

Unaudited Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

MORNEAU SHEPELL INC.

Three and six months ended June 30, 2016 and 2015
(Unaudited)

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

June 30, 2016 and December 31, 2015

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash	\$ –	\$ 1,900
Trade and other receivables	70,175	65,579
Unbilled fees	68,731	64,229
Income taxes receivable	–	721
Prepaid expenses and other	11,534	6,092
Cash and investments held in trust	14,333	12,449
Deferred implementation costs	5,341	5,440
Total current assets	170,114	156,410
Non-current assets:		
Unbilled fees	1,124	20
Deferred implementation costs	14,205	10,831
Capital assets	35,244	35,658
Intangible assets	228,404	233,305
Goodwill	316,598	316,834
Deferred tax asset	2,567	2,590
Total non-current assets	598,142	599,238
Total assets	\$ 768,256	\$ 755,648

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

June 30, 2016 and December 31, 2015

	June 30, 2016	December 31, 2015
Liabilities and Equity		
Current liabilities:		
Bank indebtedness (note 4)	\$ 4,535	\$ –
Trade and other payables	39,643	54,241
Income taxes payable	1,568	–
Deferred revenue	7,274	2,521
Insurance premium liabilities	14,333	12,449
Future consideration related to acquisitions (note 10)	4,709	1,043
Promissory notes	–	2,481
Dividends payable	3,452	3,120
Interest rate swaps (note 4)	1,758	1,906
Total current liabilities	77,272	77,761
Non-current liabilities:		
Long-term debt (note 4)	181,404	241,846
Convertible debentures payable (note 6)	80,627	73,760
Interest rate swaps (note 4)	872	1,769
Future consideration related to acquisitions (note 10)	206	3,538
Other liabilities	13,382	13,552
Provisions	1,753	2,367
Deferred tax liability	41,446	39,941
Total non-current liabilities	319,690	376,773
Equity:		
Share capital	550,685	477,500
Contributed surplus	25,657	23,312
Equity component of convertible debentures	1,044	757
Accumulated other comprehensive loss	(4,347)	(2,850)
Deficit	(201,745)	(197,605)
Total equity	371,294	301,114
Total liabilities and equity	\$ 768,256	\$ 755,648

Commitments and contingencies (note 10)

See accompanying notes to the unaudited condensed consolidated interim financial statements.

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Income and Comprehensive Income

(In thousands of Canadian dollars, except per share amounts)

For the three and six months ended June 30, 2016 and 2015

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Operating revenue	\$ 149,251	\$ 142,420	\$ 298,374	\$ 280,812
Operating expenses:				
Salaries, benefits and contractors	98,571	95,646	201,537	190,275
Rent and occupancy	6,965	6,440	13,896	13,518
Office and administration	18,266	15,681	34,913	29,120
Depreciation and amortization	8,651	8,132	17,348	16,090
Total operating expenses	132,453	125,899	267,694	249,003
Finance costs (note 4)	4,550	3,661	8,499	7,186
Profit from operations before income taxes	12,248	12,860	22,181	24,623
Income taxes expense (recovery):				
Current	2,666	3,423	6,251	7,435
Deferred	1,501	165	800	(295)
Total income taxes	4,167	3,588	7,051	7,140
Profit for the period	8,081	9,272	15,130	17,483
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit:				
Effective portion of change in interest rate cash flow hedges	472	499	1,045	(2,065)
Foreign currency translation differences for foreign operations	(147)	11	(2,097)	125
Income taxes on the above items	(128)	(129)	(281)	554
	197	381	(1,333)	(1,386)
Items that will not be reclassified to profit:				
Actuarial gain/(loss) on post-employment benefit plans	116	53	(232)	107
Income taxes on the above item	(25)	(13)	68	(27)
	91	40	(164)	80
Other comprehensive income (loss), net of tax effect	288	421	(1,497)	(1,306)
Comprehensive income for the period	\$ 8,369	\$ 9,693	\$ 13,633	\$ 16,177
Earnings per share (note 7):				
Basic	\$ 0.16	\$ 0.19	\$ 0.30	\$ 0.35
Diluted	\$ 0.16	\$ 0.19	\$ 0.30	\$ 0.35

See accompanying notes to the unaudited condensed consolidated interim financial statements.

