contributed surplus		**1,778**		1,903
Retained earnings		**62,597**		20,815
		96,110		52,267
	$	**442,493**	$	251,442

Approved on Behalf of the Board of Directors

/signed/ - Michael R. Jones
Director

/signed/ - Brad R. Kipp
Director

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

EQUITY FINANCIAL HOLDINGS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

($000s Canadian dollars, except share and per share amounts)	For the years ended December 31, 2013	2012
Interest income	$ 15,891	$ 7,724
Interest expense	(5,563)	(3,027)
Net interest income	10,328	4,697
Provision for credit losses (Note 6)	(692)	(396)
Net interest income, net of provision	9,636	4,301
Other income	998	357
Net interest income and other income, net of provision	10,634	4,658
Non interest expenses		
Staffing costs	5,245	3,813
Other operating expenses	5,724	3,471
Total non interest expenses	10,969	7,284
Gain on sale of wholly owned subsidiary	-	43
Loss before income taxes from continuing operations	(335)	(2,583)
Income tax expense (recovery) (Note 13)		
Current	(49)	(739)
Deferred	41	114
	(8)	(625)
Net loss from continuing operations	(327)	(1,958)
Discontinued operations (Note 12)		
Net earnings from discontinued operations	42,109	2,492
Net income and comprehensive income	$ 41,782	$ 534
Basic loss per share from continuing operations	(0.04)	(0.21)
Basic earnings per share from discontinued operations	4.56	0.27
Basic earnings per share (Note 16)	$ 4.52	$ 0.06
Diluted loss per share from continuing operations	(0.04)	(0.21)
Diluted earnings per share from discontinued operations	4.51	0.27
Diluted earnings per share (Note 16)	$ 4.47	$ 0.06
Weighted average number of common shares outstanding (Note 16)		
Basic	9,238,085	9,131,125
Diluted	9,338,463	9,195,404

EQUITY FINANCIAL HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2013 and 2012

($000s Canadian dollars, except share amounts)	Share Capital Shares	Share Capital Amount	Contributed Surplus	Retained Earnings	Total Equity
Balance December 31, 2011	8,973,926	$ 27,900	$ 1,817	$ 20,281	$ 49,998
Exercise of stock options (Notes 14 and 15)	181,081	1,649	(396)	-	1,253
Net earnings	-	-	-	534	534
Share-based payment expense	-	-	482	-	482
Balance December 31, 2012	9,155,007	$ 29,549	$ 1,903	$ 20,815	$ 52,267
Balance December 31, 2012	9,155,007	$ 29,549	$ 1,903	$ 20,815	$ 52,267
Exercise of stock options (Notes 14 and 15)	190,833	2,186	(600)	-	1,586
Net earnings	-	-	-	41,782	41,782
Share-based payment expense	-	-	475	-	475
Balance December 31, 2013	9,345,840	**$ 31,735**	**$ 1,778**	**$ 62,597**	**$ 96,110**

EQUITY FINANCIAL HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

($000s Canadian dollars)		For the years ended December 31, 2013		2012
Operating Activities				
Net earnings for the year	**$**	**41,782**	$	534
Adjustments to determine cash flows relating to operating activities				
Depreciation of property, plant and equipment		**258**		381
Amortization of intangible assets		**582**		660
Impairment losses on asset write-downs		**267**		-
Gain on sale of wholly owned subsidiary		**-**		(38)
Gain on disposal of discontinued operations, net of tax (Note 12)		**(43,850)**		-
Share-based payments		**475**		482
Provision for credit losses		**692**		396
Net change in derivative assets and liabilities		**17**		157
Income tax expense (recovery)		**(582)**		340
Income tax recovered (paid)		**33**		(3,383)
Increase in mortgages receivable		**(197,357)**		(113,763)
Increase in customer deposits		**139,680**		125,894
Decrease (increase) in other assets		**606**		(294)
Increase (decrease) in other liabilities		**1,024**		(2,016)
Cash flows provided by (used in) operating activities		**(56,373)**		9,350
Financing Activities				
Shares issued pursuant to stock options exercised		**1,586**		1,253
Cash flows provided by financing activities		**1,586**		1,253
Investing Activities				
Proceeds from sale of discontinued operations (Note 12)		**64,000**		-
Net proceeds from sale of wholly owned subsidiary		**-**		77
Additions to property, plant and equipment		**(96)**		(830)
Additions to intangible assets		**(170)**		(989)
Cash flows provided by (used in) investing activities		**63,734**		(1,742)
Net increase in cash and cash equivalents during the year		**8,947**		8,861
Cash and cash equivalents at the beginning of the year		**34,429**		25,568
Cash and cash equivalents at the end of the year	**$**	**43,376**	$	34,429
Supplementary Disclosure of Cash Flow Information				
Cash interest received	**$**	**14,269**	$	7,095
Cash interest paid		**3,711**		1,076

1. Nature of operations

Equity Financial Holdings Inc. ("EQI" or the "Corporation") is a Canadian financial services company, traded on the Toronto Stock Exchange under the stock symbol EQI. Through its federally regulated and wholly owned subsidiary, Equity Financial Trust Company ("EFT"), the Corporation offers alternative residential mortgage loans funded through the issuance of retail deposits. The Corporation is incorporated and domiciled in Canada with its registered office located at 200 University Avenue, Suite 400, Toronto, Ontario.

On April 5, 2013, the Corporation closed the sale transaction for its transfer agent and corporate trust operations, including corporate trust foreign exchange services (the "Transaction", see Note 12) and during the second quarter of 2013 also completed the wind-down of the core foreign exchange operations of Equity Financial FX Inc. ("EFX"). The Corporation is now positioned to focus on its growing residential mortgage lending and deposit-taking business.

2. Summary of significant accounting policies

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on the cost basis except for the following balance sheet items:

- derivative assets and liabilities are measured at fair value; and
- liabilities for cash-settled share-based payment arrangements are measured at fair value

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been consistently applied to all the years presented, unless otherwise stated.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on March 28, 2014.

(b) Principles of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Corporation and its subsidiaries, after the elimination of intercompany transactions.

Subsidiaries are entities controlled by the Corporation. The Corporation has control when it has the power over the entity, has exposure or rights to variable returns from its involvement and has the ability to use its power over the entity to affect returns. The subsidiaries included in the consolidated financial statements are EFT and EFX.

(c) Critical accounting judgments, estimates and assumptions

To prepare consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated based on historical experience and other factors, which are described further in subsequent notes, including expectations of future events that are believed to be reasonable under the current circumstances.

2. Summary of significant accounting policies (continued)

Information about assumptions and estimation uncertainties that could have a significant impact on the consolidated financial statements are included in the following notes:

- 2(h) Allowance for credit losses on mortgages receivable
- 2(j) Intangible assets
- Note 5(b) Fair value of financial instruments
- Note 19 Contingent liability

(d) Foreign currency translation

Foreign currency transactions are translated into the functional currency, Canadian dollars, using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from retranslating and settling these items are recognized in income or loss on the consolidated statements of operations and comprehensive income.

(e) Financial instruments

(i) Recognition and classification of financial assets and financial liabilities

Financial assets
All financial assets are recognized on the trade date, where their purchase or sale are under a contract whose terms require delivering the financial asset within the timeframe established by the market concerned. The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Corporation classifies financial assets either as ‘at fair value through profit or loss’ (FVTPL), which includes derivative assets or as ‘loans and receivables’, which includes mortgages receivable.

