Unaudited Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

MORNEAU SHEPELL INC.

Three and six months ended June 30, 2015 and 2014
(Unaudited)

MORNEAU SHEPELL INC.

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

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Trade and other receivables	$ 80,415	$ 74,372
Unbilled fees	68,325	60,271
Income taxes receivable	–	1,677
Prepaid expenses and other	9,640	4,451
Cash and investments held in trust	11,885	13,121
Deferred implementation costs	8,062	6,388
Total current assets	178,327	160,280
Non-current assets:		
Unbilled fees	189	400
Deferred implementation costs	17,415	14,232
Capital assets	36,314	34,459
Intangible assets	231,770	235,625
Goodwill	311,906	311,659
Total non-current assets	597,594	596,375
Total assets	$775,921	$756,655

MORNEAU SHEPELL INC.

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

	June 30, 2015	December 31, 2014
Liabilities and Equity		
Current liabilities:		
Bank indebtedness (note 5)	$ 4,421	$ 5,171
Trade and other payables	44,947	56,935
Income taxes payable	2,257	–
Deferred revenue	5,578	2,597
Insurance premium liabilities	11,885	13,121
Future consideration related to acquisitions (note 10)	1,150	810
Promissory notes	2,425	2,481
Dividends payable	3,120	3,120
Interest rate swaps (note 5)	1,744	145
Total current liabilities	77,527	84,380
Non-current liabilities:		
Long-term debt (note 5)	250,623	222,435
Convertible debenture payable	73,300	72,875
Interest rate swaps (note 5)	2,434	1,968
Future consideration related to acquisitions (note 10)	799	537
Promissory notes	–	2,369
Other liabilities	13,733	13,483
Provisions	2,321	2,029
Deferred tax liabilities	37,256	38,559
Total non-current liabilities	380,466	354,255
Equity:		
Share capital	474,645	474,490
Contributed surplus	23,111	20,812
Equity component of convertible debenture	757	757
Accumulated other comprehensive loss	(2,790)	(1,484)
Deficit	(177,795)	(176,555)
Total equity	317,928	318,020
Total liabilities and equity	$775,921	$756,655

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, 2015 and 2014

	Three months ended June 30, 2015	Three months ended June 30, 2014 (note 4)	Six months ended June 30, 2015	Six months ended June 30, 2014 (note 4)
Operating revenue	$ 142,420	$ 140,877	$ 280,812	$ 271,968
Operating expenses:				
Salaries, benefits and contractors	95,646	94,478	190,275	183,376
Office and administration	15,681	14,934	29,120	28,838
Rent and occupancy	6,440	6,439	13,518	12,281
Depreciation and amortization	8,132	8,480	16,090	15,764
Total operating expenses	125,899	124,331	249,003	240,259
Finance costs (note 5)	3,661	3,723	7,186	7,107
Profit from operations before income taxes	12,860	12,823	24,623	24,602
Income tax expense (recovery):				
Current	3,423	4,118	7,435	7,371
Deferred	165	(541)	(295)	(213)
Total income taxes	3,588	3,577	7,140	7,158
Profit for the period	9,272	9,246	17,483	17,444
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit:				
Effective portion of change in interest rate cash flow hedges	499	(23)	(2,065)	(327)
Foreign currency translation differences for foreign operations	11	(327)	125	80
Income taxes on the above items	(129)	5	554	88
	381	(345)	(1,386)	(159)
Items that will not be reclassified to profit:				
Actuarial gain (loss) on post-employment benefit plans	53	(42)	107	(187)
Income taxes on the above item	(13)	13	(27)	52
	40	(29)	80	(135)
Other comprehensive income (loss), net of tax effect	421	(374)	(1,306)	(294)
Comprehensive income for the period	$ 9,693	$ 8,872	$ 16,177	$ 17,150
Earnings per share (notes 4 and 7):				
Basic	$ 0.19	$ 0.19	$ 0.35	$ 0.36
Diluted	$ 0.19	$ 0.19	$ 0.35	$ 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, 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	–	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

