Condensed Consolidated Interim Financial Statements
(Unaudited, in thousands of Canadian dollars)

MORNEAU SHEPELL INC.

Three and nine months ended September 30, 2019 and 2018
(Unaudited)

MORNEAU SHEPELL INC.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited, in thousands of Canadian dollars)
September 30, 2019, and December 31, 2018

	September 30, 2019	December 31, 2018 (note 3 (i)(a))
Assets		
Current assets:		
Cash	$ 6,280	$ 2,876
Trade and other receivables	106,783	101,973
Unbilled fees	78,267	68,635
Finance lease receivables (note 3 (i)(a))	1,906	–
Prepaid expenses and other	18,937	11,610
Cash and investments held in trust	10,298	13,166
Income taxes receivable	-	89
Deferred implementation costs	13,236	14,190
Interest rate swaps (note 5)	63	–
Total current assets	235,770	212,539
Non-current assets:		
Deferred implementation costs	48,392	44,675
Finance lease receivables (note 3 (i)(a))	3,658	–
Capital assets (note 3 (i)(a))	110,910	38,213
Intangible assets (note 4)	473,603	452,473
Interest rate swaps (note 5)	-	403
Goodwill (note 4)	605,917	594,316
Investments in joint ventures	5,628	5,723
Total non-current assets	1,248,108	1,135,803
Total assets	$ 1,483,878	$ 1,348,342

MORNEAU SHEPELL INC.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited, in thousands of Canadian dollars)
September 30, 2019, and December 31, 2018

	September 30, 2019	December 31, 2018 (note 3 (i)(a))
Liabilities and Equity		
Current liabilities:		
Bank indebtedness (note 5)	$ 8,365	$ 12,017
Trade and other payables	73,754	96,702
Income taxes payable	4,025	–
Deferred revenue	20,259	15,404
Insurance premium liabilities	10,298	13,166
Interest rate swaps (note 5)	881	504
Future consideration related to acquisitions	10,207	920
Dividends payable	4,200	4,173
Lease liabilities (note 3 (i)(a))	18,742	–
Total current liabilities	150,731	142,886
Non-current liabilities:		
Deferred revenue	15,549	12,534
Long-term debt (note 5)	460,474	374,381
Convertible debenture payable	83,857	83,117
Future consideration related to acquisitions	13,622	863
Interest rate swaps (note 5)	3,303	1,601
Other liabilities	-	19,700
Lease liabilities (note 3 (i)(a))	78,137	–
Provisions	3,125	3,534
Deferred tax liability	102,363	103,322
Total non-current liabilities	760,430	599,052
Equity:		
Share capital	825,435	820,792
Contributed surplus	27,090	27,141
Equity component of convertible debenture	1,045	1,045
Accumulated other comprehensive income (loss)	(7,393)	9,908
Deficit	(273,460)	(252,482)
Total equity	572,717	606,404
Total liabilities and equity	$ 1,483,878	$ 1,348,342

Subsequent Event (note 5)

See accompanying notes to the condensed consolidated interim financial statements.

MORNEAU SHEPELL INC.

Condensed Consolidated Interim Statements of Income and Comprehensive Income (loss)
(Unaudited, in thousands of Canadian dollars, except per share amounts)
For the three and nine months ended September 30, 2019 and 2018