Financial assets classified as FVTPL are stated at fair value, recognizing in earnings or loss any gains or losses arising on re-measurement. Derivative instruments with a positive fair value are recognized as financial assets within Other assets on the consolidated balance sheet.

Loans and receivables are financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any transaction costs and subsequently they are measured at amortized cost using the effective interest method, less any allowance for credit losses.

Financial liabilities
Customer deposits are measured at amortized cost using the effective interest method, recognizing interest expense on an effective yield basis.

Derivative liabilities are classified as ‘FVTPL’ and are stated at fair value within Other liabilities on the consolidated balance sheet. Any gains or losses arising on their re-measurement are recognized in earnings or loss.

2. Summary of significant accounting policies (continued)

(ii) Financing costs

Costs directly incurred in the course of raising equity financing are netted against the proceeds of the equity raised. Any equity financing costs incurred for which the Corporation has not realized proceeds are deferred and charged against the equity financing raised at the time the proceeds are received.

Costs directly incurred in the course of raising debt financing are capitalized as deferred financing costs and netted against the form of debt raised. These costs are then amortized over the life of the debt instrument to which they pertain using the effective interest method. Any deferred financing costs related to the raising of debt, which is extinguished or for which efforts are subsequently abandoned, are expensed in the period in which the debt is extinguished or efforts for the raising of debt are abandoned.

(iii) Determination of fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the principal market or most advantageous market that is accessible to the Corporation for the asset or liability.

Subsequent to initial recognition, financial instruments classified as FVTPL are re-measured using quoted market prices from active markets or, where quoted market prices are not available, using fair value estimates determined using valuation methods which refer to observable market data.

(iv) Impairment

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period or more frequently if required. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initially recognizing the financial asset, the present value of estimated future cash flows are lower than the asset's carrying amount. The financial asset's carrying amount is reduced by the impairment loss either directly, or in the case when a trade receivable or a mortgage receivable is considered uncollectible, it is written off against an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in income or loss.

(v) Risks associated with financial instruments

The use of financial instruments exposes the Corporation to credit risk, foreign exchange rate risk, liquidity risk and interest rate risk. Elements of these risks and how the Corporation manages them are outlined in detail in Note 5 and pages 29 to 31 of the Corporations' 2013 Annual Management Discussion and Analysis.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposits held at banks.

(g) Mortgages receivable

Mortgages receivable are recorded at amortized cost plus accrued interest, net of unamortized broker fees, deferred commitment fees and an allowance for credit losses. Net fees relating to mortgage origination are amortized to earnings on an effective interest basis over the term of the mortgages to which they relate. The effective interest rate is the rate that exactly discounts estimated future cash receipts over the expected life of the loan.

2. Summary of significant accounting policies (continued)

Interest income is accrued as earned with the passage of time and continues to accrue when a loan is considered impaired (with an appropriate allowance for credit loss as discussed below).

The Corporation classifies a mortgage receivable as impaired when, in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest. As a matter of practice, unless collection efforts are reasonably expected to result in repayment, mortgages are deemed to be impaired when they have been in arrears for 90 days or more. An exception may be made where the Corporation determines that the mortgage is well secured and in the process of collection, and the collection efforts are reasonably expected to result in either full repayment of the mortgage or restoring it to a performing status.

When loans are classified as impaired, the book value of such loans is adjusted to their estimated realizable value based on the fair value of any security underlying the loans, net of any costs of realization, by establishing an allowance for loan losses as described below.

An impaired loan is not returned to a performing status unless all principal and interest payments are up to date, and management is reasonably assured of the recoverability of the loan.

(h) Allowance for credit losses on mortgages receivable

An allowance for credit losses is maintained at an amount that, in management's opinion, is considered adequate to absorb all credit-related losses that have occurred in the portfolio, whether or not detected at the period end. Allowance for credit losses on mortgage assets consists of both individually and collectively assessed allowances. The adequacy of the allowance for credit losses is reviewed at least quarterly. Losses expected from future events are not recognized. The allowance for credit losses is deducted from mortgages receivable on the consolidated balance sheets.

(i) Individual allowances

Individual allowances are determined on an item-by-item basis and reflect the associated estimate of credit loss. At the end of each reporting period, the Corporation first assesses whether objective evidence of impairment exists individually for mortgage assets. Individual allowances are set up for mortgages where payment is contractually past due 90 days unless management is reasonably assured as to the recoverability of principal and interest. The individual allowance is measured as the difference between the mortgage's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The calculation of the present value of the estimated future cash flows of the mortgage reflects the cash flows that may result from power of sale or foreclosure less costs for obtaining and selling the property underlying the mortgage.

(ii) Collective allowances

Collective allowances are established to absorb credit losses on the aggregate exposures in the Corporation's loan portfolio for which losses have been incurred but not yet individually reported or identified. If an individual allowance is not required for a particular mortgage, the Corporation includes the mortgage in a group of mortgage assets with similar credit risk characteristics and collectively assesses them for impairment. Management's assessment process considers industry peer group experience and other relevant factors including economic conditions, security and mortgage type, geographical exposure and loan to value ratios.

The provision for credit losses charged to income and loss is the change in the allowance for credit losses to absorb credit-related losses in the loan portfolio.

2. Summary of significant accounting policies (continued)

(iii) Impairment

Impairment loss is reflected in the consolidated statements of operations and comprehensive income in the year in which the impairment is recognized. In subsequent periods, recoveries of amounts previously written off and any increase in the carrying value of the mortgage are credited to the allowance for credit losses on the consolidated balance sheets.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The Corporation recognizes depreciation to write off the cost of assets less their residual values over their estimated useful lives, using the following methods and rates:

Furniture	20% declining balance basis
Computer equipment	30% declining balance basis
Computer infrastructure	Straight line over 7 years
Leasehold improvements	Straight line over term of lease

The Corporation reviews the estimated useful lives, residual values and depreciation methods at each year end, accounting for the effect of any changes in estimate on a prospective basis.

The gain or loss arising on disposing of or retiring an item of property, plant and equipment is determined as the difference between the sales proceeds and the asset's carrying amount and is recognized in income or loss.

(j) Intangible assets

Acquired intangible assets
The Corporation's acquired intangible assets consist of computer software and a federal trust license.

Intangible assets include costs incurred to amend the trust license to allow EFT to become a deposit taking institution ("DTI"). The trust license granted to EFT under the federal Trust and Loans Companies Act does not expire and is therefore considered to have an indefinite life. It is carried at cost and is not amortized, however it is tested for impairment on an annual basis.

Computer software is carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives of 2 and 5 years respectively. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, accounting for the effect of any changes in estimate on a prospective basis.

Internally generated intangible assets
The Corporation's internally generated intangible assets consist of computer software. The Corporation recognizes expenditure on research activities as an expense in the period in which it is incurred. The Corporation recognizes an internally generated intangible asset arising from development (or from the development phase of an internal project).

The amount initially recognized for internally generated intangible assets is the sum of the eligible expenditures incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, the development expenditures are recognized in income or loss in the period in which it is incurred.

2. Summary of significant accounting policies (continued)

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and impairment losses, on the same basis as acquired definite life intangible assets. The internally generated computer software is amortized on a straight-line basis over its estimated useful life of 2 and 5 years.