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

(In thousands of Canadian dollars)

For the six months ended June 30, 2016 and 2015

2016	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Equity component of convertible debenture	Total equity
Balance, January 1, 2016	\$ 477,500	\$ 23,312	\$ (197,605)	\$ (2,850)	\$ 757	\$ 301,114
Long-term incentive plan – expense and issuance	–	2,383	–	–	–	2,383
Long-term incentive plan – redemption	64	(64)	–	–	–	–
Equity component of convertible debentures issuance (note 6)	–	–	–	–	1,044	1,044
Shares issued upon conversion of convertible debentures (note 6)	73,121	–	–	–	(731)	72,390
Redemption of convertible debentures (note 6)	–	26	–	–	(26)	–
Profit for the period	–	–	15,130	–	–	15,130
Dividends	–	–	(19,270)	–	–	(19,270)
Other comprehensive loss	–	–	–	(1,497)	–	(1,497)
Balance, June 30, 2016	\$ 550,685	\$ 25,657	\$ (201,745)	\$ (4,347)	\$ 1,044	\$ 371,294

2015	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Equity component of convertible debenture	Total equity
Balance, January 1, 2015	\$ 474,490	\$ 20,812	\$ (176,555)	\$ (1,484)	\$ 757	\$ 318,020
Long-term incentive plan – expense and issuance	–	2,430	–	–	–	2,430
Long-term incentive plan – redemption	131	(131)	–	–	–	–
Shares issued upon conversion of convertible debentures	24	–	–	–	–	24
Profit for the period	–	–	17,483	–	–	17,483
Dividends	–	–	(18,723)	–	–	(18,723)
Other comprehensive loss	–	–	–	(1,306)	–	(1,306)
Balance, June 30, 2015	\$ 474,645	\$ 23,111	\$ (177,795)	\$ (2,790)	\$ 757	\$ 317,928

See accompanying notes to the unaudited condensed consolidated interim financial statements.

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

For the six months ended June 30, 2016 and 2015

	Six months ended June 30,	
	2016	2015
Operating activities:		
Profit for the period	\$ 15,130	\$ 17,483
Items not involving cash:		
Depreciation and amortization	17,348	16,090
Finance costs (note 4)	8,499	7,186
Long-term incentive plan expense	2,201	2,248
Income taxes	7,051	7,140
Change in provisions	(614)	292
Other	(54)	258
	49,561	50,697
Change in non-cash operating working capital (note 8)	(29,220)	(33,190)
Cash generated from operating activities	20,341	17,507
Finance costs paid	(7,436)	(6,493)
Income taxes paid	(4,010)	(4,033)
Cash provided by operating activities	8,895	6,981
Financing activities:		
Change in revolving loan (net)	(60,601)	28,129
Credit facility agreement amendment fees (note 5)	-	(85)
Redemption of convertible debentures	(2,512)	-
Dividends paid	(18,938)	(18,723)
Proceeds from convertible debentures (net of issuance costs) (note 6)	81,982	-
Repayment of promissory note	(2,500)	(2,500)
Cash provided by (used in) financing activities	(2,569)	6,821
Investing activities:		
Business acquisitions	(447)	(216)
Additions to intangible assets	(7,028)	(6,320)
Additions to capital assets	(5,286)	(6,516)
Cash used in investing activities	(12,761)	(13,052)
Increase/(decrease) in cash for the period	(6,435)	750
Cash/(Bank indebtedness), beginning of period	1,900	(5,171)
Bank indebtedness, end of period	\$ (4,535)	\$ (4,421)

See accompanying notes to the unaudited condensed consolidated interim financial statements.

MORNEAU SHEPELL INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2016 and 2015

1. Organization and nature of the business:

Morneau Shepell Inc. was incorporated pursuant to the laws of the Province of Ontario on October 19, 2010 and is a continuation of Morneau Sobeco Income Fund, which was converted from an income trust structure into Morneau Shepell Inc., effective January 1, 2011.

Morneau Shepell Inc. and its subsidiaries (the "Company") provide health and productivity, administrative and retirement solutions to assist employers in managing the financial security, health and productivity of their employees. The Company's principal and head office is located at One Morneau Shepell Centre, 895 Don Mills Road, Suite 700, Toronto, Ontario, M3C 1W3. The Company offers its services to organizations that are situated in Canada, in the United States and internationally.

References herein to the Company represent the financial position, results of operations, cash flows and disclosures of Morneau Shepell Inc. and its subsidiaries on a consolidated basis.

These unaudited condensed consolidated interim financial statements were approved by the Company's Board of Directors on August 3, 2016.