2014	Share capital	Contributed surplus	Deficit (Note 4)	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	–	2,226	–	–	–	2,226
Long-term incentive plan – redemption	245	(245)	–	–	–	–
Shares issued upon conversion of convertible debentures	34	–	–	–	–	34
Profit for the period (note 4)	–	–	17,444	–	–	17,444
Dividends	–	–	(18,705)	–	–	(18,705)
Other comprehensive loss	–	–	–	(294)	–	(294)
Balance, June 30, 2014	$ 474,367	$ 18,495	$ (165,534)	$ (2,133)	$ 757	$ 325,952

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, 2015 and 2014

	Six months ended June 30, 2015	Six months ended June 30, 2014 (note 4)
Operating activities:		
Profit for the period	$ 17,483	$ 17,444
Items not involving cash:		
Depreciation and amortization	16,090	15,764
Finance costs (note 5)	7,186	7,107
Long-term incentive plan expense	2,248	2,190
Income taxes	7,140	7,158
Change in provisions	292	(5)
Other	258	4,076
	50,697	53,734
Change in non-cash operating working capital (note 9)	(33,190)	(27,453)
Cash generated from operating activities	17,507	26,281
Finance costs paid	(6,493)	(6,318)
Income taxes paid	(4,033)	(9,063)
Cash provided by operating activities	6,981	10,900
Financing activities:		
Change in revolving loan (net)	28,129	52,222
Credit facility agreement amendment fees (note 5)	(85)	–
Dividends paid	(18,723)	(18,705)
Repayment of promissory note	(2,500)	–
Cash provided by financing activities	6,821	33,517
Investing activities:		
Business acquisitions	(216)	(28,492)
Additions to intangible assets	(6,320)	(5,527)
Additions to capital assets	(6,516)	(11,502)
Cash used in investing activities	(13,052)	(45,521)
Increase (decrease) in cash for the period	750	(1,104)
Bank indebtedness, beginning of period	(5,171)	(5,195)
Bank indebtedness, end of period	$ (4,421)	$ (6,299)

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, whose 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 4, 2015.

2. **Basis of preparation:**

These unaudited condensed consolidated interim financial statements for the three and six months ended June 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 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.

4. Comparative figures:

Comparative figures in the unaudited condensed consolidated interim statement of income and comprehensive income for the three and six months ended June 30, 2014 for depreciation and amortization, deferred income taxes expense, and profit were recast to reflect the retrospective adjustments arising due to the finalization in the third quarter of 2014 of the valuation of the intangible assets acquired as part of the Groupe AST (1993) Inc. (“Groupe AST”) acquisition in March 2014.

(In thousands of Canadian dollars)

	Three months ended June 30, 2014 as previously reported	Adjustments	Three months ended June 30, 2014 after adjustments
Depreciation and amortization	$ 7,309	$ 1,171	$ 8,480
Deferred income tax recovery	(229)	(312)	(541)
Profit for the period	10,105	(859)	9,246

	Six months ended June 30, 2014 as previously reported	Adjustments	Six months ended June 30, 2014 after adjustments
Depreciation and amortization	$ 14,203	$ 1,561	$ 15,764
Deferred income tax expense (recovery)	203	(416)	(213)
Profit for the period	18,589	(1,145)	17,444

As a result of the impact on profit, the deficit as at June 30, 2014 was recast to $165,534 from $164,389 as previously reported, and the impact on the basic and diluted earnings per share for the three and six months ended June 30, 2014 was as follows:

	Three months ended June 30, 2014	
	As previously reported	Recast
Earnings per share:		
Basic	$ 0.21	$ 0.19
Diluted	$ 0.20	$ 0.19

	Six months ended June 30, 2014	
	As previously reported	Recast
Earnings per share:		
Basic	$ 0.38	$ 0.36
Diluted	$ 0.37	$ 0.35

(In thousands of Canadian dollars)

5. Long-term debt:

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

	June 30, 2015	December 31, 2014
Revolving loans	$ 251,370	$ 223,240
Less: debt issuance costs, net of accumulated amortization	(747)	(805)
	$ 250,623	$ 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 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 June 30, 2015, the Company had utilized the following amounts under the Amended Credit Facility Agreement:

- $241,500 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%.