(k) Asset impairment

The Corporation assesses, at each reporting date, whether there is an indication that an intangible asset may be impaired. The trust license is reviewed for impairment at least annually. If any indication of impairment exists, the Corporation performs an impairment test to determine whether an impairment loss is required to be recognized.

If any indication exists, the Corporation estimates the asset's recoverable amount to determine the extent of the impairment loss, if any. Where it is not possible to estimate a specific asset's recoverable amount, the Corporation estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value in use, where value in use is the present value of the future cash flows expected to be derived from the assets of the CGU. Where the carrying amount of the asset or the CGU exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. The impairment loss is immediately recognized in income or loss.

Where an impairment loss subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have been determined if no impairment loss had been recognized in prior years. A reversal of an impairment loss is recognized immediately in income or loss.

(l) Customer deposits

Customer deposits are comprised of guaranteed investment certificates ("GICs") issued to depositors. Deposits are recorded on the consolidated balance sheets at amortized cost using the effective interest method. Deferred deposit agent commissions are accounted for as a component of customer deposits and amortized to the interest expense over the term of the deposit using the effective interest rate method.

(m) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable earnings for the year. Taxable earnings differ from earnings as reported in the consolidated statements of operations and comprehensive income because of items of income or expense taxable or deductible in other years and items that are never taxable or deductible. The Corporation calculates its liability for current tax using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in computing taxable earnings. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable earnings will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable earnings nor the accounting earnings.

2. Summary of significant accounting policies (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable there will be sufficient taxable earnings against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, if necessary, reduced to the amount expected to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in income or loss, except when they relate to items recognized outside income or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside income or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

(n) Earnings per share

Basic earnings per share is computed by dividing the earnings for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted earnings per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of options, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options. Diluted earnings per share exclude all dilutive potential common shares if their effect is anti-dilutive.

(o) Share-based payments

(i) Stock options

Fair value is determined on the grant date of the stock option and is recognized as an expense over the vesting period, with a corresponding increase to contributed surplus based on the Corporation's estimate of the number of options expected to vest. When stock options are exercised, the proceeds received by the Corporation, together with any related amount recorded in contributed surplus, are credited to share capital.

2. Summary of significant accounting policies (continued)

(ii) Deferred share units

The fair value of the amount payable to directors in respect of deferred share units, which are settled in cash, is recognized as an expense in income or loss with a corresponding increase in liabilities, over the period that the non-employee director becomes unconditionally entitled to payment. The liability is re-measured at each reporting date and at the settlement date based on the fair value of the deferred share units. Any changes in the liability are recognized in other operating expenses in income or loss.

(iii) Employee share purchase plan contributions

The Corporation's contributions under the plan on behalf of employees are included in staffing costs.

(p) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and that the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

(i) Interest income or expense

Interest income includes interest income earned on mortgages receivable and interest earned on bank deposit balances. Interest expense is the cost of issuing customer deposits.

Interest income or expense for all interest-bearing financial instruments are recognized within interest income and interest expense in the consolidated statements of operations and comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability by allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Corporation estimates cash flows by considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(ii) Other income

Other income includes annual maintenance fees and renewal fees, NSF fees, discharge fees, legal fees, and other miscellaneous fees associated with mortgage loans.

Other income is accrued and recognized as income when the associated services are rendered.

(q) Leases

The Corporation recognizes operating lease payments as an expense on a straight-line basis over the lease term. Lease incentives received to enter into operating leases are recognized initially as a liability and then as a reduction of rental expense on a straight-line basis over the lease term.

2. Summary of significant accounting policies (continued)

(r) Assets held for sale and discontinued operations

(i) Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continued use.

This condition is satisfied when the asset is available for immediate sale in its present condition, management is committed to the sale, it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn, an active programme to locate a buyer has been initiated, the asset or disposal group is being marketed at a reasonable price in relation to its fair value and a sale is highly probable to occur within one year. Generally non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell except for financial assets and deferred tax assets and liabilities which continue to be measured in accordance with the Corporation's other accounting policies.

Following their classification as held for sale, non-current assets including those in a disposal group, are no longer amortized or depreciated.

(ii) Discontinued operations

A discontinued operation is a component of the Corporation's business, the operations and cash flows of which can be clearly distinguished from the rest of the Corporation and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resell.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

When an operation is classified as a discontinued operation, the Corporation's comparative consolidated statement of operations and comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

3. Current and future changes in accounting policies

(a) Current changes in accounting policy

IFRS 7 Revised – Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities

Amendments to IFRS 7, Offsetting Financial Assets and Financial Liabilities, introduced new disclosure requirements for financial instruments relating to their rights of offset and related arrangements. The adoption of these amendments did not have a significant impact on the Corporation's consolidated financial statements.

3. Current and future changes in accounting policies (continued)

IFRS 10 – Consolidated Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of the previously existing IAS 27, *Consolidated and Separate Financial Statements*, that dealt with consolidated financial statements and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. The adoption of IFRS 10 resulted in no impact to the consolidated financial statements.

IFRS 13 – Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. Additionally, the standard requires disclosures of fair value for both financial and non-financial assets and liabilities measured at, or based on, fair value and for items not measured at fair value but for which fair value is disclosed. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Corporation. IFRS 13 also requires specific disclosures on fair values.

(b) Future change in accounting policy

Certain new standards, interpretations and amendments to existing standards have been published by the IASB and the International Financial Reporting Interpretations Committees ("IFRIC") that are applicable to accounting periods beginning on or after January 1, 2014. Those which are considered to be relevant to the Corporation's operations are as follows:

IFRS 9 – Financial Instruments

IFRS 9 reflects the IASB's work on replacement of IAS 39 – Financial Instruments: Recognition and Measurement and will be completed and implemented in three separate phases: 1) Classification and measurement of financial assets and liabilities; 2) Impairment methodology; and 3) Hedge accounting. In February 2014, while finalizing redeliberations on the impairment project and limited amendments to classification and measurement requirements, the IASB tentatively decided to require an entity to apply IFRS for annual periods beginning on or after January 1, 2018. The Corporation has not yet determined the impact of IFRS 9 on its consolidated financial statements.

4. Capital management

The Corporation's managed capital is comprised of shareholders' equity, which totalled $96,110 at December 31, 2013 (December 31, 2012 – $52,267). Senior management is responsible for managing the Corporation's capital and the main objectives are to ensure the longevity of its capital to support continued operations and to maintain shareholders return on equity. To achieve these objectives, the Corporation manages capital to meet the regulatory requirements of its subsidiary, EFT, to ensure sufficient resources are available to meet day to day operating requirements, to allow it to enhance existing and develop new systems, to have the financial ability to expand the scope of its operations and services and to be able to take advantage of merger and acquisition opportunities that arise. EFT is subject to the regulatory capital requirements governed by the Office of the Superintendent of Financial Institutions of Canada ("OSFI").

4. Capital management (continued)

EFT's Capital Management Policy governs the quantity and quality of its capital, ensuring it meets minimum regulatory capital requirements, is consistent with the Corporation's risk appetite framework, and supports our business plans. Management's internal capital adequacy assessment process ("ICAAP") is integral to our capital planning activities and incorporates a stress testing program that evaluates the impact potential scenarios have on income and capital. Regulatory capital requirements addressed by the policy include the Assets to Capital Multiple ("ACM") and risk based capital ratios (Common Equity Tier 1 ("CET 1"), Tier 1 and Total Capital).