	Three months ended September 30, 2019	Three months ended September 30, 2018 (note 3(i)(a))	Nine months ended September 30, 2019	Nine months ended September 30, 2018 (note 3(i)(a))
Operating revenue (note 11)	$ 223,980	$ 182,805	$ 641,341	$ 521,522
Operating expenses:				
Salaries, benefits and contractors	153,305	126,175	429,491	346,602
Other operating expenses	35,590	35,980	97,091	87,362
Depreciation and amortization	24,155	16,743	68,613	37,112
Total operating expenses	213,050	178,898	595,195	471,076
Finance costs	7,578	4,948	21,540	11,399
Transaction costs (note 4)	719	8,975	719	9,924
Share of income (loss) of joint ventures	(75)	(173)	399	(198)
Profit (loss) before income taxes	2,558	(10,189)	24,286	28,925
Income taxes expense (recovery):				
Current	4,429	(967)	13,431	12,311
Deferred	(3,203)	334	(5,465)	(1,732)
Total income taxes	1,226	(633)	7,966	10,579
Profit (loss) for the period	1,332	(9,556)	16,320	18,346
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit:				
Effective portion of change in interest rate cash flow hedges	562	410	(2,419)	553
Foreign currency translation differences for foreign operations	1,877	(4,620)	(15,335)	(3,135)
Income taxes on the above items	(156)	(109)	648	(148)
	2,283	(4,319)	(17,106)	(2,730)
Items that will not be reclassified to profit:				
Actuarial gain (loss) on post-employment benefit plans	(29)	60	(265)	58
Income taxes on the above item	10	(16)	70	(15)
	(19)	44	(195)	43
Other comprehensive income (loss), net of tax effect	2,264	(4,275)	(17,301)	(2,687)
Comprehensive income (loss) for the period	$ 3,596	$ (13,831)	$ (981)	$ 15,659
Earnings per share (note 7):				
Basic	$ 0.02	$ (0.15)	$ 0.25	$ 0.32
Diluted	$ 0.02	$ (0.15)	$ 0.25	$ 0.31

See accompanying notes to the condensed consolidated interim financial statements.

MORNEAU SHEPELL INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited, in thousands of Canadian dollars)
For the nine months ended September 30, 2019 and 2018

2019	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Equity component of convertible debenture	Total equity
Balance, December 31, 2018	$ 820,792	$ 27,141	$ (252,482)	$ 9,908	$ 1,045	$ 606,404
Adjustment on initial application of IFRS 16 (note 3 (i)(a))	–	–	417	–	–	417
Balance, January 1, 2019	820,792	27,141	(252,065)	9,908	1,045	606,821
Long-term incentive plan – expense	–	4,513	–	–	–	4,513
Long-term incentive plan – redemption	4,564	(4,564)	–	–	–	–
Shares issued upon conversion of convertible debenture	79	–	–	–	–	79
Profit for the period			16,320	–	–	16,320
Dividends (note 6)	–	–	(37,715)	–	–	(37,715)
Other comprehensive loss	–	–	–	(17,301)	–	(17,301)
Balance, September 30, 2019	$ 825,435	$ 27,090	$ (273,460)	$ (7,393)	$ 1,045	$ 572,717

2018	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Equity component of convertible debenture	Total equity
Balance, December 31, 2017	$ 558,972	$ 27,339	$ (223,491)	$ (2,806)	$ 1,045	$ 361,059
IFRS 15 implementation adjustment	–	–	(4,788)	–	–	(4,788)
Balance, January 1, 2018, restated	558,972	27,339	(228,279)	(2,806)	1,045	356,271
Long-term incentive plan- issuance	–	4,531	–	–	–	4,531
Long-term incentive plan – redemption	2,906	(2,906)	–	–	–	–
Shares issued – public offering	231,012	–	–	–	–	231,012
Share issuance cost, net of future income tax benefit	(7,494)	–	–	–	–	(7,494)
Shares issued – part of acquisition consideration	32,343	–	–	–	–	32,343
Profit for the period	–	–	18,346	–	–	18,346
Dividends (note 6)	–	–	(33,507)	–	–	(33,507)
Other comprehensive loss	–	–	–	(2,687)	–	(2,687)
Balance, September 30, 2018	$ 817,739	$ 28,964	$ (243,440)	$ (5,493)	$ 1,045	$ 598,815

See accompanying notes to the condensed consolidated interim financial statements.

MORNEAU SHEPELL INC.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited, in thousands of Canadian dollars)
For the nine months ended September 30, 2019 and 2018