- $3,747 (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%.

- $3,123 (U.S. $2,500) 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%.

- $3,035 of the swing line available. The swing line bears interest at the prime rate plus an applicable margin of 0.70%.

As at June 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 June 30, 2015 was a liability of $4,178 (December 31, 2014 - $2,113).

(In thousands of Canadian dollars)

(b) Finance costs:

The Company's finance costs comprise the following:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Interest on credit facilities	$ 2,225	$ 2,223	$ 4,331	$ 4,154
Interest on convertible debenture	1,127	1,129	2,241	2,246
Amortization of debt issuance costs	248	244	487	488
Other	61	127	127	219
	$ 3,661	$ 3,723	$ 7,186	$ 7,107

6. Dividends:

The monthly dividend rate, approved by the Board of Directors, was $0.065 for the three and six months ended June 30, 2015 (2014 - $0.065). Dividends declared for the three and six months ended June 30, 2015 were $9,363 and $18,723, respectively. The Company continued to declare the same monthly dividend amount in July 2015.

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.

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 six months ended June 30, 2015 and 2014:

(In thousands of Canadian dollars)

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Profit attributable to common shares (basic and diluted)	$ 9,272	$ 9,246	$ 17,483	$ 17,444
Weighted average number of common shares:				
January 1	–	–	47,999,712	47,962,793
April 1	48,014,866	47,962,793	–	–
Vested LTIP awards	1,532,155	1,231,520	1,397,442	1,069,002
Shares issued on redemption of LTIP[1]	19	4,460	7,759	2,242
Shares issued upon conversion of convertible debentures[1]	–	791	1,528	398
Basic	49,547,040	49,199,564	49,406,441	49,034,435
Dilutive effect of unvested LTIP awards	563,225	503,174	657,103	578,566
Diluted	50,110,265	49,702,738	50,063,544	49,613,001
Earnings per share:				
Basic	$ 0.19	$ 0.19	$ 0.35	$ 0.36
Diluted	$ 0.19	$ 0.19	$ 0.35	$ 0.35

[1] During the three months ended June 30, 2015, 132 shares (2014- 23,873 shares) were issued on redemption of LTIP units, and nil shares (2014- 2,333 shares) were issued upon conversion of convertible debentures. During the six months ended June 30, 2015, 13,620 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.

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, 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 June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Revenue:				
Canada	$ 127,657	$ 129,615	$ 251,163	$ 250,675
United States	14,763	11,262	29,649	21,293
Consolidated total	$ 142,420	$ 140,877	$ 280,812	$ 271,968

	June 30, 2015	December 31, 2014
Total assets:		
Canada	$ 731,696	$ 720,630
United States	44,225	36,025
Consolidated total	$ 775,921	$ 756,655

9. Supplementary cash flow information:

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

	2015	2014
Trade and other receivables	$ (6,131)	$ (12,009)
Unbilled fees, current and non-current	(7,843)	(11,181)
Prepaid expenses and other	(5,189)	(3,294)
Deferred implementation costs, current and non-current	(4,857)	(548)
Trade and other payables	(12,151)	(1,487)
Deferred revenue	2,981	1,066
	$ (33,190)	$ (27,453)

(In thousands of Canadian dollars)

10. 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		
	June 30, 2015	December 31, 2014	Level
Assets carried at fair value:			
Cash and investments held in trust	$ 11,885	$ 13,121	2
	$ 11,885	$ 13,121	
Liabilities carried at fair value:			
Bank indebtedness	$ 4,421	$ 5,171	1
Interest rate swaps	4,178	2,113	2
Future consideration related to acquisitions	1,949	1,347	3
	$ 10,548	$ 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 six months ended June 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.

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 $2,350.

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 six months ended June 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 acquisition and accretion	702
	$ 1,949

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 $73,300 (December 31, 2014 - $72,875) and a fair value of $85,091 (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 $250,623 (December 31, 2014 - $222,435) and a fair value of $251,370 (December 31, 2014 - $223,240). The fair value is determined based on market-based borrowing costs (Level 2).