Regulatory capital and capital ratios calculations are based on the Capital Adequacy Requirements Guidelines issued by OSFI. The guidelines are based on *Basel III: A global regulatory framework for more resilient banks and banking systems – A Revised Framework* ("Basel III"), which EFT adopted effective January 1, 2013. Under Basel III, capital is calculated two ways during the transitional period ending January 1, 2018. To measure compliance with minimum risk based capital ratio requirements, capital is calculated on the all-in basis, which includes all applicable deductions immediately. As at December 31, 2013, EFT held CET 1 on an "all-in" basis of $84,755 compared to $35,001 at December 31, 2012. The increase primarily reflects the gain from the disposition of the transfer agent and corporate trust services business net of the related disposition of goodwill. ACM is evaluated using capital calculated on the transitional basis, which introduces certain capital deductions on a graduated basis during the transitional period. For the purpose of calculating the ACM, CET 1 capital on the transitional basis as at December 31, 2013 was $86,591. Capital measures for 2012 are reported under Basel II and have not been restated to reflect Basel III measures. EFT's regulatory capital and capital ratios are outlined in the table below.

	December 31, 2013		December 31, 2012
Common Equity Tier 1 capital: instruments and reserves	**All-in**	**Transitional**	Basel II
Directly issued qualifying common share capital plus related stock surplus	**31,606**	**31,606**	31,606
Retained earnings	**54,985**	**54,985**	7,651
Common Equity Tier 1 capital before regulatory adjustments	**86,591**	**86,591**	39,257
Common Equity Tier 1 capital: regulatory adjustments			
Total regulatory adjustments to Common Equity Tier 1	**(1,836)**	**-**	(4,256)
Common Equity Tier 1 capital (CET1)	**84,755**	**86,591**	N/A
Tier 1 capital	**84,755**	**86,591**	35,001
Total capital	**84,755**	**86,591**	35,001
Total risk-weighted assets	**158,327**	**160,163**	121,799
Capital ratios			
Common Equity Tier 1 (as percentage of risk-weighted assets)	**53.5%**	**54.1%**	N/A
Tier 1 (as percentage of risk-weighted assets)	**53.5%**	**54.1%**	28.7%
Total capital (as percentage of risk-weighted assets)	**53.5%**	**54.1%**	28.7%
Assets-to-Capital Multiple		**5.00**	6.64
OSFI all-in target			
Common Equity Tier 1 capital all-in target ratio	**7.0%**	**N/A**	N/A
Tier 1 capital all-in target ratio	**8.5%**	**N/A**	N/A
Total capital all-in target ratio	**10.5%**	**N/A**	N/A

5. Financial instruments

(a) Risks associated with financial instruments

The Corporation, similar to other financial institutions, is exposed to risks related to general economic conditions, operational errors, reliance on third party agents and outsourcing, competition, stock market volatility and government regulation, many of which are beyond the Corporation's direct control. The use of financial instruments exposes the Corporation to credit risk, liquidity risk and interest rate risk. A discussion of the Corporation's risk exposures and how it manages those risks can be found on pages 29 to 31 of the Corporation's 2013 Annual Management Discussion and Analysis.

(i) Interest rate sensitivity

The Corporation's exposure to interest rate risk results from the difference between the maturity of interest rate sensitive assets and liabilities. The following table shows the gap positions at December 31, 2013 and December 31, 2012 based on contractual maturities. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

As at December 31, 2013	Floating Rate	Less than 1 year	1 to 2 Years	Greater than 2 years	Non-interest Sensitive	Total
Assets:						
Cash and cash equivalents	$ 43,376	$ -	$ -	$ -	$ -	$ 43,376
Effective interest rate	1.30%	-	-	-	-	1.30%
Mortgages receivable	-	280,613	95,080	19,119	-	394,812
Effective interest rate	-	5.31%	5.34%	5.17%	-	5.31%
Other assets	-	-	-	-	4,305	4,305
Total assets	$ 43,376	$ 280,613	$ 95,080	$ 19,119	$ 4,305	$ 442,493
Liabilities:						
Customer deposits	$ -	$ 247,666	$ 62,743	$ 22,028	$ -	$ 332,437
Effective interest rate	-	2.17%	2.32%	2.62%	-	2.23%
Other liabilities	-	-	-	-	13,946	13,946
Shareholders' equity	-	-	-	-	96,110	96,110
Total liabilities and shareholders' equity	$ -	$ 247,666	$ 62,743	$ 22,028	$ 110,056	$ 442,493
Interest rate sensitivity gap	$ 43,376	$ 32,947	$ 32,337	$ (2,909)	$ (105,751)	$ -
Cumulative gap	$ 43,376	$ 76,323	$ 108,660	$ 105,751	$ -	$ -
Cumulative gap as a percentage of total assets	9.8%	17.2%	24.6%	23.9%	-	-

5. Financial instruments (continued)

As at December 31, 2012	Floating Rate	Less than 1 year	1 to 2 Years	Greater than 2 years	Non-interest Sensitive	Total
Assets:						
Cash and cash equivalents	$ 34,429	$ -	$ -	$ -	$ -	$ 34,429
Effective interest rate	1.30%		-	-	-	1.30%
Mortgages receivable	-	145,774	41,986	10,387	-	$ 198,147
Effective interest rate	-	5.38%	5.22%	5.25%	-	5.34%
Other assets	-	-	-	-	5,561	5,561
Assets held for sale	-	-	-	-	13,305	13,305
Total assets	$ 34,429	$ 145,774	$ 41,986	$ 10,387	$ 18,866	$ 251,442
Liabilities:						
Customer deposits	$ -	$ 162,732	$ 22,687	$ 7,338	$ -	$ 192,757
Effective interest rate	-	2.19%	2.52%	2.58%	-	2.24%
Other liabilities	-	-	-	-	4,453	4,453
Liabilities held for sale	-	-	-	-	1,965	1,965
Shareholders' equity	-	-	-	-	52,267	52,267
Total liabilities and shareholders' equity	$ -	$ 162,732	$ 22,687	$ 7,338	$ 58,685	$ 251,442
Interest rate sensitivity gap	$ 34,429	$ (16,958)	$ 19,299	$ 3,049	$ (39,819)	$ -
Cumulative gap	$ 34,429	$ 17,471	$ 36,770	$ 39,819	$ -	$ -
Cumulative gap as a percentage of total assets	13.7%	6.9%	14.6%	15.8%	-	-

Based on the current interest rate gap position at December 31, 2013, the Corporation estimates that a 100 basis point decrease in interest rates would decrease net interest income over the next 12 months by $440 (2012 – $157 decrease). A 100 basis point increase in interest rates would increase net interest income over the next 12 months by $458 (2012 – $221 increase).

(b) Fair value of financial instruments

Valuation methods and assumptions used to estimate fair values of financial instruments:

(i) Mortgages receivable

The disclosed fair value of mortgages receivable is determined by discounting the expected future cash flows of the mortgages at market rates for mortgages with similar terms and credit risks.

(ii) Customer deposits

The disclosed fair value of customer deposits is determined by discounting the contractual cash flows using the current market interest rates for deposits with similar terms and risks.

(iii) Foreign exchange contracts

The estimated fair value of foreign exchange derivative contracts is determined based on a market approach using observable inputs being foreign exchange rates derived from third-party pricing services.