2. Basis of preparation:

These unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2016 and 2015 have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

These interim financial statements do not include all the disclosures required by International Financial Reporting Standards ("IFRS") for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015 prepared in accordance with IFRS as issued by the IASB.

3. Significant accounting policies:

(i) Changes in accounting policies:

The accounting policies applied by the Company in these unaudited condensed consolidated interim financial statements are consistent with those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2015.

MORNEAU SHEPELL INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2016 and 2015

(ii) Future accounting changes:

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)

On May 28, 2014 the IASB issued IFRS 15. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9, Financial Instruments (“IFRS 9”)

In July 2014 the IASB finalized IFRS 9. The standard is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. The new standard includes revised guidance on the classification and measurement of financial assets, a new ‘expected loss’ impairment model and introduces a substantially-reformed approach to hedge accounting. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16, Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted for those entities that have also adopted IFRS 15. The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements. IFRS 16 supersedes IAS 17, Leases, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, differentiating between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Among other significant changes, the distinction between operating and finance leases is removed and assets and liabilities are recognized in respect of all leases. Furthermore, IFRS 16 requires a front-loaded pattern for the recognition of lease expense over the life of the lease. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

MORNEAU SHEPELL INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2016 and 2015

4. Long-term debt:

The Company's long-term debt obligations can be broken down as follows:

	June 30, 2016	December 31, 2015
Revolving loans	\$ 181,855	\$ 242,456
Less: debt issuance costs, net of accumulated amortization	(451)	(610)
	\$ 181,404	\$ 241,846

The Company has an amended credit facility agreement (the "Amended Credit Facility Agreement") maturing on November 29, 2017 which provides for a revolving facility of \$300,000 (including a swing line of \$7,000). At June 30, 2016, the Company had utilized the following amounts under the Amended Credit Facility Agreement:

- \$160,000 of BA loans under the revolving loan. The BA loans are renewed on a monthly basis, bearing interest at the one-month BA rate plus an applicable margin of 1.70%.
- \$7,000 of Prime loans under the revolving loan. The Prime loans are renewed on a monthly basis, bearing interest at the one-month Prime rate plus an applicable margin of 0.70%.
- \$9,042 (U.S. \$7,000) of US Libor loans under the revolving loan. The US Libor loans are renewed on a monthly basis, bearing interest at the one-month US Libor rate plus an applicable margin of 1.70%.
- \$5,813 (U.S. \$4,500) of US Base Rate loans under the revolving loan. The US Base Rate loans are renewed on a monthly basis, bearing interest at the one-month US Base Rate plus an applicable margin of 0.70%.
- \$3,391 of the swing line available. The swing line carries interest at prime plus an applicable margin of 0.70%.

As at June 30, 2016, the Company complied with all the required financial covenants.

(a) Interest rate swaps:

The Company entered into a forward starting interest-rate swap agreement in February 2014 to hedge against the variable interest rate component on \$160,000 notional amount borrowed under the Amended Credit Facility Agreement for the period from January 5, 2015 up to and ending November 29, 2017. The notional amount of this swap is \$160,000 and is used to fix the variable component of the interest rate at 1.98%, before

MORNEAU SHEPELL INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2016 and 2015

the applicable margin, for the duration of this period and has been designated as a cash flow hedge. The fair value of the interest rate swap at June 30, 2016 was a liability of \$2,630 (December 31, 2015 - \$3,675).

5. Dividends:

The monthly dividend rate, approved by the Board of Directors, was \$0.065 for the three and six months ended June 30, 2016 (2015 - \$0.065). Dividends declared for the three and six months ended June 30, 2016 were \$9,857 and \$19,270, respectively. The Company continued to declare the same monthly dividend amount in July 2016.

6. Convertible debentures:

On March 27, 2012, the Company issued \$75,000 principal amount of 5.75% Convertible Unsecured Subordinated Debentures (the "5.75% Convertible Debentures") for net proceeds of \$71,432 with a maturity date of March 31, 2017. The 5.75% Convertible Debentures were convertible at the option of the holder to common shares at a conversion price of \$15.00 per common share, and the Company had the option to redeem the 5.75% Convertible Debentures after March 31, 2016 at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest. In May 2016, the Company issued a notice of redemption for the remaining outstanding 5.75% Convertible Debentures. During the six months ended June 30, 2016, 5.75% Convertible Debentures in the principal amount of \$72,392 were converted by holders to common shares. In June 2016, the Company exercised its option to redeem the \$2,512 principal amount of 5.75% Convertible Debentures that still remained issued and outstanding for cash.

