Unaudited Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

MORNEAU SHEPELL INC.

Three and nine months ended September 30, 2015 and 2014
(Unaudited)

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)
September 30, 2015 and December 31, 2014

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Trade and other receivables	$ 82,574	$ 74,372
Unbilled fees	66,311	60,271
Income taxes receivable	–	1,677
Prepaid expenses and other	8,190	4,451
Cash and investments held in trust	12,439	13,121
Deferred implementation costs (note 10)	6,324	6,388
Total current assets	175,838	160,280
Non-current assets:		
Unbilled fees	117	400
Deferred implementation costs (note 10)	8,592	14,232
Capital assets	36,500	34,459
Intangible assets (note 10)	228,831	235,625
Goodwill	312,143	311,659
Total non-current assets	586,183	596,375
Total assets	$762,021	$756,655

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)
September 30, 2015 and December 31, 2014

	September 30, 2015	December 31, 2014
Liabilities and Equity		
Current liabilities:		
Bank indebtedness (note 4)	$ 1,676	$ 5,171
Trade and other payables	46,483	56,935
Income taxes payable	2,213	–
Deferred revenue	4,585	2,597
Insurance premium liabilities	12,439	13,121
Future consideration related to acquisitions (note 9)	1,656	810
Promissory notes	2,453	2,481
Dividends payable	3,120	3,120
Interest rate swaps (note 4)	1,998	145
Total current liabilities	76,623	84,380
Non-current liabilities:		
Long-term debt (note 4)	252,156	222,435
Convertible debenture payable	73,530	72,875
Interest rate swaps (note 4)	2,163	1,968
Future consideration related to acquisitions (note 9)	987	537
Promissory notes	–	2,369
Other liabilities	13,789	13,483
Provisions	2,216	2,029
Deferred tax liabilities	34,005	38,559
Total non-current liabilities	378,846	354,255
Equity:		
Share capital	474,789	474,490
Contributed surplus	24,333	20,812
Equity component of convertible debenture	757	757
Accumulated other comprehensive loss	(2,680)	(1,484)
Deficit	(190,647)	(176,555)
Total equity	306,552	318,020
Total liabilities and equity	$762,021	$756,655

Contingencies (note 9)

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 nine months ended September 30, 2015 and 2014

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Operating revenue	$ 140,778	$ 132,703	$ 421,590	$ 404,671
Operating expenses:				
Salaries, benefits and contractors	96,408	92,168	286,683	275,544
Office and administration	15,254	14,251	44,374	43,089
Rent and occupancy	6,625	6,076	20,143	18,357
Depreciation and amortization	8,167	8,671	24,257	24,435
Write-down of deferred implementation costs and impairment (note 10)	15,100	–	15,100	–
Total operating expenses	141,554	121,166	390,557	361,425
Finance costs (note 4)	3,638	3,744	10,824	10,851
Gain on business divestiture	–	(2,113)	–	(2,113)
Profit (loss) from operations before income taxes	(4,414)	9,906	20,209	34,508
Income tax (recovery) expense:				
Current	2,484	1,965	9,919	9,336
Deferred	(3,411)	706	(3,706)	493
Total income tax (recovery)	(927)	2,671	6,213	9,829
Profit (loss) for the period	(3,487)	7,235	13,996	24,679
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit:				
Effective portion of change in interest rate cash flow hedges	17	352	(2,048)	25
Foreign currency translation differences for foreign operations	94	348	221	428
Reclassification of foreign currency translation differences on divestiture of foreign operations	–	289	–	289
Income taxes on the above items	(4)	(94)	554	(6)
	107	895	(1,273)	736
Items that will not be reclassified to profit:				
Actuarial gain (loss) on post-employment benefit plans	2	13	105	(174)
Income taxes on the above item	–	(3)	(28)	49
	2	10	77	(125)
Other comprehensive income (loss), net of tax effect	109	905	(1,196)	611
Comprehensive income (loss) for the period	$ (3,378)	$ 8,140	$ 12,800	$ 25,290
Earnings (loss) per share (note 6):				
Basic	$ (0.07)	$ 0.15	$ 0.28	$ 0.50
Diluted	$ (0.07)	$ 0.15	$ 0.28	$ 0.50

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 nine months ended September 30, 2015 and 2014

2015	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive loss	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 – issuance	–	3,796	–	–	–	3,796
Long-term incentive plan – redemption	275	(275)	–	–	–	–
Shares issued upon conversion of convertible debentures	24	–	–	–	–	24
Profit for the period	–	–	13,996	–	–	13,996
Dividends	–	–	(28,088)	–	–	(28,088)
Other comprehensive income	–	–	–	(1,196)	–	(1,196)
Balance, September 30, 2015	$ 474,789	$ 24,333	$ (190,647)	$ (2,680)	$ 757	$ 306,552