	Nine months ended September 30, 2019	Nine months ended September 30, 2018 (note 3 (i)(a))
Operating activities		
Profit for the period	$ 16,320	$ 18,346
Items not involving cash:		
Depreciation and amortization	68,613	37,112
Finance costs	21,540	11,399
Long-term incentive plan expense	4,513	3,912
Income taxes	7,966	10,579
Change in provisions	(365)	(263)
Share of (income) loss of joint ventures	(399)	198
Other	1,035	1,309
	119,223	82,592
Change in non-cash operating working capital (note 9)	(40,048)	(17,839)
Cash generated from operating activities	79,175	64,753
Finance costs paid	(18,727)	(12,159)
Income taxes paid	(2,602)	(13,722)
Cash provided by operating activities	57,846	38,872
Financing activities:		
Change in revolving loan	85,494	207,654
Proceeds from issuance of shares	–	231,012
Cost incurred to issue shares	–	(10,238)
Cost incurred to modify credit facilities	–	(3,101)
Payment of lease liabilities, net of receipts (note 3 (i)(a))	(8,762)	–
Dividends paid	(37,688)	(32,811)
Cash provided by financing activities	39,044	392,516
Investing activities:		
Business acquisitions (note 4)	(59,154)	(405,602)
Additions to intangible assets	(18,692)	(12,947)
Additions to capital assets	(11,988)	(11,461)
Cash used in investing activities	(89,834)	(430,010)
Increase in cash for the period	7,056	1,378
Bank indebtedness net of Cash, beginning of period	(9,141)	(5,416)
Bank indebtedness net of Cash, end of period (note 9)	$ (2,085)	$ (4,038)

See accompanying notes to the 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. The Company's principal and head office is located at One Morneau Shepell Centre, 895 Don Mills Road, Suite 700, Toronto, Ontario, M3C 1W3.

Morneau Shepell Inc., its subsidiaries, and joint ventures (the "Company") is a provider of technology-enabled human resource services that support an integrated approach to well-being. The Company's focus is providing everything its clients need to support the mental, physical, social and financial well-being of their people. The Company's business spans services in employee and family assistance, health and wellness, recognition, pension and benefits administration, retirement and benefits consulting, actuarial and investment services. 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 condensed consolidated interim financial statements ("interim financial statements") were approved by the Company's Board of Directors on November 5, 2019.

2. Basis of preparation:

These interim financial statements for the three and nine months ended September 30, 2019 and 2018 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, 2018 prepared in accordance with IFRS as issued by the IASB.

IFRS 16, Leases ("IFRS 16") was adopted effective January 1, 2019. Changes to significant accounting policies are described in Note 3 (i)(a).

3. Significant accounting policies:

(i) Changes in accounting policies:

The Company has adopted the following new standards, along with any consequential amendments. These changes were made in accordance with the applicable provisions.

(a) IFRS 16

The Company adopted IFRS 16 effective January 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

At the inception of a contract, the Company assesses whether a contract is or contains a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

A. As a lessee

The Company leases office premises and equipment. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company presents right-of-use assets in “capital assets,” whereas lease liabilities are separately presented in the statement of financial position.

The Company recognizes a right-of-use asset and a lease liability at lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not assessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. In accordance with IFRS 16, the Company has elected to measure its right-of-use assets at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than twelve months as at January 1, 2019 as short-term leases; and
- The use of hindsight in assessing the lease term.

B. As a lessor

The accounting policies applicable to the Company as a lessor are not different from those under IAS 17. However, when the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company subleases some of its properties. The Company reassessed the classification of its sublease contracts previously classified as operating leases under IAS 17 and concluded that its subleases were finance leases under IFRS 16. As a result, the Company recognized a finance lease receivable for each sublease and a lease liability under the head lease on transition to IFRS 16. An adjustment to opening retained earnings reflected the difference between the finance lease receivables and lease liabilities, after considering any amounts previously recognized under IAS 17 or IAS 37.

(Unaudited, in thousands of Canadian dollars)

C. Impacts on financial statements

i. Impacts on transition

The impact on transition is summarized below.

	January 1, 2019
Finance lease receivables	$ 6,612
Right-of-use assets presented in capital assets	70,822
Lease liabilities	97,198
Other liabilities	(20,082)
Provisions	(99)
Retained earnings	417

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied was 4.8%.

	January 1, 2019
Operating lease commitment (gross) at December 31, 2018 as disclosed in the Company's consolidated financial statements	$ 124,224
Discounted using the incremental borrowing rate at January 1, 2019	(22,454)
Recognition exemptions and other	(4,572)
Lease liabilities recognized at January 1, 2019	$ 97,198

ii. Impacts for the period

As a result of IFRS 16, the Company has recognized $70,571 of right-of-use assets and $96,879 of lease liabilities as at September 30, 2019. The Company has also recognized $5,564 of finance lease receivables related to its subleases as at September 30, 2019.