The following table indicates the changes in the 5.75% Convertible Debentures during the six months ended June 30, 2016:

	Debt component	Equity component
Balance January 1, 2016	\$ 73,760	\$ 757
Accretion and amortization *	1,124	–
Conversion of 5.75% Convertible Debenture holders	(72,390)	(731)
Redemption of 5.75% Convertible Debenture holders	(2,494)	(26)
Balance, June 30, 2016	\$ –	\$ –

* Included in accretion and amortization is \$750 of unamortized debenture issuance costs and remaining accretion on 5.75% Convertible Debentures when the Company notified these debenture holders of its intention to redeem these debentures prior to maturity.

In June 2016, the Company issued \$86,000 principal amount of 4.75% Convertible Unsecured Subordinated Debentures (the "4.75% Convertible Debentures") for net proceeds of \$81,982. The 4.75% Convertible Debentures pay interest semi-annually on June 30 and December 31, commencing with the initial interest payment on

MORNEAU SHEPELL INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2016 and 2015

December 31, 2016 and have a maturity date of June 30, 2021. These debentures are convertible at the option of the holder to common shares at a conversion price of \$25.10 per common share.

The Company has the option to redeem the 4.75% Convertible Debentures on and after June 30, 2019 and at any time prior to June 30, 2020 at a redemption price equal to 100% of their principal plus accrued and unpaid interest provided that the weighted average trading price for the 20 consecutive trading days ending five days preceding the date on which the notice of redemption is given is at least 125% of the conversion price of \$25.10. On and after June 30, 2020, but prior to the maturity date, the 4.75% Convertible Debentures will be redeemable at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest. On redemption or maturity the Company may elect to repay the principal and satisfy its interest obligations by issuing common shares.

Upon issuance of the 4.75% Convertible Debentures, the liability component of the 4.75% Convertible Debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option, using an effective interest rate of 5.2%. The difference between these two amounts of \$1,496 has been recorded as equity with the remaining \$84,504 allocated to long-term debt. The fair value of \$84,504 was allocated to the long-term debt component and the difference of \$1,496 versus the principal amount has been recorded as the equity component, before allocation of the transaction costs.

The discount on the 4.75% Convertible Debentures is being accreted such that the liability at maturity will equal the face value of \$86,000. The transaction costs of \$4,018 were proportionally allocated to the liability and equity components.

The 4.75% Convertible Debentures have been allocated as follows:

Long-term liability, net of transaction costs	\$	80,556
Equity component, net of transaction costs and deferred tax		1,044
Deferred tax on equity component of convertible debentures		382
Transaction costs		4,018
Face value	\$	86,000

7. Earnings per share:

Basic earnings per share was calculated by dividing profit attributable to common shareholders by the sum of the weighted average number of common shares outstanding during the period, plus vested LTIP awards.

MORNEAU SHEPELL INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2016 and 2015

Diluted earnings per share was calculated using the basic calculation described above, and adjusting for the potentially dilutive effect of total number of additional common shares that would have been issued by the Company on unvested LTIP awards and the conversion of the convertible debentures.

The following details the earnings per share, basic and diluted, calculations for the three and six months ended June 30, 2016 and 2015:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Profit attributable to common shareholders (basic and diluted)	\$ 8,081	\$ 9,272	\$ 15,130	\$ 17,483
Weighted average number of common shares (in number of shares):				
January 1	–	–	48,272,449	47,999,712
April 1	48,272,449	48,014,866	–	–
Shares issued on redemption of LTIP ¹	2,081	19	1,040	7,759
Shares issued upon conversion of convertible debentures ¹	1,336,081	–	668,040	–
Vested LTIP awards	1,710,786	1,532,155	1,604,585	1,397,442
Basic	51,321,397	49,547,040	50,546,114	49,406,441
Dilutive effect of unvested LTIP awards	596,452	563,225	621,171	657,103
Diluted	51,917,849	51,110,265	51,167,285	50,063,544
Earnings per share:				
Basic	\$ 0.16	\$ 0.19	\$ 0.30	\$ 0.35
Diluted	\$ 0.16	\$ 0.19	\$ 0.30	\$ 0.35

¹ During the three months ended June 30, 2016, 5,576 shares (2015- 132 shares) were issued on redemption of LTIP units, and 4,826,127 shares (2015- nil) were issued upon conversion of convertible debentures. During the six months ended June 30, 2016, 5,576 shares (2015- 13,620 shares) were issued on redemption of LTIP units and 4,826,127 shares (2015- 1,666 shares) were issued upon conversion of convertible debentures.