2014	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive loss	Equity component of convertible debenture	Total equity
Balance, January 1, 2014	$ 474,088	$ 16,514	$ (164,273)	$ (1,839)	$ 757	$ 325,247
Long-term incentive plan – issuance	–	3,431	–	–	–	3,431
Long-term incentive plan – redemption	245	(245)	–	–	–	–
Shares issued upon conversion of convertible debentures	34	–	–	–	–	34
Profit for the period	–	–	24,679	–	–	24,679
Dividends	–	–	(28,064)	–	–	(28,064)
Other comprehensive income	–	–	–	611	–	611
Balance, September 30, 2014	$ 474,367	$ 19,700	$ (167,658)	$ (1,228)	$ 757	$ 325,938

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 nine months ended September 30, 2015 and 2014

	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Operating activities:		
Profit for the period	$ 13,996	$ 24,679
Items not involving cash:		
Depreciation and amortization	24,257	24,435
Impairment (note 10)	2,890	–
Finance costs (note 4)	10,824	10,851
Long-term incentive plan expense	3,503	3,315
Income taxes	6,213	9,829
Change in provisions	187	(978)
Gain on business divestitures	–	(2,113)
Other	312	3,904
	62,182	73,922
Change in non-cash operating working capital (note 8)	(19,817)	(21,849)
Cash generated from operating activities	42,365	52,073
Finance costs paid	(10,830)	(10,746)
Income taxes paid	(6,536)	(11,939)
Cash provided by operating activities	24,999	29,388
Financing activities:		
Change in revolving loan (net)	29,605	52,060
Credit facility agreement amendment fees (note 4)	(108)	–
Dividends paid	(28,088)	(28,064)
Repayment of promissory note	(2,500)	–
Cash provided by (used in) financing activities	(1,091)	23,996
Investing activities:		
Business acquisitions	(288)	(29,307)
Business divestitures	–	5,324
Additions to intangible assets	(11,099)	(8,855)
Additions to capital assets	(9,026)	(17,059)
Cash used in investing activities	(20,413)	(49,897)
Increase in cash for the period	3,495	3,487
Bank indebtedness, beginning of period	(5,171)	(5,195)
Bank indebtedness, end of period	$ (1,676)	$ (1,708)

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

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.

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 November 9, 2015.

2. Basis of preparation:

These unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2015 and 2014 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, 2014 prepared in accordance with IFRS as issued by the IASB.

3. Significant accounting policies:

(i) Changes in accounting policies:

Except as described below, 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, 2014.

IFRS 8, Operating Segments ("IFRS 8"):

IFRS 8 has been amended to explicitly require disclosure of judgments made in applying the aggregation criteria to aggregate operating segments. The amendments to IFRS 8 also clarify that a reconciliation of total reportable segments' assets to the entity's total assets is only required if this information is regularly provided to the entity's chief operating decision maker. The Company adopted these amendments to IFRS 8 effective January 1, 2015. The adoption of these amendments will result in the Company enhancing its disclosure of the criteria that it uses to identify its reportable segment for the purposes of disclosure in its consolidated financial statements for the year ending December 31, 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.

(In thousands of Canadian dollars)

4. Long-term debt:

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

	September 30, 2015	December 31, 2014
Revolving loans	$ 252,845	$ 223,240
Less: debt issuance costs, net of accumulated amortization	(689)	(805)
	$ 252,156	$ 222,435

The Company had a credit facility agreement maturing on November 29, 2017 which provided for a revolving facility of $250,000 (including a swing line of $7,000). The credit facility agreement was amended during the second quarter of 2015 to form the amended credit facility agreement (the “Amended Credit Facility Agreement”). The Amended Credit Facility Agreement’s maturity date remains unchanged, but now provides for a revolving facility of $300,000 (including a swing line of $7,000),

Under IAS 39 “Financial Instruments: Recognition and Measurement”, the amendments to the credit facility agreement were not substantive and therefore amounts owing under this agreement at the date of amendment were not deemed to be extinguished.

The interest rates for the Amended Credit Facility Agreement are floating, based on a margin over certain referenced rates of interest. The applicable margin may vary up or down depending on the ratio of the Company's consolidated Debt to Adjusted EBITDA as defined in the Amended Credit Facility Agreement.

The Amended Credit Facility is secured by a general assignment of all the assets of the Company and requires the Company to maintain, on a consolidated basis, a Debt to Adjusted EBITDA financial covenant of not more than 3.0:1.0 or for the twelve month period immediately following the completion of a permitted acquisition as defined in the Amended Credit Facility Agreement with a purchase price of $25,000 or more, not more than 3.5:1.0, and an EBITDA to interest expense ratio of not less than 3.0:1.0.

In the calculation of the consolidated Debt to Adjusted EBITDA financial covenant under the Amended Credit Facility Agreement, Debt excludes the Convertible Debenture payable.