The Company, as a lessee, has recognized depreciation and interest costs (instead of operating lease expense) and as a lessor, has recognized interest income (instead of sublease income). During the three months ended September 30, 2019, the Company recognized $3,341 of depreciation charges and $1,078 of net finance costs from these leases. During the nine months ended September 30, 2019, the Company recognized $9,260 of depreciation charges and $3,228 of net finance costs from these leases.

The Company's adoption of IFRS 16 does not impact its ability to comply with the financial covenants described in note 5, as the covenants are calculated throughout the term in accordance with existing lease guidance applicable at the date the credit agreement was amended.

(b) IFRIC Interpretation 23, Uncertainty over Income Tax Treatments ("The Interpretation")

The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Company adopted the interpretation effective January 1, 2019.

The Interpretation requires the Company to: a) contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; and b) determine if it is probable that the tax authorities will accept the uncertain tax treatment or if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The adoption of IFRIC 23 did not have a material impact on the Company's interim financial statements.

4. Business acquisitions:

(a) Mercer health and defined benefit pension plan administration business

On May 6, 2019, the Company announced that it had entered into an agreement to acquire the stand-alone, large market, health and defined benefit pension plan administration business of Mercer in the United States. The transaction closed on August 7, 2019 for a purchase price of $76,749 (US$57,911) subject to certain post-closing adjustments. The cash payment consists of $52,581 (US$39,675) paid on closing, with the remainder to be paid over the fourteen months subsequent to closing, of which $14,910 (US$11,250) is contingent on achieving certain revenue targets. At the date of acquisition, $22,091 (US$16,669) was recognized as an acquisition liability representing the estimated future cash payments discounted. The purchase was financed through a draw down from our existing revolving credit facility. The acquisition expands the Company's presence in the United States and strengthens its competitive position.

The acquisition has been accounted for using the acquisition method of accounting. The allocation of the purchase consideration for this acquisition is considered to be preliminary and subsequent adjustments during the measurement period will occur as the Company completes its estimation of the fair value of assets acquired, including the valuation of intangible assets. The allocation of the purchase consideration is as follows:

(Unaudited, in thousands of Canadian dollars)

Proprietary software	$	6,361
Customer contracts		3,578
Customer relationships		41,615
Goodwill		23,118
	$	74,672

The goodwill is primarily attributable to the ability to expand the Company's presence in the United States and strengthen its competitive position. The goodwill acquired will be allocated to the Pension and Benefits Administrative Solutions CGU for the purposes of impairment testing. The goodwill is deductible for tax purposes.

As at September 30, 2019, $719 of acquisition related costs had been incurred and are included in the Condensed Consolidated Interim Statements of Income and Comprehensive Income (loss) for the three and nine months ended September 30, 2019.

From the date of acquisition up to and including September 30, 2019, the acquisition has contributed operating revenue of $20,349 and a loss of $935 (which includes pre-tax amortization of $714 for acquisition related intangible assets and interest expense of $588). Had this acquisition occurred on January 1, 2019, the Company estimates that the consolidated revenue of the Company would have been higher by approximately $102,000 and the consolidated profit would be higher by approximately $1,700. In determining these amounts, the Company has assumed that the fair value adjustments that arose on the acquisition date would have been the same had the acquisition occurred on January 1, 2019.

(b) MorningStar Health Inc.

On September 11, 2019, the Company completed the asset acquisition of MorningStar Health Inc. which complements the Health and Productivity Solutions line of business for total cash consideration of $6,722 (US$5,100), of which $6,063 (US$4,600) was settled on closing and estimated future cash consideration of $659 (US$500) is due in September 2020. At the date of acquisition, $540 was recognized as an acquisition liability representing the estimated future cash payments discounted.

This acquisition has been accounted for using the acquisition method of accounting. The allocation of the purchase price for this acquisition is preliminary, and is as follows:

Net working capital	$	501
Capital assets		593
Customer relationships		2,834
Goodwill		2,675
	$	6,603

(Unaudited, in thousands of Canadian dollars)

The goodwill is attributable primarily to the ability to expand the Company's Health and Productivity Solutions practice. The goodwill is deductible for tax purposes.