Due to its anti-dilutive effect, the potential issuance related to the convertible debentures has been excluded from the diluted earnings per share calculations.

MORNEAU SHEPELL INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2016 and 2015

8. Segmented information:

The Company provides health and productivity, administrative and retirement solutions to assist employers in managing the financial security, health and productivity of their employees. As at June 30, 2016, aggregation of operating segments was applied to determine that the Company had only one reportable segment.

The Company operates primarily within two geographical areas: Canada and the United States. The following details the revenues and total assets by geographical area, reconciled to the Company's unaudited condensed consolidated interim financial statements:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Revenue:				
Canada	\$ 131,709	\$ 127,657	\$ 261,589	\$ 251,163
United States	17,542	14,763	36,785	29,649
Consolidated total	\$ 149,251	\$ 142,420	\$ 298,374	\$ 280,812
			June 30, 2016	December 31, 2015
Total assets:				
Canada			\$ 715,194	\$ 704,684
United States			53,062	50,964
Consolidated total			\$ 768,256	\$ 755,648

MORNEAU SHEPELL INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2016 and 2015

9. Supplementary cash flow information:

Change in non-cash operating working capital for the six months ended June 30, 2016 and 2015 was as follows:

	2016	2015
Trade and other receivables	\$ (4,679)	\$ (6,131)
Unbilled fees, current and non-current	(5,606)	(7,843)
Prepaid expenses and other	(5,442)	(5,189)
Deferred implementation costs, current and non-current	(3,688)	(4,857)
Trade and other payables	(14,558)	(12,151)
Deferred revenue	4,753	2,981
	<u>\$ (29,220)</u>	<u>\$ (33,190)</u>

10. Financial instruments:

Financial instruments carried at fair value:

Fair value represents management's estimates at a given point in time. The following table summarizes information regarding the carrying value, fair value and level used to determine the fair value measurement of the Company's financial assets and liabilities carried at fair value:

	Carrying Value and Fair Value		
	June 30, 2016	December 31, 2015	Level
Assets carried at fair value:			
Cash and investments held in trust	\$ 14,333	\$ 12,449	2
	<u>\$ 14,333</u>	<u>\$ 12,449</u>	
Liabilities carried at fair value:			
Bank indebtedness	\$ 4,535	\$ -	1
Interest rate swaps	2,630	3,675	2
Future consideration related to acquisitions	4,915	4,581	3
	<u>\$ 12,080</u>	<u>\$ 8,256</u>	

MORNEAU SHEPELL INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars)

For the three and six months ended June 30, 2016 and 2015

During the six months ended June 30, 2016, there were no transfers between any levels.

The future consideration related to acquisitions is a financial instrument carried at fair value through profit or loss. The fair value of the future consideration related to these acquisitions is determined considering the estimated payment, discounted to present value. The total aggregate contingent consideration remaining to be paid for these acquisitions ranges from a contractual amount of \$nil to maximum of \$6,471.

The following table indicates the changes in the future consideration related to acquisitions during the six months ended June 30, 2016:

	Future consideration related to acquisitions
Balance at January 1, 2016	\$ 4,581
Settlements of working capital adjustments and contingent consideration	(447)
Foreign exchange on future consideration related to acquisitions	(266)
Fair value of future consideration for in-period acquisition and accretion	1,047
	\$ 4,915

Financial instruments carried at amortized cost:

The carrying values of trade and other receivables, trade and other payables, insurance premium liabilities, and dividends payable are amortized cost and approximate their fair value because of their short-term nature.

The convertible debentures payable and long-term debt are financial instruments carried at amortized cost whose carrying values do not equal their fair market values. The convertible debentures payable have a carrying value of \$80,627 (December 31, 2015 - \$73,760) and a fair value of \$89,216 (December 31, 2015 - \$77,900). The fair value is determined using quoted market values (Level 1) for the convertible debentures at the end of the period. The long-term debt has a carrying value of \$181,404 (December 31, 2015 - \$241,846) and a fair value of \$181,855 (December 31, 2015 - \$242,456). The fair value is determined based on the cost of borrowing for a company with a similar risk profile (Level 2).