EBITDA in the Credit Facility Agreement is defined as profit before finance costs, income taxes, depreciation, amortization, non-controlling interest, non-recurring gains, and limited non-recurring losses. Adjusted EBITDA is defined as EBITDA plus the pro-forma EBITDA from permitted acquisitions' entities.

At September 30, 2015, the Company had utilized the following amounts under the Amended Credit Facility Agreement:

- $236,500 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%.

- $3,000 of prime loans under the revolving loan. The prime loan bears interest at the prime rate plus an applicable margin of 0.70%.

- $4,003 (U.S. $3,000) of Libor loans under the revolving loan. The Libor loan is renewed on a monthly basis, bearing interest at the one- month Libor rate plus an applicable margin of 1.70%.

- $9,342 (U.S. $7,000) of US Base Rate loans under the revolving loan. The US Base Rate loan is renewed on a monthly basis, bearing interest at the one- month US Base Rate plus an applicable margin of 0.70%.

- $1,743 of the swing line available. The swing line bears interest at the prime rate plus an applicable margin of 0.70%.

As at September 30, 2015, 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 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 the applicable margin, for the duration of this period and has been designated as a cash flow hedge. As detailed above, the amendments to the Credit Facility Agreement were not considered substantive and therefore the variable interest payments on this revolving facility, the hedged item under the designated cash flow hedge, were not deemed to be extinguished under IAS 39. Therefore, the designated cash flow hedge was not required to be discontinued upon the amendment of the credit facility arrangement.

The Company also had an interest-rate swap agreement that ended on January 5, 2015 to hedge against the variable interest rate component of the term loan outstanding under a credit facility agreement which preceded the amended Credit Facility Agreement. The notional amount of the swap was $130,000, and was used to fix the variable component of the interest rate at 2.48%, before the applicable margin, for the duration of the term and was designated as a cash flow hedge.

The fair value of the interest rate swap at September 30, 2015 was a liability of $4,161 (December 31, 2014 - $2,113).

(In thousands of Canadian dollars)

(b) Finance costs:

The Company's finance costs comprise the following:

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Interest on credit facilities	$ 2,179	$ 2,251	$ 6,510	$ 6,344
Interest on convertible debenture	1,140	1,142	3,381	3,388
Amortization of debt issuance costs	255	252	743	740
Other	64	99	190	379
	$ 3,638	$ 3,744	$ 10,824	$ 10,851

5. Dividends:

The monthly dividend rate, approved by the Board of Directors, was $0.065 for the three and nine months ended September 30, 2015 (2014 - $0.065). Dividends declared for the three and nine months ended September 30, 2015 were $9,365 (2014- $9,359) and $28,088 (2014- $28,064), respectively. The Company continued to declare the same monthly dividend amount in October 2015.

6. 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.

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 debenture.

The following table details the earnings per share, basic and diluted, calculations for the three and nine months ended September 30, 2015 and 2014:

(In thousands of Canadian dollars)

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Profit (loss) attributable to common shares (basic and diluted)	$ (3,487)	$ 7,235	$ 13,996	$ 24,679
Weighted average number of common shares:				
January 1	–	–	47,999,712	47,962,793
July 1	48,014,998	47,988,999	–	–
Vested LTIP awards	1,532,155	1,245,168	1,439,719	1,127,724
Shares issued on redemption of LTIP[1]	13,953	–	14,437	9,532
Shares issued upon conversion of convertible debentures[1]	–	–	1,574	1,050
Basic	49,561,106	49,234,167	49,455,442	49,101,099
Dilutive effect of unvested LTIP awards	–	572,470	637,916	584,701
Diluted	49,561,106	49,806,637	50,093,358	49,685,800
Earnings (loss) per share:				
Basic	$ (0.07)	$ 0.15	$ 0.28	$ 0.50
Diluted	$ (0.07)	$ 0.15	$ 0.28	$ 0.50

[1] During the three months ended September 30, 2015, 15,102 shares (2014- nil shares) were issued on redemption of LTIP units, and nil shares (2014- nil shares) were issued upon conversion of convertible debentures. During the nine months ended September 30, 2015, 28,722 shares (2014- 23,873 shares) were issued on redemption of LTIP units and 1,666 shares (2014- 2,333 shares) were issued upon conversion of convertible debentures.

Due to its anti-dilutive effect, the potential issuance related to the convertible debenture has been excluded from the earnings per share calculations. In addition, for the diluted earnings per share calculation for the three months ended September 30, 2015, the dilutive effect of unvested LTIP awards has also been excluded due to its anti-dilutive effect.