The pro forma operating revenue and profit related to the acquisition is immaterial for the three and nine months ended September 30, 2019.

5. Long-term debt:

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

	September 30, 2019	December 31, 2018
Revolving loans	$ 463,418	$ 377,923
Less: debt issuance costs, net of accumulated amortization	(2,944)	(3,542)
	$ 460,474	$ 374,381

At September 30, 2019 the Company had a revolving Credit Facility of $500,000 (including a swing line of $14,000), which matures on July 27, 2023. The interest rates for the 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 agreement. The Credit Facility Agreement 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 3.5:1.0 (or not more than 4.0:1.0 for the 12-month period immediately following the completion of a permitted acquisition, as defined in the agreement, with a purchase price of $50,000 or more), and an EBITDA to interest expense ratio of not less than 2.0:1.0.

At September 30, 2019, the Company had utilized the following revolving loan amounts under the Credit Facility Agreement:

- $394,500 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 2.00%.

- $8,000 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 1.00%.

- $46,351 (US$35,000) of U.S. Libor loans under the revolving loan. The U.S. Libor loans are renewed on a monthly basis, bearing interest at the one- month U.S. Libor rate plus an applicable margin of 2.00%.

- $14,567 (US$11,000) of U.S. Base Rate loans under the revolving loan. The U.S. Base Rate loans are renewed on a monthly basis, bearing interest at the one- month U.S. Base Rate plus an applicable margin of 1.00%.

The Company utilized $6,079 of the swing line available. The swing line carries interest at prime plus an applicable margin of 1.00%.

As at September 30, 2019, the Company complied with all the required financial covenants.

The revolving Credit Facility allows the Company to request an additional $100,000 of revolving facility (the "New Commitments") subject to the same terms and conditions of the revolving facility. Subsequent to the quarter end, the Company requested and obtained approval for the New Commitments.

(a) Interest rate swaps:

In July 2017, the Company entered into a forward-starting interest rate swap agreement to hedge against the variable interest rate component on $50,000 notional amount borrowed under the Credit Facility Agreement for the period from November 29, 2017 up to and ending December 20, 2020. The notional amount of this swap is $50,000 and is used to fix the variable component of the interest rate at 1.79%, before the applicable margin, for the duration of this period. In August 2018, the Company entered into a syndicated forward-starting interest rate swap agreement to hedge against the variable interest rate component on $130,000 notional amount borrowed under the Credit Facility Agreement for the period from September 4, 2018 up to and ending July 27, 2023. The notional amount of this syndicated swap is $130,000 and is used to fix the variable component of the interest rate at 2.59%, before the applicable margin, for the duration of this period. The two swaps have been designated as cash flow hedges. The fair value of these interest rate swaps at September 30, 2019 was a net liability of $4,121 (December 31, 2018 – net liability $1,702).

6. Dividends:

The monthly dividend rate, approved by the Board of Directors, was $0.065 for the nine months ended September 30, 2019 (2018 - $0.065). Dividends declared for the nine months ended September 30, 2019 were $37,715 (2018 - $33,507). The Company continued to declare the same monthly dividend amount in October 2019.

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 debentures.

The following details the earnings per share, basic and diluted, calculations for the three and nine months ended September 30, 2019 and 2018:

(Unaudited, in thousands of Canadian dollars)

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Profit (loss) attributable to common shareholders (basic and diluted)	$ 1,332	$ (9,556)	$ 16,320	$ 18,346
Weighted average number of common shares (in number of shares):				
January 1			64,205,330	53,853,225
July 1	64,580,928	53,883,907		
Issued on redemption of LTIP[1]	9,317	103,420	227,869	48,874
Issued as part of acquisition and public offering (note 6)	–	6,991,631	–	2,356,154
Issued on conversion of convertible debenture[2]	379	–	169	–
Vested LTIP awards	1,600,640	1,736,028	1,617,365	1799,214
Basic	66,191,264	62,714,986	66,050,733	58,057,467
Dilutive effect of unvested LTIP awards	501,874	–	472,565	605,238
Diluted	66,693,138	62,714,986	66,523,298	58,662,705
Earnings per share:				
Basic	$ 0.02	$ (0.15)	$ 0.25	$ 0.32
Diluted	$ 0.02	$ (0.15)	$ 0.25	$ 0.31

[1] During the three months ended September 30, 2019, 12,233 shares (2018 – 212,289 shares) were issued on redemption of LTIP units. During the nine months ended September 30, 2019, 406,683 shares (2018 – 242,971 shares) were issued on redemption of LTIP units.