The following table presents the carrying value of each category of financial assets and liabilities and their estimated fair values. The table does not include assets and liabilities that are not considered financial instruments.

5. Financial instruments (continued)

December 31, 2013		**Fair value through profit or loss**		**Loans and receivables/ financial liabilities at cost or amortized cost**		**Carrying Value**		**Fair Value**		**Fair Value Over (Under) Carrying Value**
Financial assets:										
Mortgages receivable		**-**		**394,812**		**394,812**		**396,028**		**1,216**
Total financial assets	**$**	**-**	**$**	**394,812**	**$**	**394,812**	**$**	**396,028**	**$**	**1,216**
Financial liabilities:										
Customer deposits		**-**		**332,437**		**332,437**		**336,131**		**3,694**
Total financial liabilities	**$**	**-**	**$**	**332,437**	**$**	**332,437**	**$**	**336,131**	**$**	**3,694**

December 31, 2012		Fair value through profit or loss		Loans and receivables/ financial liabilities at cost or amortized cost		Carrying Value		Fair Value		Fair Value Over (Under) Carrying Value
Financial assets:										
Mortgages receivable		-		198,147		198,147		198,486		339
Derivative assets		275		-		275		275		-
Total financial assets	$	275	$	198,147	$	198,422	$	198,761	$	339
Financial liabilities:										
Customer deposits		-		192,757		192,757		193,074		317
Derivative liabilities		258		-		258		258		-
Total financial liabilities	$	258	$	192,757	$	193,015	$	193,332	$	317

(c) Fair value hierarchy

The Corporation categorizes its financial assets and liabilities into one of three hierarchy levels as described below:

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

The following table presents the fair value of financial instruments across the levels of the fair value hierarchy.

5. Financial instruments (continued)

December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:				
Mortgages receivable	**-**	**-**	**396,028**	**396,028**
Total financial assets	**$ -**	**$ -**	**$ 396,028**	**$ 396,028**
Financial liabilities:				
Customer deposits	**-**	**-**	**336,131**	**336,131**
Total financial liabilities	**$ -**	**$ -**	**$ 336,131**	**$ 336,131**

December 31, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Mortgages receivable	-	-	198,486	198,486
Derivative assets	-	275	-	275
Total financial assets	$ -	$ 275	$ 198,486	$ 198,761
Financial liabilities:				
Customer deposits	-	-	193,074	193,074
Derivative liabilities	-	258	-	258
Total financial liabilities	$ -	$ 258	$ 193,074	$ 193,332

There were no transfers into or out of any of the three levels during the current or prior period.

6. Mortgages receivable

(a) Mortgages receivable

		Allowance for credit losses			**December 31, 2013**
	Gross amount	**Individual**	**Collective**	**Total**	**Net amount**
Mortgages	**$ 395,383**	**$ -**	**$ 1,386**	**$ 1,386**	**$ 393,997**
Accrued interest	**815**	**-**	**-**	**-**	**815**
	$ 396,198	**$ -**	**$ 1,386**	**$ 1,386**	**$ 394,812**

		Allowance for credit losses			December 31, 2012
	Gross amount	Individual	Collective	Total	Net amount
Mortgages	$ 198,413	$ -	$ 694	$ 694	$ 197,719
Accrued interest	428	-	-	-	428
	$ 198,841	$ -	$ 694	$ 694	$ 198,147

The balance of mortgages receivable consists of uninsured loans for terms of one to five years for the purchase or refinancing of single-family homes in Ontario, located in the greater Toronto and surrounding area and greater Ottawa area.

6. Mortgages receivable (continued)

At December 31, 2013, the current portion of mortgages due within one year is $280,613 (December 31, 2012 – $145,774), the weighted average term to maturity of the portfolio is 0.9 years (December 31, 2012 – 0.9 years). The average effective interest rate of the portfolio as at December 31, 2013 is 5.31% (December 31, 2012 – 5.34%)

The Corporation has outstanding commitments to make future advances on mortgage loans of $18.5 million at December 31, 2013 (December 31, 2012 – $14.7 million). Commitments for the loans remain open for various dates through April 2014.

(b) Allowance for credit losses

	For the year ended December 31, 2013			For the year ended December 31, 2012		
	Individual Allowance	**Collective Allowance**	**Total**	Individual Allowance	Collective Allowance	Total
Balance, beginning of year	**$ -**	**$ 694**	**$ 694**	$ -	$ 298	$ 298
Provision for credit losses	**-**	**692**	**692**	-	396	396
Realized losses	**-**	**-**	**-**	-	-	-
Recoveries	**-**	**-**	**-**	-	-	-
Balance, end of year	**$ -**	**$ 1,386**	**$ 1,386**	$ -	$ 694	$ 694

(c) Impaired and past due mortgages

The Corporation classifies a mortgage receivable as impaired when, in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest. As a matter of practice, unless collection efforts are reasonably expected to result in repayment, mortgages are deemed to be impaired when they have been in arrears for 90 days or more. An exception may be made where the Corporation determines that the mortgage is well secured and in the process of collection, and the collection efforts are reasonably expected to result in either full repayment of the mortgage or restoring it to its performing status.

As at December 31, 2013 and 2012, there were no impaired mortgages.

A loan is considered past due when a borrower has not made a payment by the contractual due date. The following table presents the carrying value of mortgages that are past due but not classified as impaired because either they are less than 90 days past due, collection efforts are reasonably expected to result in repayment, or they have been restored to a performing status in accordance with the Corporation's policy since the consolidated balance sheet dates.

	December 31, 2013	December 31, 2012
1 to 30 days	**$ 20,162**	$ 8,954
31 to 60 days	**3,013**	815
61 to 90 days	**949**	107
Over 90 days	**1,616**	580
	$ 25,740	$ 10,456

7. Customer deposits

	December 31, 2013	December 31, 2012
Guaranteed Investment Certificates with fixed maturity dates	**$ 329,982**	$ 191,122
Accrued interest	**3,223**	1,984
Deferred deposit agent commissions	**(768)**	(349)
	$ 332,437	$ 192,757

7. Customer deposits (continued)

Customer deposits are comprised of Guaranteed Investment Certificates ("GICs") with fixed maturity dates over a period of thirty days to five years. At December 31, 2013, the current portion of customer deposits due within one year is $247,666 (December 31, 2012 – $162,732) and the average term to maturity is 0.9 years (December 31, 2012 – 0.7 years). The average effective interest rate as at December 31, 2013 is 2.23% (December 31, 2012 – 2.24%).