7. 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 September 30, 2015, 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:

(In thousands of Canadian dollars)

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Revenue:				
Canada	$ 121,023	$ 120,959	$ 372,187	$ 371,634
United States	19,755	11,744	49,403	33,037
Consolidated total	$ 140,778	$ 132,703	$ 421,590	$ 404,671

	September 30, 2015	December 31, 2014
Total assets:		
Canada	$ 717,044	$ 720,630
United States	44,977	36,025
Consolidated total	$ 762,021	$ 756,655

8. Supplementary cash flow information:

Change in non-cash operating working capital for the nine months ended September 30, 2015 and 2014 was as follows:

	2015	2014
Trade and other receivables	$ (8,171)	$ (7,846)
Unbilled fees, current and non-current	(5,757)	(9,673)
Prepaid expenses and other	(3,738)	(2,432)
Deferred implementation costs, current and non-current[1]	7,649	(3,494)
Trade and other payables	(11,788)	1,827
Deferred revenue	1,988	(231)
	$ (19,817)	$ (21,849)

[1] Includes write-down of deferred implementation costs

(In thousands of Canadian dollars)

9. Financial instruments:

Financial instruments carried at fair value:

Fair value represents management's estimates at a given point in time. The fair value of the Company's financial assets and liabilities, with the exception of convertible debentures and long-term debt, approximate their carrying values due to their short-term nature.

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		
	September 30, 2015	December 31, 2014	Level
Assets carried at fair value:			
Cash and investments held in trust	$ 12,439	$ 13,121	2
	$ 12,439	$ 13,121	
Liabilities carried at fair value:			
Bank indebtedness	$ 1,676	$ 5,171	1
Interest rate swaps	4,161	2,113	2
Future consideration related to acquisitions	2,643	1,347	3
	$ 8,480	$ 8,631	

Fair value hierarchy:

Below is a discussion of the Company's determination of fair value for financial instruments carried at fair value. The three levels of fair value hierarchy are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data

During the three and nine months ended September 30, 2015, there were no transfers between any levels.

The interest rate swap is a financial instrument carried at fair value through other comprehensive income.

(In thousands of Canadian dollars)

The future consideration related to acquisitions is a financial instrument carried at fair value through profit or loss. Contingent consideration arose on acquisitions, whereby the seller is entitled to an amount based on exceeding certain revenue or EBITDA targets. 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 minimum of $190 to maximum of $3,060.

The estimated payment is calculated considering different scenarios of projected revenue and EBITDA, and the amount to be paid under each scenario, weighted by the probability of each scenario. The key unobservable inputs include anticipated revenue and EBITDA, and the discount rate. The estimated fair value increases the higher the annual revenue and EBITDA, and the lower the discount rate, with estimated payments being limited to a contractual maximum for each of the these acquisitions.

Management considers that changing the above mentioned unobservable inputs to reflect other reasonably possible alternative assumptions would not result in a significant change in the estimated fair value.

The following table indicates the changes in the future consideration related to acquisitions during the nine months ended September 30, 2015:

		Future consideration related to acquisitions
Balance at January 1, 2015	$	1,347
Re-measurement of future consideration related to acquisitions		(100)
Fair value of future consideration for in-period acquisitions		1,228
Accretion on future consideration related to acquisitions		168
	$	2,643

Financial instruments carried at amortized cost:

Trade and other receivables, trade and other payables, insurance premium liabilities, and dividends payable are financial instruments carried at amortized cost whose carrying values approximate their fair values because of their short-term nature.

The promissory notes are financial instruments carried at amortized cost whose carrying value approximates their fair value. The fair value is determined based on the market rate of interest that would be charged on similar promissory notes issued by a company with a similar risk profile (Level 2).

The convertible debenture payable and long-term debt are financial instruments carried at amortized cost whose carrying values do not equal their fair market values. The convertible debenture payable has a carrying value of

$73,530 (December 31, 2014 - $72,875) and a fair value of $80,896 (December 31, 2014 - $88,416). 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 $252,156 (December 31, 2014 - $222,435) and a fair value of $252,845 (December 31, 2014 - $223,240). The fair value is determined based on market-based borrowing costs (Level 2).

10. Write-down of deferred implementation costs and impairment

As a result of the wind down of business directive issued by the New York State Department of Financial Services, the Centers for Medicare and Medicaid Services, and the New York State of Health to Health Republic Insurance of New York (HRINY), one of the Company's US Health Exchange outsourcing clients, the Company determined that deferred implementation costs specifically related to HRINY were no longer recoverable and recorded a pre-tax write-down in the amount of $12,210 ($8,608 after-tax). Furthermore, the Company also assessed the recoverable amount of certain of the Company's capital assets and intangible assets in the US Health Exchange Services business. As a result of this assessment, it was determined that the carrying amount of the Company's internally developed assets exceeded their recoverable amount and a pre-tax impairment loss of $2,890 ($2,121 after-tax) was recognized. The write-down of deferred implementation assets and impairment are included in the "Write-down of deferred implementation costs and impairment" in the consolidated statement of income and comprehensive income.