[2] During the three months ended September 30, 2019, 3,107 shares (2018 – nil shares) were issued on conversion of convertible debentures. During the nine months ended September 30, 2019, 3,226 shares (2018 – nil shares) were issued on 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 calculation.

(Unaudited, in thousands of Canadian dollars)

8. Segmented information:

The Company has four core lines of business, consisting of Well-Being, Pension and Benefits Administrative Solutions, Retirement Solutions, and Health and Productivity Solutions. Aggregation of operating segments was applied to determine that the Company has 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 condensed consolidated interim financial statements:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenue:				
Canada	$ 144,705	$ 141,816	$ 444,980	$ 428,378
United States and International	79,275	40,989	196,361	93,144
Consolidated Total	$ 223,980	$ 182,805	$ 641,341	$ 521,522

	September 30, 2019	December 31, 2018
Total assets:		
Canada	$ 867,511	$ 841,657
United States and International	616,367	506,685
Consolidated Total	$ 1,483,878	$ 1,348,342

9. Supplementary cash flow information:

Change in non-cash operating working capital for the nine months ended September 30, 2019 and 2018 was as follows:

	2019	2018
Trade and other receivables	$ (4,613)	$ (3,720)
Unbilled fees, current and non-current	(9,632)	81
Prepaid expenses and other	(7,554)	(1,908)
Deferred implementation costs, current and non-current	(3,868)	(2,919)
Trade and other payables	(22,213)	(6,598)
Deferred revenue, current and non-current	7,832	(2,775)
	$ (40,048)	$ (17,839)

(Unaudited, in thousands of Canadian dollars)

Bank indebtedness reconciliation as at September 30, 2019 and December 31, 2018 was as follows:

	September 30, 2019	December 31, 2018
Bank indebtedness	$ (8,365)	$ (12,017)
Cash	6,280	2,876
Bank indebtedness net of Cash	$ (2,085)	$ (9,141)

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		
	September 30, 2019	December 31, 2018	Level
Assets carried at fair value:			
Interest rate swaps	$ 63	$ 403	2
	$ 63	$ 403	
Liabilities carried at fair value:			
Interest rate swaps	$ 4,184	$ 2,105	2
Future consideration related to acquisitions (contingent portion)	14,750	1,783	3
	$ 18,934	$ 3,888	

During the nine months ended September 30, 2019, 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 a contractual maximum of $16,441.

(Unaudited, in thousands of Canadian dollars)

Financial instruments carried at amortized cost:

The carrying values of trade and other receivables, cash and investments held in trust, bank indebtedness, 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 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 $83,857 (December 31, 2018 - $83,117) and a fair value of $113,413 (December 31, 2018 - $95,021). 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 $460,474 (December 31, 2018 - $374,381) and a fair value of $463,418 (December 31, 2018 - $377,923). The fair value is determined based on the cost of borrowing for a company with a similar risk profile (Level 2).

Credit Risk:

The Company's exposure to credit risk is limited to the carrying amount of cash and investments held in trust, unbilled fees (which are contract assets), and accounts receivable recognized at the reporting date.

11. Revenue:

The following shows the disaggregation of revenue by the Company's lines of business:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Well-Being	$ 88,016	$ 76,896	$ 269,052	$ 195,438
Pension and Benefits Administrative Solutions	81,284	51,778	204,861	158,312
Retirement Solutions	28,057	28,416	88,433	90,352
Health and Productivity Solutions	26,623	25,715	78,995	77,420
	$ 223,980	$ 182,805	$ 641,341	$ 521,522

The Company realigned its core lines of business towards the goal of being more responsive to changing client needs. The Company has four core lines of business, consisting of Well-Being, Pension and Benefits Administrative Solutions, Retirement Solutions, and Health and Productivity Solutions. The Company restated its comparative period revenue to align the comparative period.