8. Other assets

	December 31, 2013	December 31, 2012
Accounts receivable	**$ 144**	$ -
Prepaids and other current assets	**368**	335
Derivative assets	**-**	275
	$ 512	$ 610

9. Other liabilities

	December 31, 2013	December 31, 2012
Accounts payable and accrued liabilities	**$ 4,417**	$ 2,224
Deferred share unit liability	**$ 1,022**	$ 442
Customer funds held	**-**	709
Deferred revenue	**475**	135
Derivative liabilities	**-**	258
	$ 5,914	$ 3,768

10. Property, plant and equipment

	Furniture	**Computer Equipment and Infrastructure**	**Leasehold Improvements**	**Total**
Opening cost, January 1, 2013	**$ 429**	**$ 900**	**$ 363**	**$ 1,692**
Additions	**8**	**79**	**-**	**87**
Closing cost at December 31, 2013	**$ 437**	**$ 979**	**$ 363**	**$ 1,779**
Opening accumulated amortization, January 1, 2013	**$ 232**	**$ 458**	**$ 86**	**$ 776**
Depreciation expense	**43**	**126**	**89**	**258**
Ending accumulated amortization	**$ 275**	**$ 584**	**$ 175**	**$ 1,034**
Net book value at December 31, 2013	**$ 162**	**$ 395**	**$ 188**	**$ 745**

	Furniture	**Computer Equipment and Infrastructure**	**Leasehold Improvements**	**Total**
Opening cost, January 1, 2012	$ 814	$ 1,327	$ 671	$ 2,812
Additions	204	206	420	830
Reclassified to assets held for sale (Note 15)	(589)	(633)	(728)	(1,950)
Closing cost at December 31, 2012	$ 429	$ 900	$ 363	$ 1,692
Opening accumulated amortization, January 1, 2012	$ 476	$ 647	$ 251	$ 1,374
Depreciation expense	87	194	100	381
Reclassified to assets held for sale (Note 15)	(331)	(383)	(265)	(979)
Ending accumulated amortization	$ 232	$ 458	$ 86	$ 776
Net book value at December 31, 2012	$ 197	$ 442	$ 277	$ 916

11. Intangible Assets

	Intangibles with indefinite life	Computer Software		Total
	License costs	Purchased (a)	Internally generated (b)	
Opening cost, January 1, 2013	$ 1,276	$ 2,434	$ 212	$ 3,922
Additions	-	133	37	170
Asset write off	-	(610)	(4)	(614)
Closing cost at December 31, 2013	$ 1,276	$ 1,957	$ 245	$ 3,478
Opening accumulated amortization, January 1, 2013	$ -	$ 723	$ 23	$ 746
Amortization expense	-	405	50	455
Amortization write off	-	(339)	-	(339)
Ending accumulated amortization	$ -	$ 789	$ 73	$ 862
Net book value at December 31, 2013	$ 1,276	$ 1,168	$ 172	$ 2,616

	Intangibles with definite life	Intangibles with indefinite life	Computer Software		Total
	Customer relationships	License costs	Purchased (a)	Internally generated (b)	
Opening cost, January 1, 2012	$ 1,830	$ 1,276	$ 2,874	$ 109	$ 6,089
Additions	-	-	818	171	989
Reclassified as assets held for sale (Note 12)	(1,830)	-	(1,258)	(68)	(3,156)
Closing cost at December 31, 2012	$ -	$ 1,276	$ 2,434	$ 212	$ 3,922
Opening accumulated amortization, January 1, 20'	$ 917	$ -	$ 1,169	$ 41	$ 2,126
Amortization expense	115	-	520	25	660
Reclassified as assets held for sale (Note 12)	(1,032)	-	(966)	(43)	(2,041)
Ending accumulated amortization	$ -	$ -	$ 723	$ 23	$ 746
Net book value at December 31, 2012	$ -	$ 1,276	$ 1,711	$ 189	$ 3,176

(a) During the year ended December 31, 2013, as a result of the wind-down of EFX, the Corporation wrote-off previously purchased foreign exchange trading software with remaining net book value of $264. As a result of the Transaction, the Corporation wrote-off purchased software related to discontinued operations with remaining net book value of $7.

(b) During the year ended December 31, 2013, as a result of the Transaction, the Corporation wrote-off internally generated software related to discontinued operations with remaining net book value of $4.

12. Discontinued operations

On April 5, 2013, the Corporation closed the Transaction and the results of the transfer agent and corporate trust operations (“TA and Trust business”) are presented as discontinued operations. As the core operations of EFX have been wound down, these operations have also been presented as discontinued operations. The two operations were previously presented in the Corporation’s consolidated financial statements under the Transfer Agent & Trust and Foreign Exchange operating segments, respectively.

The assets and liabilities classified as held for sale as at December 31, 2012 are no longer included in the consolidated balance sheet as at December 31, 2013 as a result of the closing of the Transaction.

The post-tax gain on sale of the discontinued operations was determined as follows:

12. Discontinued operations (continued)

Consideration received:		
Cash	$	64,000
Less: cost to sell		(618)
Net proceeds		63,382
Net assets disposed:		
Goodwill		8,788
Accounts receivable		1,308
Intangibles, net		992
Property, plant and equipment		971
Other assets		315
Accounts payable and accrued liabilities		(145)
Deferred revenue		(652)
		11,577
Pre-tax gain on sale of discontinued operations		51,805
Attributable tax expense		(7,955)
Gain on sale of discontinued operations, net of tax	$	43,850

The purchase price of $64,000 remains subject to a post-closing adjustment based on capital requirements of the transfer agent and corporate trust service business, which could result in a purchase price reduction of up to $1,000 or in further proceeds receivable. Management's best estimate of the fair value of this contingency at closing was $nil and this estimate remains unchanged as at December 31, 2013. As a result, no contingent purchase price adjustment is recorded in the consolidated financial statements. Over the life of the contingent consideration period, which could exist for a period of up to five years, management will continue to reevaluate the assumptions on a periodic basis as new information arises to determine if contingent consideration should be recorded, with the changes in the contingency included in the consolidated statement of operations and comprehensive income as part of discontinued operations.

As a result of the Transaction, EFT's client relationships related to the sold business are now managed by a third-party, including the administration of segregated funds. As at December 31, 2013, EFT remains the trustee of segregated funds in the amount of $136,678 (December 31, 2012 – $277,341), which are reported off-balance sheet.

The results of the discontinued operations are as follows:

	For the years ended December 31,			
Total discontinued operations – Statements of Operations and Comprehensive Income		**2013***		2012
Fees and margin revenue	**$**	**3,891**	$	18,837
Net interest income		**14**		106
Fees and margin revenue and net interest income		**3,905**		18,943
Staffing costs		**3,344**		7,653
Other operating expenses		**2,875**		7,828
Total non interest expenses		**6,219**		15,481
Loss on sale of wholly owned subsidiary		**-**		(5)
Operating earnings (loss) before income taxes from discontinued operations		**(2,314)**		3,457
Income tax expense (recovery)				
Current		**(474)**		908
Deferred		**(99)**		57
		(573)		965
Net earnings (loss) before gain on sale		**(1,741)**		2,492
Gain on sale of discontinued operations, net of tax		**43,850**		-
Net earnings from discontinued operations	**$**	**42,109**	$	2,492

** These figures represent the activity prior to the closing on April 5, 2013*

12. Discontinued operations (continued)

The operating loss from discontinued operations for the year ended December 31, 2013 of $2,314 is primarily the result of costs expensed in relation to the Transaction, including bonuses.

Total discontinued operations – Statements of Cash Flows		For the years ended December 31, 2013		2012
Cash used in operating activities	**$**	**(3,286)**	$	(386)
Cash provided by (used in) investing activities		**64,000**		(228)
Net change in cash	**$**	**60,714**	$	(614)

13. Income taxes

The Corporation computes an income tax provision in each of the jurisdictions in which it operates. The operations are subject to income tax rates of approximately 26.5% (December 31, 2012 – 26.0%). The following table reconciles the expected income tax provision at applicable Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive income:

		For the years ended December 31, **2013**		2012
Loss before income taxes from continuing operations	**$**	**(335)**	$	(2,583)
Income tax provision at statutory rate		**(89)**		(713)
Share based payment expense not deductible for tax purposes		**85**		76
Non deductible expenses for tax purposes		**4**		4
Other differences		**(8)**		8
Income tax recovery	**$**	**(8)**	$	(625)

The movements in the 2013 deferred tax liabilities and assets are:

		Opening Balance at January 1, 2013		Recognized in Net Earnings		**Closing Balance at December 31, 2013**
Deferred tax liabilities						
Property, plant and equipment	$	466	$	(44)	**$**	**422**
License costs		320		3		**323**
Deferred tax liabilities	$	786		(41)	**$**	**745**
Deferred tax assets						
Deferred acquisition, financing and share issuance costs	$	218	$	(67)	**$**	**151**
Mortgage provision for credit losses		18		19		**37**
Other		67		(34)		**33**
Deferred tax assets	$	303	$	(82)	**$**	**221**
Net deferred tax liabilities	$	483	$	41	**$**	**524**

The closing December 31, 2012 balance is not equal to the January 1, 2013 opening balance as amounts were reclassified to assets held for sale.

13. Income taxes (continued)

The movements in the 2012 deferred tax liabilities and assets are:

	Opening Balance at January 1, 2012	Recognized in Net Earnings	**Closing Balance at December 31, 2012**
Deferred tax liabilities			
Property, plant and equipment	$ 262	$ 103	**$ 365**
License costs	303	17	**320**
Deferred tax liabilities	$ 565	120	**$ 685**
Deferred tax assets			
Deferred acquisition, financing and share issuance costs	$ 276	$ (58)	**$ 218**
Mortgage provision for credit losses	7	11	**18**
Other	22	3	**25**
Deferred tax assets	$ 305	$ (44)	**$ 261**
Net deferred tax liabilities	$ 260	$ 164	**$ 424**

14. Share capital

The authorized capital of the Corporation consists of an unlimited number of no par value common shares.

	Number of Shares	**Amount**
Issued and outstanding at January 1, 2012	8,973,926	$ 27,900
Exercise of stock options (b)	181,081	1,649
Issued and outstanding at December 31, 2012	9,155,007	29,549
Exercise of stock options (a)	190,833	2,186
Issued and outstanding at December 31, 2013	**9,345,840**	**$ 31,735**

Transactions completed during the year ended December 31, 2013:

(a) Employees and directors of the Corporation exercised 190,833 stock options at a weighted average exercise price of $8.31 per share for total proceeds of $1,586. The weighted average share price at the time of exercise was $10.81 per share. Share capital also increased by a reclassification from contributed surplus of $600, which is the amount previously recognized as share-based payment expense for these options.

Transactions completed during the year ended December 31, 2012:

(b) Employees of the Corporation exercised 181,081 stock options at a weighted average exercise price of $6.92 per share for total proceeds of $1,253 and the weighted average share price at the time of exercise was $10.07 per share. Share capital also increased by a reclassification from contributed surplus of $396, which is the amount previously recognized as share-based payment expense for these options.

15. Share based payments

(a) Stock options

The amended Stock Option Plan (the "Plan") was approved by the shareholders of the Corporation on April 2, 2013. The purpose of the Plan is to provide additional incentives to employees, executive officers, directors and consultants and to promote the success of the Corporation's business by allowing such persons to partake in the equity of the Corporation. Management proposes the issuance of options and the Board of Directors provides approval of all options granted under the Plan. The aggregate number of shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding shares as at the date of grant of each option under the Plan, which at December 31, 2013 was 934,584 (2012 – 915,501).

	Number of Stock Options		Weighted Average Exercise Price	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Opening balance	**552,833**	610,711	**$ 8.12**	$ 7.50
Options granted	**233,500**	193,000	**10.88**	9.50
Options exercised	**(190,833)**	(181,081)	**(8.31)**	(6.92)
Options expired	**(63,500)**	(41,630)	**(9.36)**	(9.68)
Options forfeited	**(112,498)**	(28,167)	**(10.44)**	(9.58)
Ending balance	**419,502**	552,833	**$ 8.76**	$ 8.12
Vested options	**198,668**	265,667	**$ 7.00**	$ 7.00

The weighted average share price at the date of exercise is $10.81 (2012 – $10.07). The weighted average remaining contractual life for all options outstanding at December 31, 2013 is 2.9 years (2012 – 3.0 years). During the year ended December 31, 2013, the Corporation recognized $322 (2012 - $214) as share-based payment expense within staffing costs.

The following table reflects the stock options outstanding as at December 31, 2013:

Number of Exercisable Options	Number of Options	Exercise Price	Expiry
61,500	61,500	$4.75 to $5.35	August 2014 to September 2015
75,000	85,000	$6.90 to $7.50	August 2015 to November 2017
45,667	74,167	$8.00 to $9.00	March 2015 to August 2017
16,501	198,835	$10.10 to $10.90	February 2017 to August 2018
198,668	419,502		

Stock options granted in the year ended December 31, 2013:

					Black-Scholes assumptions					
Number of Options	**Date Granted**	**Recipient(s)**	**Fair Value**	**Vesting Period (years)**	**Risk-free interest rate (%)**	**Expected life (years)**	**Expected volatility (%)**	**Dividend yield (%)**	**Exercise price**	**Fair value per option**
222,000	**May 17, 2013**	**Employees**	**$ 794,114**	**3 years**	**1.35%**	**5 years**	**35%**	**-**	**$ 10.90**	**$ 3.58**
11,500	**August 16, 2013**	**Employees**	**$ 41,292**	**3 years**	**1.96%**	**5 years**	**35%**	**-**	**$ 10.59**	**$ 3.59**
233,500			**$ 835,406**							

15. Share based payments (continued)

Stock options granted in the year ended December 31, 2012:

Number of Options	Date Granted	Recipient(s)	Fair Value	Vesting Period (years)	Black-Scholes assumptions: Risk-free interest rate (%)	Expected life (years)	Expected volatility (%)	Dividend yield (%)	Exercise price	Fair value per option
133,000	Februay 13, 2012	Employees	$ 495,048	3 years	1.41%	5 years	40%	-	$ 10.10	$ 3.72
12,500	May 15, 2012	Employees	$ 43,169	3 years	1.46%	5 years	40%	-	$ 9.35	$ 3.45
17,500	August 8, 2012	Employees	$ 54,770	3 years	1.39%	5 years	40%	-	$ 8.50	$ 3.13
30,000	November 14, 2012	Employees	$ 82,658	3 years	1.34%	5 years	40%	-	$ 7.50	$ 2.76
193,000			$ 675,645							

The Black-Scholes option pricing model was used to value the options on the date of grant and the related assumptions used by management are outlined in the tables above. Management determines the exercise price when the options are granted based on prevailing market prices, uses the option term to estimate expected life, Bank of Canada government bond rates to estimate the risk-free interest rate and past share price data to judgmentally estimate expected volatility. Also, management has estimated the effect of expected forfeitures based on previous actual experience and has determined the effect on the option term used in the model is negligible. The estimate of expected volatility is based on the share price of several distinct periods to approximate and match the option life.

(b) Deferred share units

The Corporation offers a Deferred Share Unit ("DSU") Plan for members of the Board of Directors. Under the DSU plan, non-employee Directors of the Corporation will receive DSUs as part of their annual compensation. Units are redeemable for cash only following cessation of service on the Board of Directors and must be settled within 30 days of when the cessation occurred. The value of the DSUs when converted to cash will be equivalent to the market value of the Corporation's common shares at the time the conversion takes place.

At December 31, 2013, there were 87,974 DSUs outstanding (December 31, 2012 – 62,811) representing a liability of $1,022 (December 31, 2012 – $442). Non-employee Directors of the Corporation were granted 25,163 DSUs during the year ended December 31, 2013. The weighted average grant date fair value of DSUs granted during the year was $12.32 (December 31, 2012 – $8.50). During the year ended December 31, 2013, the Corporation recognized $580 (2012 – $268) in other operating expense and recorded a corresponding liability in other liabilities. The DSUs are amortized over a one year period and revalued at each reporting date based on the closing market price of the Corporation's shares.

Details of the deferred share unit plan are as follows:

	2013	2012
Units		
Outstanding, January 1	**62,811**	26,339
Additions	**25,163**	36,472
Outstanding, December 31	**87,974**	62,811
Liability		
Balance, January 1	**$ 442**	$ 174
Expense recognized in income statement	**580**	268
Balance, December 31	**$ 1,022**	$ 442

15. Share based payments (continued)

(c) Employee share purchase plan

The Corporation offers an Employee Share Purchase Plan ("ESPP") for all eligible employees of the Corporation. The ESPP was implemented October 31, 2008 to provide employees with the opportunity to participate in the future growth of the Corporation. Shares purchased through the ESPP in 2013 will vest on January 1, 2014. Unvested shares cannot be withdrawn before they are vested. The Corporation's contributions are recorded as payroll expenses and are included in staffing costs. The amount expensed for the year ended December 31, 2013 was $60 (2012 - $93).

16. Earnings per share

The following table sets out the computation of basic and diluted earnings per share:

	For the years ended December 31,	
	2013	2012
Basic earnings per share		
Net earnings	**$ 41,782**	$ 534
Net earnings from discontinued operations	**42,109**	2,492
Net earnings (loss) from continuing operations	**$ (327)**	$ (1,958)
Weighted average number of common shares outstanding - basic	**9,238,085**	9,131,125
Basic earnings (loss) per share		
Continuing operations	**$ (0.04)**	$ (0.21)
Discontinued operations	**4.56**	0.27
Total	**$ 4.52**	$ 0.06
Diluted earnings per share		
Net earnings	**$ 41,782**	$ 534
Net earnings from discontinued operations	**42,109**	2,492
Net earnings (loss) from continuing operations	**$ (327)**	$ (1,958)
Weighted average number of common shares outstanding - basic	**9,238,085**	9,131,125
Effect of dilutive shares	**100,378**	64,279
Weighted average number of common shares outstanding - diluted	**9,338,463**	9,195,404
Diluted earnings (loss) per share		
Continuing operations	**$ (0.04)**	$ (0.21)
Discontinued operations	**4.51**	0.27
Total	**$ 4.47**	$ 0.06

17. Related party transactions

During the year ended December 31, 2013, the Corporation entered into various transactions in the normal course of business with companies related to directors and officers of the Corporation. The amounts of the transactions and the liabilities incurred were insignificant. All outstanding balances are due to be settled in cash after the year end date and are not secured.

IFRS considers key management personnel to be related parties. The Corporation entered into the following transactions with key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, including directors and management.

17. Related party transactions (continued)

	For the year ended December 31, **2013**	2012
Compensation		
Salaries and other short-term employee benefits	**$ 2,469**	$ 1,268
Total pension and other post-employment benefits	**-**	-
Share based payments	**738**	432
Termination benefits	**160**	249
	$ 3,367	$ 1,949

The Corporation has not provided any loans or accepted deposits from key management personnel.

18. Commitments

The Corporation has entered into lease agreements to lease office space, which expire in 2015 and 2017. The office space lease agreements provide for a five year renewal at the expiry of the lease at occupancy rates equivalent to fair market value at time of renewal. For office space previously occupied by the TA and Trust business the Corporation has negotiated the termination of lease agreements for Calgary and Montreal and has sublet the remainder of its lease for Vancouver.

The Corporation has entered into various software license and maintenance agreements for transaction processing software related to its mortgage lending and deposit taking operations. The agreements expire between 2014 and 2016.

Operating lease payments in 2013 were $454 (2012 – $697) and are included in other operating expenses.

The estimated annual payments for these leases and license and maintenance are as follows:

	Not later than one year	**Later than one year and not later than five years**	**Later than five years**	**Total December 31, 2013**
Office space lease agreements	**$ 1,138**	**$ 2,321**	**$ -**	**$ 3,459**
Sub-tenant recoveries	**(608)**	**(1,194)**	**-**	**(1,802)**
Software license and maintenance agreements	**207**	**286**	**-**	**493**
Total commitments	**$ 737**	**$ 1,413**	**$ -**	**$ 2,150**

	Not later than one year	Later than one year and not later than five years	Later than five years	Total December 31, 2012
Office space lease agreements	$ 1,303	$ 3,168	$ -	$ 4,471
Software license and maintenance agreements	425	607	-	1,032
Total commitments	$ 1,728	$ 3,775	$ -	$ 5,503

19. Contingent Liability

EFT is named as a defendant in a legal proceeding related to its former transfer agent and corporate trust business operations. In October 2011, a former officer and director of Coventree Inc. ("Coventree") and certain corporations affiliated with him commenced proceedings in the Ontario Superior Court of Justice against Coventree and against EFT related to the cancellation of certain shares of Coventree (the "Proceeding"). The amount claimed is approximately $3,300, plus pre-judgment interest and costs. EFT has filed a Statement of Defense and crossclaim against Coventree for contribution and indemnity. EFT intends to vigorously defend the Proceeding. Coventree has agreed, subject to certain limitations, to indemnify EFT for any liabilities the Corporation may incur in connection with the Proceeding, including legal fees and disbursements (the "Indemnity").

The inspectors and the liquidator in the court-supervised winding-up of Coventree have determined that the claims against Coventree and EFT will still be decided in the context of the Proceeding, notwithstanding the winding-up. EFT has filed a claim against Coventree under the claims procedure in the winding-up for the full amount of Coventree's potential exposure to it under the Indemnity. The liquidator has reserved the sum of $5,000 for the Proceeding. The Corporation has not recorded a liability related to this matter.

20. Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation and accounting policies adopted in the current year. The change in presentation in the consolidated financial statements reflects the significant change in the nature of the Corporation's operations subsequent to the sale of the corporate trust and transfer agent business and the wind-up of foreign exchange operations. Consequently, certain non-core assets and liabilities have been grouped into other assets and other liabilities on the annual consolidated balance sheets. The annual consolidated statements of operations and comprehensive income also reflect a change in the presentation of the provision for credit losses and non-staffing expenses have been grouped into other operating expenses.

21. Subsequent Event

On February 26, 2014, we announced the settlement of the shareholder action initiated by our largest shareholder, Smoothwater Capital Partners LP I ("Smoothwater"). The agreement resulted in changes to the Board and CEO. As a result of the changes to the Board, DSUs were converted to cash in the amount of $533 in accordance with the terms of the DSU plan. Costs incurred in the first quarter of 2014 related to the settlement with Smoothwater are estimated at $4,100, which includes legal and other advisory costs of $3,150 and contractual severance payments of $950.

During the first quarter of 2014, the Corporation conducted a detailed review of our underwriting processes and risk management controls. In respect of this review, the Corporation incurred estimated costs of $1,100.